Dry Rot of Inflation

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PRESIDENT NIXON'S trouble with the dollar has arisen solely because, like many presidents before him, he has persisted in debasing it. Descriptions of this practice vary from calling a spade a spade to refined euphemisms. The spade version is "printing all the dollars required to make good a deficit." Other versions are "deficit spending," "expanding the economy," "stimulating demand" and "managing the currency."

Governments with the assistance of their economists present the effects of this self-inflicted inflation as though they were causes *i.e.*, rising prices, increasing costs, wage inflation, cost push, demand pull, spending spree etc., putting the blame upon everyone but themselves.

The world's money troubles arise, it seems, because countries insist on debasing their currencies at different rates and taking evasive monetary and fiscal action at different times while protesting that they will not devalue, up-value or float on any account. Then, just when everyone (except the speculators) is least expecting it, they bend to natural economic laws and claim credit for political wisdom.

As soon as a country (as the U.S. now) starts to put up tariff barriers to restrict imports so as to improve its artificial balance of payments, so as to lessen its demand for foreign currencies and increase the demand for its own, so as to make good the damage done by printing too much of it, other countries cry out: "If you make your people pay more for our goods by imposing import duties and restrictions, we shall retaliate by making *our* people pay more for your goods. So there!"

When these (predictable to those in the know) crises break, newspaper editors and T.V. producers rush out and grab an expert economist to explain matters.

These economists, all of whom put on a worried look for the occasion, pronounce that the solution is either, all, or a combination of the following,—or at least that is the impression I am left with after reading and listening to everything to be said on the subject.

Controlled floating of currencies; floating control of currencies; planned free trade; crawling pegs with fixed elasticity tied to fixed floating rates; expansion of the economy; retraction of the economy; and consultations with the editor of *Old Moore's Almanack*.

And yet it's all so simple. But if I've got this wrong about governments printing their way out of the frying pan into the fire, will someone please tell me where the U.S. government is going to get between $20,000,000,000 and $25,000,000,000 to make good its estimated budget deficit for 1971?

Alternatively, perhaps someone will explain why it is a legal offence for a private citizen to print bank notes and what harm it is supposed to do to anyone?

Footnote. I have just heard that economists at Manchester University are to spend about £100,000 researching into the "causes and consequences" of inflation. It is expected to take three years before they come up with their answer by which time the cost, due to inflation, is likely to be nearer £130,000.