

## CURRENCY DEBASEMENT AND THE ACADEMICS

At Melbourne University's 1972 Open Day, there was a forum on the state of the Australian Economy. Short addresses were given by Professor J. O. N. Perkins (Professor of Economics), Dr. D. S. Ironmonger (Editor of the "Australian Economic Review"), Dr. E. A. Boehm (Reader in Economics) and Mr. J. S. Holden (Farm Director for the University).

No clear prognosis emerged as to the national economic future, which seems an iffy sort of thing and full of mildish optimisms or forebodings. But, predictably, the question of Inflation got major attention.

Asked by our rudely interjecting and persistent questioner for a clear definition for Inflation, no speaker had a ready answer. Perhaps as a reaction, there even seemed annoyance when the only succinct statement — "Inflation is when all prices are rising" — was pointed out to be a statement of symptom and, obviously, not a statement of definition.

In the midst of a little verbal disorder arising from the interjecting, there came the statement: "If governments desisted from printing additional money, this would, of course, stop the inflation." It came quite close to the questioner's idea that inflation is the circulating of additional monetary tokens in payment for government indebtednesses.

### Spanish Gold

Treating the matter from an historical viewpoint, one can in Australia look at the gold-rush period when commodity prices rose proportionately to the available gold. Centuries before when Spain shipped the gold of the Americas to Europe, there was a similar economic happening and the value of every pre-existing financial commitment was depreciated.

In neither event would there have been any marked alteration to the quantity of available goods and services. There would have been merely an increase in what then passed as the common medium of exchange. It was, however, an increase to which there was natural limit, for the easily stolen gold of America came to an end and so did the easily won metal from the Australian mines. Thereafter, as gold winning gradually returned to its customary and fairly settled standard of difficulty, prices for commodities, with their production aided by mankind's continuing ingenuity, fell back again.

N.B. The objective of economic man is to have more goods at lower prices. The objective of the anti-economic individual who goes to government for "protection" is fewer goods at higher prices.

With the inflations of the paper money era, there is no natural limit to stop the multiplying of the currency units in circulation.

### **Toy Balloons**

At the Open Day, the address by the Vice-Chancellor was marked by the release of toy balloons. Gas inflated, these undoubtedly burst at height and thereupon became useless pieces of fabric. Much the same happens almost invariably with paper money, and museums throughout the world show evidence of this. Paper money which ought perhaps to rank as the ultimate refinement in the mechanisms of the market, usually becomes valueless trash and notable only as a curio.

The reason for this is that, issued with government fiat, it is indistinguishable from the pre-existing legal tender, and rulers find it less objectionable to pay their debts with paper than they themselves print than with taxes levied directly. Votes are less likely to be lost. The action has the hearty support of those whose debts are going to be more easily repaid in the debased currency, these being very largely the youngish, up-and-coming section of the community. Whatever opposition does come, will be from the creditor section of the community, and this very largely is the older section and unlikely to wield great strength.

### **Dishonesty**

So, despite the facts (a) that to debase the currency is a dishonest thing and (b) that a day of reckoning will eventually come, the further fact that the reckoning is not immediate encourages government not only to engage in an act of mis-government but also then to look for argument that its dishonesty is beneficial to the community. Query! What is heard in this relation from the prophetic voices of the University chaplains?

What ought to be heard, is the voice of the people — who suffer both immediately and subsequently — demanding what is essential for good government in monetary affairs: firstly, the ending of all restraints against individual dealings in gold (or any other commodity), and secondly, the ending of international agreements that fix the value of our Australian currency in terms of other currencies. That fixing, of course, is a result of government-to-government back scratching whereby, with each and every government a sinner to some degree, there is tacit agreement not to permit any of their peoples to make a comparison that could only be odious.

Economics concerns economy of effort. Justice, certainty and simplicity, with their influence weighing in that order, will enhance it and widen the freedom of the individual; injustice, uncertainty and complexity bring wastage of effort and restriction.

To use the site rents of city, suburban and rural land in lieu of present taxation would provide foundation and capstone for a justifiable economic structure.

Free the exchange rates! Free the price of gold! Adopt a natural revenue system! Clean up Economics and you might clean up government!

W. H. Pitt.

#### **Bibliography:**

"Fiat Money Inflation In France": Andrew Dickson White (1832-1918). Historian; American Minister to Russia 1892-4; founder of Cornell University. Copies from Georgist Bookstore, 31 Hardware Street, Melbourne. Phone 67-2754.