economic notes

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By the time this issue of ALR is printed, the January-March price index figures will be issued, and inflation and its various "cures" will be well in the news.

Some of the actual figures of price inflation as measured by the (inadequate) Consumer Price Index may be useful to readers. (Indices are up to the October-December 1972 quarter only.)

The CPI shows the average rise in prices over the six Australian capitals as 77% for the 20 years from 1952-53. For Sydney, the increase is shown as greater, 79%.

This average hides a multitude of sins, however. For example, housing costs (rents, rates, house prices) average over two and a half times their 1952-53 levels, an addition of 154% on top of original prices. For Sydney, this addition averages 178%, and in some areas it would be very much greater, where the ravages of the "developers" and land sharks have been concentrated.

Similarly, prices in the miscellaneous group, which includes fares, postal charges, motoring, smokes and beer, health and other charges, have increased by 102% for Sydney. That is, they have more than doubled over 20 years.

It should be noted that this above-average group of price rises is heavily affected by government charges and taxes, a point to which we come back below.

Surprisingly, with food prices so much in the news, average food prices as measured by the CPI do not show rises as high as the index as a whole: 73% increase compared with the overall 20-year 77% increase.

However, because items are weighted according to their importance in household budgets, meat prices in recent months have had the greatest single effect of any item on the total price level. They will certainly generate a sharp rise in the January-March figures, being awaited as we go to press, and sharpen the contradictions of the forces in the ALP which respectively seek real price control or seek to shuffle round with superficial inquiries and flirt with incomes control.

INFLATION INCREASING

One alarming fact which emerges from examining the 20-year price increases is that the rate of inflation is getting worse. This, despite the 1972 recession which should have had a dampening effect on inflation.

Roughly half the 20-year fall in the value of money took place in the *past six years*, and more than half in the case of Sydney.

The figures are shown in the following tables, in percentages from the 1952-53 level of prices, comparing the rises of the first 14 years with the latter six.

TABLE 1 -- CONSUMER PRICE INDEX FROM '52-3

Six Capital Cities	All Groups	Housing	Miscellaneous
'52-3 price level	100.0	100.0	100.0
Rises from 52-3/ 66-7	38.8	79.5	48.9
Rises from 66-7/ Dec.72	38.3	74.1	53.5
Total compared with 52-3	177.1	253.6	202.4

TABLE 2 -- CONSUMER PRICE INDEX FROM '52-3

Sydney prices	All Groups	Housing	Miscellaneous
'52-'53 price level	100.0	100.0	100.0
Rises from '52-'53/ '66-'67	36.3	81.1	45.6
Rises from '66-'67/ Dec.72	43.1	96.7	60.1
Total compared with '52-'53	179.4	277.8	205.7

A closer look at some of the particular increases over the past six years, when inflation has been at its highest levels, brings to light further interesting facts.

Taking 1966-7 as the base year, the items with the three highest price indexes at December 1972 are all direct *government-fixed* charges. Of the next seven highest rises over the period, another is also a government charge, while three others (health services, housing and rent) are closely related to deliberate government pro-business policies.

Table 3 shows the 10 items which have increased most in prices in the past six years. In that time, despite all the increases in productivity, only one item has fallen in price -- household appliances (by 0.9%!)

TABLE 3 -- HIGHEST PRICE RISES SINCE '66-'67

	1966-7	Dec. '72
Local govt. rates	100.0	159.8
Fares	100.0	157.2
Motoring services and charges	100.0	154.5
Rents	100.0	147.3
Papers & magazines	100.0	146.8
Health services	100.0	144.5
Potatoes & onions	100.0	142.2
Postal charges	100.0	141.1
Housing prices	100.0	139.3
Footwear	100.0	137.1
Average, all items	100.0	127.6

SEASONAL PRICES

Inclusion of potatoes and onions in the price index has always been a source of argument, because of the erratic behavior of their prices, both upwards and downwards, which distorts the total index.

However, like other seasonally fluctuating prices, their rises are never eclipsed by their falls, so that underneath the "seasonal" changes is a steady continuous rise. Meat prices behave similarly.

This point is also illustrated by clothing prices, which operate under semi-monopoly pricing conditions because of the government tariff policies. The statistician separates winter and summer clothing prices, and examination of the figures shows that in each case prices are jacked up in the appropriate season, and mark time at that new level in the off-season. Overall, no re ductions occur.

TABLE 4 -- SEASONAL PRICE CHANGES (1966-67=100.0)

	Dec.71	Mar.72	Jun.72.	Sep.72	Dec.72
Potatoes & Onions	136.1	129.7	113.9	116.3	142.2
Beef	124.5	124.1	124.2	126.8	128.9
Lamb	98.8	98.5	97.2	113.4	113.6
Summer clothing	120.9	120.9	120.9	120.9	130.7
Winter clothing	115.8	115.8	121.8	121.8	121.8

These figures demonstrate the extent of the challenge to living standards being posed by speeding inflation, and the importance of the question of imposing price control both as an issue for trade union and mass mobilisation and as a potential for major class confrontation in Australia.

The crisis of inflation -- the debasing of our currency, and the enforced daily reduction of wage levels -- may well become the greatest single issue between the Australian workers and the ruling class, and the greatest single test of the ALP government's attitude to monopoly.

The situation of inflation in Australia is not only a major practical and political question, but also one which calls for Marxists to re-study the tenets of *their* political economy (fundamentally opposed to the capitalist theories and cures), and particularly the Marxist theory of money (almost wholly confined to his "Contribution to a Critique of Political Economy").

The precise role needs to be studied in modern capitalism not only of the inflation of the note issue and token coinage, well above their equivalent in gold. (For example, the US dollar, pegged at $US38=1 oz. gold, is actually selling at from $US70 to $US90 to the gold ounce). Also vital for study are the increased 20th century roles of government credit (mainly war-induced national debt), bank creation of money (cheques drawn on overdrafts) and, most importantly, the modern devices of hire purchase and credit cards, which provide much of the basis of present-day inflation, and which provide the mechanisms by which monopolists are enabled to jack up their prices without, in the main, facing the problem of unsaleable prices.

Inflation faces us as both a major practical and theoretical question.