



## **A MODEST MEMBER**

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### **Eccles Law of the constant wage share**

It's well over a month since the Arbitration Commission announced its wage rise. I haven't written anything about it in the hope that if I ignored it, Fred may forget all about it.

But it hasn't worked out that way — in fact he has got angrier each week and I now try to dodge him if I see him looming up.

I have tried blaming it all on to the Commission. I have pointed out to Fred that the Commission is an independent authority, not amenable to political influence.

I said how dangerous it would be if award wages were influenced by politicians; how at each election there were be an auction with each party promising higher wages so as to get more votes.

So, as award wages were not under political influence, it was not fair to blame me — he should blame the Commission. I love blaming other people.

Then I went on to say that the Commission seemed to work to no principles except that it wanted to be popular. This is an attitude that I can understand, being a bit that way myself.

I pointed out to Fred that the Commission realised that its award would increase the inflationary pressure, but it couldn't help that. And the Commission knew that it would place the exporting rural industries in an even worse position, but it couldn't help that either.

So it was all the fault of the Commission and I was quite blameless.

I was just giving my halo an extra polish and was satisfied that I had turned Fred's wrath away from me to the Commission when Eccles came sniffing along. Fred asked him whether he thought it was fair that I should escape so easily. Eccles didn't.

First he pointed out that the Commission was appointed by the Government and it worked under legislation passed by the Government and if it wasn't working properly then it was the duty of the Government either to alter the law or alter the Commission.

He agreed that the Commission didn't seem to know how it ought to tackle its problems, but one of the reasons for this is that the Government did not give it clear guidelines with which to work.

He granted that the Government's case to the Commission was unexceptionable but he still insisted that the Government should make clear in the legislation guidelines which the Commission must bear in mind. And that the prevention of inflation should be an important one of these.

He then went on to point out that if the Government would do something about checking inflation then it would get rid of the chief activating force for continually rising money wages.

And he added threateningly that he would frequently come back to the problem of inflation in the weeks to come.

Then he said that there was something futile about the present situation — wages chasing prices like a dog chasing its tail. It is true that that rural dog can't catch up with the cost tail as its prices are fixed overseas. So the rural dog is getting in a right old mess.

But the rest of the economy is chasing its tail in fine old style and the queer thing is that, although wages go up and up, the wage-earner gets no greater percentage of the gross national product.

If you look at the share of the GNP that the wage and salary earner gets you see that it stays the same, or tends to fall.

In the four years 1955-56 to 1959-60 it was 63.2 per cent, in the next four years it was 61.9 per cent and in the next four years it was 61.8 per cent.

Last year it was 61.7 per cent.

Yet all this time the proportion of wage and salary earners — the work force — has been increasing slowly.

So the share that the wage-earner gets is always about the same.

Eccles thinks there is some kind of economic law operating here.

In the long term (say four years) as money wages go up all that happens is that prices go up so as to make it profitable to pay the increased wages. The thing that makes neat wages, as distinct from money wages, rise is increased productivity.

Fred just sat glowering at me while this long lecture was going on. He wasn't sure what Eccles was talking about, but he was clear about one thing and that it was all my fault.

“And now I suppose you will want to put your salary up,” he snarled. Cripes, I never thought of that!

To escape my worries I am thinking of taking Mavis to the cricket, but she doesn't know much about the game.

In fact, when bowlers shine the ball on their trousers she thinks they are scratching themselves.

But she says that if cricketers wore short pants they would be friskier. She should know.