

**THE
CAUSE
OF
INFLATION**



**... AND THE
ANSWER**

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The Cause of Inflation and the Answer

ALL kinds of people are talking about inflation these days. It is the subject of countless newspaper editorials and "special articles," radio talks, profound warnings by "experts" and usually ignorant outbursts by politicians.

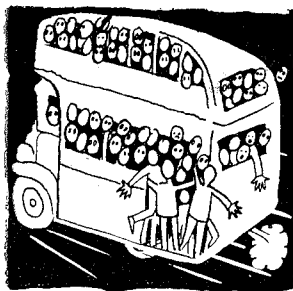
Nearly all these comments have the one theme: That increased prices are caused solely by increased wages and that the answer is for the workers to cease their demands for higher wages and to produce more in order to bring down prices.

It is the workers and the pensioners who are hardest hit by increased prices, they are the people who can't "pass it on." Therefore this propaganda is designed to take advantage of the concern of the workers over increased prices and to hide the real reason for the skyrocketing cost of living which is hitting hard every working class family.

The real reason for the higher prices which are so often taking place is the deliberate policy of the rich monopolies who control the economic life of Australia and also control the Governments, who are taking advantage of the business "boom" to make their fortunes at the expense of the majority of Australians.

The steady increase in prices is in the interests of the monopolies, for it enables them to greatly increase their profits, the value of their assets, and their power, to reduce the share that the workers receive of the national wealth, to eliminate the small business people, and increase monopoly.

The price spiral is a deliberate offensive of the big monopolies against the standard of living of the majority of Australians.



The rich don't suffer from increased prices. They seldom use public transport so why should they worry when fares go up? They don't eat any more bread than a worker. Even if they are gluttons they can't eat much more meat, their children don't wear shoes out any more quickly than the children of the working class. Their expenditure on necessities is very small compared to their income. So increases in prices make little difference to them but they make a tremendous difference to the working class family.

If a worker is lucky enough to save a few pounds he puts it into the Savings Bank where he gets only three per cent. interest. With prices rising at the rate of at least three per cent. per year he gains nothing by having his money in the bank.

But the rich have their money in shares, in land and in buildings and as inflation takes place the value of their property also increases. That is why you can see the tremendous building programs of the banks and the big insurance companies in the main cities of Australia today.



The wealthy employers have different ways of reducing the share of the workers in the national wealth. In the last few years they have tried out many of them. After the war when the workers insisted on getting a better deal than before, the employers, faced with a shortage of labor, tried to head off the demand for increased wages by offering regular overtime, and by this means they hoped to destroy the forty hour week and to keep the workers satisfied with the increased money they were able to take home.

The increasing difficulty for a family to make ends meet on one wage has led, in recent years, to a great increase in the numbers of married women working. This of course brings more money into the home and takes attention from the drop in the real wages of men.

More recently there has developed the pernicious system of men having more than one job, but none of these developments is as damaging to the worker and as profitable to the employer as the steady increase in prices.

The big employers would like to cut wages and to grab the result for themselves. But in these days of almost full employment and strong trade unions they know that such a frontal attack on the standards of living of the workers would be bitterly resisted. So they go about it in a different way, by increasing prices. They were advised to do it this way by their favorite economist Lord Keynes who wrote: "Every trade union will put up some resistance to a cut in money wages, however small. But . . . no trade union would dream of striking on every occasion of a rise in the cost of living. . . ."

The radio stations and newspapers, most of them owned by the big monopolies, who also own the big industries

and banks, and the politicians of the Liberal and Country parties, also owned by the big monopolies, cover up this robbery of the workers and exploitation of the public by shouting the big lie that it is increased wages which cause increased prices. It must be said also that many Labor politicians like parrots also repeat this refrain. For example, Mr. Reece, Labor Premier of Tasmania, recently complained that increases in wages would "price us out of overseas markets".

This fable that wages determine prices is not a new argument. It has been put forward by the profit seekers ever since production for private profit first began. Karl Marx, the first man to show workers how to analyse for themselves the economic system which dominates their lives, said that Ricardo the famous economist in 1817 "fundamentally destroyed the old, popular, and worn-out fallacy that 'wages determine prices'."

One hundred and forty-three years ago this lie was refuted by scientific logic, but we still have in 1960 many people, who get tremendous space in our newspapers, dish-ing up this "worn-out fallacy" as though it was something new that they had worked out for themselves.

"But", some may say, "many people do believe that higher wages cause higher prices. Why is it that this lie is so hard to nail?"



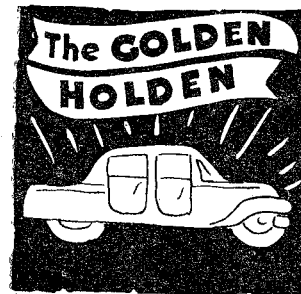
There are two main reasons for this. The first is the tremendous propaganda from the newspapers and radio which pound away at the question at every possible opportunity. The second reason is the fact that prices *do appear* to rise after general wage increases such as basic wage rises.

But what many people don't see is that price rises take

place *before* wage increases and that in fact *all* increases in the basic wage as well as the recent increase in margins occurred because there had been increases in prices *beforehand*.

If there had been *no* increases in the basic wage, if *no* increase had been granted in margins, that would not have changed the fact that prices had already gone up.

Another factor is that very many of the big businesses take advantage of wage rises to introduce price rises which they would have brought in anyhow.



Does anyone seriously think that B.H.P. *only* increases the price of steel when wage increases take place or that the price of the Holden car is determined by the level of wages paid by General Motors Holden? To merely ask the question is to show how ridiculous it is. But these big monopolies, although they don't give a "tinker's damn" for the public,

realise that it pays them to avoid taking steps which would antagonise public opinion.

The prices for their products are established at the highest possible level they can get. The main limit for B.H.P. is the price at which imported steel sells, the limit for G.M.H. is that imposed by the competition from imported cars and this competition is reduced by the very heavy tariff on imported cars and restrictive import quotas.

But when an increase in the basic wage takes place, then is the golden opportunity for these monopolies to announce a price increase. By this means they kill three birds, not two, with the one stone.

First they get the price rise and consequently increased profits. Secondly they avoid criticism by saying that the price rise is because of increased wages, thereby throwing the blame on to the workers, and thirdly, they appear to

be always on the defensive against the workers, who are painted as people who are never satisfied.

If there were no wage increases the monopolies would still increase prices to the maximum but of course they would be in danger of some criticism if they could not link this with increases in wages.

Every worker, and particularly every housewife, knows that prices are rising, and that it is getting harder and harder to live. But let us take some of the things that affect our standard of living and see if their prices are fixed because of the level of wages.

BEEF: There have been big increases in the price of beef in the last few months. Grilling steak has virtually disappeared from the worker's table and even stewing steak is too dear for most. Why is this? The reason is the great increase in exports of beef to the United States, with the result that less beef is available for the home market and what there is of it fetches higher prices. This has nothing to do with the wages of the Australian workers either in the meat industry or anywhere



else. Plans have recently been announced for the promotion of increased sales of mutton to Japan. Butchers have said that if this takes place the price of mutton for the Australian consumer will rise in the same way as beef prices rose.

BREAD is a scandalous price and the quality is deplorable. The main factor affecting the price of bread is the price of wheat which is determined on a world basis, by the supply from the main wheat producing countries and the world demand. It doesn't matter whether Australian wages go up or down, this can have no influence on the price of wheat.

EGGS: Eggs in Sydney are now 6/6 per dozen. What they will be in the winter is anyone's guess. Again the



main thing in the cost of producing eggs is the price of feed and this is dictated largely by the price of wheat. Another factor claimed by the N.S.W. Egg Board as the reason for the last increase in price is the effect of the recent heat wave which killed thousands of fowls and reduced egg production. What has this to do with wages? Nothing!

SHOES: Not long ago the shoe manufacturers got together and increased the price of leather shoes. They announced at the time that the reason for this was the increased price they had to pay for leather. This increased price was due to a greater demand abroad for Australian leather arising from the same reasons for the increase in the demand for Australian beef. But not a word about wages causing this increase because wages had nothing to do with it.

TEA: Recently Mrs. Bushell died and left a fortune of no less than **TWO AND A HALF MILLION POUNDS!** This colossal fortune was made out of the exploitation of the Australian public, mainly the working people, by the sale of tea. All that Bushells did was to buy tea, mainly in Ceylon, put it into packets and sell it. The price of tea was fixed by Bushells (in agreement with their so-called "competitors") on the basis of the price they had to pay in Ceylon plus the small costs of freight and packaging and their profit. Wages hardly entered into this.

Let us take two other examples which do not relate so directly to the weekly budget but which nevertheless are good



examples to show how price increases are arrived at.

Some time ago the B.H.P. announced an increase in the price of steel. Apparently this monopoly was too impatient to wait for a wage increase to make its announcement so it stated in the most blatant fashion possible that the increased price was necessary to finance its expansion program at its Port Kembla works! This company is making huge profits and could well have financed its expansion program from these profits and still have paid handsome dividends to its shareholders. But because it has an absolute monopoly of the production of steel in Australia it was able to get away with highway robbery by making the public pay an increased price for its steel to finance its own expansion. **THIS HAD NOTHING TO DO WITH THE WAGES PAID TO THE BHP EMPLOYEES.** Last year the B.H.P. made a profit of more than ten million pounds! Wage increases last year will cost this monopoly less than two million pounds. But the company has now again increased the price of steel, using the excuse of wage increases, by 30/- to 60/- per ton. This will return the company **SEVEN MILLION POUNDS! FIVE MILLION MORE THAN THE INCREASE IN WAGES!**

One of the scandals of modern Australia is to be seen in all parts of the country, but perhaps particularly in N.S.W., of good houses being wrecked to make way for new petrol stations.



Government stepped in and prevented this price increase.

Recently the proprietors of these stations in Sydney decided to increase the price of petrol for the sole reason **THAT THERE WERE TOO MANY OF THEM IN THE BUSINESS TO MAKE A LIVING!**

Wages didn't come into it. They were not even mentioned. Fortunately this was one of the few occasions when the State

IS MORE PRODUCTION THE ANSWER?

Many of the biased commentators on the question of inflation declare that the only way out is for the workers to work harder and produce more goods. They argue that it is only because there is a shortage of goods that we have high prices. There is not one iota of truth in this argument. Let us take a few examples.

CLOTHING: Australia for many years has been able to produce all the clothing needed in our country. Year



after year the workers in this industry work harder and faster but the price of clothing does not come down. **FOOTWEAR:** The same thing applies. Australian factories not only can comfortably supply the Australian market but can produce for export also, but instead of the prices of shoes coming down they go up. **GAS, COKE AND COAL:** The mining industry

with thousands fewer men, produces more coal today than ever before. In 1950 the average production of coal was 2.95 tons per man per shift. In February, 1960, this had shot up to 5.25 tons per man per shift. The Gas companies with fewer men produce more gas than they have ever done. There is no shortage of coal or of gas. Great efforts are in fact being made to get export markets for Australian coal. But is coal or gas or coke cheaper for the householder because of this? Of course not. It is much dearer than it used to be and shows no sign of getting cheaper.

There is a surplus of production of Radios, TV sets, Refrigerators, Washing Machines, Kitchen Stoves, Petrol Lawnmowers, Furniture and many other things. Do the prices come down? No, they go up! Increased production caused by more modern methods and harder work by the workers certainly reduces the cost of production of all

these things but instead of reducing the price to the public the companies responsible merely spend more on advertising and salesmanship. Even the Governor of the Commonwealth Reserve Bank, Dr. Coombs, made some unfavorable comments on this question recently. (He also denied that increases in wages were the cause of increases in prices. He said: "I don't believe that this is by any means a fair description of the source of the difficulty.")

Many other examples could be given. Recently the financial pages of one Sydney newspaper, commenting on proposals to merge two of the biggest ice-cream companies pointed out that although the various companies were in competition they had an agreement on the price to be charged for ice cream and competition for sales was confined to advertising, etc.



So we can see that prices will go up to the maximum that the rich companies can squeeze out of the public irrespective of whether there are any increases in wages or not!

Even though there have been big increases in production in practically every industry in the last few years and consequently a great reduction in the cost of production there have

been no decreases in prices because of this.

Is all this necessary? Is it inevitable? No! There are countries in the world where this inflation, this price spiral does not take place, indeed where it is unknown: countries where every increase in production results in an improvement in the standard of living for the majority of the people, where prices are going down not up, and where wages are going up while the working week and the working day gets shorter year by year.

This is taking place in the Socialist countries, in Soviet Russia and the Peoples Democratic states of Eastern

Europe, in China and other Socialist countries such as North Vietnam and North Korea.

Why does it happen there and not here? Because in those countries the workers rule and the Governments do what the workers want. In our countries the rich monopolies rule and the Governments do what they want, which is to make the most possible profit with the least possible outlay.



Not until the workers of Australia, together with the farmers and other useful, producing people, run Australia will we be able to guarantee against profiteering, guarantee that increases in production lead to increases in our standard of living. This will come here as in every country when the workers realise that they are in the majority and they have no need to tolerate being pushed around by a greedy minority who produce nothing and contribute nothing to the country's wealth and progress.



N.S.W. which was vetoed by the Government.

Much more needs to be done however and we should demand the imposition of price control on all goods which

are purchased by ordinary people. Particularly should price control operate in those industries where colossal profits have been made in the last few years. Monopoly price fixation should be made a crime, for that is just what it is.

But above all, until we have in Australia a rational system of price control, workers should never cease to demand increased wages to compensate them for the increases in prices which do take place and to give them also a share in the huge increases in production which have and are taking place.

If the workers fall into the trap set for them by the propaganda of the big employers and say:—"What's the use of going for increased wages? This will only put prices up," then the highwaymen of monopoly will have an "open go". If workers cease to fight for higher wages, prices will still be pushed up at every opportunity, and with any excuse, and workers and their families will get further and further behind. What is needed is a more determined fight for a higher real standard of living and not surrender to the selfish monopoly interests. This is the policy of the Communist Party which merits your support.

As this pamphlet went to press, the daily newspapers reported big increases in prices for smallgoods and groceries in Australia.

In the same issues of the newspapers, it was announced that the Soviet Government had cut prices on a wide range of consumer goods.

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The first of these is the
fact that the Government
has not yet decided
whether to issue the
new currency and how
to handle the old
one. It is not clear
whether the Government
will issue a new
currency or whether
it will continue to
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