

Thanks to Mr. Blundell for his lecture and his attempt to find the cause of inflation - but I have some remarks to your paper.

The Concise Oxford Dictionary definition must be very old and is too simplified when saying "Inflate: resort to inflation of the currency, raise prices artificially: so Inflation, abnormal increase of the currency, e.g. by the issue of inconvertible legal-tender notes."

H.G. was much more modern 100 years ago. From page 40 in "Progress and Poverty" I quote:

"Increase in the amount of bonds, mortgages, notes, or bank bills cannot increase the wealth of the community that includes as well those who promise to pay as those who are entitled to receive. The enslavement of a part of their number could not increase the wealth of a people, for what the enslavers gained the enslaved would lose. Increase in land value does not represent increase in the common wealth, for what landowners gain by higher prices, the tenants or purchasers who must pay them will lose." unquote

H.G. thus includes all kinds of means of payment - not only the bank notes. This is a good illustration of the two sides of inflation. The tenants and purchasers necessarily have to obtain higher prices for their services and products in order to pay the increasing rent. Rent is a considerable cost on production, and will, as all other costs, end up in inflated prices on goods.

It is proved by the development in Denmark since 1960, when the "index family" had a rising part of its consumption as house rent, up from 7% to 20% by now. Thus the last 13% is land rent rising in 20 years, their contribution to land monopoly, newbuilders much more, increasing average more and more.

About inflation in Germany page 10:

I have another explanation to the collapse of the currency in Germany in 1923.

The confidence in money was completely lost, everybody bought real values especially real estate. Real estate prices exploded - but started as a modest hedging against inflation. Real estate owners and other wealthy people got more rich - they could now pay their debts by the empty bottles, while all poor people lost their small savings, and could not pay for their food out of their wages.

The increase in paper money was an effect, not the cause of the collapse.

Land speculation is more and more often caused by lost confidence in the pound/dollar/or krone. Devaluations are accelerating the distrust in money, so hedging against losing wealth takes place by purchase of land - also with borrowed money, so that rate of interest goes up.

To stabilize the economy, we have to re-establish the confidence in money.

Mr. Blundell has an interesting sentence, last line but seven on page 11. I quote:

"Clearly, however, if people have to pay more for some goods or service they must spend less on others"

(Unquote).

If people have to pay more as rent to the landlord or landowner because building plots have risen, they must spend less on other items, in accordance with H.G. page 40. This effect creates unemployment - one of the serious effects of inflation.

Mr. Blundell is correct when saying (a line before):

"That the employer simply passes the increases on to his customers"- unq.

as that also counts for the increased rent he has to pay as all costs whatsoever end up as higher consumer prices.

Costs such as rent obtained as surplus income from rising land value without being balanced by production, further inflate the consumer prices.

Mr. Blundell's table on page 12 shows the growth in bank notes and in prices, which tells me that people need more bank notes in their wallets when prices are rising, and so do the cashiers in shops and banks for the main part of the ten billion pounds.

But as means of payment, bank notes count for only 2 % of the total amount of money. The remaining 98 % of all money consists of bank deposits, besides bonds, mortgages, notes, or bank bills as H.G. mentions it on p.40. In purchase of major items cash money is not used at all.

It leads to the question. What would happen if people in general got so frightened of robbery that they reduced their cash-money to only half as usual - and the second half was returned to the Central Bank ? And what would happen if an epidemic like colera started and the Ministry of Health ordered all bank notes regarded as disease carriers returned to the bank and advised people to use checks instead ? Would that effect the consumer prices up or down or not at all.

You can use the development in Denmark as a model of the average of the countries represented here.

Since 1960 bank notes rose from 3 bill.DKr to 14 bill.DKr (+ 370 %)							
bank deposits -	-	15	-	-	-180	-	(+ 1100 %)
bonds -	-	21	-	-	-526	-	(+ 2400 %)
(estm.) mortgage deeds-	-	1	-	-	- 80	-	(+ 8000 %)
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Total		40	-	-	-900	-	(+ 2150 %)
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In the 20 years, bank notes thus shrunk from 7½ % to only 1,6 % of the total amount of money circulating. In the same period land rose from 17 bill. DKr to 320 bill. DKr (+ 1800 %).

Milton Friedmann's general accepted definition : "we have inflation when the money supply is rising faster than production".

COMMENTS TO : INFLATION, BY GRAHAM HART

Inflation always has two sides - the winners and the losers. We are all losers when we have to pay 10 % more for our daily uses. But some of us - rather few - are winners at the same time, not because our holdings get more valuable in coins, but because our debts are reduced by 10 % every year at the cost of our creditors. The rich get richer without work. It is only when there are winners you can realize inflation.

You can therefore cut most of all other asserted causes out, but land value rising going into wrong pockets.

Graham Hart starts and ends the chapter with mentioning that there is no inflation in USSR, but not mentioning that in Russia there is no private ownership to land, and therefore no winners. When no winners, no losers, and consequently no inflation.

Georgists should be the first to see the connection between the two: surplus profit without fitting anything, and the inflation, as all georgists agree that in spite of having general progress, we still have poverty.

A profit in 20 years of 300 bill. DKr in Denmark, and of £.230 bill. in the U.K. and \$.2000 bill. in the U.S.A. is a lot of money for doing nothing.
(U.K. & U.S.A. are estimates proportional in relation to Denmark.

Do not forget that land rises 4 times as fast as prices in general. And I repeat that only we georgists have the cure - public collecting of the community-created land rent.

25 years ago, as a member, I gave the Danish Parliament a promise of stopping the inflation by introducing LVT, and bringing the rate of interest down. Both promises were kept for the next 4 years.

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