

# Preface

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Many good books and a huge number of articles have been written on inflation. As a consequence, a new book on this subject can only be justified by looking at events from a different perspective. This has been done in several respects. First, a comparative historical analysis going back to the Roman currency debasement in the fourth century and ending with the hyperinflations (that is high inflations with a monthly rate of 50 per cent or more during at least one month) of the 1990s has been used. Second, all 29 hyperinflations in history (which all occurred, with the exception of the hyperinflation of the French Revolution, in the 20th century) and the currency reforms ending them have been included in the analysis. Third, the political forces responsible for inflation and for ending it by adequate reforms are discussed, together with the conditions under which they can be expected to operate. Fourth, the importance of monetary regimes for the stability of money is documented. Fifth, it is shown that certain qualitative characteristics of inflations and of their consequences are stable traits over centuries. Finally, a clear distinction has been made between the differing traits of moderate and high inflations and the reforms necessary to end them.

Chapter 1 offers a very brief historical overview. In Chapter 2 the importance of monetary regimes for monetary stability, given the inflationary bias of political systems, is documented and discussed. Chapter 3 analyses inflation if commodity standards in the form of metallic monetary regimes are present. In Chapter 4 moderate paper money inflations are studied, whereas in Chapter 5 all historical hyperinflations are extensively analysed. Chapter 6 provides a formal analytical framework for a complete inflationary cycle from the introduction of paper money to its total substitution by stable metallic money or foreign currencies. In Chapters 7 and 8 the political and economic conditions for successfully terminating moderate and high inflations respectively are described with the help of comparative historical analyses.

In writing the book formal mathematical analysis has been kept to a minimum. Still, some exceptions have been made for a deeper understanding. They can however be left out by the reader without losing the general thread of the argument, and have been noted with an asterisk \*. To enliven the reading of the book, short personal experiences of contemporary observers have been inserted into the text, especially in Chapter 5. They are observations by people like Ernest Hemingway and Stefan Zweig, who did not have any knowledge

of the economics of inflation. As a consequence, the evidence provided by them is often more convincing than any econometric analysis would be.

The literature on inflations is huge, so that only a part directly relevant to our argument will be quoted in the references. But to allow the reader to delve more deeply into the discussion concerning the different experiences with hyperinflation, some additional works will be mentioned in the Appendix together with the sources of the data presented.

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