levels which create an acceptable average unemployment rate, but also giving rise to excess demand for goods and services and labour, and an excessive and accelerating expansionary rate of increase in the money supply. Firms, unions and individuals react to the excess demand situation thereby caused with price and wage increases. These price and wage increases in turn become anticipated and so inflation accelerates.

Increased industrial unrest, a worsening income distribution for the poor, and the balance of payments problems are all consequences of this process."

Speaking on "Inflation in Australia: Causes and Cures", Professor J.W. Nevile of the University of N.S.W. argued that there was no single cause of inflation in Australia.

"Neither is there any single, or even simple, remedy for inflation in Australia," he said. "There are many causes of inflation in Australia ranging from very tangible and visible things such as the unusually large increases in award wage rates, or a high level of excess demand, to quite intangible things such as people's expectations of future movements in prices and the effect of inflation in England and America on these expectations."

Professor Nevile concluded his presentation with the statement:

"This collection of policies to counter inflation may sound complex, even 'messy'. It is. But economic realities are often complex, and inflation is one of those economic problems which is unlikely to be solved by any easy simple solution."

Speaking, after several years with the International Monetary Fund in Washington and with the O.E.C.D., Professor Victor Argy of Macquarie University dealt with the subject "World Inflation" and Mr. C.W.L. de Boos, Assistant General Manager of the Bank of N.S.W., presented "A Banker's View".

The academic experts came in for some criticism from the Minister for Social Security, Mr. Bill Hayden, who, in opening the school, said that economists and econometricians who had contributed much to the understanding of how inflation works had been "wrong in the past, and will be wrong again."

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AFTERMATH OF INFLATION

Western Germany in 1948

The German inflation of the 1920's has passed into legend but that of the 1940's is still close enough to be of interest in the present circumstances of a high rate of internal debasement of the Australian unit of currency.

Hopefully we will not reach the position that requires a miracle for economic and political survival. However the following extracts from "The Rise of Western Germany" by Aidan Crawley (published by Collins, 1973) may be of interest:

'The Miracle' began in the most brutal fashion. What is now spoken of in West Germany as the 'currency reform' was, in fact, one of the harshest acts of confiscation ever imposed upon a people by their conquerors. .....

All through 1946 and 1947, conversations about currency reform had been taking place between the four occupying powers. They were agreed that no real economic recovery in Germany could begin without it, ...

On 15th June, when it had become abolutely clear that the Russians were going to attempt to drive out the Western Allies by blockade, the British and Americans announced the reform of the currency in the Western Zones. Overnight everyone's money became worth only one tenth of what it had been the day before. This applied to bank and other savings deposits as well as loans and mortgages, for obviously debts had to be scaled down at the same rate as the money with which they could be repaid. So that people with little money should not find themselves destitute, a minor exception was made in regard to cash. Everyone could exchange forty of their old reichmarks for forty of the new deutschmarks and two months later another twenty marks at the one for one ratio. This, it was calculated, would meet immediate needs while balances were worked out and wages and prices found new levels. Businesses were allowed sixty deutschmarks for each employee on the same one for one terms. State, local and public authorities were given an allowance equal to a month's revenue. The rest of their funds, however invested, were cancelled outright.

This was economic savagery of a kind that could never have been attempted in less desperate circumstances. It meant that twelve million individual savings accounts - all those of 500 RM or less - were wiped out; that municipalities and public utilities such as the railways lost their reserves entirely. People who had lent money on mortgage had lost their security, for they could not know the true value of the tenth they would receive back. And worse was to come. When the final calculations were made of the money required to get the wheels of the German economy moving, the Allied authorities decided that the ten to one ratio was too high and cancelled a further 3½% of the old currency to make the final rate 6.5 DM for every 100 RM. .....

Since all debts had been reduced to a tenth of their value, practically no one could live off income from a mortgage or interest on an investment. All had to work or, if they could not work, to eke out an existence on the dole or a pension; but this was no different from the life they had been used to since the surrender. The currency reform was the final leveller; the hardships it inflicted were only minor additions to a misery that had been general for three years; the opportunities it offered, on the other hand, were open to all who had property or even just energy or an idea. .....

Every conceivable type of saving including life insurance was deductible and expense allowances for those engaged in any form of business were so generous that people in the higher income brackets could not only live off their firms but buy a lot of luxuries as well. .....

Deutschmark millionaires began to blossom in their hundreds on every industrial tree. .....