

BOOK REVIEWS

Edited by G. CARL WIEGAND

The Menace of Inflation: A Symposium

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This paperback comprises a collection of sixteen essays delivered at a conference of the Committee for Monetary Research and Education at the Center for Strategic and International Studies of Georgetown University. The contributors range from politicians such as William Proxmire and Philip M. Crane, to known analysts such as Patrick Boorman and John Chamberlain as well as to academic economists such as Yale Brozen, Lowell Harriss, David Meiselman, Hans Sennholz and G. C. Wiegand, who edited the papers for publication.

John Chamberlain sets the tone with the following comment:

“On balance, the American people have liked the inflation of the past thirty years. They have been short-sighted in this, but they are not going to like continuing inflation. Until the recent surfacing of what Murray Rothbard calls the “exhaustion of the reserve fund,” the vocal majority of trades unionists, complaisant employers and all the many beneficiaries of the Employment Act of 1946, have enjoyed consuming the inherited capital of several hard-working centuries.”

“It has all been too easy. I have listened to the controversies between the cost-push school, which pins the blame for inflation on the labor unions, and the demand-pull school which says the government is to blame for increasing the money-supply – more money tokens chasing an existing amount of goods and services. I think the argument between the two schools misses the point that history is a seamless web. Cost-push and demand-pull go together, like pork-and-beans or horse-and-buggy.”

“The economic consequences of price inflation have generally been bland. Who cares what prices are when wages keep pace with them? And who can really tell whether we have had cost-push or demand-pull? We’ve obviously had a blend of the two.”

“But things happen in time, and they happen in an international world. Short-term planning may not be consistent with long-term needs, such as the need to replenish an exhausted reserve fund of savings. And happenings outside of one’s national boundaries may make it difficult to live up to the

political guarantees of full employment without spinning out printing-press money at a ruinous clip.

“When all the advanced economies are inflating together, and borrowing and spending for the same sort of welfarist measures together, and refraining from raiding each other’s currency backing by more or less tacit agreement, the Keynesian world can stumble along by eating up capital reserves. It takes a lot of Keynesian ruin to consume what has been brought into being by our thrifty West European and North American ancestors. But not a single one of the advanced western countries reckoned with the fact that the Arabs and other crude energy-supply nations are not politically controlled by kind-hearted followers of Britain’s Lord Beveridge, or by America’s full employment legislation. The terrifying cost-push elements interjected into the western economies by the Arab-Iranian-Venezuelan oil cartel cannot, in the nature of things, be offset by a demand-pull issue of western paper money. In the first place, the Arabs and Iranians and the rest would not care to take the paper tokens on any permanent basis for their oil. In the second place, even if they were willing to take paper forever, it would not come back in the form of demand-pull in a way calculated to keep western labor fully employed. We are getting huge price rises now in countries that no longer have the political power to put monetary tokens in the hands of people who will spend or invest to keep the local western economies running.”

Unfortunately, the papers were written before the recent U.S. presidential elections and the passage of the various Reagan Administration budgetary measures, which are consequentially not discussed. Instead, the final paper debates the practicality of a return to some form of gold standard — a matter which is still strongly supported in some circles, but does not appear to be an imminent possibility at the present time.

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