

A World Crisis of Depression is ahead of us,
and only a Henry George Solution can prevent a Total Bankruptcy

In order to understand better Henry George's ideas about collecting the land rent instead of tax on labour, we must realize that the enormous debt of the poor countries is due to the extraordinarily high level of interest, and we must explain how this came about.

Many poor countries are unable to pay the interest on their loans because of the high rate of interest. If the rate of interest is 10 per cent and added annually to the debt, the debt will be doubled in 7 years, while it takes 14 years if the rate of interest is only 5 per cent.

In other words, instead of being doubled within 14 years it will be 4-doubled when 10 per cent, and this is the merciless conditions for the poor countries of the thirds world.

But why has the rate of interest gone up from 4-5 to 10-12 per cent in the last 30 years?

It is caused by the high rate of **inflation**.

Inflation is an incentive to two kinds of land speculation:

1. Hedging against people's loss on the value of their savings.
2. Plain speculation in the rise in land value, speeded up by higher demands when inflation is high.

When buying land, most people borrow an excess of money for this purpose, which creates a rise of the rate of interest.

Inflation is caused by surplus purchasing power deriving from non-productive income. Up to the second world war it was, however, met by increasing productivity, thanks to the technical development, which again implied price increases on a low level.

The consumer price index would have declined, thanks to higher productivity, had there been no surplus purchasing power.

In recent years surplus income rose faster than technical development and productivity. An inflation of 5 per cent, sometimes 10 per cent, was the general fact, even in countries with a relatively sound economy.

Today's technical development, resulting in increasing productivity, is almost catching up, and at present we only have an inflation of about 2-5 per cent, but tomorrow it may rise again.

A famous economist agreed with me that we have inflation when money supply is growing faster than production, but he could not tell me where surplus purchasing power comes from.

The principal source of purchasing power involving no production comes from the rise of land value when selling land.

If purchasing power could be obtained by work and production only, there would be no surplus income to force prices up and thus there would be no inflation.

The cause of inflation is that the rise in land value, created by community, goes into private pockets as annual rent instead of being collected and used for reduction of the income tax. If this method came into effect, there would be a balance between the inflationary effect and tax reduction so that the yield of the rise of land value would be shared by the whole population and not be for the benefit of a few wealthy people only.

We must realize that inflation has its winners and losers. You can only stop the negative effects upon the losers by stopping the advantages for the winners. The solution is L.V.T., which has three revolutionary effects:

1. it will stop the inflation
2. it will lower the want for burroughing
3. it will bring down the rate of interest
4. it will lower the growth of debts, and
5. it will eliminate the income tax.

Knud Tholstrup

Competition, Not Inflation

CAN PRICE ceilings or price regulations prevent inflation? On this question we have two schools of thought and possibly three. One is of the opinion that governmental price regulation is necessary, another would do away with all such regulations, and a third would pursue what it calls a middle course. I maintain that all governmental interference with the production and distribution of the fruit of man's work cures nothing; that demand for price regulation stems from our fundamental interference (by man-made laws) with natural economic laws; that none of these three schools of thought touch upon or even consider the fundamental maladjustments from which spring the inflation pressure.

Everyone knows that there is an enormous inflation in land prices, but not until recently have people generally and those in power become alarmed about it. Will this require more price ceilings? Will our whole policy of government be transformed into a policy of "locking the stable after the horse is stolen"? Land price inflation is the primary cause of all other inflation because it is the one factor which throttles production. There is only one way to stop inflation, and that is by first attacking and stopping land price inflation. And that can be done only by taxing speculation in land, which can be effectively accomplished only by changes in our tax system. In this connection, as well as everywhere, when I use the term "land," it must be remembered that it includes all the natural resources, all the mineral deposits, all the waters, sites for industry and harbors; in fact, all the material universe outside of man himself, his labor or improvements.

The entrepreneurs in industry and in agriculture must have access to land for farming and for sites—locations—on which

alone they can carry on the procurement of raw materials as well as the manufacture and distribution of the goods which the world needs. Our present land and tax policy constitutes a toll-gate barrier to all the needed sites. The combination to open this barrier is in our hands. An understanding of fundamental economic laws gives us that combination, as has been heretofore explained. By opening that gate, capital and labor will no longer be denied access to the storehouse provided by nature. Capital and labor will then have more equal access to the natural resources and competitive production and consumption will soon overtake inflation. Competition, which has always been the life of trade, will again resume its place in a free society, and the law of supply and demand will control the prices (not the arbitrary orders of governmental bureaucrats). Free enterprise will again flourish, unfettered by an ancient feudalistic land-tenure system and communistic taxation. And freed from all arbitrary restrictions, capital and labor will enjoy a new lease on life. They will supply enterprise which for the first time we will have the right to call "Free Enterprise." It will mean the fructification of liberty.

If any proof were required that there is the most urgent need for fundamental thinking, we have it in overwhelming abundance. The octopus of economic planning has thrown out its tentacles and taxes in every direction, and it is impairing, if not destroying, the incentive to production. This octopus has hampered the free locomotion of industry—of capital and labor; it has all but killed competition—the motive power of all sound progress and the crucible which weeds out that which is not good and should not survive.

In all the serious writing of today we find a lamentation over the disappearance of economic freedom. Walter Lippman puts it in these words: "A nation cannot grow rich by not producing, by not working, by not saving, by not being enterprising, by seeking only security and protection."

But he does not tell us how to bring about production. Ralph Bradford, general manager of the Chamber of Commerce of