

INFLATIONARY ILLS

BY comparison with September, 1939, when the war broke out, the Australian £ today is worth about 7/6. Over 8/- of its value has been lost in the decade since the end of the war. This is the simplest, but most striking, expression of the inflation which has plagued the Australian economy. One could search the annals of Australian economic history and find no period of sustained inflation remotely comparable to that of the last decade.

The post-war inflation has not been peculiar to Australia. It has been a world-wide phenomenon which has overtaken practically all countries. But among the English-speaking nations the extent of the Australian inflation far surpasses that of any other. The £ Australian has lost over 50% of its immediate post-war value; the £ Sterling, 38%; the American \$, 32%; the Canadian \$, 35%; and the New Zealand £, 39%.

Two great and irresistible inflationary factors have been at work in all countries.

First, there was the war. War unavoidably reduces the supply of marketable goods but greatly increases the supply of money in the hands of the people. For a time the consequences of this discrepancy can be suppressed—indeed few countries were more successful than Australia in doing so. But eventually they break out as the disciplines acceptable during the war become no longer tolerable.

Second, at the end of this war, unlike the last, we had the additional impact of the new economic doctrine of full employment and heavy government expenditure, which takes its name from the late Lord Keynes. In Australia these doctrines have been carried out with a naive enthusiasm which would have undoubtedly alarmed Keynes himself.

They must bear a large part of the responsibility for the staggering loss in purchasing power of the Australian £ over the post-war years. Nor has the decline yet run its course. After a brief period of hard-won stability the Australian economy appears to be drifting again in the inflationary current and further price rises are in prospect.

Of course inflation is not an unmitigated evil. The welfare of the people does not demand that the £ should always have precisely the same value. Indeed, there is much to be said in favour of a gradual loss of purchasing power in the monetary unit—in other words a slowly increasing price level—since this is the condition which seems most conducive to general economic buoyancy and to high employment. But a gradual decline, say, of the order of 1% or 2% a year is a vastly different kettle of fish to the loss of 5% a year which we have averaged over the post-war decade. If the Australian £ was worth today, say, 15/- of its immediate pre-war value no one would have any cause to feel unduly alarmed. But as it is worth only 7/6, one can be pardoned for having some anxious qualms. It is the old, old story that you can have too much of a good thing and that what is beneficial in moderation becomes positively harmful when carried to excess.

The economic evils of inflation are well known, and in Australia they are now becoming plain to all those who wish to see. They are to be found in a rising cost structure which makes it more difficult for Australia to compete on home and overseas markets, in a deteriorating balance of payments and in an indiscriminating, and consequently unfair, re-

division of income among different sections of the community. Those sections which are highly organised, politically or industrially, or whose incomes are flexible, have gained notable advantages at the expense of those which are comparatively unorganised and whose incomes are relatively fixed.

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BUT apart from its direct economic effects, inflation has produced certain social and moral by-products which are worth a little thought.

One of the evils of inflation, and its accompaniment of over-full employment, is that frequently little value is placed on a job as such. Anything in over-supply tends to suffer a loss of intrinsic worth and jobs are no exception. Before the war, a job was something greatly to be prized. It did not matter whether it was a particularly good one, or whether it was entirely suited to the personal qualities of its holder. Jobs were highly valued in themselves, simply because they could not be had just for the asking. They were a comparatively scarce commodity.

No one would attempt to gainsay that the present situation of over-employment is infinitely preferable to the under-employment of the pre-war years. At the same time it can hardly be denied that today's conditions have produced in Australia a certain carefree, almost irresponsible attitude toward the "holding-down" of a job. This is proved by the excessive amount of labour turnover—latest figures show that labour turnover in Australia is roughly three times the rate in the United

Kingdom. The solution is to be found not in a return to the deflationary conditions of under-employment, but in reducing the supply of jobs sufficiently to give them a greater intrinsic value in the eyes of the job-seeker. A generation reared under conditions where jobs can be had on the cheap can hardly be expected to develop those qualities of responsibility, persistence and loyalty which were the by-products of an era where jobs were hard to come by and consequently carried a value in their own right.

To say these things is, of course, to ask for trouble. The old bogey of the "pool of unemployment" is sure to be dragged out for an airing. But let us be perfectly clear on this point: No decent person would wish to see anyone deprived of their right to earn a livelihood. Full employment must remain the supreme objective of economic policy. But there is a world of difference between an economy where a person can leave a job and his employer, and indeed the public, in the lurch in the happy knowledge that there are another half-dozen jobs round the corner, and one in which he would at least have to think twice before changing his position.

THERE is another aspect of the shortage of labour. Inflation encourages premium payments for jobs requiring little or no skill, work of no great social significance, and for relatively junior occupations. These sections tend to gain at the expense of those with special technical or professional skills, those in work of basic importance to the community, and of older people with long experience and family respon-

sibilities. The value of the job is set more by the state of the market and less by the skill and experience required to perform it. Some employers have had the disturbing experience of young girls of 19 or 20 demanding £15 or more a week for their services. Young men, too, are able to earn salaries or wages out of all proportion to the real value of their contribution and which would have appeared fantastic to the pre-war generation accustomed to a tougher order. A scale of salaries recently announced by the State Public Service for boys leaving school must leave many people aghast. For instance, a boy of 19 with matriculation can command a salary of nearly £15 a week.

Few might cavil at this, in itself, had not the rewards of junior and relatively unskilled employees risen out of all proportion to those with family responsibilities and those possessing special experience or skills. The young girl typist today is not infrequently able to dress better than the boss's wife. After he has fed and clothed his children and provided for their education, the family man carrying a position of responsibility has little surplus left to spend on the minor luxuries and frivolities of life. By contrast, the junior employee is frequently able to indulge his taste for motor cars (bought on hire purchase), portable radio sets and expensive suits. This is no criticism of the younger generation who are basically as good as, and in some respects better than, their predecessors. Nor can people be criticised for spending money they are able to earn in any way they wish. But it is an indictment of an economic and social order which places the older person carrying heavy responsibilities on a

bread-and-butter basis, but permits younger people bearing no great burden of domestic or business responsibility to freely indulge their fancies for the luxuries of life. This is a by-product of inflation and one which no sane person can be happy about.

Married people with young families have been particularly hard hit by the change in the pattern of life brought about largely by inflation. Domestic assistance has practically gone by the board. True, we have labour-saving gadgets, but there are still a hundred-and-one things about the house which require the personal touch. Along with a never-ending routine of washing and ironing clothes, cleaning and meal preparation, young children must be tended, and there is always an odd illness to be met. If the married couple seek an evening's enjoyment, they are faced with the prospect of sitter's fees, which are usually sufficient to remove the guilt from the ginger-bread.

It is not that ordinary, decent people wish to shirk the inescapable sacrifices demanded by married life. But they are entitled to occasional relief from the ceaseless round of chores which is now their lot. Young business executives and professional men making their careers, who need some relaxation after a strenuous day at the office, must often set to and assist with the chores of dish-washing, putting the children to bed, and "walking the floor" at night with a recalcitrant baby. When illness comes to the home, people carrying positions of high responsibility are not infrequently compelled to abandon their professional or busi-

ness duties to assist in the emergency.

Gardening and other home duties in moderation are a pleasure. But carried out week after week with little or no prospect of relief they become a soul-destroying drudgery. This is the fate of too many married people today because of the exorbitant cost of obtaining any kind of help with the work in the home. There is, of course, no going back: The days of cheap domestic service have gone for keeps—and few will shed any tears over the passing of an order of things that had many inequitable and distasteful features. But the other extreme is not to be commended either.

A further consequence of inflation is the impetus which it gives to speculation (mainly on the stock exchange) and to gambling. A person confronted with a declining standard of life brought about by the fact that his income fails to keep pace with the never-ending rise in prices, will be driven to seek ways, outside of his normal money-making activities, of boosting his income. One of the most popular in recent years has been the extraordinary interest displayed in stock exchange securities bought and sold for speculative purposes. The vaguest rumour about the prospects of a rapid appreciation in value of a particular security is sufficient to cause literally thousands to draw on hard-won savings or to hurry to their bank manager for an increase in their overdraft.

This has applied particularly to the salaried executive in the middle-income range. It is no secret that in recent years valuable time and

effort has been diverted from productive pursuits to the mere business of speculation. People will always seek ways of making a little bit extra if they find their income is insufficient to meet their customary standards of expenditure. Moreover, it is entirely human for everyone to play at some time or other with the notion of "getting rich quick". But when large numbers of the community begin to devote quite a part of their time to attempts to make "money on the cheap" then it is time to be concerned. This sort of activity and the "flight from money" as such must inevitably tend to attract savings away from fixed interest-bearing securities and from life assurance and other investments redeemable at more or less fixed money values. All this arises from the general uncertainty brought about by a money unit which means one thing today and a much smaller thing tomorrow.

The triumph of the "more jobs than men" philosophy in Australia in the post-war years bears a large share of the responsibility for the external unbalance as manifested in the persistent balance-of-payments difficulty, and for the internal unbalance as revealed in the progressive decline in purchasing power of the monetary unit. But inflation brings with it not only serious consequences of an economic nature but also moral and social problems which we can ill afford to ignore.

PERHAPS the main burden of inflation falls upon that section of society which used to be known as "middle class". This section ranges all the way from the highly educated business executive and professional man to the salaried clerk and the small businessman or farmer. By and large this section is the least organized to withstand the economic and social pressures of continued inflation. They are putting up a valiant fight but their economic and social plight is one which might receive more attention from governments, boards of directors, and trade union officials. The peculiar contributions which this section of society makes to the life of the community, and many of the values for which it stands, are necessary in any sane and well-ordered economy.

The philosophy of "more jobs than men" was aimed at furthering the interests of the under-privileged sections of the community. In this it has undoubtedly been partly successful and we live today in a more humane society than that of the pre-war world which suffered disastrously from the chronic indisposition of unemployment. But in carrying this philosophy to excess we have come within measurable distance of creating a new "under-privileged" class, weighed down by a combination of business and domestic burdens greater than they should be asked to bear.