

An Economic Puzzle

THERE have been some rather puzzling/troubling economic developments over the last decade or so:

1. Could someone please explain to us ordinary folks where the ridiculously low official inflation rate comes from? How can the inflation rate be a mere "8,5 - 9 %", if over the past few months some prices have gone up by as much as 37%??

Some examples:

- * Electricity - up 13% from July;

- * Other rates & taxes - up 10% since July

- * Post boxes - up 37% recently;

- * Telephone tariffs - up \pm 30% this year.

- * VAT has been taking a whopping 15-30% extra on each purchase since Nov 2000 - and some businesses have used this to inflate their prices even further.

Bank costs are becoming exorbitant.

- * Food prices and other commodity prices also keep rising all the time, not to mention car prices.

2. Whereas up to 10-12 years ago people were rewarded for paying cash by being offered discounts for prompt payment, things have since been turned completely upside down: Now there are massive discounts for opening new accounts and buying big amounts at a time on them - creating an increasingly debt-ridden society. People's inability to pay back their debts on ordinary commodities like clothes and shoes to price increases - which of course are absorbed by those who regularly pay

their debts and those who pay cash.

This holds good for countries and their governments too, with some countries carrying ever-increasing debt loads that they will never be able to pay back - with the result that in the end these same countries could be forced by their creditors into deals currently unacceptable to them, such as having to accept and store atomic waste for example.

3. In our modern economy, spending seems to be regarded to be more positive than saving - a recent newspaper headline read: Fears of increased saving! There was a time in South Africa when the populace was encouraged to save - and in those years the economy was strong and healthy.

An economy based on borrowing and spending may be to the advantage of big business - but what about the ordinary person in the street? Where can we ordinary folks "store" our money without it losing its value? Interest rates have dropped so much that they are even lower than the "official" inflation rate.

Maybe we should keep our money under the mattress again Well, maybe someone out there will be able to prove me wrong in my gloomy analysis - I am looking forward to it!

Teacher

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Note: Real name and address provided - Ed