
Inflation: A spectre of the past?

By David Brooks

We have all heard of the subject. Newspapers have written reams about the subject. Economists have written volumes (all different, of course) about the dreaded inflation. And now, we are faced with the problem again. There are few things to remember when discussing anything to do with economics. The subject refers to the most sensitive of human nerves, the hip pocket. So prejudice, ignorance and bigotry rule the day. Politics also aims to control economics. Wherever politics are involved one can expect lies, lies, obscurantism, abuse, more lies; you should know the story by now. Formidable forces to get around! History is a wonderful subject; things which bother us today are often (not always) things which bothered our ancestors and often (not always) they found a solution to. So how far back into history does inflation go? There was a Greek gentleman named Archimedes who was given a job by King Heiron II. The king thought he was being ripped off. His crown was supposed to be pure gold. He did not think it was. The job was to find out whether it was or was not. We all know the story of "Eureka!" Archimedes found out how to determine whether it was pure or adulterated. That was 2200 years ago. But how do you tell if a currency is adulterated? That something of lower value has been added to the good stuff? Who would or could do such a thing?

All currency in Australia is a matter for the Federal Government. They design it and they issue it. The intrinsic value of the currency is nil. Those plastic notes we have in our wallets cost mere cents to produce and is only representative money. If the government went broke so would we. Such a system is easily abused and difficult to control because the people do not have any recourse but to use what the government determines is currency. So when you read in newspapers that the government is "awash with money" maybe it would be prudent to ask where they got it from? There are only two sources. Via taxation from the people or they printed some extra copies when they ran the presses. There are of course references to this in the Parliamentary

records here in Australia, the UK and the USA, and probably many other countries. Effectively, when prices rise, as they are doing in Australia, as a general event, then the currency is being inflated. That is, the government is expanding its means of taxation. Those most affected are those on fixed incomes and living from savings and next are those struggling to keep their wages realistic. If we were able to freely convert to, and use, gold as currency this could not occur. But when politicians talk about free markets they do not appear to include its use for the common man, only their business friends. Trust money is never good. Trust money in the hands of government is an oxymoron. We should do something about it. Exchangeability would be a good start.
