

## I.

My theory about the inflationary influence of rising land values  
by Knud Tholstrup.

There is still an inflation -- look at the hourly wages from 1900 up to date. The rise is much higher than the progress in technic. --

Objection I.  
What about the deflation 1929 - 30.

Even it struck hard it was only a brief one. Soon afterwards the inflation resumed.  
In peace time the inflation is a gradual process but in war time it grows rapidly because the governments pay with money which is not earned by production and taken in through taxes (transferred from private pockets to official pockets) but just printed and sent in circulation to augment the amount of money.

This money is in that way false money because it does not represent a real value but is only a false part of the value which has already been paid for once. The production of real value does not follow the production of these government money.

Objection II.  
The governments do not always make notes or coins but very often they sell bonds and war notes instead of printing notes -- and that is not real money.

That is right but there is in principle no difference in the kind of money. All pieces of papers which have a value are money -- notes, shares, bonds, deeds and mortgages. Normally there is always a balance between real capital goods and the amount of money.

As soon as real capital is improved (production bigger than consumption) there will be made more paper money corresponding to the amount of real value rising. If governments never borrowed money and never spent more money than the revenue brought in by taxes the cause of inflation would be stopped. But there are other possibilities for making false money and these possibilities are in the hands of monopolists who for instance in protected industry are able to sell their shares for a higher price than the natural value, because they will be able to charge a higher price for the goods produced so that the future consumer of this factory's own products pay the interests. The same happens in the case of land value rising. Here also the prospective user of the land through the interests he has to pay in the future makes it possible to make new false money (bonds).

Objection III.  
From where does the money come to pay for these bonds? This money must first be earned by production before one man can sell his land at a higher price than he paid for it and that is only transferring money from one pocket to another, not making new money.

No, the man who buys land which has risen in value without its fertility having improved but for which there is a rising demand does not always pay with money he has earned by work. He might give a bond which promises to pay the interest in the capital in the future.

## II.

The man who sold the land however is able to exchange his bond for real money and the amount of paper money (false capital) has increased faster than the increase in real value rising. There will now be more money in circulation than is represented by real value. And this works in the same way as pouring a little water in the milk. There is more milk but the milk is thinner. And that means that all the milk in the country gets a little thinner each day.

Objection IV. If land value rising is false capital all land value must be false capital and all land rent false money too.

No. The land values to day has already run the course of its inflation when the increase was capitalised. It is only the future rise which causes new inflation. --

To illustrate this we say --

The real capital in Denmark (land, buildings, machinery, live stocks etc.) is to day kr. 50 billions and in the coming 2 years the real value will be increased by 1 billion through production. In the same time the land value properly will rise another billion, i.e. that Denmark in two years has a value of 52 billions -- and the amount of paper money has increased in the same time to kr. 52 billions.

One Danish Krone is to day 1/50-billion of all Danish assets. After an increase in the real value of 1 billion in two years one Kr. should be 1/51-billion of a capital of 51 billion kr. But because of higher valuation of land of another billion the Danish Krone will only be 1/52-billion of a real value of kr. 51 billions -- i.e. that the Danish krone has fallen 2% in value -- more milk but thinner.

This inflation could be stopped by use of full "grundskyld".