

# The Australian

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## 12 days of excess and 12 months of folly

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**HERE'S a scandal waiting to explode: the exorbitant cost of the festive season. My evidence: the Christmas Price Index (CPI), which calculates the cost of the 12 days of Christmas.**

True, partridges in pear trees, ladies dancing and lords a-leaping are nowadays less a shopping list than an auditory form of water-boarding, inflicted on those foolish enough to enter shopping malls between mid-October and the end of the year. But since 1984, the US bank PNC Financial Services has treated the items in the carol as the basis for estimating the cost of Christmas. Its recent report costs the resulting shopping basket at \$97,000. Seem a lot? Well, buying that basket in Australia would set you back \$135,000. And even that total, detailed in the table, is an underestimate.

This is partly because we have had to replace some items with inferior substitutes. PNC, for example, sources its dancing ladies and leaping lords from the highly regarded Philadelphia Ballet. But as the Australian Ballet turned its nose up at our proposal, we relied on commercial agencies. And our rates do not take account of workers' compensation and other on-costs.

Regulatory burdens need to be considered too. Not just anyone can host a swan (other than the parliamentary variety) in their home: a permit is needed, costing time and money. Such factors could add \$30,000 increasing the cost difference to 70 per cent.

Revealing so large an impost on working families will surely prove a "wake-up call" to the government. What comes next is readily imagined.

The Prime Minister will launch the MyGoose website, which, under the supervision of a Christmas Officials' Action Group (COAG), will draw on the Statistical Estimator of Xmas Yearly (SEXY) to monitor implementation of a national standard for gifts to true loves. Endorsing those efforts, the Business Council will release a study showing that a uniform dress code for leaping lords would increase Australia's income by more than eliminating smoking, drinking and The 7.30 Report combined.

And the opposition will demand tough powers to curb price signalling between calling birds, while reaffirming that any thought of reforming the fair work laws that prohibit employing milk maids for less than three-hour shifts are "dead, buried and cremated".

But caution is needed before assuming high prices justify unleashing such follies. This is not to suggest the estimates are fanciful: they measure up well against benchmarks. The International Monetary Fund estimates that to buy one dollar's worth of goods in the US costs about \$1.57 in Australia. And a Big Mac currently costs 30 per cent more in Australia than in the US.

Relative to this implied range of 1.3 to 1.6, our 1.3 to 1.7 Christmas cost differential is entirely plausible. Especially since internationally traded goods, relatively cheaper because of the mining boom driven exchange rate rise, account for 60 per cent of the cost of a Big Mac but for only 10 per cent of our Christmas basket.

And for a labour-intensive basket of goods such as ours, that effect will be accentuated by the large capital inflows Australia is experiencing, because they make labour more productive, and hence dearer, as well as increasing the exchange

rate appreciation. To that extent, rather than market failure, the relatively high cost of Australian leaping lords is, like current interest rates, the flip-side of economic good fortune.

So too is the fact that no one today would think of buying the items on the 12 days of Christmas list, even though they might have at the turn of the 17th century.

In 1599, when Shakespeare's Globe Theatre was built, even famous actors earned just over 1 shilling a day, about \$12 at today's prices. And wealth was immensely concentrated, with the top 10 per cent of households in England and Wales owning more than 80 per cent of the nation's assets. With short life expectancy, low savings rates and slow economic growth, inheritance accounted for 90 per cent of the wealth acquired by any cohort, as compared with 25 per cent or so now, entrenching inequality.

No wonder Jane Austen's Mr Darcy, worth \$50 million at today's prices, was such a catch. And no wonder Darcy's Elizabethan equivalent could consider the cost of milking maids and flocks of swans small change.

And they would have been cheap compared with the few manufactured goods available. Shirts worn by emigrants sailing from Southampton in 1630 cost about four day's wages; Target's prices imply a 90 per cent decline. As for the Clerk to His Majesty's Household, he recorded buying "one hundred faggots with carriage" for all of 3 shillings (\$36), but a large kettle cost nearly \$500 at today's prices.

Little surprise the carol's gold rings actually refer to ring-necked pheasants: with the price of gold equivalent to \$700 per fine troy ounce, even the wealthy would not give that much jewellery away.

That the 12 days basket is no longer with us reflects the fact that productivity and hence wages are 40 times higher than in Shakespeare's day, while the combination of high growth, long life expectancy and a high investment rate imply each generation's addition to the capital stock is big compared with that it inherits. As a result, while rich with the legacy of the past, each generation largely shapes its own world, with all the mobility that creates and all the opportunities it opens. And when Christmas comes, incessant innovation means we select from a dazzling array of goods our parents could never have imagined.

Not that the tension between unlimited ends and insufficient means is anywhere resolved. But we know the recipe for progress, however groping and at times uncertain, and it lies in well-functioning markets, sensible, long-term policy settings and the rule of law: not the gimmicks, chicaneries and unthinking meddling that dominated this year.

So let's sing, dance, leap, drum and pipe to that. And hope 2011 proves that Australia can do better.

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