

JOB INFLATION IN INDONESIA¹

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Man has a great ability to adjust, to adapt to new and difficult situations. Indonesians in recent years have had more than their share of these problems. The depression of the 1930's, the occupation by the Japanese, the struggles with the Dutch, the problems of rehabilitation, the introduction of national elections, the take-over of Dutch business, the various internal revolts, the costly preparations for West Irian, the Malaysian confrontation, the "September 30 Movement" and its aftermath, a series of shortages and bottlenecks, and the resulting sustained, rapid inflation are but a few which quickly come to mind.

Inflation, by definition, means that each unit of money is worth less than it was previously, thus making a larger money income necessary, to keep up with the neighbors, to maintain a customary standard of living, or, to be more realistic, in some cases to avoid physical privation and hunger. Therefore, inflation has made Indonesians more income- and money-conscious. They feel that they must have more money and income, which means in many cases that they must work longer, and their marginal propensity for leisure must decline.

Of course, most Indonesian farmers (*tani*) produce a great deal of what they consume, so to them production is more important than money. But their buying and selling also sensitizes them to price changes. To the extent that the income from their sale of agricultural products rises faster than the cost of the goods which they buy, they may not have to work longer, or they may eat more of their own produce.

Urban dwellers, having no such built-in hedging device, tend in various ways to seek income in real goods rather than money, when exposed to rampant inflation. Civil servants are most anxious to receive rice, cloth, and other necessities at low, subsidized prices. The estates, the oil companies, and other enterprises, sometimes as a result of union pressure or arbitration award, supplement money wages by distributing market baskets of food and necessities (either free or at low fixed prices). Helpful as this

¹ Some of these ideas were first developed at two staff seminars of the National Economic and Social Research Institute, Djakarta, Indonesia, 1963, where I was serving as a consultant on a Harvard Development Advisory Service/Ford Foundation grant. I am also indebted to Professor Harold W. Guthrie of the University of Illinois, who invited me to present a paper on this subject to a faculty seminar. His own work, a statistical analysis of "moonlighting" in Indianapolis, is on the anatomy of the problem; this paper deals with the pathology. "Who Moonlights and Why," *Illinois Business Review*, XXII, 3 (March 1965), 6-8.

may be for those who receive the goods, it tends to decrease the available supply for others, because people who receive some rice at subsidized prices are likely to consume more in total than if they had to buy all their supply at the higher market price.

In addition to trying to secure payments in kind, which have limited applicability, many Indonesians in recent years have tended to adopt one or more of the following methods of raising additional monetary income: (1) working longer hours to secure overtime pay; (2) having additional members of the family work; (3) securing an extra job (moonlighting) or, in Indonesia, several additional jobs;² (4) asking for wage increases or, if they are frozen, promotions to get more money; (5) engaging in self-employment such as buying and selling; and (6) performing certain services for fees outside the legal channels. Job inflation applies specifically to the third variety; i.e., the securing of more and more jobs, no one job being anywhere adequate to provide sufficient income (just as money inflation means that a given unit of money is worth less than previously). In another sense, the fourth category might also be considered job inflation, to the extent that people have been promoted more rapidly to higher categories. Certainly, there are many more cabinet ministers and deputy cabinet ministers, generals and admirals, deans and assistant deans in Indonesia today than there were formerly. The balance of this paper, however, emphasizes multiple jobs as the main source of job inflation, although some of the argument applies to other methods.

Rapid Inflation

During the 1950's and 1960's, Indonesia experienced rapidly rising prices,³ with the possible exception of the years 1951 through 1954, when prices rose less than 20%. Prices doubled from 1950 to 1954, however, largely because of the Korean War boom in 1950-51. By early 1958, prices had more than doubled again. The rise from 1957 to 1958, with the expulsion of the Dutch and the revolts in Sumatra and Sulawesi, was particularly sharp. By the end of 1960 they had almost doubled again, as they did by the end of 1961, by November 1962, by September 1963, by March 1964,

² In a number of Asian countries civil servants and teachers have been forced to moonlight because of very low salaries, but this has been carried to greater lengths in Indonesia.

³ There is no general consumer price index or cost of living index for the country as a whole. It was customary to refer to the weighted index of retail prices of 19 food articles on the free market in Djakarta, with 1953 as a base but weights dating back to 1932, unless for special reasons the index of another city was used. There had been discussion for some time on ways to improve the index. The Central Bureau of Statistics, under a contract with the National Economic and Social Research Institute, early in 1964 developed a new index by using the weights found in a March 1957-February 1958 consumer expenditure study in Djakarta grouped into 29 food, 6 housing, 12 clothing, and 15 other items, and applying these weights to the prices in a large number of cities in Indonesia. This new index is a considerable improvement, but it still is very sensitive to the price of rice in the free market. To the extent that an individual gets subsidized rice, the index overstates the real fall in his wages.

by January 1965 and by July 1965. The pace of inflation, therefore, has been much more rapid since 1957, although there have been some pauses, such as after the August 1959 money cut, the Fourteen Stabilization Regulations of May 1963, and the new rice crop in April 1964. Table I shows that prices in Djakarta in August 1965 were over 118 times the 1953 level, and the trend continued upward in the balance of 1965 and early 1966.

Since 1952, the Indonesian government has run a deficit largely financed by borrowing from the Bank of Indonesia, which in turn has increased the paper money supply, with a trend in recent years to bills of larger and larger denomination (Rp. 10,000 notes were issued in 1964) until the monetary changes of December 1965, which converted 1,000 old rupiah to one new rupiah. Structuralists would also point out that, especially since the end of 1957, major Indonesian exports, with the exception of petroleum, bauxite, and some agricultural products, have been declining either in quantity or price or both. This has forced Indonesia to adopt a series of import controls; foreign loans and aid have usually not been great enough to offset the decline in export earnings and the large current account deficit arising from service items and the repayment of loans, together with interest, rent, and profits. Import declines have directly caused some prices to rise, while they have raised other prices indirectly by holding back local production because of periodic shortages of imported raw materials and spare parts. Although Indonesia has no index of industrial output or of labor productivity, the evidence would indicate that shortages have tended to accelerate the spiral of prices. For example, in two recent years (1961-62 and 1963-64), smaller rice crops caused price indices to soar, with prices of basic grains rising first and other prices gradually catching up to them. To stop inflation, Indonesia would not only have to tighten its monetary and fiscal policies, it would have to increase the level of output both in the export and domestic fields.

There seems little evidence that Indonesia has either of the usual types of inflation that worry developed countries in peace time—demand pull with full employment where investment is heavier than saving, or cost push where wages and profits tend to force up prices before full employment is reached. On the contrary, the evidence indicates that:

- a. there is still unemployment and underemployment in Indonesia;
- b. there has been a rise in money wages;
- c. there has been an increase in payments in kind (rice, textiles, kerosene, free meals on the job);
- d. total real earnings (both in money and in kind) have declined substantially;
- e. as a result, workers have been seeking overtime, or, in many cases, where their primary positions pay by the week or the month, they have secured second, third, fourth, and even more jobs to add to their total income: job inflation.

Unemployment and Underemployment

In October 1961, the Central Bureau of Statistics conducted a population census in all parts of Indonesia (except West Irian, which was not then under Indonesian jurisdiction). Figures have been published on the total population by sex and by regions, but, for a study of unemployment, the

TABLE I
*Weighted Index Number of Retail Prices of 19 Food Articles
on the Free Market in Djakarta*

		1950 - 1964 (1953 = 100)						
Year	Index	Month	1960	1961	1962	1963	1964 ^a	1965 ^a
1950	54	Jan	358	397	1083	2319	5290	14,996
1951	89	Feb	363	432	1251	2543	6209	17,243
1952	94	Mar	371	479	1257	2682	7040	16,021
1953	100	Apr	382	471	1248	2700	5637	16,341
1954	106	May	380	458	1335	3010	5703	17,084
1955	141	June	394	446	1397	3096	5847	18,278
1956	161	July	402	446	1481	3041	6048	21,825
1957	177	Aug	397	465	1516	3133	6592	25,445
1958	258	Sept	394	542	1494	3569	7931	
1959	311	Oct	389	593	1555	3786	8531	
1960	384	Nov	388	792	1652	4617	9138	
1961	523	Dec	388	760	1897	4674	11,264	
1962	1,453							
1963	3,640							

^a The 1964-65 figures are derived from the new index of 62 consumer items converted to the old base.

SOURCE: *Statistical Pocketbook of Indonesia, 1963*, p. 266 and earlier editions.

Also *Business News*, Feb. 19, 1964, p. 6; Dec. 7, 1964, p. 1A.

most comprehensive report is based on a one percent sample survey of the total population. The total labor force in October 1961, estimated on the basis of this one percent sample, amounted to 34,578,234 males and females 10 years of age and over, or 54.1% of the total of 63,953,563 in that age group, and 35.9% of the total population of 96,318,829 (excluding West Irian). That the percentage of the total population in the labor force is this low results from two factors: first, a very high percentage of the total population, 33.6%, are children under 10 years of age; and second, the census found only 29.3% of the females 10 years of age and over in the labor force.

Of the 34.6 million in the labor force in 1961, the census found 5.4%, or 1,869,620 individuals, unemployed. The percentage of males unemployed was only 4.8, while for females it was 7.0. In the city of Djakarta, the 1961 census reported over 7% of the labor force 10 years of age and over as unemployed. The Labor Force Survey for Java and Madura in 1958 had shown a lower percentage of unemployment in rural areas and a higher

percentage in urban areas,⁴ but the same survey estimated underemployment in agriculture in the rural areas of Java and Madura to be about one-third. Rural underemployment may have been reduced somewhat, but there is no evidence to indicate that it is not still serious.

There may be scarcities of particular skills at particular localities,⁵ but the evidence does not point to full employment or a generally tight labor market as the cause of inflation. Furthermore, industry has not been operating, as a rule, close to full capacity.

Falling Real Wages

Given the amount of unemployment and underemployment, it is not surprising that the evidence indicates that wages have lagged behind prices. Payments in kind have offset some of the price rise, but for most workers, real earnings from their main job have fallen. In 1953-54, the minimum money wages on most estates and for males in the hand-made cigarette (*kretek*) industry were Rp. 3.50 per day; they were Rp. 5.25 for dockworkers at the major port of Tandjung Priok. In 1963, on the estates in Java and South and Western Sumatra, they had risen to only Rp. 10 (less than a threefold increase), while those in North Sumatra were Rp. 15 (4 times), those in the *kretek* industry Rp. 39.50 (11 times), and those among the harbor workers Rp. 21.25 (4 times). Prices had risen 29 times in Medan, North Sumatra, and 23 times in Djakarta from the base year of 1953 to January 1963. Obviously, wages have risen but have lagged behind prices, hence real money wages have fallen.

Yet this is only a very small part of the story, because in many industries wages in kind and other benefits, such as housing, transportation, and medical allowances, cost more than the wages themselves. The *kretek* workers, with their eleven fold increase in money wages but no wages in kind, were probably less well off than the estate workers, who have one of the most developed systems of wages in kind, including rice, textiles, kerosene, and sugar, to supplement money wages. The most complete information is available for the estates in North Sumatra. In 1953 money wages of Rp. 3.50 were supplemented by wages in kind which cost Rp. 5.63, for a total daily wage for a man with a wife and two children of Rp. 9.13. Table II clearly indicates a real drop from 1953 to 1955, some rise through 1957, and then a fall, particularly in real money wages and, in some periods, in both real money and real total wages, so great that adjustments were subsequently made. By July 1964, money wages had risen only 15 times and wages in kind 34 times, making a total wage rise of 26.5 times, as

⁴ Some of the rural and urban differences resulted from using a whole year in the rural areas and a shorter period in urban areas. Department of Labour, *Report on Labour Force Sample Survey in Java and Madura, 1958*, Djakarta, 1961.

⁵ Estates in North Sumatra talk of labor shortages amidst underemployment in rural areas and unemployment in urban areas. See Donald Blake, "Labour Shortage and Unemployment in Northeast Sumatra," *The Malayan Economic Review*, VII, 2 (Oct. 1962), 106-18.

compared to a price rise of 46 times. The real money wage index was only 32% of the 1953 base; with wages in kind included, the real total wage index was only 58%, still a substantial cut for one of the best organized groups in Indonesia. These numbers are only indicative of a trend, as they are subject to a number of statistical problems.

Some firms that had never provided meals for their workers are doing so now. In the construction industry in West Java, it has become customary

TABLE II
MINIMUM WAGES, PRICES AND REAL WAGES ON THE
ESTATES OF NORTH SUMATRA
(Man, wife, two children in Rupiah per day)

Year	(1) Wages in Money	(2) Wages in Kind	(3) Total	(4) Money wages Index	(5) Total Wages Index	(6) Wages in Kind Index	(7) Price Index (Medan)	(5 ÷ 7) Real Total Wages Index	(4 ÷ 7) Real Money Wages Index
1951*	3.25	5.78	9.03	93	99	103	103	96	90
1953*	3.50	5.63	9.13	100	100	100	100	100	100
1955*	3.75	5.72	9.47	107	104	102	167	62	64
1956*	4.25	6.27	10.52	121	115	111	168	68	72
1957*	4.45	6.29	10.74	127	118	112	165	72	77
1958*	4.45	9.34	13.79	127	151	166	259	58	49
1959*	4.90	11.69	16.59	140	182	208	338	54	41
Jan 1960	4.90	18.06	22.96	140	251	321	378	66	37
July 1960	4.90	18.94	23.84	140	261	336	427	61	33
Jan 1961	5.75	19.73	25.48	164	279	350	474	59	35
July 1961	6.20	18.94	25.14	177	275	336	469	59	38
Jan 1962	6.20	20.75	26.95	177	295	369	841	35	21
July 1962	15.00	55.83	70.83	429	776	992	1,518	51	28
Jan 1963	15.00	74.14	89.14	429	976	1,317	2,894	34	15
July 1963	26.25	153.77	180.02	750	1,972	2,731	3,739	53	20
Jan 1964	26.25	176.80	203.05	750	2,224	3,140	3,955	56	19
July 1964	56.20	189.81	242.41	1,503	2,655	3,371	4,624**	58	32

Source adapted from figures provided by Gappersu and the Central Bureau of Statistics

* For the whole year

** Adjusted from the new index

for the contractor to provide one big meal a day for his workers, to insure the presence of the workers each day. This system has also been tried out on the docks, together with giving half a kilo of rice a day to take home to their families. In 1963, total money and wages in kind at Tandjung Priok had risen only 7 or 8 times since 1953, compared to 23 times for prices in January 1963.

By and large, petroleum workers and staff employees have fared better than most other workers. One of the large petroleum companies tried for years to avoid running a commissary, but prices rose so rapidly in the 1960's that a government arbitration board ordered payments in kind. One of the oil companies imported large quantities of rice and gave their staff much more than they and their families needed. The imported rice cost

the company relatively little per kilo; wage payments in rice were not subject to the income tax; the workers could sell their surplus at a high price; and the local officials were delighted to have the extra rice in the market for other workers. The oil companies also had a cost-of-living allowance that was tied to figures compiled by the Central Bureau of Statistics, which kept basic wages closer to mounting prices.

The Department of Labor made a sample study of real earnings in Djakarta, in the fourth quarter of 1962, which covered 18 branches of industry, 180 firms, and over 18,000 employees. Their figures showed that for each of the quarters in 1962 the index of real earnings on a July 1958 base was 44% or less.

July 1958 equals 100 00

Date	(1) Index of Prices of Consumer Goods	(2) Index of Income	(3) Index of Real Earnings
January 1962	427.7	189.5	44
April 1962	567.9	235.7	42
July 1962	670.2	232.3	35
October 1962	717.4	298.4	43

Although this was only a sample survey of 18 types of industries in the capital city of Djakarta, it tended to confirm people's complaints, namely, that their higher money incomes did not buy as much as their lower incomes in an earlier period.

In spite of huge deficits, the government has had to raise the money wages for its civil servants and other employees several times, though always far behind the price rises. As part of the Fourteen Regulations of May 1963, an increase of 100% in basic salaries was ordered, and at the same time the Minister of Labor encouraged private industry to follow suit, while at most other times there has been restraint on wage increases. The First Minister, Dr. Djuanda, before his death, had expected to raise government salaries again by December 1963, but the adjustment did not come till late 1964, and by then prices had risen to about three times the May 1963 level. As part of the monetary changes of December 1965, government salaries were increased five-fold.

Government employees are entitled to purchase rice and sometimes other commodities at reduced prices. The details have changed from time to time, but the basic pattern was the provision of 8 kilos of rice for each government employee and each member of his family at a subsidized low price—for example, Rp. 6 per kilo instead of approximately Rp. 50, the open market price in the middle of 1963.⁶ A later formula stated that the government would make up the difference between the subsidized price and the

⁶ By early 1966, the rice price in Djakarta was reported at over Rp. 3,000 (old rupiah) per kilo.

open market price of rice if it could not supply the rice. Still later, to avoid rice imports, the government substituted corn for part of the rice. Without these provisions, the lot of the civil servant would have been even more difficult.

Several government agencies have made studies showing that the salaries of government office holders cover only a fraction of their monthly expenditures. For example, during March 1964, the Central Bureau of Statistics, under contract to the National Economic and Social Research Institute, conducted a cost-of-living survey among its own employees and found that, on the average, government salaries covered only a third of monthly expenditures of the higher salaried officials and only a fifth in the lower paid brackets. This study indicated that government workers found it necessary to sell personal belongings or engage in other jobs or money-making ventures to make up the difference. The situation of employees in government enterprises has been a bit better, since salary levels are higher, there are certain additional fringe benefits, and there are more chances to make extra money. Wages of railroad employees used to be based on the same scale as civil servants and were lower than those for comparable skills in other government enterprises and private concerns, so that many of the better employees left or worked much less than a full week, in order to find secondary employment. Their basic wage level was increased 100% when the civil service scale was raised in May 1963. At the same time, railroad rates were increased fourfold, in an attempt to wipe out some of the government subsidy for a service which had been heavily underpriced, to pay better wages, and to provide better maintenance. The lack of maintenance had reached a serious state in 1963, when there were seven bad accidents in one month's time, chiefly caused by equipment failure. The railroad administration, which was converted into a state enterprise, and the unions negotiated a wage increase, attempting to hold their own skilled workers and to pull back some who had sought employment elsewhere.

The Census of 1961 did not ask information on secondary positions, as had been done in the Labor Force Sample Survey in Java and Madura in 1958, nor have the results of the First Sample Round, the Agricultural Census, or the Industrial Census become available. Sample surveys, such as the one made at Gadjah Mada University, point to the widespread use of additional jobs among rural families. Most government employees and teachers have tried to secure multiple jobs—the opportunities to find added work seem to be greater in the larger cities, especially if they are not required to be on their main job 40 hours a week.

Of course, a few people engaged in trade and business have prospered mightily by the inflation. The luxurious living standards of this group are in marked contrast to those of the mass of wage and salary workers.

The Results of Job Inflation

What are some of the results of job inflation—not just two jobs but often three, four, or more? First, it does provide more income for the indi-

vidual and his family, fulfilling the purpose for which he undertook the extra work. Whether the added employment pays more or less than his original job, the additional income helps the family to meet its rising expenditures.

Second, it gives new experience and training to the individual, which he may greatly appreciate at once, if his old job is dull and routine, and it may also aid his future career by providing some variety in experience and training. He does not have to give up his regular job, often a relatively scarce one, but he can augment his experience.

Third, necessity may be the mother not only of invention, but also of ingenuity and innovation. A few individuals have developed new business ventures; other Indonesians find that such possibilities—other than buying and selling—are rare, and that necessity requires them to snatch at almost any job that is available.

Fourth, job inflation may raise the level of output. A person who takes on a second job certainly should have a larger output than if he has only one. Of course, there may be some loss on the first job, but this is usually more than offset by the added output from the second job. In the initial stages of job inflation, the level of output should rise; but as the number of jobs increases, the losses may also increase, although they will vary depending on the individual's ability to adapt to many different jobs, the kinds of skill involved, and the locations of the various positions.

Given these four advantages—increases in income, in experience and training, in ingenuity and innovation, and in output—job inflation would seem to be a generally desirable reaction to inflation. The evidence, however, points to some major difficulties.

First, Indonesia still has a shortage of people with certain skills and highly trained professional, administrative, and managerial talents. Since 1950, its educational training facilities have been greatly increased, and thousands of people have been encouraged to go abroad for short- or long-term study tours. To the extent that a person with a scarce skill is shared by organizations, all requiring his special skill, there may be a gain to the economy. If, on the other hand, these newly trained people, even though they are needed in a particular area, are forced to look for work in other fields, their special skills and training are not being utilized to the fullest degree. In fact, in such cases there is a wastage of potential human capital. Training and skills not fully utilized tend to deteriorate rapidly. Although some government officials have recently shown much ingenuity in arranging additional allowances, so that regular staff members would spend more time on their regular jobs, the trend toward multiple jobs and wastage of skills continues.

Second, the quality of work is also bound to suffer, as people take on more and more jobs. There is a limited supply of energy—a limited amount of time to think over the problems of each job. No one is working full-time, so no one is really responsible.

Third, a great deal of time and energy is spent running from one job to another, a situation aggravated by the often inadequate transportation facilities. An Indonesian may have to report in at one office, go to a second for a while, report back to the first at noon, and go on to the third in the afternoon. There is no continuity on a job. It is hard to find a person at his office; it is even harder to arrange regular meetings of groups, since they may be out of town on assignment or off on another job. These disadvantages to the individual also mean real losses in efficiency to the employing organization.

Fourth, the ultimate stage of job inflation will have arrived when a person spends all his time and energy going from one job to another, so that he gets almost nothing done on any of them. Obviously, this stage has not been reached in Indonesia, but there are cases of people getting tired and sick and others where the losses on all the jobs may well be approaching, if not exceeding, the output of all jobs. Certainly, the net output is often much less valuable to the country than if the man had spent an equal amount of his time and energy on his main job.

In order to evaluate job inflation more precisely,⁷ three specific tests can be applied. If it can pass these three tests, then it may serve as a means of avoiding the effects of inflation. If it cannot pass these tests, then it is no real solution to the need for more income created by inflation. The first and simplest one—the output test—has already been partially developed and discussed above.

First, the output on the old job, less any losses on the old job, plus output on the added job or jobs, less costs of movements between jobs, should be greater than the output on the old job. To carry this one step further, it would add to output to continue the process of job inflation as long as marginal gains from a new job were more than, or equal to, all the marginal losses, i.e., any added losses which would be incurred on all other jobs and in moving from job to job by taking on the new job. Any net increase in output according to this test would be favored, since it adds to total output, and thus more goods and services are offered to society. It is altogether likely that most multiple employment does, at least in the initial stages, add something net, but this is not why the Indonesians engage in it—they want additional money to spend.

2. A second test, therefore, has to be applied: the net increase in output should be as great or greater than the increase in earnings. Although a

⁷ This analysis is based on the assumption that imperfections in the labor market, rapid inflation with wage restraints, and the preponderance of workers employed by the government or by government businesses, do not make for conditions where wages and salaries tend to conform closely to marginal revenue product. In practice government supervisors themselves may have multiple jobs and so they are in no position to forbid their staff to do the same. In fact, they often encourage job inflation because of a feeling of paternal responsibility and the desire to hold their staff intact. Furthermore, since regular employees will not always be present on the job, they may try to find funds to offer part-time employment to others.

second job may pass this test with flying colors, subsequent jobs may involve enough losses on previous jobs, or in movement between jobs, for the added earnings to exceed the net output added. If earnings increase more rapidly than output—a real danger—this would tend to add to the fires of inflation.⁸ It is frequently a trying problem to evaluate output on the job. The simplest way would be to equate it with earnings, but this begs the proposed test: if this method is used, the loss of output on other jobs or in travel would mean that added earnings always exceeded net added output. Furthermore, in government, additional positions with salaries attached are sometimes created where there is no additional measurable output. This last case approximates a straight increase in salary or an inflated promotion, as briefly mentioned above.

3. Furthermore, a third test should be applied: the increase of production from the added job or jobs should be of a kind or kinds which will be currently demanded by the increased income generated. If the increased production consists of goods and services which the public will demand as consumers, and if the second test is also met, then the added production and the added income would not result in inflation. Actually, however, the added production may not result in such goods and services. A great deal may simply involve government payments for services which will not add in any way to government output. To the extent that teachers teach in several schools, a desired service is being performed, even if the evidence frequently indicates a decline in teaching standards. Valuable though education may be in increasing output in the long run, additional payments to teachers, like many other government expenditures, may in the short run result in inflationary pressures. Earnings from job inflation may, therefore, be rising much more rapidly than the increase of production of goods and services that the public is willing to purchase.

Conclusions

If only a few people take on multiple jobs, they will bring in more income to their families, and such a small increase in income relative to aggregate income of all Indonesians would have so little effect on prices, no matter what their additional output, that they would gain relatively by this move. As more and more engage in multiple jobs, the individual gains in income may be more and more offset by new price rises, especially if the net increase in output demanded is low relative to added earnings. Lack of additional jobs may slow a country's pace toward the final stage, where the great majority engage in job inflation. Then the aggregate demand (income) will rise faster than the aggregate supply of goods and services really wanted, which will add to the inflationary pressures.

Of course, just as some people gain during inflation while others lose, so some profit through this process of job inflation, while others lose. The

⁸ This and the following tests are based on the likely assumption that the government of Indonesia will not absorb in taxes a substantial portion of the increase in earnings.

chance to gain will spur people to accept additional jobs, even if, in the end, many will not gain by these measures. Furthermore, there are factors other than multiple jobs making for inflation in Indonesia.

Price inflation has encouraged job inflation as a means of avoiding lowered real income, but the widespread extension of job inflation is probably leading to further price inflation, which may encourage more job inflation. Indonesians are extremely resourceful in meeting new problems, but they seem to have started a cycle that will cause even more problems in the future. Other methods are needed to halt the spiral of inflation. The 1963 stabilization efforts were abortive, largely because the government failed to consider the political implications of the measures and as a result did not receive the support of any of the major power groups. Any new attempt should have a more solid political base.