INFLATION AND ITS CONSEQUENCES

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Inflation describes the process where there are continuing rises in the prices of goods and services. Inflation is measured by comparing the prices of similar goods and services at separate times. A common definition of inflation is "too much money chasing too few goods". Inflation is thought of as a problem of money in relation to goods and services. The principles of economics indicate that this definition is insufficient because money is only the measure of prices. The increases in prices have a deeper cause than is to be found in the use of money.

Inflation comes about owing to taxes, tariffs and other imposts and concessions all of which raise prices without the amount of money or goods and services being altered. Even stamp duties on sales of property and mortgages inflate the price of whatever they are imposed upon. Licences and the like which are a cost to the licencees have to be recovered in increased or inflated prices.

Cartels, such as the cartel of the 1970s which raised oil prices throughout the world, do the same and into this category must be added monopolies controlled by aggregates of capital equipment and privilege, especially those which keep competition out of the market place. Holding land out of use is inflationary because, by forcing back the margin, the price of land titles generally is forced up. Over-issue of money, wage awards above the natural level, controlled interest rates above the natural level, patents, in short anything which is arbitrary, artificial and adds to the price of goods and services is inflationary. Because these things are a permanent feature of society they constitute an inbuilt inflation in the economy of a nation. Whenever a government imposes a tax or burden upon production the inflation rate rises accordingly.

The discovery of minerals such as gold, oil, iron ore, high prices for agriculture products and reconstruction times after wars usually produce a time of prosperity. During these boom times there is full employment, wages are high and there is a margin for the wage earner and capital equipment owner to save and buy a home and luxury goods. Competition for land sites inflates their prices to the extent that the excess of wages over subsistence is used to purchase a home, factory, shop or farm site. Because the extra demand for goods and services can be satisfied quickly by extra production their prices soon level out when shortages of goods are overcome. Competition for land sites, however, cannot be satisfied by producing more sites; only the margin can be forced back which increases land values or rents of all other sites, so land title values are inflated.

During the boom times many wage earners and capital equipment owners over-extend themselves by land speculating, expecting the boom to last longer than it does. This further raises land title above the natural level because, in addition to the natural level, there is a speculative value added. Many land title purchases are made on repayment terms over a long period and the expectation of future wages and interest income is committed. When wages and interest are used to pay unrealistic land title prices, there is less to purchase the goods and services of others, so general production is checked. Many wage and interest earnings from capital equipment find that the check to general production reduces their earnings, or even makes them redundant and unemployed. They then cannot pay off their mortgages and often lose their home and land sites. When this happens to many, it is said that there is a slowing of the economy, a recession or, under more severe unemployment, that there is an economic depression.

When the economy slides into a depression, the way into more prosperous times can come about by labour and capital equipment owners reconciling themselves to lower returns i.e. a return to lower subsistence wages and earnings from equipment. Another way is by an increase in population, or by improved methods of production both of which will bring land title values up to the point at which they have been over-valued (p45). The principles of economics, however, indicate that collecting rent for revenue keeps land title values, rents, at a natural level, and together with the abolishment of taxation and privileges there could not be inflation. Prices of both land titles and goods and services would become simply a matter of supply and demand in the market place. Inflation could not enter into the situation.

High prices can occur in famine or drought in the same way that prices become very low in places with seasons of plenty, but in today's world this situation can generally be brought to

social – even criminal – behaviour of their citizens regardless of the "leftness" or "rightness" of their governments. The recent dramatic collapse of a nation that was generally accepted as a super-power – the USSR – proves that Marxism does not create general prosperity. Similarly, the extraordinarily widespread – and increasing –