

Disinflation: West European Experiences

An Introduction

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1. The Colloquium at Frankfurt

The European Economic Associations want to foster closer cooperation between European economists and have for this reason decided to arrange colloquiums for which each country nominates two participants. The subject of the first meeting (1983) of this kind was "Macroeconomic Policies for the 80s" and took place in France. The second colloquium on "Disinflation: West European Experiences" was organized by the Gesellschaft für Wirtschafts- und Sozialwissenschaften, Verein für Socialpolitik, and was held from May 10 - 12 at Frankfurt. Revised versions of the papers given at the colloquium are published in this volume.

2. Inflation and Disinflation

The process of worldwide accelerating inflation started at the beginning of the seventies when international liquidity was tripled within a few years (1969 - 1972) and the system of fixed exchange rates spread price increases from "inflation leaders" to all other countries. After a short intermezzo (1976 - 1978) inflation rose again mainly as a consequence of the second oil price shock. But this time many industrial countries resisted the tendency of further acceleration in increases of the price level and tried — with more or less delay — to bring down inflation rates by monetary restraint.

In the following years inflation rates were significantly reduced — with great differences between the industrial countries, however. In this regard, the fight against inflation was quite successful. On the other hand, disinflation was accompanied by a severe recession. The growth rates of real GNP were drastically reduced and some countries suffered even absolute losses in output. The unemployment ratio (annual average) rose to 8.1 (1982) and 8.5 (1983) per cent within the group of ten (see table 2).