

INFLATION: THE STARTING POINT

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W. H. Pitt ("Inflation - Is This Correct?" in the Spring Georgist Journal) is perfectly right in stating that "the immediate cause of inflation lies in deficit budgeting." But this is only a small fraction of the whole problem. The general formulation of the cause of inflation is the destruction of confidence. This can be done in many ways - deficit budgeting is one of thousands.

Inflation is "something for nothing." If, for instance, tomorrow you have to pay more for the same human exertion as yesterday, that one dollar more has no value. Mixed among the whole supply of currency, all dollars are proportionately devalued.

If you follow the chain of wages, prices and the rest, somewhere you'll end up at the printing press - printing dollar notes not backed by wealth, consequently bearing no confidence. So the printing press is an effect, not the cause of inflation.

If you ask for the beginning of inflation, searching around and around for all instances of "violation of confidence," without tracing the starting point of inflation, I would advise you to ask why. Why does one ask something for nothing? The kernel of the answer is, because the other fellow is doing it (price-wage, price-wage, ...). And if we keep asking why, we indeed get to the starting point: land. Every dollar paid for a gift of nature is not backed up by wealth produced by human exertion. The capitalisation of the rent into the price of land is the first "something for nothing," prompting all others to play the same trick - all the way to deficit budgeting by government, and to the printing press as a final consequence of the whole story.