

CURRENCY INFLATION AND PUBLIC DEBTS: AN HISTORICAL SKETCH

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Currency Inflation and Public Debts: An Historical Sketch by Edwin R. A. Seligman

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EDWIN R. A. SELIGMAN

**CURRENCY INFLATION
AND PUBLIC DEBTS: AN
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Currency Inflation and Public Debts

An Historical Sketch

By Edwin R. ^{best} A. Seligman, Ph.D., LL.D.

*McVickar Professor of Political Economy
Columbia University*

With a Prefatory Note

By Alvin W. Krech

*President The Equitable Trust Company
of New York*

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Prefatory Note

Currency inflation and public debts form a vexing problem which has called forth the liveliest discussion not only in the ranks of economists, but also among business people who find in the fluctuations of the foreign exchanges a constant reminder of the financial difficulties which confront the world. In asking Dr. Seligman to prepare for our enlightenment an historical sketch of currency inflation and public debts, we believed that a study of the past might well help us to understand better present-day conditions. Dr. Seligman's timely paper and his conclusions drawn from the lessons of history have encouraged us to present here, under the guise of a prefatory note, a few observations.

1. As is clearly pointed out, there is no such thing as a medium of exchange, money or currency which is not subject to fluctuations in value; gold, silver, copper, all fluctuate. Fiat money fluctuates not merely in accordance with the laws of supply and demand; the determining factor of its fluctuations is to be found in the credit of the issuing nation, and as every emission of such currency is the consequence of impaired national credit, it is, in effect, a step on the road to the possible repudiation of existing debts. As a consequence each step towards repudiation affects adversely the class which has invested its savings in obligations solvable in the forced currency, while it has a contrary effect upon the debtor class. For instance, the borrower of, say, one thousand Austrian crowns which before the war represented, we will say, one hundred days' labor, may now repay the debt with one day's labor.

But if such obligations were to be ultimately redeemed at par all the steps previously taken on the road to a possible repudiation would have to be retraced. The important thing to remember is that, in retracing the steps when the currency has been permitted to depreciate for the length of time and to the extent that has