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The numbers game

● Human progress has depended a lot on the definition and measurement of things: time, distance, outputs, weather, values (monetary) and more. Today, more things are measured more often. But as Benjamin Disraeli said, there are lies, damned lies and statistics.

When is buying equipment a capital expenditure and when is it consumption expenditure, for example. It depends on who is buying, or when it is acquired. If it is a household buying it (refrigerator, TV etc), it is consumption. If it is a business, the same items are capital expenditure. If it is military equipment in peacetime, it is capital expenditure; but in war it is a consumable (for obvious reasons).

Shares are bought about two to 2.5 times net tangible assets, suggesting that the measuring system used by accounting practices bears no relationship whatsoever to the real world where shares in a company are bought and sold. Intellectual property and

other “intangibles” are not counted by auditors, meaning almost 60 per cent of the fundamental value of the business’s assets are not allowed to be counted. Good grief: what modern business wants any tangibles on the balance sheet these days, earning less than twice the bond rate compared with the earning power of the intangibles?

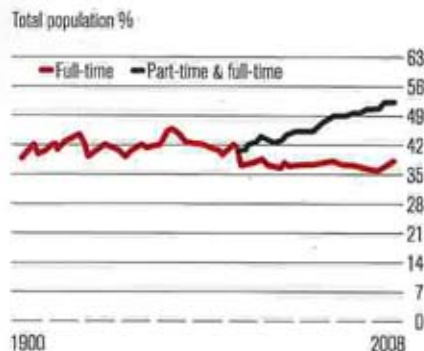
Then take the economy whose output is defined as gross domestic product.

In 2007-08, it came to \$1,129 billion. But if household activities are included – but not the outsourced and paid-for ones – the Australian Bureau of Statistics surveys would suggest about \$445 billion could be added to the official figure. This represents 28 per cent of the “real” output of \$1,574 billion. Interestingly, the value of outsourced household service activities since the “New Age” began in 1965 now amounts to \$190 billion a year, or \$430 a week per household – with at least that much again likely to be outsourced in the decades ahead.

Then there is employment and unemployment. Gary Morgan, owner and head of Roy Morgan International, has been stressing the underemployment in the economy for some years.

In September this year there were 11.2 million in the workforce, of which 0.48 million (4.3 per cent) were unemployed. Morgan estimates there are 1.5 million either unemployed and

WORKFORCE PARTICIPATION



Source: IBISWorld

or looking for more work; and he is probably right. There are hundreds of thousands preferring less work, but unemployment and underemployment is still of the order of a million or more. Of some comfort, however, is that we now have the highest workforce participation in 150 years. Some 52.3 per cent (11.22 million) of the entire population choose to be in the workforce compared with about 40-41 per cent for the first three-quarters of the 20th century.

Converting the part-timers into full-time equivalents these days means that this ratio hasn’t changed from the days when almost all workers were full-time. So at least we are spreading the work around, and creating more flexibility.

It all depends on how we choose to measure things. **BRW**