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## LONDON $\mathfrak{E}$ CAMBRIDGE ECONOMIC SERVICE

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This first issue of Volume XVIII of the publications of The London and Cambridge Economic Service necessarily assumes a somewhat different aspect from its peace-time predecessors.

Under present condititions it is proposed to issue a quarterly Bulletin in which analysis will be based rather upon wider implications and longer period changes than upon short-term movements. The contents, therefore, take the form of articles rather than of notes upon recent developments.

In view of the longer interval between dates of issue, it is now considered unnecessary to issue separate supplements containing information regarding overseas countries. Instead, reports from countries overseas will form part of the Bulletin, and it is proposed to include information from various groups of countries in successive issues. Thus the present issue contains reports from four of the Western European neutrals-Belgium, Holland, Denmark and Sweden.

Many of the customary statistics have been discontinued, modified, delayed or have lost their former significance, but the main tables for the United Kingdom and the principal countries overseas will continue to be presented as fully as possible.

# UNITED KINGDOM. FINANCE AND BANKING. 

By F. W. Paish.

GOVERNMENT FINANCE.- Since the outbreak of war at the beginning of September, the financial situation has naturally been dominated by the Government's great and increasing requirements for financing the war.

For the five months April to August, expenditure, including expenditure on defence loan account, totalled $£ 520 \mathrm{Mn}$., or $£ 23.6 \mathrm{Mn}$. per week, and the excess of expenditure over revenue $£ 234 \mathrm{Mn}$., or $£ \mathrm{I} 0.6 \mathrm{Mn}$. a week. In September and October expenditure averaged $£ 32 \mathrm{Mn}$. a week and the weekly deficit $£_{17.7}$ Mn., while in November and December the average weekly expenditure has risen to over $£ 45 \mathrm{Mn}$. and the average weekly deficit to nearly $£ 30 \mathrm{Mn}$. If the revised estimates for the whole financial year were fulfilled, the average weekly expenditure during the first quarter of 1940 would show a further increase to $£ 57.6 \mathrm{Mn}$., though the heavier revenue receipts during this quarter would bring the estimated average weekly deficit down to $£ 22.8 \mathrm{Mn}$. The progressive rise of the deficit becomes more obvious if we make a rough correction for season :-

GOVERNMENT REVENUE AND EXPENDITURE. (£Mn.)

|  | Av. Weekly Revenue. | Av. Weekly Expenditure | Av. Weekly Deficit. | Av Weokly Deficit, seasonal change |
| :---: | :---: | :---: | :---: | :---: |
| 1939-40 <br> Apr.1-Sept. 2 | 13.0 | 23 | $10 \cdot 6$ | remosed |
| Sept. 3-30 | 13.0 | $30 \cdot 7$ | 17.6 | 15 |
| Oct. 1-29 | $16^{\circ} 0$ | 33.7 | $17 \cdot 7$ | 15 |
| Oct. 30-Dec. 2 | 174 | $47 \cdot 2$ | 29-8 | 23 |
| Dec. 3-31 | $13 \cdot 7$ | $42 \cdot 8$ | 292 | 26 |
| Jan. 1-Mar. 31 | 34.7 | $57 \cdot 6$ | $22 \cdot 8$ | 33 |

The total excess of Expenditure over Revenue for the first three-quarters of the financial year was $£ 64 \mathrm{I} \mathrm{Mn}$., of which $£ 500 \mathrm{Mn}$. is attributable to non-seasonal causes.

The Floating Debt.-Except for an amount of some $£ 40 \mathrm{Mn}$. received during the last five weeks of the half-year from net sales of National Savings Certificates and of the new 3\% Defence Bonds, the whole of the deficit has hitherto been covered by expanding the floating debt, which on December 3Ist had reached a total of $£ 1,535$ Mn ., as compared with $£ \mathrm{I}, \mathrm{I} 67 \mathrm{Mn}$. on September 2nd and $£ 920 \mathrm{Mn}$. on March 3Ist.

The expansion of the Floating Debt since the beginning of financial year falls into three main periods. During the first period, which lasted until the end of May, the rise occurred mainly
in Treasury bills sold by tender, while the total of bills sold to public departments, etc., through the 'tap' remained almost stationary. During the second period, which lasted from the end of May until early in October, the bulk of the increase took place in bills issued through the 'tap,' while bills issued by tender increased only slightly. Finally, in the last quarter of 1939, the accelerated rise has occurred almost entirely in tender bills :-

|  | FLOATING DEB |  | T. (£Mn.) |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Tender | - Tap | Ways and Means <br> Advances from | Total |
| 1939 | Bills ${ }^{\text {' }}$ | Bills | Govt. Departments. |  |
| March 25th. | 366 | 502 | 43 | 912 |
| May 27th. | 449 | 506 | 45 | 999 |
| October 7th. | 518 | 703 | 47 | 12 ¢ 8 |
| Dec. 30th. | 760 | 710 | 65 | 153 |

It is believed that the line of demarcation between 'tap' bills and 'tender' bills has become less distinct in recent months, and that on occasion 'tap' bills may have been sold to the banks or the market by the Exchange Equalisation Account, while at other times 'tender' bills may have been bought by the Account and the Bank of England. Nevertheless, it is unlikely that the broad outlines of the story told by the above figures are misleading. It is highly probable that the developments of the autumn of 1938, when the result of heavy sales of gold by the Exchange Account was to reverse the normal seasonal rise in bills issued by tender, were repeated between the end of May and the beginning of October, and that, in effect, the cost of rearmament and of the war was met during these months largely out of the proceeds of sales of gold by the Exchange Account. The fact that the movement continued for over a month after the imposition of exchange restrictions at the end of August may have been due to the earlier purchase of tender bills by the Exchange Account, and their subsequent replacement on maturity by ' tap' bills. Since March, 1938, perhaps as much as $£ 400 \mathrm{Mn}$. of the cost of rearmament and war may have been met out of the proceeds of gold sales.

In March, 1939, the outstanding total of bills issued by tender had fallen to the very low level of $£, 350 \mathrm{Mn}$., as a result of heavy repayments of tender bills out of the proceeds of the gold sales of the previous autumn. During April and May the normal seasonal movement, reinforced by re-armament expenditure, caused
their total to rise by about $£ 100 \mathrm{Mn}$. Despite the accelerated expenditure on re-armament and the cost of the first month of the war, their rise was then checked by the rise in 'tap' bills mentioned above, and it was not until the middle of November that the tender bill issue passed the total of over $£ 600 \mathrm{Mn}$. reached in November, 1937. At the end of December it was still only about $£_{\mathrm{I} 40 \mathrm{Mn} \text {. larger than it had }}$ been two years before. Further, it seems likely that even this figure overstates the true position, since a considerable quantity of tender bills are believed to have been held on that date by the Bank of England and possibly by Government departments. It is possible that on December 3Ist the total of Treasury bills issued by tender and remaining in the hands of non-official holders was not more than $£_{100} \mathrm{Mn}$. higher than it had been two years previously.

The Banking Position.-That the effective expansion of the Floating Debt has hitherto been much less than the apparent expansion is confirmed by the monthly statements of the Clearing Banks.*

As will be seen from the table on page 16 , the Discounts of nine London clearing banks did not surpass the 1937 level until November, or their Deposits until the end of October ; while even at the end of December their Deposits were only $£ 100 \mathrm{Mn}$. above the average for December, 1937. Of this increase only $£ 28 \mathrm{Mn}$. was due to higher Discounts. The greater part of the remainder is attributable to a rise in Items in transit, presumably due to the present increased delay in clearing cheques.

Velocity of Circulation of Deposits.-It would, however, be unwise to argue from these figures that until almost the end of 1939 the effect of the finance of the immense Government expenditure by the expansion of the floating debt was merely to restore the position as it existed in 1937. Between 193I and 1937 the total of bank deposits in this country was expanded by some $£ 500 \mathrm{Mn}$., but a substantial proportion of them were held idle in the hands of foreign persons and institutions who transferred their capital to this country-in fact, it would be reasonable to say that the additional bank deposits were created to enable foreigners to hold additional liquid assets without depleting the store of

[^0]liquid assets in the possession of British residents. The restoration of the 1937 level of deposits after the withdrawal of a large proportion of the foreign funds from London implies the transfer of many millions of deposits from foreign to British ownership. The probability that these deposits will pass into active circulation is consequently greatly increased; there is a possibility that the latent expansion of the years 1931-37 may now become effective.

Hitherto the presumed increase in the velocity of circulation of deposits formerly owned by foreigners seems to have been offset by a reduction in velocity of circulation in Britishowned deposits. No separate figures of Town, Metropolitan, or Country bank clearings have been published since the outbreak of the war, but the majority of Provincial centres have continued to publish weekly figures, and these show in total only a modest increase over the last four months of 1938. Many factors have no doubt contributed to this reduction in velocity: the desire for increased liquidity in war-time ; the controlled prices and limited supplies of certain commodities ; reduced opportunities for certain types of expenditure; the patriotic incentive to reduce consumption. Nevertheless, it should be recognised that the total of bank deposits is already large enough to support a considerably increased demand, should the velocity of circulation of British-owned deposits recover to its former level.

This danger is particularly acute for the reason that a rise in the velocity of circulation is a probable result of the issue of a Government loan. If the owners of idle deposits transfer them to the Government, which spends them, there is an increase in Government expenditure unaccompanied by any corresponding decrease in private expenditure. Further, the persons to whom the Government in turn transfers the deposits are more likely to spend them quickly than were their former owners. Thus, even if the war were henceforward financed without any further expansion of bank deposits, there would be a serious danger of a general increase in demand and a consequent tendency for prices to rise. As always in such conditions, the Treasury is faced with a dilemma. If it wished to avoid a rise in prices, it should presumably take steps to check and reverse the rise in bank deposits by permanently funding part of the present total of Treasury bills issued by tender. But a reduction in bank deposits would tend to make it more difficult to float further Government loans at low rates of interest. The problem of how to maintain a supply of
money plentiful enough to keep interest rates low in face of heavy Government borrowing, without at the same time running the risk of an increasing demand for commodities and a rapidly rising level of prices, is one which it will tax all the ingenuity of the Treasury to solve.

Fortunately the rise in the Floating Debt, which in November-December was increasing at the rate of about $£ 25 \mathrm{Mn}$. a week, will probably be slower during the last quarter of the financial year, despite the estimated further rise in expenditure. According to the estimates the more rapid inflow of revenue during this quarter will reduce the average weekly deficit to under $£ 23 \mathrm{Mn}$., as compared with nearly $£ 30 \mathrm{Mn}$. in November-December. Further, it seems likely that revenue will be appreciably larger than the estimates, which indicate an increase of only about $3 \%$ over the corresponding quarter of 1938-9, as compared with the rise of nearly $12 \%$ recorded in the October-December quarter, while it would not be surprising if expenditure failed to reach the very high level estimated. If so, the average weekly deficit might be reduced to well under $£ 20 \mathrm{Mn}$., of which it is hoped several millions may continue to be found by sales of War Savings Certificates and 3\% Defence Bonds. The rise in the Floating Debt may therefore be reduced to some $£_{10} \mathrm{Mn} .-£_{15} \mathrm{Mn}$. per week. Even this would mean that by the end of the financial year the Floating Debt would stand at over $£_{1}, 700 \mathrm{Mn}$., and the issue of tender bills at over $£ 900 \mathrm{Mn}$. It is presumed therefore that the issue of the first public loan cannot now be long delayed.

Bank of England.-The increased demand for liquidity since the outbreak of the war, which is believed to have been one cause for the apparent reduction in the velocity of circulation of British-owned bank deposits, is also reflected in the figures for the Bank of England's note circulation. Between August 23 rd and September 13 th the circulation rose from $£ 508.1$ Mn . to $£ 553.5 \mathrm{Mn}$.; in addition, further supplies of currency were provided by temporarily making postal-orders legal tender. It would appear that about one-third of the additional notes were added to the reserves of the banks. In subsequent weeks there was some decrease in the demand for notes, and by November 22nd the circulation had fallen to $£ 527 \mathrm{Mn}$., a figure which was still $£ 50 \mathrm{Mn}$. above the level of a year before. The seasonal Christmas expansion, though slightly less than normal, raised the total to a new high record of $£ 554.6 \mathrm{Mn}$. on December 27th.

The increase in the note circulation was provided for mainly by an expansion of the note issue from $£ 546.6 \mathrm{Mn}$. on August 23 rd to $£ 580$. 1 Mn . on September 6th. At the same time practically the whole of the gold holdings of the Bank, which were valued at $£ 246.6 \mathrm{Mn}$. on August 23 rd, were taken over at the beginning of September by the Exchange Equalisation Account in exchange for $£ 280 \mathrm{Mn}$. of Government securities (representing the value of the gold at the increased price of 168/- per ounce) and the fiduciary issue was raised from $£ 300 \mathrm{Mn}$. to $£ 580 \mathrm{Mn}$. The note reserve of the Banking Department consequently fell by only about $£ 8 \mathrm{Mn}$. This was more than offset by an expansion in the security holdings of the Banking Department and total deposits were more than maintained at over $£ 157 \mathrm{Mn}$., while, as a result of a fall in Government Deposits, Bankers' Deposits actually showed a fairly sharp rise. Except for a few weeks between the middle of November and the middle of December, when a rise in Government Deposits caused them to show a temporary fall, Bankers' Deposits have been kept at well over $£ 100 \mathrm{Mn}$., while at the end of the year large purchases of additional securities by the Bank expanded them to a level which prevented any sign of seasonal stringency. On the whole, therefore, the authorities have taken care to see that the banks have had ample cash reserves with which to take up additional bills. The implications of this policy have been noticed above.

Interest Rates and Security Prices.-The Bank of England rate was raised on August 24th from $2 \%$, at which level it had stood since June, 1932, to $4 \%$. There was a short period of comparative stringency at the end of August and beginning of September, when the three months' bill rate rose to nearly $4 \%$, but official purchases of bills and the augmentation of the clearing banks' cash reserves gradually eased the position, and short-term rates fell steadily. The Bank Rate was reduced to $3 \%$ on September 28th and to $2 \%$ on October 26th. The three months' bill rate has not, however, returned to the level of about $5 \%$ which ruled before the war, but has been maintained at over $\mathrm{I} \%$, while the banks' rate for day-to-day loans has been kept at $\mathbf{I} \%$, as against $\frac{1}{2} \%$ before the war. None the less, the rates are now exceedingly low in the face of the greatly accelerated rate of Treasury short-term borrowing.

Long-term interest rates have followed a similar course to short-term rates, though naturally on a much smaller scale. Prices of fixed interest securities fell sharply at the end
of August, but recovered in October-November, and our mid-January index is above the level of mid-August, and even of mid-July. Our index of industrial securities, on the other hand, shows only a small recovery from the sharp decline of September and October.

Foreign Exchanges.-On August 25th the Exchange Account withdrew the peg on the sterling-dollar rate, which immediately showed a sharp decline. On September 4th the Bank of England's official rates were fixed at 4.02-4.06. These were altered to 4.02-4.04 on September 18th, and again to $4.02 \frac{1}{2}-4.03 \frac{1}{2}$ on January 8th. After the imposition of British exchange restrictions at the beginning of September, the sterlingdollar rate on the New York market diverged from the Bank of England's official rate, but it was not until the middle of October that the divergence became significant. It reached its widest point on November 9th, when the rate in New York was $3.8 \frac{1}{2}$, but has since narrowed. On January 30th the cable rate in New York was $3.99 \frac{7}{8}$.

At the end of August the franc strengthened in terms of sterling from $176 \frac{3}{4}$ on August 2ist to a minimum of 174 on August 29th. The rate was subsequently pegged at $176-177$, altered on January 8th to $176 \frac{1}{2}-\frac{3}{4}$. By the Franco-British monetary agreement, the present rate is to be maintained until six months after the end of the war.

Of the other countries, the currencies of the British Dominions have moved with sterling, apart from the Canadian dollar, the rate for which has fallen from 4.68 to 4.45 , or less than half the fall in the U.S. dollar rate. Most of the other former members of the sterling bloc, including the Scandinavian countries, have attached their currencies to the dollar, generally at a slightly depreciated rate, while the Dutch, Swiss and Belgian currencies have approximately maintained their former values. The Japanese yen has depreciated only slightly less than sterling.

## RECENT MOVEMENTS.

The belief that the revised estimate of revenue for 1939-40 will be substantially exceeded is confirmed by the figures for the first 20
days of January. Ordinary Revenue for this period totalled $£ 140 \cdot 4 \mathrm{Mn}$., as compared with £IIo Mn. a year ago. The increase for the period was thus $£ 30^{\circ} 4 \mathrm{Mn}$., or $28 \%$, as against the increase of $£ 13.2 \mathrm{Mn}$., or $3 \%$, which was all that remained to be shown in the whole quarter if the revised estimates were to be exactly fulfilled. The expenditure for the period (including expenditure on Defence Loan account) was $£ 133^{\prime}$ I Mn., or $£ 44^{\circ} 4 \mathrm{Mn}$. per week. This is substantially below the weekly average of $£ 57.6 \mathrm{Mn}$., which, as mentioned above, will need to be recorded during the quarter if the estimated total for the year is to be reached.

As a consequence of the more rapid inflow of revenue, the rise in the Floating Debt has been checked, and between December 3Ist and January 20th the total declined by $£ 22 \mathrm{Mn}$. As, however, the total of 'tap' bills has fallen by £52 Mn. and Ways and Means Advances from Departments by $£ \mathrm{IO}$ Mn., the total of 'tender' bills has risen by $£ 40 \mathrm{Mn}$. to $£ 800 \mathrm{Mn}$. The fall in 'tap' bills is partly accounted for by the fall in Government Securities and the rise in Public Deposits with the Bank of England. The continued rapid inflow of revenue, the slower increase in expenditure, and the continued substantial sales of National Savings Certificates and $3 \%$ Defence Bonds, confirm the hopes that the rise in the tender bill issue for some weeks to come will be relatively slow.

The offer was announced of a 3-5 year Conversion Loan at $2 \%$ to holders of the $£ 353$ Mn . of $4 \frac{1}{2} \%$ Conversion Loan, 1940-44, which becomes liable to repayment on July ist. A large part of the maturing loan is believed to be held in official hands, and the bulk of the rest of it by the banks and money market. In view of the nearness of the maturity date, it is likely that many holders of this loan have included it among their discounts, and its conversion will have some of the effects of a funding of floating debt. The shortness of the new loan will, however, in most cases make it an acceptable substitute for bills, and the conversion is not likely to have much anti-inflationary effect, as it might have had if the new loan had been a longer-dated issue.

## THE COST OF LIVING AND WAGE CHANGES.

By A. L. Bowley

IN view of the importance at the present time of rationing and of the Cost of Living Index-number, it is interesting to set out the basis of that number, in the part referring to food, and to compare its structure with a more general estimate of food consumption and prices.

In Food, Health and Income, Sir John Orr includes an estimate for 1934 of the consumption per head of food, its quantities and costs. The figures are given per person, with no adjustment for age or sex. The basis of the weights of the Ministry of Labour's index is from a collection of budgets in 1903-4, slightly modified in 1914. The average number of persons in the families from which the budgets were obtained was 5.6 ; the original quantities, divided by 5.6 (and expressed in ounces) are shown in the first column of the Table on page 8.

It will be seen that the quantities estimated by Sir John Orr are greater throughout than in the earlier working-class budgets. The proportion that the expenditure on beef and mutton bears to the total included is nearly the same in the two, but in the later one the proportion on bread, etc., is less, and on milk and eggs considerably more.

The prices for meat are higher in Sir John Orr's estimate, corresponding to those of British rather than those of imported meat, ${ }^{\star}$ or to the more rather than to the less expensive joints.

The expenditures in 1934 (Working-class Budget) are estimated by applying the prices as stated to the quantities in the first column.

| British, Ribs ...14d. Thin Flank... 7 $7 \frac{1}{2} \mathrm{~d}$. | British, Legs...15 $\frac{1}{2}$ d. Breast... 74 |
| :---: | :---: |
| illed or Frozen: Ribs 9d. | Frozen, Legs... 998d. |
| Thin Flank... $4 \frac{1}{2} \mathrm{~d}$. | Bieast... 3s ${ }_{\text {d }}$ |

These are only used to give percentage changes, which are then weighted and averaged. They are not intended to show average prices, but in the Table on page 8 the prices are averaged to give a rough indication.

Sir John Orr gives budgets on different scales of expenditure. For instance, that for a family consisting of four persons with income of about 50s., the food expenditure being taken at 6 s . per head, or about half the income, shows expenditure of 53 d . per head per week, as compared with 47 d . in the Working-class Budget. It is suggested that the Cost of Living

[^1]Index applies primarily to the expenditure of the unskilled working-class. It is only when prices of the different foods are changing at nearly the same rate, that it would give a reasonably good approximation for other grades of income.

Again, the foods included only account for $68 \%$ on the average of all food expenditure ( $73 \frac{1}{2} \%$ in the cheaper budget named). In times of rapid change there is no certainty that the inclusion of the omitted foods would not perceptibly modify the result.

In any case in times of restricted supplies, whether by rationing or otherwise, it is certain that the distribution of expenditure is modified, so that the original weighting is no longer applicable. When foods are rationed, it is only an academic calculation to work out the cost of ' maintaining unchanged the pre-war standard of living,' and the phrase has been dropped out of the Labour Gazette since August.

The changes in prices of the separate commodities, however, have their use. They can be applied to the revised budgets possible in war conditions. It can be seen how families with different levels of expenditure on meat, bread, milk, etc., are affected. An average of the changes (not necessarily that weighted as in the existing index) also shows roughly one aspect of the general movement of retail prices.

The ration of 4 oz . per head of bacon is higher than the quantity in the 1904 budgets, but much lower than the average of the 1934 budgets, where, even in the lower grade named, above 6.3 oz . is estimated ${ }^{\star}$. 4 oz . of butter and 12 oz . of sugar are short rations in all comparisons.

For meat the weighted average of the cuts included in the Cost of Living Index was 9.5 d . in December (9.5d. in January), while raised in proportion to Sir John Orr's estimates it would be 12.0d. (12.5d. in January). The quantity of beef and mutton in the Working-class Budget was $I_{4}^{\frac{1}{4}} \mathrm{lbs}$. per head, in the later general budget about 1.6 lbs . In this case a uniform rationing will work out very unevenly as between families, according as there is a majority of adults or of young children. If the ration is the same amount of money per head, persons in the habit of dealing at the more expensive shops or of buying the more expensive joints will be penalized.
*The revised ration of 8 ozs. equals the amount in the highest of these budgets.

It may be recorded that in the working-class budgets collected in 1918, before the Armistice, the quantities of certain foods were :-

Per person Per'equiva-
Meat, sold by weight,

| and sausages | $\ldots$ |  |
| :--- | :---: | :---: |
| Bacon .... | $\ldots$ | $\ldots$ |
| Butter... | $\ldots$ | $\ldots$ |
| Sugar... | $\ldots$ | $\ldots$ |
| Bread and flour | $\ldots$ |  |

Per family approximately lent adult

## 4.4 lbs.

2.55 lbs
0.79 lbs .
2.83 lbs.
34.5 lbs .

| 13 oz. | 15 oz, |
| ---: | ---: |
| 8 oz | 9 oz |
| 24 oz | 24 oz, |
| 84 oz | 10 |
| 100 oz. |  |
|  |  |

So far there has been a close parallelism between the movements of the Ministry of Labour's Retail Food Price Index in 1914 and 1939.

RETAIL FOOD INDEX

| 1914 July 1st | 100 | 1939 August 1st | 100 |
| :--- | :--- | :---: | :--- |
| September 1st | 110 | October 1st | 109.5 |
| October 1st | 112 | November 1st | 113 |
| November 1st | 113 | December 1st | 114.5 |
| December 1st | 116 | 1940 January 1st |  |

( $22 \%$ to January), and miscellaneous items, including tobacco, $5 \%$ ( $6 \%$ to January), while rent remained unchanged. In all the Cost of Living Index rose $\mathbf{1 2} \%$ from August to January. Alcohol is not included in the budget.

WAGES. - During the months AugustDecember the Ministry of Labour Gazette records increases in the wages of about $4,500,000$ persons, averaging 3 s .6 d . per head per week. Coal-mining, textiles and transport account for a major part of the change. Over all insured persons this is over $2 \%$, which accords with our wage-index number (August 105 $\frac{3}{4}$, November 107 $\frac{3}{4}$, December 109 ${ }^{\frac{1}{4} \text { ). }}$ In December increases took place in building, some Trade Boards minima and in other industries.

QUANTITIES, EXPENDITURES AND PRICES.


* Milk in Pints. Eggs by number
- Only the prices, to the nearest
from the previous column.
t The entry is sloz , includ
flour alone at the same rabe of lb, only, differ slightly.

From September, 1914, to September, 1917, there was a very nearly regular cumulative rise in the Index of $\mathrm{r} .76 \%$ monthly or $23 \%$ annually, the Index reaching 206 in September, 1917.

About $2 \%$ of the rise from August to January can be attributed to the normal seasonal change.

For the constituents of the Cost of Living Index-number other than food, it is computed that the price of clothing rose $18 \%$ from August to December ( $20 \%$ to January), fuel $8 \%$

Neither the Ministry of Labour record nor our index takes any account of changes that occur by movement from one industry to another, the up-grading of labour or less short-time or more overtime; nor do they reflect any increase in piece-earnings due to greater efficiency and regularity. They therefore make a quite imperfect account of changes in average earnings. In 1914-8 average earnings increased much more rapidly than average rates of wages.

## NOTE ON EXTERNAL TRADE.

IN time of war the records of Imports and Exports are published only in summary form and no longer reflect adequately our dealings abroad. Nevertheless a comparison of the changes in Imports and Exports in 1914 and 1939 is suggestive.

|  | Total Imports £Mn. |  |  |  |  | Materials, |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| less re-exports |  |  |  |  |  |  |  |

In 1939 the recovery in imports was more rapid than in 1914. In the case of materials the aggregate August-December, 1939, was greater
than in the corresponding months of $1938^{\circ}$
The loss in exports has been much more considerable, though considerable leeway was made up in November and December. In considering these figures it should be remembered that in 1938 exports to countries now closed to them amounted to more than $£_{10} \mathrm{Mn}$. monthly.

It should be remembered that the months of declaration of imports and exports do not coincide necessarily with those of arrival and departure.

It is doubtful how far goods imported in connection with the fighting services or by the Government for civilian use are included in the tables. Goods imported on Government account are normally excluded, and goods imported directly into France on British account would presumably be excluded. On the other hand, the export total presumably is complete for mercantile transactions.

## CHANGES IN OCCUPATION AND IN EMPLOYMENT.

1932 to 1938 and 1938 to 1939.

## By A. L. Bowley.

THIS analysis is confined to occupations that come under the General Insurance Scheme. During the periods under review, there was a considerable movement from industries outside the scheme to those within it, a movement which was relatively much more considerable among females than among males. In the seven years the population between the ages of 16 and 65 increased less than $3 \%$, while the numbers insured increased more than $8 \%$. The excess increase is most marked in years of improving trade, 1935-7 and 1938-9.

## DEVELOPMENT FROM 1932 то 1938.

We begin in the year of greatest unemployment, 1932, and pause in 1938 to take stock of the changes resulting from the years of increasing prosperity before the drive of armaments began.

Distinction should be made throughout between the numbers insured in an industry, and the numbers employed therein. At the annual exchange ${ }^{\star}$ of insurance cards a person is allotted to the industry in which he was last employed. When he next gets work it may be in a different industry, especially in one that is expanding. But there have also been large numbers that have been temporarily employed on Works of Construction or by Public Authorities, so that when the work is over they are recorded under these industries, though they may normally have been builders or coal-miners.

[^2]In Table I industries are shown in three groups-first, those in which the numbers insured decreased, or increased less than the average ; second, those where they increased considerably ; and third, where the increase was of normal extent or the industries were unimportant numerically.

> TABLE I.

GREAT BRITAIN AND NORTHERN IRELAND.
Changes in Industries and in Employment among insured persons in the period 1932 to 1938. (Ages 16 to 65. Agriculture excluded).


The largest decreases were in coal-mining and in the textile industries. The largest increases were in the metal industries and in building. There is no general relationship between the severity of unemployment in 1932 and the decrease in numbers in subsequent years; for example, the numbers in building increased rapidly after 1932, though unemployment had been heavy.

When we turn to the numbers employed, the picture is modified. There is an increase in every group shown, except textiles. Apart from shipbuilding, where the increase was only a partial reaction from the very low production of 1932, the most rapid growth is found in vehicles (cars and aeroplanes). All the metal groups have expanded considerably, while prosperity may be indicated by the greater number of entertainers.

Table II shows that there was a considerable change in the local distribution of industries. The insured population in the four Southern Divisions increased by $16 \%$ from 1932 to 1938,

The decreases in the younger age groups are attributable to the variations in the birth-rates in the period 1917 to 1925 . The number of boys and girls of age for employment has fallen yearly since 1935. The decrease in the case of girls affects the percentage change in the total of females, since one-fifth of the insured females are under 18 years old, but only a tenth of the males.

Unemployment was less in July, 1939, than a year before in nearly every industry and in each Administrative Division. Of those insured between the ages 16 and 65 (excluding agriculture) employed males increased $5 \%$ and females $7 \%$. The increases were most marked in metal production, vehicles, jute, wool and Public Works, including, it is presumed, A.R.P. work. More detail is shown in Table III. An analysis given in the Ministry of Labour Gazette for December (p. 423) shows that Explosives, EngiTABLE III
CHANGES IN EMPLOYMENT JULY 1938 TO JULY 1939.
Great Britain and Northern Irbland.

| Number of Insured Persons less Unemployed. |  |  | \% Unemployed July 1939 |
| :---: | :---: | :---: | :---: |
| July | 000s July | \% |  |
| 1938 | 1939 | Increase |  |
| 657 | 736 | 10 |  |
| 280 | 329 | 17 | 13 |
| 168 | 200 | 19 | 7 |
| 20 | 24 | 21 | 14 |
| 379 | 434 | 15 | 11 |
| 229 | 247 | 8 | 5 |
| 262 | 322 | 23 | 8 |
| 799 | 852 | 7 | 5 |
| 425 | 507 | 19 | 3 |
| 662 | 708 | 7 | 6 |
| 213 | 261 | 22 | 28 |
| 903 | 923 | 2 | 11 |
| 7289 | 7497 | 3 | 9 |
| 2301 | 1304 | 6.0 |  |

neering, Aircraft and other Vehicles, Public Works and National Government Service drew extensively from other insured industries, and probably from Agriculture, in which the number insured diminished. Apart from transfers the flow of new entrants to the Insurance Scheme, principally of children leaving school, allows a rapid re-distribution of labour, since these new entrants form $4 \%$ of all insured (ages 14-65) in the case of males and $10 \%$ of females.

The main part of the unused potential labour force is to be found among the wholly unemployed males.

UNITED KINGDOM.
Insured Males wholly unemployed, aged 16.65. July, 1939.

|  | 00''s |  |  | 000 |
| :---: | :---: | :---: | :---: | :---: |
| Agriculture | ... 25 | Clothing |  | 15 |
| Coal-mining | ... 65 | Food |  |  |
| Metal Production | 15 | Wood |  |  |
| Engineering | 32 | Building |  | 115 |
| Vehicles | . 12 | Public Works |  | ... 101 |
| Shipbuilding | ... 30 | Docks \& Shipping |  |  |
| Metal Industries | 24 | Distribution |  |  |
| Textiles | ... 27 | Other Industries |  | 233 |
|  | ta |  |  |  |

Of the 115,000 wholly unemployed in the building trade, 52,000 were labourers.

At the same date there were 125,000 males temporarily stopped, of whom 38,000 were coal-miners.

## JULY TO DECEMBER, 1939.

The general changes during the second half of 1939 are shown in Tables IV. There was no movement of importance between July and August.

TABLE IV. B
INSURED MALES UNEMPLOYED.
Excluding Building, Public Works and Agriculture. (000's. Wholly Unemployed Temporarily Stopped

| 崖 Unemploy |  |  |  |  | pora | Stop |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Year | 1938 | 1939 |  | 1938 | 1939 |
| January | ... | 879 | 957 | $\ldots$ | 177 | '116 |
| February | ... | 887 | 938 | ... | 177 | 179 |
| March ... | $\ldots$ | 873 | 900 | ... | 187 | 147 |
| April ... | ... | 864 | 846 | ... | 213 | 149 |
| May |  | 854 | 786 | $\ldots$ | 249 | 121 |
| June | ... | 842 | 718 | $\ldots$ | 297 | 125 |
| July ... | $\ldots$ | 813 | 651 | $\ldots$ | 312 | 118 |
| August | ... | 816 | 617 | $\ldots$ | 278 | 126 |
| September |  | 848 | 586 | $\ldots$ | 267 | 114 |
| October |  | 895 | 646 |  | 195 | 80 |
| November |  | 917 | 624 |  | 201 | 74 |
| December | ... | 917 | 593 |  | 188 | 82 |

It is interesting to compare the development of the employment situation with that of the early months of the war that began in the first days of August, 1914. The following quotations with reference thereto are from the Oxford Pamphlet, 'The War and Unemployment.' ${ }^{\star}$
" In London a fortnight after the declaration of war (in 1914) only $70 \%$ of the workmen and $52 \%$ of the workwomenwere in full employment."
"In October . . . recruiting had taken as many men as had lost work; short time had become less frequent, and in London (at any rate) it was seldom more than one-quarter's time that was lost ; but women's unemployment was still so common as to be serious."
"By December the demand for men could no longer be met and overtime was not uncommon, though short time also existed. In London and in the rest of the United Kingdom, more men were accounted for as in employment or with the forces than had been employed in July. . . . With women a great improvement was shown, though employment was not yet normal."
" In January there was an improvement in the cotton industry, and a general demand for men. There was a slight set-back in women's employment on the whole."
"Turning now to commercial occupations in London . . . we find similar phenomena month by month, but in a less acute form. Enlistment accounted for the men who had left their occupations more rapidly and completely.

[^3]. . . A number of women were transferred, in banks and elsewhere, to work formerly done by men."
" The general conclusion as to the state of employment in February, 1915, is that there is a widespread unsatisfied demand for men, co-existing with a small number unemployed who cannot as yet be fitted into any of the vacant places, either because the class of work they are accustomed to is not in demand, or because they are incapable of regular work. The great majority of women are in regular work, some are working overtime, more are on short time, but there is also a proportion out of work, about as large as in an ordinary year of rather slack trade."

It should be remembered that, before the outbreak of war, in July, 1914, employment was very good, the Trade Union percentage of unemployment being less than 3 . It rose to 7 in August, and fell back to 3 in November.

In the autumn of 1939 the displacement of labour was not so serious as in August, 1914, and on the whole the unemployment statistics show a parallelism with 1938 (Table IV). There was no general dislocation as in 1914, partly because the country was already in part on a war footing. The unemployment percentage in August, 1939, was the lowest, or nearly the lowest, experienced since the establishment of the General Insurance Scheme. It increased to 9.6 in October and was 9.I in December. It is not publicly known how far the number was kept down by the withdrawal of men to war services.

The occupations badly affected by the war are Distribution, Entertainment, Hotel and similar Service, Clothing and Printing. Owing to evacuation the London Division* shows an increase in unemployment, and this also has its effect on the outer suburbs. The occupations named include a large proportion of women. In fact, while the number of unemployed males, aged 16-65, including agriculture, fell from 974,000 in August to 963,500 in December, that of females increased from 302,000 to $399,500+$. The only important groups of industries which did not show an increase in female unemployment between August and November were Earthenware and Textiles. The industries of Distribution, etc., named above accounted for nearly three-quarters of this increase.

[^4]INSURED PERSONS UNEMPLOYED．
Males and Females．Aged 16－65
A Wholly Unemployed．
UNITED KINGDOM．ooo＇s（nearest）．
Excluding Agriculture．
B Temporarily Stopped
（1938）

| Building ．．． |  | $\begin{gathered} \text { August } 15 \mathrm{th}, \\ 1938 \end{gathered}$ |  |  | September 12th， 1938 |  |  | $\text { October } 17 \text { th, }$$1938$ |  |  | $\begin{gathered} \text { November 14th, } \\ 1938 \end{gathered}$ |  |  | December 12th， 1938 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Total | A | B | Total | A | B | Total | A | B | Total | A | B | Total | 1938 | B |
|  |  | 135 | 130 | 5 | 148 | 143 | 4 | 168 | 162 | 6 | 182 | 176 | 6 | 196 | 189 | B 7 |
| Public Works |  | 113 | 110 | 2 | 113 | 111 | 2 | 117 | 115 | 2 | 121 | 118 | 2 | 124 | 122 | 3 |
| Coal |  | 155 | 85 | 70 | 151 | 85 | 66 | 122 | 85 | 37 | 130 | 83 | 46 | 124 | 84 | 40 |
| Cotton |  | 119 | 52 | 67 | 125 | 54 | 71 | 94 | 53 | 41 | 88 | 51 | 37 | 124 83 | 84 50 | 30 |
| Wool |  | 50 | 15 | 35 | 40 | 15 | 25 | 34 | 14 | 20 | 29 | 13 | 16 | 29 | 13 | 34 16 |
| Other Textiles |  | 106 | 56 | 50 | 99 | 54 | 45 | 88 | 51 | 37 | 83 | 50 | 33 | 80 | 47 | 16 |
| Clothing |  | 87 | 47 | 40 | 79 | 45 | 34 | 75 | 45 | 30 | 73 | 44 | 29 | 73 | 45 | 32 |
| Distribution |  | 177 | 166 | 11 | 184 | 173 | 11 | 205 | 195 | 10 | 208 | 199 | 9 | 135 | 186 | 28 |
| Other Industries |  | 833 | 477 | 156 | 649 | 498 | 151 | 631 | 511 | 120 | 643 | 523 | 122 | 642 | 182 | 119 |
| Hotels ．．． |  | 54 | 52 | ， | 61 | 59 | ， | 87 | 85 | 120 | 648 96 | 94 | 122 | 642 94 | 523 92 | 119 |
| fessions，\＆c． |  | 151 | 143 | 8 | 158 | 150 | 8 | 178 | 170 | 8 | 186 | 178 | 8 | 187 | 178 | 8 |
| Totals | ．．． | 1780 | 1333 | 447 | 1807 | 1387 | 420 | 1799 | 1486 | 313 | 1839 | 1529 | 310 | 1827 | 1529 | 298 |
| Males |  | $1 ? 41$ | 1056 | 285 | 1377 | 1102 | 275 | 1374 | 1171 | 203 | 1419 | 1211 | 209 | 1424 | 1227 | 197 |
| Females | $\ldots$ | 439 | 277 | 162 | 430 | 285 | 145 | 425 | 315 | 110 | 420 | 318 | 101 | 403 | 302 | 101 |

（1939）


TABLE IV．C．

## UNEMPLOYMENT BY DISTRICTS

PERCENTAGE OF INSURED PERSONS UNEMPLOYED．－GREAT BRITAIN AND N．IRELAND．
（See Ministry of Labour Gazette，P．335，Sept．1939，for details of changes in areas after Aug．1939．）

|  | \＃ | 砋 |  | \％ | 部 |  | $\begin{aligned} & \text { I } \\ & \text { d } \\ & \text { d } \\ & \text { d } \\ & \text { on } \end{aligned}$ |  |  |  |  |  | 秫 | 弟 | $\begin{aligned} & \frac{\dot{0}}{\pi} \\ & 3 \end{aligned}$ |  | 砣灾 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1938 Oct． 17 | 12.7 | 13.5 | $10 \cdot 8$ | $8 \cdot 3$ |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Nov． 14 | 13.0 | 13.9 | 10.7 | $8 \cdot 6$ |  | $9 \cdot 0$ |  | $8 \cdot 8$ | 9.8 |  | 13.1 | 17．2 | $19 \cdot 3$ | 16．2 | 23.6 24.9 | 25.8 26.0 | 1.7 1.8 |
| 1939 Jan． 16 | 14.3 | 14.0 | $10^{\prime 2}$ | 8.5 |  | $9 \cdot 3$ |  | 8.6 | 9.4 |  | 12．8 | 169 | 19.4 | 16.7 | $25 \cdot 3$ | $25 \cdot 1$ | 1.9 |
| Feb． 13 | 13.4 | $15 \cdot 3$ | 11.6 | 9．6 |  | 11.1 |  | $9 \cdot 6$ | 10.5 |  | 14.7 | $18 \cdot 3$ | 21.2 | 18.4 | 25.7 | 28.2 | 2.0 |
| Mar． 13 | $12 \cdot 3$ | 13.1 | 11.1 | 9.1 8.3 |  | 101 |  | 9.0 | 9.5 |  | 13.1 | 17.2 | $20 \cdot 1$ | $17 \cdot 1$ | 25.9 | $25 \cdot 9$ | 1.9 |
| Apr． 17 | 11.6 | 12.4 | 19．7 | 878 |  | 8.6 |  | 7.9 | 88.5 |  | 12.0 | $16 \cdot 1$ | 19.0 | 16.2 | 23.0 | $26 \cdot 3$ | 1.9 |
| May 15 | $10 \cdot 6$ | 11.2 | 90 | $7 \cdot 2$ |  | 7.0 |  | 6.3 | 8.4 7.4 |  | 11.8 | 15.2 | 17.7 | 15.4 | 21.0 | $25 \cdot 3$ | 1.9 |
| June 12 | 9.7 | 10.4 | $7 \cdot 9$ | 6.6 |  | 5.7 |  | ${ }_{5} 6$ | 7.4 7.0 |  | 11.0 | 14.1 | 16.1 | 14.1 | 18.1 | $22 \cdot 7$ | 1.8 |
| July 10 | $9 \cdot 0$ | $9 \cdot 7$ | 7.4 | 6.2 |  | 5.4 |  | 4.5 | 6.9 |  | 88 | 13.6 | 14.9 14.1 | 12.7 | 16.8 | 21.0 | 1.7 |
| Aug． 14 | 8.7 | $9 \cdot 3$ | $7 \cdot 6$ | $5 \cdot 8$ |  | 5．0 |  | $4 \cdot 4$ | $7 \cdot 7$ |  | $8 \cdot 4$ | 11.9 | 13.3 | 11.7 | $15 \cdot 2$ | $19 \cdot 9$ | 1.4 |
| Sept． 11 | 9.1 9.6 |  |  | $8 \cdot 2$ | $8 \cdot 3$ | $6 \cdot 3$ |  |  | 6.9 |  | $8 \cdot 1$ | 11.8 | 13.0 | 11.8 | $14 \cdot 3$ |  |  |
| Oet． 16 | 9.6 9.5 | $9 \cdot 3$ | 10.7 | 9.6 | 9．0 | 9．2 | 6.6 | 6.5 | $6 \cdot 1$ | $5 \cdot 6$ | $7 \cdot 9$ | 11.6 | 13.7 | 11.8 | $15 \cdot 3$ | $21 \cdot 2$ | 1.4 |
| Dec． 11 | ${ }_{9} 1$ |  | $10 \cdot 3$ | 9•7 | $8 \cdot 9$ | 9．2 | 6.7 | 6.2 | $5 \cdot 6$ | $5 \cdot 4$ | $7 \cdot 6$ | 11.0 | $13 \cdot 1$ | $11 \cdot 1$ | $15 \cdot 5$ | 22.0 | 1.6 |
|  |  |  |  | 9.1 | 9.0 | 8.9 | $6 \cdot 1$ | 6.2 | 5：3 | $5 \cdot 5$ | 7.4 | 10.3 | 13.4 | $10 \cdot 6$ | 15.8 | $22 \cdot 4$ | 1.5 |

[^5]The wholly unoccupied males were distributed as follows on December IIth, 1939 :-

INSURED MALES WHOLLY UNEMPLOYED. DEC. 1939. Aged 16-65.


| Vehicles .... |  | 15 | Docks and Shipping | ... 33 |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Shipbuilding | $\ldots$ | $\ldots$ | 15 | Distribution |


| Shipbuilding | .. | $\ldots$. | 15 | Distribution | .. | ... | 94 |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | ---: |
| Metal Industries ... | $\ldots$ | 19 | Other Industries | ... | ... | 288 |  |

Total 872.000

* Table IV.c. The Southern Districts were re-arranged in September.
Among the wholly unoccupied are included a number who, though not actually ill, are not fully competent for work.


## WHOLESALE PRICES.

By A. Shenfield.

fanuary 22nd, 1940.

DURING the 12 months before the war broke out, the general level of wholesale prices in this country was nearly stationary. This was not due to the existence of uniform conditions in the markets for the various commodities, but to the balance of conflicting but nearly equal forces. In the United Kingdom the growth of public expenditure must have tended to raise prices, but the low level of business activity in the United States neutralised this effect in the case of international commodities. There was a fairly strong undercurrent in the markets for tin, copper, rubber and wool, but this was counterbalanced by the special weakness of the wheat and cotton markets.

At the time when war broke out it is probable that conditions were ripe for a slow rise in world prices. American business activity was improving, the rate of world armament expenditure was still increasing, and the special difficulties of wheat and cotton were probably already too bad to become worse. The effect of the war was to raise prices very sharply indeed immediately after its outbreak, and then to continue to raise

them at a rather slower rate. The Board of Trade and Statist indices show similar movements (see Table, p. 17), though as is usual when the changes are in primary commodities, the Statist index tends to show a rather greater amplitude.

The decline in the rate of increase is shown in the following Table published in the Board of Trade Fournal, January IIth, 1940.

PERCENTAGE INCREASE OVER PRECEDING MONTH
Food, etc. Materials and Mfs. Total.

| September | $\ldots$ | $\ldots$ | $\ldots$ | $11 \cdot 9$ | $\ldots$ | $5 \cdot 4$ | $\ldots$ | $7 \cdot \hat{o}$ |
| :--- | :---: | :---: | :---: | ---: | :---: | ---: | :---: | ---: |
| October | $\ldots$ | $\ldots$ | $\ldots$ | $8 \cdot 1$ | $\ldots$ | $3 \cdot 4$ | $\ldots$ | $5 \cdot 0$ |
| November | $\ldots$ | $\ldots$ | $\ldots$ | $5 \cdot 4$ | $\ldots$ | $5 \cdot 9$ | $\ldots$ | $5 \cdot 7$ |
| December | $\ldots$ | $\ldots$ | $\ldots$ | $4 \cdot 2$ | $\ldots$ | $2 \cdot 6$ | $\ldots$ | $3 \cdot 2$ |

It is interesting to see that the rise in wholesale prices has been considerably greater than was that experienced in the first six months of the war of 1914-18. The difference in the movement in textiles is especially striking.


There is no cause for surprise at this difference, for there was no war economy at the beginning of the last war. The question of importance is whether the development of prices will continue to differ from that of the last war and avoid the great inflation shown in the above table.

On September Ist, 1939, the Government of the United Kingdom took steps to control prices of the principal foodstuffs and of certain other commodities, of which the chief were wool, iron and steel. As a temporary measure, many prices were forbidden to be raised above the
level prevailing in the week ending August 26th ; subsequently a series of price control orders appeared, and the passage of the Price of Goods Act has given the Government statutory power to control the price of any commodity they see fit. By December 3Ist, 1939, some 20 groups of commodities were controlled, including iron and steel, wool, silk and rayon, non-ferrous metals, leather, hides and skins, timber, paper and fertilisers. Among manufactures, the principal controlled goods were machine tools. Early in the New Year agreement was reached between the Board of Trade and the Cotton Board for the control of cotton yarn prices.

The effect of the price-control orders can as yet hardly be seen in the available indices of wholesale prices. In all cases the maximum prices fixed were higher than the prices ruling before the war, and in some cases higher than the prices ruling at the time of the issue of the orders, on account of increased freight charges, insurance, etc. It is impossible to measure the effect of the price-control orders by comparing the price-increases among controlled commodities with those among uncontrolled; for the strength of the upward pressure in different markets is unknown and the dates of the beginning of control vary widely.

It is possible, and interesting, however, to compare the changes in price amongst mainlyimported commodities with those amongst mainly home-produced commodities. The following table gives a rough measure of the price increases of different commodities between the end of August and the end of December, 1939 ; except that in the case of Manitoba wheat the increase took place between the end of August and the second week in October, when the quality quoted was changed.


The table above shows that with few exceptions the greatest price increases have taken place amongst imported goods. Where the prices of home-produced goods have risen
sharply, it has not been in defiance of attempts at price-control. It has, on the contrary, been the result of guarantees of higher prices or of other Government stimulation, given in order to increase production. The sharp rise in the prices of most imported goods has been mainly due to the severe depreciation of sterling immediately after the outbreak of war, the increase in ocean freight rates, the sudden stimulation of American business activity, and the onset of heavy re-stocking all over the world. In addition, wheat prices have been helped by bad conditions of growth in the United States. All these influences were outside the control of the Government of the United Kingdom. Because it was due to these influences, the greater part of the rise in prices took place in the early part of the war. During the past two months the relative importance of increases in the prices of home-produced manufactures has become greater. But amongst these there are few increases of more than $10 \%$.

The effect of the war on the commodities subject to international restriction schemes has generally been to free them. The supply of iron and steel would be short of the demand at very much higher prices than those now ruling, and the provisions of the international cartels have no effect. The copper restriction scheme was never more than a gentlemen's agreement amongst the principal producers, and it has now disappeared. The tin, tea and rubber schemes still formally exist, but output and export quotas have been raised to high figures. Before the war broke out the tin quota had been fixed at $60 \%$ of basic tonnages. It was progressively raised to $120 \%$, at which it has again been fixed for the first quarter of 1940. One feature of the primary commodity restriction schemes is important. In general, the degree of restriction had remained very severe in 1939, owing to the shock which the controllers received in 1937, when they raised quotas just before the onset of an American depression. The war thus found these commodities subject to a high elasticity of supply, and prices have, therefore, not risen very much. In the case of the base metals, it is also probable that demand was on a war footing before the war broke out.

The near-outlook for wholesale prices depends mainly upon the success of the Government's price-control orders and purchasing policy, but also partly upon conditions in other parts of the world over which the Government has no control. At present these appear to be not unfavourable to the Government's policy. A rapid further upswing of business in the United States is not
expected or likely. The supply of metals and other armament materials is still elastic. Next spring the wheat market will still be dominated by a world supply of about 700 Mn . bushels, as against a normal import demand of barely more than 350 Mn . There is no doubt that the nation can substantially reduce its imports for civilian purposes without intolerable hardship. It is, therefore, likely that the present dollar value of sterling can be maintained for some time. On the whole the prospect of avoiding further rapid advances in wholesale prices during the next half-year appears to be fairly good.

## INTERNATIONAL INDEX OF

WHOLESALE PRICES.
On p. 32 will be found our table of comparable index numbers of wholesale prices in ten principal countries. Most of the data from which these have been compiled have been received as usual through the courtesy of the International Institute of Statistics at the Hague.

The index numbers after August, 1939, should, however, be treated as provisional ; for, owing to current conditions, quotations for recent months are incomplete and those which have been utilised are not always identical with the ones formerly used as they are no longer available in many instances.

FINANCE.


STOCKS \& SHARES-

NEW CAPITAL ISSUESBANK CLEARINGS-

BANK OF ENGLANDPRINCIPAL BANKSTREASURY BILLS-
see Supplements.
Sensitive Index.-Geometric Mean of monthly percentage changes
(b) for for Abroad, excluding Government loans, etc.-As published

Total of Town Clearings (i.e., excluding Metropolitan) of London Bankers' Clearing House for 3 weeks covering 2. Stock Exchange settlement days, Consols settlement day, and 4th of following month. Country Clearings Deposits, 11th-17thearing House and Provincial Clearings for 11 towns-Proportionate totals for 24 working days, Dank Notes and Curren Not
"Current Deposit and other accounts, Notes in circulion 11th-17th of month. Issues amalgamated, November $22 \mathrm{nd}, 1928$. e.-excluding the National Bank, Ltd. and the District Before 1939, averages for the month of 9 clearing banks me month.-As published by THE Issued by tender. Total of Bills issued by tender during
Day-to.Day Rate and 3, Otherwise issued. Total of Treasury Bills in preceding date of Exchequer Return Day-to-Day Rate and 3 Months' Rate. Averages for week ending 15th of month.

|  | WHOLESALE. |  |  |  |  |  |  |  |  | RETAIL. |  |  |  | WAGES. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Price of Gold. <br> s. per fine $o z$. | Bar <br> Silver <br> (Cash). <br> d. per oz. | Board of Trade Index Nos. |  |  | Statist (Sauerbeck) Index Nos. |  |  |  | Co | M. of ost of ving. \% | Labour F $\%$ | ood. \% | Index of Average Weekly Wages. \% |
| 1924 Av... | $93.69+$ | $34 \cdot 0$ | 100 | 100 | 100 | 100 | * | 100 | 100 | 100 | $\star$ | 100 | $\star$ | 100* |
| 1929 Av... | $84.95 \dagger$ | 24.5 | $82 \cdot 2$ | $87 \cdot 4$ | $79 \cdot 4$ | 84 | - | 81 | 82 | 94 | - | 94 | - | 994 |
| 1983 Av... | $124.87 \dagger$ | 18.1 | 61.6 | $63 \cdot 1$ | $60 \cdot 7$ | $57 \cdot 5$ | - | 57 | 57.5 | 79.5 | - | 70.5 |  | 94 |
| 1934 Av... | $137.65 \dagger$ | 21.4 | $63 \cdot 3$ | 64.8 | $62 \cdot 4$ | 59.5 | - | 58 | 59 | 80.5 | - | 72 |  | 94 |
| $1985 \mathrm{Av} . .$. $1936 \mathrm{Av} . .$. | $142.10+$ $140 \% 29+$ | 29.0 20.2 | 64.0 67.9 | 66.0 | $62 \cdot 7$ | 59 | - | 61.5 | 61 | 81.5 | - | 73.5 | 5 - | 95 |
| 1937 Av... | $140.76 \dagger$ | $20 \cdot 1$ | 78.2 | 69.9 77.8 | $66^{\circ} 7$ 78.0 | ${ }^{62}$. 5 | - | 65 | 64 | 84 | - | 76.5 | - | 972 |
| 1988 Av... | 142.49 | $19 \cdot 5$ | $72 \cdot 9$ | $74 \cdot 1$ | $72 \cdot 1$ | 65 | - | 75 66 | 73.5 65.5 | 88.5 89 | - |  | - | 1004 |
| - 1986 |  |  |  |  |  |  |  |  |  |  |  |  |  | 10 |
| JULY ... | 138.92 | $19 \cdot 7$ 19.5 | $67 \cdot 3$ | 68.4 | 66.5 | 61 | 61 | 63 | 62.5 | 83.5 | 84.5 | 75.5 | 77 | 98 |
| AUG...... | 138.40 137.48 | 19.5 19.5 | $68 \cdot 5$ $69 \cdot 1$ | $71 \cdot 3$ $72 \cdot 3$ | 66.8 | 63 | 63 | $64^{5}$ | 64 | 84 | $84^{\circ} 5$ | 77 | 77.5 | 98 |
| OCT. ....... | 141.94 | 20.0 | $69 \cdot 1$ | 74.6 | $67 \cdot 3$ $67 \cdot 7$ | 64 65 | 65 | 65 | 65 | 84.5 | 84 | 77.5 | 26.5 | 98 |
| NOV. | 142.55 | 21.7 | $70 \cdot 7$ | 73.6 | 690 | $65 \cdot 5$ | 66 | 66 | 66 | 86.5 86.5 | 84.5 84 | 80 | $77 \cdot 5$ | 98 |
| DEC...... | 141.82 | 21.2 | $72 \cdot 5$ | 75.6 | $70 \cdot 7$ | 67.5 | ${ }^{67} \cdot 5$ | 73 | 68 71 | 86.5 86.5 | 84 | 80 80 | 77 $78 \cdot 5$ | 98 98 |
| JAN. ...... | 141.60 | 21.2 | 74.0 | 75.6 | $72 \cdot 8$ | 67.5 | $67 \cdot 5$ | $73 \cdot 5$ | 715 | 86.5 | 85.5- | 79.5 | 78 | 99 |
| FEB. | 142.09 | $20 \cdot 1$ | 74.7 | 75.0 | 74.2 | 68.5 | 68 | 76 | 73 | 86.5 | $85 \cdot 5-$ | 79.5 | 78.5 | 100 |
| MAR....... | 142.43 | 20.6 | 77.2 | 76.6 | $77 \cdot 1$ | 73 | 72.5 | $79 \cdot 5$ | 77 | 86.5 | 87.5 | 79.5 | 81.5 | 100 |
| APRIL.... | 141.61 | 20.9 20.4 | 78.2 | 77.6 | $78 \cdot 3$ | 73 | 72 | 76 | 75 | 87 | 89 | 80 | $82 \cdot 6$ | 1004 |
| MAY....... | 140.60 140.54 | 20.4 20.0 | 79.6 | 77.5 | $80 \cdot 3$ | $73 \cdot 5$ | 72.5 | 77.5 | 76 | 87 | 89 | 80 | 83 | 100 |
| JUNE..... | 140.54 | 20.0 | 79.6 | $77 \cdot 3$ | $80 \cdot 3$ | 72 | 72 | 77 | 75 | 88.5 | 90 | 82 | 84 | 100 \% |
| JULY..... | 140.17 139.45 | $20 \cdot 1$ 19.9 | $80 \cdot 2$ | $78 \cdot 3$ | $80 \cdot 8$ | 73 | 73 | 77.5 | 76 | 88.5 | $89 \cdot 5$ | 82 | 83.5 | 101 |
| AUG. | 139.45 140.47 | $19 \cdot 9$ 19.9 | $80 \cdot 1$ $79 \cdot 9$ | $78 \cdot 2$ | $80 \cdot 7$ | 72.5 | 73 | 76 | 75 | 88.5 | 89 | 82 | 83 | 1014 |
| OCT. | 140.42 | 20.0 | $79 \cdot 9$ 79.5 | 78.9 80.2 | $80 \cdot 2$ 78.8 | 72.5 | 73.5 | 75 | 74 | 90 | 89.5 | 84 | 83 | $101 \frac{3}{4}$ |
| NOV....... | $140 \cdot 18$ | 19.7 | 78.0 | $80 \cdot 2$ $79 \cdot 5$ | 78.8 76.9 | 72.5 70.5 | 78.5 71.5 | 72 | 72 69.5 | 91.5 | 89.5 | 85.5 | 83 | 1024 |
| DEC....... | 139.84 | 18.8 | 77.4 | 79.5 | 76.0 | 71.5 | 71.5 | 69 69 | 69.5 70 | 91.5 91 | 89 89 | 85 85 | 82.5 82.5 | 103 |
| JAN. ...... | 139.67 139.73 | 19.8 | 77.5 | 79.9 | 75.9 | $70 \cdot 5$ | \% 0 | 68.5 |  | 89.5 |  |  |  |  |
| FEB....... | 139.73 | 20.2 | 76.1 | 78.7 | $74 \cdot 4$ | 70 | 69 | 69 | $69 \cdot 5$ | 89 | 88.5 | 82 | $81 \cdot 5$ | 1044 |
| MAR...... | 139.62 139.91 | $20 \cdot 3$ 18.8 | $74 \cdot 8$ 74.1 | 76.6 76.3 | 73.6 | 69 | 69 | $66 \cdot 5$ | 68 | 88 | 89 | 80.5 | 82.5 | 104 |
| MAY...... | 139.87 | 18.7 | $74 \cdot 4$ | 76.3 76.4 | $72 \cdot 7$ 71.5 | 69 | 68 | 66 | ${ }^{67}$ | 89 | 91 | 81.5 | 84.5 | $104 \frac{1}{2}$ |
| JUNE... | 140.61 | 18.9 | $72 \cdot 4$ | 75.6 | 70.5 | 68 67 | ${ }_{67}^{67} 5$ | 64 64.5 | 65.5 65.5 | 88.5 91 | 90.5 92 | 81 85 | 81 87.5 | 1042 |
| JULY..... | 141.19 | $19 \cdot 3$ | $72 \cdot 3$ | 74.4 | $70 \cdot 9$ | 65 | 65 | $65 \cdot 5$ | 65.5 | 83 |  |  |  |  |
| AUG...... | 142.57 | 19.5 | 71.5 | $72 \cdot 1$ | $70 \cdot 9$ | 62 | 62.5 | 64.5 | 63.5 | 89 | 89.5 | 83 82. | ${ }_{8}^{84} 5$ | 1042 |
| SEPT...... | 144.47 146.45 | 19.5 19.7 | $70 \cdot 7$ 71.2 | $69 \cdot 9$ $70 \cdot 5$ | 70.8 | 61 | 62 | 64.5 | 63.5 63.5 | 88. 5 | 88.5 | 82.5 | 83 80.5 | $104 \frac{1}{2}$ |
| NUV. ...... | 146.83 | 19.7 | 71.2 70.7 | 70.5 69.0 | 71.3 71.4 | 59•5 | 60.6 | 66.5 | 64 | 89 | $87 \cdot 5$ | 82 | 79.5 | $104 \frac{1}{2}$ |
| DEC, ...... | 148.93 | $20 \cdot 1$ | 70.6 | 69.8 | 71.4 | 58 60 | 58.5 60.5 | 66 66.5 | 63 |  |  | 81.5 | 78.5 78.5 | $104 \frac{1}{2}$ |
| J AN. ...... | 148.82 | $20 \cdot 3$ | 69.9 |  |  |  |  |  |  |  |  |  | 18 | 1045 |
| FEB. ...... | 148.33 | $20 \cdot 3$ | 69.6 | $69 \cdot 3$ | 69.3 69.4 | 61 60 | $60 \cdot 5$ | $65 \cdot 5$ | 64 | 88.5 | 87.5 | 81 | 79.5 | 105 |
| MAR....... | 148.28 | 20.6 | 69.4 | 68.5 | 69.6 | 60.5 | 69 60.5 | 66 | 63.5 | 87.5 | 87 | 79 | 78.5 | 105 |
| APRIL... | 148.50 | $20 \cdot 0$ | $69 \cdot 9$ | 69.6 | 69.7 | 61.5 | 60.5 60.5 | 66 67.5 | 64 | 87.5 87.5 | 88.5 | 79 | 81 | 105 |
| MAY...... | 148.47 | $20 \cdot 1$ | $70 \cdot 3$ | 69.9 | $70 \cdot 2$ | $61$ | $60$ | $\begin{aligned} & 67^{\circ} \\ & \hline \end{aligned}$ | 65 65 | 87.5 87.5 | $89 \cdot 5$ $89 \cdot 5$ | 78.5 78.5 | 81.5 | 105 |
| JUNE.... | 148.49 | $19 \cdot 8$ | $70 \cdot 5$ | 69.9 | $70 \cdot 5$ | 61.5 | $61 \cdot 5$ | 67.5 | 65 |  | $89 \cdot 5$ 90.5 | 78.5 81.5 | 81.5 | 105 |
| JULY ${ }_{\text {AUG }}$ | 148.49 148.56 | 16.6 | 70.6 70.6 | 69.5 | $70 \cdot 8$ | $58 \cdot 5$ | 58.5 | 67 | 64 | 88.5 | $89 \cdot 5$ | 80.5 | 92 |  |
| SEPT. ... | $168.00 \S$ | 21.4 § | $75 \cdot 9$ | 68.8 77.0 | $71 \cdot 1$ $74 \cdot 9$ | 59.5 68.5 | 59.5 | 68.5 | 65 | 88.5 | 89 | 81 | 81.5 | 105 |
| OCT. ...... | $168.00{ }^{\text {S }}$ | 22.9 | 79.7 | 83.2 | $77 \cdot 5$ | 68.5 | 69.5 | 73.5 | 72 | 94.5 | 93.5 | 88 | 87 | 106 |
| NOV. ...... | 168.00 § | $23 \cdot 4$ | $84 \cdot 3$ | 87.7 | $82 \cdot 1$ | $\begin{aligned} & 73 \cdot 5 \\ & 76 \cdot 5 \end{aligned}$ | 75 | 77.5 83.5 | 76 | 96.5 | 94.5 | 90.5 | 87.5 | 106 |
| DEC, ...... | 168.00§ | $23 \cdot 4$ | 86.9 | 91.4 | $\begin{aligned} & 82 \cdot 1 \\ & 84 \cdot 3 \end{aligned}$ | $\begin{aligned} & 765 \\ & 79 \end{aligned}$ |  | $83 \cdot 5$ 91 | 81 86.5 | 99 | 965 | 92 | 88.5 | $107 \frac{3}{4}$ |
| 1940 JAN. ..... | 168.00§ | 22.0 |  |  |  |  |  | 91 | 86.5 | 99.5 | 97. 5 |  | 89.5 | 1094 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  | 1094 |
| $\uparrow$ Average of daily quotations for year. |  |  |  | * NORMAL SEASONAL CHANGE REMOVED. * December, 1924, |  |  |  |  |  |  |  |  |  |  |

PRICE OF GOLD-
PRICE OF SILVER-
Average (London) Drice Der fine oz. for week ending 15 th of month.-ECONOMIST
Average (cash) price of bar silver for week ending 15 th of month.-ECONOMIST,
BOARD OF TRADE INDEX—Geometric Mean of Wholesale Prices (averages for month) of 200 commodities as jercentage of 1924 arerage. STATIST (SAUERBECK) Average wholesale pre or INDICES-for 1924. -STATIST,

LIVING INDEX-Mintry of tabour living prevalent in working-class households before the mar For of maintaining unchanged the standard of month-e.g., reading for March lst is shown against February-to facilitate month, but placed against previou As above, for food only
RETAIL FOOD PRICE8-
WAGES IEDEX-

## OUTPUT AND INTERNAL ACTIVITY．

|  | output． |  |  |  |  | RETAIL SALES． |  |  |  |  |  | RAILWAYS． |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Coal． <br> Tons <br> Mn ． | Pig <br> Tons <br> 000 | Steel． <br> Tons <br> 000 | Elec． tricity． <br> Mn． Units． |  |  |  | $\begin{aligned} & \text { す̈ } \\ & \text { ث⿴囗十 } \\ & \text { \% } \end{aligned}$ |  |  |  | Stan <br> 편 | Freigh dard Weigh $\begin{array}{r} \text { 过 } \\ \text { 出 } \\ 0000 \mathrm{tc} \end{array}$ |  |  |
| 1924 Av．． | 21.2 | 520 | 641 | 508 | $2 \cdot 11$ |  |  |  | 115 |  |  | 544 | 1743 | 551 | 8.89 |
| 1229 Av．． | 20.7 | 581 | 756 | 858 | 4.74 | － | － | － | 132 | 71.1 |  | 515 | 1722 | 545 | 8.91 |
| 1933 Av．． | 16.7 | 316 | 551 | 1130 | 7.01 | 83 | 76 | 80 | 135 | $90 \cdot 1$ |  | 33 | 1270 | 333 | 6.23 |
| 1934 Av ．．． | 17.8 | 458 | 694 | 1289 | 7.76 | 87 | 79 | 82 | 137 | 96.4 | 18.9 | 375 | 1529 | 392 | 6.57 |
| 1935 Av ．． | 18.0 | 495 | 775 | 1464 | 10．32 | 90 | 85 | 87 | 140 | $101 \cdot 3$ |  | 375 | 1335 | 391 | 6.62 |
| 1936 Av ．．． | 18.3 19.4 | 586 | 912 | 1685 | 12.11 | 95 100 | 92 | 93 | 147 | $105 \cdot 3$ | $25 \cdot 3$ | 393 | 1362 | 421 | 6.93 |
| 1937 Av．． 1938 Av．． | $19 \cdot 4$ 186 | 651 520 | 1019 817 | 1909 2031 | 12.90 11.69 | 100 100 | 100 | 100 | 154 155 | 109.8 112.5 | 26.0 22.9 | 416 368 | 1442 1325 | 454 | 7.29 6.78 |
| ${ }_{\text {JULY }}^{1936}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JUG．．．．． | ${ }_{17}^{16.38}$ | 601 574 | 857 853 | 1403 | $\begin{array}{r}13.81 \\ 9.86 \\ \hline\end{array}$ | 100 | 88 | 94 | 142 | 121.5 | 25.0 | 378 | 1156 | 381 | 6.29 |
| SEPT． | 17.7 | 607 | 941 | 1544 | 13．24 | 85 | 87 | ¢ 0 87 | 135 | $111{ }^{113} 9$ | 14.2 | 401 | 1298 | 409 | 8.80 |
| OCT． | 18.5 | 588 | 952 | 1860 | 13.49 | 103 | 92 | 97 | 151 | 108.5 | 24.0 | 438 | 1377 | 452 | 7.01 |
| NOV． | 18.8 | 600 | 927 | 2010 | 11.76 | 100 | 94 | 97 | 155 | 97.0 | 23.8 | 437 | 1463 | 451 | 7.41 7 |
| DEC．．．．．． | $18.8 \ddagger$ | 606 | 959 | 2180 | 10.95 | 142 | 109 | 125 | 201 | $100 \cdot 6$ | 27.8 | 403 | 1476 | 429 | $7 \cdot 10$ |
| JAN．．． | 193 3 | 588 | 935 | 2176 | 11.74 | 97 | 91 | 93 | 148 | 96.0 | 28.8 | 389 | 1422 | 422 | 6.89 |
| FEB | $20 \cdot 3$ | 604 | 996 | 1944 | 11.72 | 71 | 94 | 86 | 146 | 93.5 | $22 \cdot 9$ | 404 | 1542 | 415 | $7 \cdot 40$ |
| MAR． | 19．8§ | 614 | 1061 | 2074 | 12.52 | 50 | 104 | 97 | 149 | 104.1 | 38.4 | 419 | 1572 | 422 | 7.60 |
| APR | 20．4 | 635 | 991 | 1832 | 13.67 | 97 | 95 | 96 | 152 | 115.1 | $31 \cdot 1$ | 416 | 1446 | 440 | 7.29 |
| MAY． | $19.9{ }^{\circ}$ | 629 | 1072 | 1621 | $12 \cdot 18$ | 109 | 107 | 108 | 145 | 109•3 | 28.3 | 414 | 1441 | 457 | 7.23 |
| JUNE ．．． | 18.8 | 653 | 1014 | 1574 | 14．06 | 98 | 97 | 98 | 146 | 121.0 | $30 \cdot 6$ | 411 | 1367 | 485 | 7.02 |
| JULY | $17 \cdot 3$ | 659 | 951 | 1588 | 14.60 | 106 | 97 | 102 | 144 | 128.1 | $27 \cdot 9$ | $422 \dagger$ 386 | ${ }_{1244}^{1371+}$ | ${ }_{434}{ }^{470+}$ | 7.031 640 |
| AUG．．． | $18.8{ }^{\circ}$ | 645 | 945 | 1529 | $10 \cdot 80$ | 76 | 94 | 85 | 141 | $120 \cdot 1$ | $16 \cdot 3$ | 422 | 1370 | 463 | 7.11 |
| SEP＇T． | $19 \cdot 2$ | 678 | 1066 | 1752 | 14.40 | 92 | 97 | 95 | 152 | 117.9 | $20 \cdot 3$ | 442 | 1446 | 470 | 7.46 |
| OCT． | 19.6 | 695 | 1061 | 2029 | 13.57 | 102 | 100 | 101 | 156 | 108.9 | 21.0 | 442 | 1439 | 487 | 7.87 |
| NOV．．．． | $19 \cdot 9$ | 711 | 1080 | 2285 | $13 \cdot 72$ | 105 | 102 | 104 | 157 | $103 \cdot 6$ | 20.6 | 429 | 1515 | 496 | 799 |
| ${ }^{\text {LEC．．．．．}}$ | 20．1t | 707 | 1056 | 2497 | 11.83 | 152 | 120 | 135 | 207 | 99.7 | $25 \cdot 8$ | 412 | 1558 | 462 | $7 \cdot 49$ |
| JAN ．．．．． | $20 \cdot 3$ | 688 | 1050 | 2382 | 12.51 | 98 | 99 | 98 | 151 | 97.4 | $24 \cdot 9$ | 375 | 1457 | 440 | 719 |
| FEB．． | 20.6 | 693 | 1058 | 2145 | $12 \cdot 19$ | 76 | 102 | 89 | 146 | 92.4 | 19.0 | 392 | 1536 | 458 | 7.55 |
| MAR | 20.0 | 645 | 982 | 2111 | 13.27 | 84 | 102 | 93 | 150 | 108.8 | 35.5 | 400 | 1498 | 460 | 7.67 |
| APR | 18.58 18.1 | 617 571 | 861 | 1849 1854 | 10.56 13.38 11 | 103 100 | 110 103 | 107 | 149 | 119.7 | 25.6 24.6 | 382 | 1296 | 413 | 6.93 6 |
| JUNE．．． | $17.4{ }^{\circ}$ | 506 | 742 | 1612 | 11.11 | 105 | 107 | 106 | 147 145 | 1097 121.4 | $24 \cdot 6$ $22 \cdot 6$ |  | 1254 |  | 6.75 6.26 |
| JULY | 16.6 | 459 | 640 | 1656 |  |  |  |  |  |  |  | $352 \dagger$ 324 | 12099 | 347¢ | 8.264 5.58 |
| AUG．．．． | $17.1{ }^{\circ}$ | 401 | 604 | 1679 | 9.31 | 77 | 192 | 88 | 141 | 127.9 | 20．8 |  |  | 314 | 5.58 6.24 |
| SEPT． | 17.4 | 401 | 692 | 1872 | 11.78 | 89 | 102 | 96 | 155 | 133.8 | $17 \cdot 1$ | 375 | 1289 | 316 | 6.24 6.76 |
| OCT．．．．．． | 19.1 | 424 | 800 | 2195 | 11.75 | 103 | 103 | 103 | 157 | $102 \cdot 4$ | $20 \cdot 0$ | 390 | 1424 | 344 | $7 \cdot 17$ |
| NOV．．． | 18.8 | 431 | 789 | 2346 | $12 \cdot 4!$ | 102 | 102 | 102 | 159 | 105.4 | 23.6 | 374 | 1373 | 359 | 6.98 |
| DEC．．．．． | $19.1^{\circ}$ | 403 | 614 | 2675 | $10 \cdot 39$ | 154 | 122 | 138 | 210 | 1016 | 26.0 |  | 1437 | 320 ＊ | 6.74 |
| JAN | 19.2 | 452 | 744 | 2704 | 11.82 | 98 | 98 | 98 | 154 | 98.7 | $27 \cdot 3$ | $\overline{34}$ | 1436 | 298 | 6.72 |
| FEB． | 19.7 | 516 | 971 | 2334 | 12.48 | 79 | 103 | 91 | 149 | 96.6 | 23.5 |  | 1486 | 354 | 7.22 |
| MAR． | ${ }_{19}^{19.6}$ | 545 568 | 1030 | 2508 | 15．50 | 86 | 105 | 96 | 152 | 117.9 | $29 \cdot 3$ |  | 1443 | 374 | 7.37 |
| MAV | 19.2 | 625 | 1116 | 2068 | 13.44 15.72 | 103 | 1113 | 1111 | 150 | $121 \cdot 4$ 121 | ${ }_{28}^{25 \cdot 6}$ |  | 1374 | 368 | 6.97 |
| JUNE | 18.4 | 668 | 1078 | 1912 | $14 \cdot 92$ | 100 | 105 | 103 | 150 | $130 \cdot 1$ | 26.5 |  |  |  | 7.55 |
| JULY | 17.5 | 671 | 1079 | 1918 | $16 \cdot 38$ |  |  |  |  |  |  |  |  |  |  |
| AUG．． |  |  |  |  |  | 83 | 103 | 94 | 144 |  |  |  |  |  |  |
| OCT ${ }^{\text {SEPT．．．}}$ |  |  |  |  |  | 103 | 114 | 109 | 139 |  |  |  |  |  |  |
| NOV． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



Total for 4 weeks ending approximately at end of month－BOARD OF TRADE JOURNAL
OEDER for standard four－week month，based upon monthly flgures issued by the BRITISH IRON AND STEEL Output of aut
Rayon，yarn and waste，derived from Excise Statistics，－GOARD OF TRADE JOURNAL．
Revised Index of value of sales in Departmental Stores，Co－operatives，multiple and independent shops．For discussion see Board of Trade Journal，Feb．9th，1939．－BANK OF ENGLAND． Daily averages，ex telegraph，telephone，savings bank and postal orders．－BOARD OF TRADE JOURNAI． Imports entered for home consumption．－BOARD OF TRADE JOURNAI

Tonnage of goods carried on the Railways of Great Britain during the month，exeluding free－haled． recelpts for collection and delivery，－MINISTR $\bar{Y}$ OF TRANSPORT，

EXTERNAL TRADE．

|  | TOTAL IMPORTS（Values）． |  |  |  |  |  | NET <br> IMPORTS <br> Total． $£ \mathrm{Mn} .$ | EXPORTS OF U．K．GOODS（Values）． |  |  |  |  |  |  | GOLD． |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Food， Drink and Tobacco． £Mn． | $\begin{aligned} & \begin{array}{l} \text { Raw } \\ \text { Materials. } \\ \text { £Mn. } \end{array} \end{aligned}$ | $\begin{aligned} & \text { Manu- } \\ & \text { factures, } \\ & \text { £Mn. } \end{aligned}$ | $\begin{array}{\|l} \text { To } \\ \text { (inclu } \\ \text { Miscell } \end{array}$ |  |  |  | Food， Drink and Tobacco． $£ \mathrm{Mn}$ ． |  |  | £M |  | $\left\lvert\, \begin{array}{r} \mathrm{To} \\ \text { (incl } \\ \text { Miscell } \\ £ \mathrm{Mn} . \end{array}\right.$ | tal aneous | £MPORTS | £Mn． |
| 1924 Av．．． | 47．6＊ | $33 \cdot 3$＊ | 25.0 ＊ | 106.4 | ＊$\dagger$ | 11.7 | 94.8 大 $\dagger$ | 4．7＊ | 8.9 | $\star$ | 516 | $\star$ | $66 \cdot 8$ | $\star$ | 30 | 41 |
| 1929 Av ．．． | 44.8 | 28.3 | $27 \cdot 9$ | 101.9 | － | $9 \cdot 1$ | 92.8 | 4.6 － | 6.6 | － | 47 | － | $60 \cdot 8$ | － | $5 \cdot 2$ | $6 \cdot 5$ |
| 1933 Av．．． | 28.5 | 150 | 12.6 | $56 \cdot 5$ |  | $4 \cdot 1$ | 52.4 | $2 \cdot 3$ | 3.8 | － | 23 |  | 30.6 | － | 21.0 | 50 |
| 1934 Av ．．． | 29.1 | 17.5 | 14.3 | $61 \cdot 3$ |  | $4 \cdot 3$ | 57.1 | $2 \cdot 5$ | $4 \cdot 0$ | － | $25 \cdot 4$ | － | 33.0 |  | $21 \cdot 9$ | $10 \cdot 7$ |
| 1985 A | 29.9 32.2 | 17.8 208 | 15.4 | $63 \cdot 5$ |  | $4 \cdot 6$ | 58.9 | 25 | 4.4 |  | 27.4 |  | 35.5 |  | 203 | 14.5 |
| ${ }_{1936 \mathrm{Av} . . .}$ | $32 \cdot 2$ 35.9 36 | 20.8 26.3 | ${ }_{22 \cdot 9}^{17.8}$－ | $71 \cdot 1$ 85.7 |  | $5 \cdot 1$ 6.3 | 66.0 79.4 | ． 0 | $4 \cdot 3$ $5 \cdot 4$ |  | 28.4 33.7 | － | 36.8 43.4 |  | 26．2 | 7.2 |
| 1938 Av．．．． | 36.2 | 20.7 | 19.5 | $77 \cdot 1$ | 二 | 5．2 | 71.9 | 3.0 | $4 \cdot 7$ | － | 30.5 | － | $43 \cdot 3$ | 二 | 24.6 20.0 | 18.0 25.3 |
| $\begin{array}{r} 1986 \\ \text { JULY } \end{array}$ | 29．9 $31 \cdot 1$ | 20.121 .5 | $18.2 \quad 18.5$ |  | $71 \cdot 6$ |  | 63.766 |  |  |  |  |  |  |  |  |  |
| AUG． | $29.0 \quad 30 \cdot 6$ | $18.820 \cdot 1$ | $17.8 \quad 17.4$ | $66 \cdot 1$ | 68.6 | $4 \cdot 4$ | $61.6 \quad 64.6$ | 2.8 2．9 | 4.0 | $4 \cdot 3$ | 37.5 | 28．3 | $35 \cdot 3$ | 39.1 36.5 | 41.5 60.0 | ． |
| SEPT． | $32 \cdot 983.1$ | $19 \cdot 622 \cdot 7$ | $19 \cdot 1 \quad 19.4$ | $71 \cdot 9$ | ${ }_{25} 75$ | 3.9 | $68.069 \cdot 1$ | 3．0 $2 \cdot 9$ | $4 \cdot 3$ | 4.5 | 28.8 | $29 \cdot 6$ | 37.0 | 37．9 | $33 \cdot 6$ | 39 |
| OCT． | $\begin{array}{llll}38.9 & 38.2\end{array}$ | $21.5 \$ 8.0$ | $19.818 \cdot 2$ | $80 \cdot 5$ | 74.7 | $4 \cdot 5$ | $\begin{array}{ll}76 \cdot 1 & 68 \cdot 2\end{array}$ | $\begin{array}{lll}3.6 & 3 \cdot 1\end{array}$ | 4.8 | 4.4 | $32 \cdot 2$ | $30 \cdot 1$ | 41.8 | 38.7 | 19.8 | 18.9 |
| NOV． | $\begin{array}{ll}37.1 & 38.0 \\ 37.7 & \end{array}$ | $\begin{array}{ll}22.8 & 22.1\end{array}$ | $\begin{array}{lll}18 \cdot 4 & 17 \cdot 7\end{array}$ | 78.7 | 73.2 | $4 \cdot 3$ | $\begin{array}{ll}74 \cdot 3 & 67 \cdot 4\end{array}$ | $3.8 \quad 3.0$ | $4 \cdot 6$ | 42 | 28.9 | 28.3 | 384 | $36 \cdot 5$ | 29.4 | $12 \cdot 9$ |
| DEC． | 37.7 34．1 | $26.122 \cdot 1$ | $19.2 \quad 19.5$ | 83.7 | 76.4 | 6.1 | $\begin{array}{llll}77.6 & 70.4\end{array}$ | $\begin{array}{lll}3.4 & 3.3\end{array}$ | $4 \cdot 9$ | $4 \cdot 9$ | $30 \cdot 3$ | 30．9 | $40 \cdot 5$ | 41.0 | 35.8 | 15.8 |
| JAN．． | 32.038 .2 | 25.722 .0 |  | $75 \cdot 7$ | 73.2 | $5 \cdot 1$ | $\begin{array}{lll}70 \cdot 6 & 67 \cdot 7\end{array}$ | 3.089 | $5 \cdot 1$ | 5.2 | 29.9 | 29.9 | $39 \cdot 1$ | $39 \cdot 1$ | 11.8 | 17.0 |
| FEB． | $\begin{array}{lll}30.7 & 34.4 \\ 35.3 & 35.8\end{array}$ | $\begin{array}{ll}22 \cdot 1 & 22 \cdot 9 \\ 25.0 & 24 \cdot 2\end{array}$ | 18．6 20.6 | 71.7 | 78.1 | 6.9 | 64．8 $70 \cdot 2$ | 3.183 .4 | 4.9 | 5.2 | $29 \cdot 7$ | 31.6 | 38.6 |  |  | 17.3 |
| MAR． | $\begin{array}{ll}35 \cdot 3 & 35 \cdot 8 \\ 32 \cdot 9 & 96 \cdot 1\end{array}$ | $\begin{array}{ll}25.0 & 24.2 \\ 26.0 & 26.4\end{array}$ | $\begin{array}{lll}22 \cdot 1 & 21 \cdot 1 \\ 23 \cdot 6 & 24 \cdot 0\end{array}$ | $82 \cdot 9$ 83.0 | 81.6 87.1 | 6.7 7.3 | $\begin{array}{ll}76.2 & 78.0 \\ 75.7 & 83.0\end{array}$ | $\begin{array}{ll}3.9 & 8.0 \\ 3.1 & 8.5\end{array}$ | $5 \cdot 3$ | 5.8 | 34.2 | 31．9 | 4 | 42.3 | 417 37 | 17．9 |
| MAY． | 34.234 .4 | $25.6 \quad 25 \cdot 6$ | $22 \cdot 9$ 22．7 | 83.2 | $85 \cdot 2$ | $7 \cdot 4$ | $75 \cdot 8 \quad 77 \cdot 0$ | $\begin{array}{ll}3.1 & 3.5 \\ 3.1 & 3.3\end{array}$ | 5.5 | 5.9 5.2 | $33 \cdot 4$ $33 \cdot 3$ | 34.5 98.8 | 43.0 42.7 | $44 \cdot 8$ 42.1 48 | 33.1 11.7 | 31.0 21.7 |
| JUNE ．．． | $\begin{array}{ll}35 \cdot 8 & 36.9\end{array}$ | $27.4 \quad 28.7$ | 24.425 .3 | 88.2 | 91.5 | $7 \cdot 1$ | $81.1 \quad 85 \cdot 4$ | 3．0 3.4 | $5 \cdot 7$ | $5 \cdot 9$ | $34 \cdot 7$ | 37.0 | $44 \cdot 4$ | 47.4 | 32：0 | 27.7 |
| JULY | 34.035 .4 | $26.3 \quad 28.1$ | $24 \cdot 6 \quad 25 \cdot 1$ | 85.5 | 86.2 | 6.8 | ${ }^{78 \cdot 7} 882 \cdot 7$ | 3.3 3．5 | 6.0 | $5 \cdot 5$ | 37.4 | 36.0 | 476 | $46 \cdot 3$ | $44 \cdot 1$ | 18.9 |
| AUG． | $\begin{array}{ll}34.8 & 36.6 \\ 36.2 & 36.4\end{array}$ | $\begin{array}{ll}26.7 & 28.6 \\ 26.5 & 30.8\end{array}$ | $\begin{array}{lll}24.7 & 24.1 \\ 24.6\end{array}$ | 86.6 87.8 | 89.8 | 6.9 | 80.08840 | 30812 | $5 \cdot 3$ | 57 | 33.4 | 34.4 | 42.5 | $44 \cdot 1$ | 30.7 | 6.6 |
| SEPT | $\begin{array}{ll}36 \cdot 2 & 36 \cdot 4 \\ 43.4 & 37 \cdot 1\end{array}$ | $\begin{array}{ll}26 \cdot 5 & 30 \cdot 8 \\ 27.9 & 29.9\end{array}$ | $\begin{array}{lll}24 \cdot 6 & 24.9 \\ 24.4 & 22.4\end{array}$ | 87.8 96.2 | 92.7 89.9 | 5.2 5.7 | $\begin{array}{lll}82.6 & 88.9 \\ 90.5 & 81.1\end{array}$ | $\begin{array}{ll}3.4 & 3.4 \\ 3.4 & 9.9\end{array}$ | 5 | 5.7 | 34.5 | 35.5 | 44.3 | $45 \cdot 6$ | 15.4 | 21.6 |
| NOV | $43 \cdot 1$ | $28.3 \quad 27 \cdot 4$ | $\begin{array}{ll}24.3 & 24.3\end{array}$ | 97.3 | ${ }_{90.7}$ | $5 \cdot$ $5 \cdot 3$ | $\begin{array}{ll}90.5 & 81.1 \\ 91.9 & 82.0\end{array}$ | $\begin{array}{ll}3.4 & 2 \cdot 9 \\ 4.0 & 3.2 \\ \end{array}$ | 5.8 $5 \cdot 3$ | 5.8 | 36.7 | 34.4 | 47.2 | 43.8 | $12 \cdot 7$ | 14.6 |
| DEC． | $42.8 \quad 38.7$ | $27.3 \quad 23 \cdot 1$ | $23 \cdot 3 \quad 23.6$ | $94 \cdot 3$ | $86 \cdot 3$ | 50 | $89.3 \quad 80 \cdot 6$ | $\begin{array}{ll}3.5 & 3.3\end{array}$ | 4.9 | 4.9 | $33 \cdot 3$ |  | 43.9 | 44.4 | 11.3 | 8.3 |
| JAN．．． | $\begin{array}{ll}36.1 & 36.8 \\ 33.2\end{array}$ | 25.7 29．0 | $\begin{array}{lll}22.5 & 23.8\end{array}$ | 84.9 | 82.2 | 4.8 | $80.1{ }^{80.7}$ | 3.080 | 4.7 | 4.7 | $32 \cdot 6$ | $32 \cdot 6$ | 41.2 | $41 \cdot 2$ | 12.7 |  |
| FEB | $\begin{array}{ll}33.2 & 97.2 \\ 37.1 & 38.0\end{array}$ | $\begin{array}{ll}22.5 & 23.3 \\ 24.0 & \\ 23.3\end{array}$ | $\begin{array}{ll}19.5 & 21.6 \\ 23.2\end{array}$ | $75 \cdot 7$ 84 | 82.6 | 5.5 | 70.236 .1 | $2.8 \quad 3.0$ | $4 \cdot 2$ | 45 | 29.7 | 31.5 | 37.5 | 4918 | 12．8 | 4.6 |
| MAR | $\begin{array}{ll}37.1 & 38.0 \\ 32.1 & 35.2\end{array}$ | 24.0 <br> 21.5 <br> 1.9 | $\begin{array}{ll}23.2 & 28.1 \\ 19.7 & 20.0\end{array}$ | 84.9 73.7 | 84.0 77.5 | 5.5 5.0 | $\begin{array}{ll}79.4 & 81.3 \\ 68.7 & 75.3\end{array}$ | $\begin{array}{ll}2.8 & 2.9 \\ 2.4 & \text { 0．7 }\end{array}$ | 4.9 | 4.9 | $33 \cdot 5$ | 38.9 | 42.2 | 41.1 | 28.8 | 130 |
| MAY | 35.235 .5 | 20.420 .8 | $19.419 \cdot 8$ | 75.4 | 75．6 | $7 \cdot 2$ | $\begin{array}{ll}68 \cdot 2 & 69 \cdot 9\end{array}$ | $\begin{array}{ll}2.4 & 2.7 \\ 2.8 & 30\end{array}$ |  | 4.7 | 29.5 | ${ }_{29} 30.4$ | $37 \cdot 3$ 38.2 | 38.9 $9 \% .9$ | 20.6 | 9.9 |
| JUNE | 38.489 .7 | 19.420 .4 | $\begin{array}{llll}18.1 & 18.7\end{array}$ | $76 \cdot 5$ | 79.4 | $5 \cdot 0$ | $71.5 \quad 75 \cdot 7$ | 2.7 3．0 | 4.5 | 4.7 | 28.8 |  | $\begin{aligned} & 38.2 \\ & 36.9 \end{aligned}$ | $37 \cdot 9$ 39.3 | 27.4 29.6 | 7.8 11.5 |
| JULY | $\begin{array}{cc}36 \cdot 3 & 37 \cdot 8 \\ 35 \cdot 1 & 37.0\end{array}$ | $\begin{array}{ll}19.2 & 20.5 \\ 20.3 & 91.8\end{array}$ | 17.718 .0 | 73.9 |  |  |  | $2.9 \quad 3.0$ |  | 4.7 |  |  |  |  |  |  |
| AUG． | $35.187 \cdot 0$ | $20 \cdot 3 \quad 21.8$ | $\begin{array}{cc}18 \cdot 0 & 17 \cdot 6\end{array}$ | $74 \cdot 1$ | $77 \cdot 1$ | 5.0 | $69.1 \quad 72 \cdot 5$ | $3 \cdot 0 \quad 3 \cdot 1$ | $4.5$ | $4 \cdot 9$ | 28.0 | 28.9 | $36 \cdot 3$ | ${ }_{37}^{36.7}$ | 16.9 12.9 | $11 \cdot 1$ |
| SEPT． | 37.7 <br> 39.3 <br> 39.3 <br> 8.6 | 18.0 $190 \cdot 0$ 20.9 | $\begin{array}{lll}18.7 & 18.9 \\ 20.2 & 18.6\end{array}$ | $75^{\circ} \mathrm{O}$ | 78.4 | 4.0 | $\begin{array}{ll}71.0 & 28 \cdot 1\end{array}$ | $\begin{array}{ll}3.1 & 3.0\end{array}$ | 4.6 | 4.9 | 31.1 | 32.0 | 39.8 | $40 \cdot 9$ | 36.4 | $90 \cdot 3$ |
| NOV． | 39.1488 | $18.7 \quad 18.1$ | $\begin{array}{lll}20.7 & 18.6 \\ 19.7 & 18.9\end{array}$ | 79.0 78 | 78.0 78.3 | 5．4 | $\begin{array}{ll}73.6 & 65.9 \\ 72.9\end{array}$ | $\begin{array}{ll}3.7 & 3.2 \\ 3.8 & 8.0\end{array}$ | 5：3 | 4.8 | $32 \cdot 3$ | 30.3 | 42.6 | $39 \cdot 7$ | \％994 | $73 \cdot 5$ |
| DEC． | $35 \cdot 4$ 32．1 | 19：8 16.8 | $\begin{array}{ll}17.8 & 18 \cdot 1\end{array}$ | 74.1 | 68.1 | 4.8 | $\begin{array}{ll}72.9 & 66.1 \\ 69.3 & 62.6\end{array}$ | $\begin{array}{ll}3.8 & 3.0 \\ 3.0 & 2.9\end{array}$ | 5.4 | 5.0 | 32.5 | 31.8 | 42.9 | 41.0 | 3.9 | 24.4 |
| 1939 |  |  |  |  |  |  | 69362 | 3029 | 4.6 | 46 | 294 | $30 \cdot 0$ | $39 \cdot 1$ | 396 | $7 \cdot 5$ | 21.7 |
| $\begin{aligned} & \text { JAN... } \\ & \text { FEB. } \end{aligned}$ | $\begin{array}{ll} 35 \cdot 0 & 35 \cdot z \\ 30 \cdot 2 & 39 \cdot 9 \end{array}$ | $\begin{array}{ll} 21 \cdot 5 & 18 \cdot 4 \\ 17 \cdot 2 & 17 \cdot 7 \end{array}$ |  | $75 \cdot 6$ $65 \cdot 5$ | 73.7 | $4 \cdot 6$ | $\begin{array}{ll}71.0 & 68.1\end{array}$ | 3.180 | 4.7 | 4.7 | $30 \cdot 4$ | 3）． 5 | 39.5 | 39•5 |  |  |
| MAR． | $35 \cdot 7 \quad 36 \cdot 5$ | $19.619 \%$ | $\begin{array}{ll}18.9 & 20.9\end{array}$ | 78．0 | 716 77 | 4.8 4.9 | $\begin{array}{ll}60.7 & 65.9 \\ 73.1 & 74.9\end{array}$ | $\begin{array}{ll}2.5 & 2.7 \\ 3.1 & 3.2\end{array}$ | $4 \cdot 3$ | 4.5 | 30.4 | 32.3 | 38.1 | $40 \cdot 4$ | $3 \cdot 5$ | 35.1 |
| APR． | 30.3 33．3 | 19.519 .9 | 19.720 .0 | $70 \cdot 1$ | 73.8 | $4 \cdot 6$ | $\begin{array}{ll}75.5 & 71.9\end{array}$ | $\begin{array}{ll}3.1 & 3.2 \\ 2.4 & 8.7\end{array}$ | 4.8 | 4.8 | $32 \cdot 7$ | 31.4 | ${ }^{41} \cdot 6$ | 40.4 | 128 | $68 \cdot 3$ |
| MAY | 33.6 | 22.812 .7 | $21.5 \quad 21.3$ | 78.5 | 78.5 | 5.0 | 73：5 74.7 | 3.23 | 5．4 | ${ }_{4}^{4.1}$ |  |  | 35.1 | 36.5 | 62.0 | $87 \cdot 9$ |
| JUNE | $36.1 \mathrm{s7} \cdot \mathrm{Z}$ | $22.1 \quad 23.2$ | 23.3 24．2 | 88 | 85.3 | $4 \cdot 3$ | $77.9 \quad 88.4$ | $\begin{array}{ll}3.4 & 3.8\end{array}$ | 5 | 5.4 |  |  | 42．3 39 | 41.8 | $\begin{aligned} & 31 \cdot 9 \\ & 176 \end{aligned}$ | 94.7 28.7 |
| JULY | 32.9 34.6 34.9 36.4 | $\begin{array}{cc}21 \cdot 5 & 22 \cdot 7 \\ 22.2\end{array}$ | 23.5 | $78 \cdot 3$ | 81.5 | 3.7 | 74.678 .4 | 3.0 3．1 | $5 \cdot 3$ |  |  |  |  |  | 11 |  |
| AEPT， | $\begin{array}{ll}34.6 & 36.4 \\ 23.0 & 23.2\end{array}$ | $\begin{array}{ll}22 \cdot 2 & 23.9 \\ 13.5 & 15.7\end{array}$ | $\begin{array}{ll}23.6 & 23.1 \\ 13.0 & 18.2\end{array}$ | $81 \cdot 1$ 49 | $81 / 1$ 59.6 | 4.5 <br> 2.4 | $\begin{array}{ll}76.6 & 80.4 \\ 47.6 & 18.3\end{array}$ | $\begin{array}{lll}3.3 & 3.4 \\ 0.1 & 1.8\end{array}$ | 4.4 | 48 | 28.5 | $29 \cdot 4$ | 37.1 | ${ }_{38.5}$ | 119 | 43.4 |
| OCT． | 29.825 .5 | $15 \cdot 9 \quad 17 \cdot 0$ | $\begin{array}{ll}15.7 & 14.4\end{array}$ | $61 \cdot 8$ | 5 $57 \cdot 3$ | 2.0 | $\begin{array}{ll}\text { 47．8 } \\ 54.8 & 18.6\end{array}$ |  | 2.9 3.8 | 30 | 17.4 | 17．9 | 23.1 | 23.4 |  |  |
| NOV． | 38.63 34．4 | $\begin{array}{lll}23.7 & 22.9\end{array}$ | $21.220 \cdot 4$ | 84.0 | 78.2 | 2.7 | $\begin{array}{ll}54.8 & 3.6 \\ 81.2 & 73.7\end{array}$ | $\begin{array}{ll} 2.2 & 1 \cdot 9 \\ 3.6 & 2 \cdot 8 \end{array}$ | $\begin{aligned} & 3.8 \\ & 5.0 \end{aligned}$ | 3.5 | 18.0 | $16 \cdot 9$ | 23.6 | 22.9 |  |  |
| DEC． | 42.8 | $\begin{array}{lll}23 \cdot 2 & 19 \cdot 6\end{array}$ | $20.0 \quad 20 \cdot 3$ | $86 \cdot 6$ | 79.2 | $2 \cdot 5$ | 84.176 | $\begin{array}{lll}3.8 & 3.7\end{array}$ |  |  | 28.0 30.6 |  | $\begin{aligned} & 37 \cdot 4 \\ & 40 \cdot 2 \end{aligned}$ | 35．7 |  |  |

＊NORMAL SEASONAL CHANGE REMOVED

IMPORTS \＆EXPORTS－
Declared Values of imports（c．1．f．）into C．K．，re－exports of imported goods（f．o．b．）and exports（f．o．b．） mports and exports of gold bullion and coin．－MONTHLY ACCOUNTS OEF TR of imported goods．Value of net imports the season has been calculated directly from the from those for the 3 component groups．For

|  | Tonnage of Ships <br> （with Cargoes）． <br> Entered Cleared <br> British Ports． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  | Males． |  |  |  |  | 1 Fem | ames． |  |  | Som |  |
|  |  |  | $\begin{gathered} 0 \\ 0 \\ 0 \\ 0 \end{gathered}$ |  |  |  |  |  |  | $\infty 0$ | $\begin{gathered} \text { Big } \\ 000 \\ 000 \end{gathered}$ |  |  |  | $\begin{aligned} & \text { Redib } \\ & \text { ent } \\ & 000 \end{aligned}$ | $$ | 欴 |
| 1924 | 461 ＊ | ${ }^{544}$＊ |  |  | 941 | 2 | 52 | 116 | 78 | 99 | 35 | 344 | 145 | 263 | 62 |  |  | 1203 |  |
| 1929 Av | 522 | 572 |  | $133 \cdot 5$ | 1019 | 176 | 41 | 57 | 49 | 146 | 35 | 345 | 160 | 244 | ${ }^{68}$ | 994 | 268 | 1262 | $10 \cdot 4$ |
| 1933 A A |  | ${ }^{464}$－ | － | 2163 | ${ }^{338}$ | ${ }_{5}^{79}$ | 111 | 103 | ${ }^{336}$ | ${ }^{64}$ | 687 | 379 | 404 |  | 2110 | 457 |  |  |
|  | （ $\begin{aligned} & 522 \\ & 550 \\ & 50 \\ & 50\end{aligned}$ | ${ }^{499} 477$ | 100 | ${ }_{1}^{1817}$ | ${ }_{241}^{280}$ | ${ }_{4}^{52}$ | ${ }_{188}^{11}$ | ${ }^{80}$ | ${ }_{288}^{298}$ | $\begin{aligned} & 61 \\ & 52 \\ & 57 \end{aligned}$ | ${ }_{529}^{569}$ | ${ }_{373}^{369}$ | ${ }_{346}^{354}$ | ${ }_{72}^{85}$ | 1812 <br> 1715 |  | 2227 | 18．7 |
|  | ${ }_{567}^{562}$＝ | ${ }_{512}^{473}=$ | ${ }_{1}^{115} 1$ | ${ }_{1195}^{1456}$ | ${ }_{129}^{198}$ | $\stackrel{33}{34}$ | ${ }_{41}^{59}$ | 50 40 | ${ }_{254}^{272}$ | 37 <br> 28 <br> 28 | $\begin{aligned} & 2466 \\ & \hline 796 \\ & \hline 79 \end{aligned}$ | ${ }_{3}^{340}$ | 281 |  | 11498 <br> 1278 | ${ }_{204}^{251}$ | 178 | （13．2 |
| 1938 A |  |  |  | 1367 | 133 | 47 |  |  |  | ${ }_{5}^{20}$ | 459 | 312 | 436 | ${ }_{98}^{42}$ | 1424 | 379 | 1802 | 12.9 |
| ${ }_{\text {cher }}^{1936}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| SEGT．．．．． |  | ${ }_{504}^{511} 4888$ |  | ${ }_{1}^{1315}$ | ${ }_{1}^{189}$ | 33 30 | ${ }_{53}^{55}$ | ${ }_{48}^{49}$ | ${ }_{242}^{233}$ | $\begin{aligned} & 36 \\ & 36 \\ & 34 \end{aligned}$ | $\begin{aligned} & 416 \\ & \hline 126 \end{aligned}$ | ${ }_{313}^{304}$ | 298 |  | （1362 | 250 23 | 11612 <br> 1620 <br> 1 |  |
|  | （600 660 | ${ }_{464}^{523} 4680$ |  | ${ }_{\substack{1324 \\ 1328 \\ 1}}^{1}$ | ${ }_{1}^{176}$ | ${ }_{27}^{29}$ | 50 47 47 | 45 44 | ${ }_{27}^{255}$ | 32 30 | ${ }_{408}^{407}$ | 330 <br> 334 <br> 334 | 290 29 | ${ }_{42}^{46}$ | － 1347 | 196 | ${ }_{\substack{1620 \\ 1624 \\ 162 \\ \\ \hline}}$ | 22， |
| $\underset{\text { Dec }}{1937}$ | 555668 | 466494 |  |  |  | 26 |  |  | 308 | 29 | 413 | ${ }_{332}$ | 277 | 38 | ${ }_{1425}^{145}$ | 198 | 1622 | ${ }_{120}^{120}$ |
| JA | 487 482 4889 689 |  | 1677 1579 | ${ }_{1}^{1365}$ | ${ }_{1}^{138}$ | 24 | 45 | ${ }_{42}^{43}$ |  | $\begin{gathered} 29 \\ 28 \\ 28 \end{gathered}$ | $\begin{aligned} & 431 \\ & 416 \end{aligned}$ | 344 | $\begin{array}{\|l\|l\|} 312 \\ 301 \end{array}$ | ${ }_{34}^{35}$ | 489 | ${ }_{185}^{188}$ | 1167 | $2 \cdot$ |
|  |  |  | 1589 | ${ }^{12988} 1$ | 130 124 | $\xrightarrow{25}$ | 4 | ${ }_{40}^{42}$ | ${ }_{239}^{289}$ | 26 26 | ${ }_{375}^{406}$ | ${ }_{311}^{336}$ | cer 278 | ${ }_{3} 34$ |  | 170 | ${ }_{1576}^{1536}$ | $\xrightarrow{1120}$11.6 <br> 10.5 |
| MAY ${ }_{\text {M }}^{\text {JUNE }}$ | （600 676 | ${ }_{545}^{509} 5891$ | ${ }_{1}^{18574}$ | ${ }^{1191} 1126$ | 156 169 | 26 22 | 39 37 | ${ }_{39}^{42}$ | $\begin{aligned} & 226 \\ & 210 \end{aligned}$ | 25 | $\begin{aligned} & 380 \\ & 350 \\ & 350 \end{aligned}$ | 274 | 265 <br> 244 |  | 11246 | ${ }_{203}^{210}$ | 11456 <br> 1350 | 10.7 100 |
| JULY |  | ${ }_{592}^{589} 50.6$ | 1850 1935 | 1117 110 | 196 <br> 122 | ${ }_{23}^{26}$ | 40 | ${ }^{38}$ | ${ }^{222}$ | ${ }_{26}^{26}$ |  | 264 | 268 |  | ${ }^{1136}$ | 249 |  |  |
|  |  | 563638 |  | S1107 | 118 | ${ }_{23}^{23}$ | 39 | ${ }_{39}{ }^{38}$ | ${ }_{228}^{228}$ | 25 | ${ }^{356}$ | ${ }_{272}^{267}$ | ${ }^{267}$ | 41 |  |  | ${ }_{1357}^{1357}$ | ${ }_{10.9}^{9.9}$ |
| OcT |  |  |  |  |  |  |  |  |  |  |  |  | $\overline{{ }_{283}^{283}}$ |  | ${ }_{1215}^{139}$ | $\stackrel{1}{180}$ | 1734 | 9，7 |
| NOV | 614 <br> 5886 <br> 600 <br> 600 |  | ${ }_{1410}^{1629}$ | 1173 | ${ }_{101}^{101}$ | 24 | ${ }_{43}^{41}$ | 37 <br> 39 | $\begin{aligned} & 256 \\ & 546 \\ & 341 \end{aligned}$ | 新 | $\begin{aligned} & 307 \\ & \begin{array}{l} 317 \\ 413 \end{array} \end{aligned}$ | $\begin{aligned} & 304 \\ & 3011 \\ & 302 \end{aligned}$ | $\begin{aligned} & 2835 \\ & 355 \\ & 355 \end{aligned}$ | $\begin{aligned} & 41 \\ & 66 \\ & 66 \end{aligned}$ | $\begin{aligned} & 12064 \\ & 1339 \\ & 1359 \end{aligned}$ | ${ }_{326}^{222}$ | ${ }_{1585}^{1507}$ | 12.1 |
|  |  | ${ }_{4}^{488} 468$ | 138 |  |  |  | 4 |  |  |  |  |  |  |  |  | $\begin{aligned} & 326 \\ & 351 \end{aligned}$ | 1818 | 12 |
|  |  | ${ }_{4}^{455} 4$ | ${ }_{129}^{1295}$ | ${ }_{\text {c }}^{1358} 1$ | $\begin{gathered} 99 \\ 192 \\ 102 \end{gathered}$ | $\begin{aligned} & 34 \\ & { }_{3}^{37} \\ & 30 \end{aligned}$ | $\begin{aligned} & 49 \\ & 50 \\ & 50 \end{aligned}$ | ${ }_{34}^{36}$ | 294 256 | 50 | $\begin{gathered} 467 \\ \hline \end{gathered}$ | ${ }_{3}^{336}$ | 449 |  | ${ }_{1}^{1467} 1$ | ${ }_{3}^{31} 38$ | ${ }_{188}^{1888} 1$ | 3.1 |
| Hay |  | ${ }_{680}^{465} 496$ | ${ }_{126}^{1269}$ | ${ }_{1318}^{1318}$ | ${ }_{1}^{125}$ | 39 46 46 | ${ }_{51}^{51}$ | ${ }_{34}^{35}$ | ${ }_{231}^{241}$ |  | ${ }_{458}^{459}$ | ${ }_{3}^{316}$ | ${ }_{442}^{44}$ | 112 | ${ }_{1}^{1339}$ | 366 404 4 | 1780 |  |
| UNE |  |  | 123.1 | 1375 | 156 | 53 |  | 35 | 237 | ${ }_{68}$ | 473 | ${ }^{294}$ | 455 | 125 | 1352 | 478 | 1829 |  |
| JULY |  |  | $\xrightarrow{120} 1$ |  |  |  |  |  |  |  |  | ${ }^{2799}$ | ${ }_{4}^{438+}$ |  | ${ }_{\text {13330 }}^{133}$ | $481+$ |  |  |
| SEPT |  | ${ }^{548} 5097$ | ${ }_{\text {l }} 120.3$ |  | $\begin{aligned} & 1.54 \\ & 1.59 \\ & 102 \end{aligned}$ | ${ }_{5}^{59}$ | ${ }_{64}^{60}$ | 37 | $\begin{aligned} & 247 \\ & \begin{array}{l} 246 \\ 068 \end{array} 1 \end{aligned}$ | ${ }_{60}^{56}$ | ${ }_{4}^{45}$ | ${ }_{2}^{278}$ | 430 | 110 | 13 | ${ }_{420}^{447}$ | 8807 | 8 |
| NEV |  |  |  | （ | ${ }_{121}^{121}$ | ${ }^{46}$ |  | 39 39 39 |  | ${ }_{41}^{44}$ | ${ }_{457}^{451}$ | ${ }^{325}$ | 425 | ${ }^{85}$ |  | ${ }_{311}^{313}$ | ${ }_{1899}^{1799}$ | 13．7 |
| JAN |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 1827 | －9 |
|  |  |  |  | ${ }_{1}^{1558}$ | 111 |  |  |  |  |  |  | ${ }_{3}^{355}$ | ${ }_{4}^{456}$ |  | ［693 | 382 295 | 2017 | 4 ${ }^{3}$ |
| （ MAR |  |  | 1196 | 1330 | ${ }_{106}^{107}$ | ${ }_{33}^{34}$ | ${ }_{56}$ | ${ }_{31}^{41}$ | ${ }_{283}^{283}$ | －35 | ${ }_{419}^{440}$ | 333 309 3 |  | ${ }_{6}^{62}$ | ${ }_{4}^{496}$ | 237 <br> 235 | 1731 | 退 |
| MAY ${ }_{\text {MUNE }}$ | 61.5690 6.9 693 |  | ${ }_{\text {l }}^{129} 126$ | ${ }_{1}^{1141}$ | 1106 | 24 | ${ }_{4}^{48}$ | 35 34 34 | 232 214 | 39 25 29 | 375 <br> 345 |  | 364 <br> 3 <br> 312 <br> 12 | 63 49 49 | ${ }^{\substack{1296 \\ 11290}}$ | cote | 1641 14.15 | －6 |
| JULY | 657688 | ${ }_{5}^{599}$ 628 | 1230 |  |  |  |  |  |  |  |  |  |  |  | 1086 |  |  |  |
| AB |  |  | 120：8 | ${ }_{8}^{949}$ | $\begin{aligned} & 95 \\ & 96 \\ & 76 \end{aligned}$ | 22 | 366 | 30 17 | ${ }_{127}^{207}$ | 20 | 309 321 | ${ }_{230}^{230}$ | 2288 | 4 | 1032 | 215 230 | ${ }_{1238}^{1238}$ | 8．7 |
|  |  |  |  | 950 | 64 | 14 | ${ }^{28}$ | ${ }^{18}$ | 224 | ${ }^{13}$ | 331 | 258 | 427 | 30 | 1225 | 149 | 1373 | 6 |
| DEC．．．．．． |  |  |  | ${ }_{928}^{937}$ | ${ }_{71}$ | ${ }_{15}^{14}$ | ${ }_{24}^{26}$ | ${ }_{16}^{17}$ | ${ }_{252}^{239}$ | ${ }_{12}^{12}$ | 315 | 252 <br> 239 | ${ }_{883}^{416}$ | ${ }_{23}^{26}$ | ${ }_{1126}^{1217}$ | $\xrightarrow{137} 1$ | ${ }_{1310}^{1354}$ | ${ }_{9 \cdot 1}^{9.5}$ |

SHIPPING－ENTERED
SHIPPING FREIGHTS

## UNEMPLOYMENT－

INSURED PERSONS－

Tonnage of British and Forelgn vessels entering and leaving British ports with cargoes durlng month，－BOARD Chamber of Shipping index number as published by＂The Statist．＂For description see Journal of RSS，Part I． 1938．－PREPARED BY DR．ISSERLIS．

|  | AVERAGE OF DAILY RATES． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Paris $\text { f. to } £$ | Brus－ sels <br> b．to $\boldsymbol{f}$ | Milan <br> 1．to $£$ | Amster－ dam <br> fl．to $£$ | Zurich <br> f．to $£$ | Stock－ holm kr ．to $£$ | Copen－ hagen <br> kr．to £ |  | $\begin{aligned} & \text { York } \\ & \text { o £ } \end{aligned}$ | Mon－ <br> treal <br> \＄to $£$ | Buenos <br> Aires§ <br> p．to $£$ | Rio de Janeiro d．permil． | Bombay <br> d．per rup． | Hong． kong <br> d．per 8 | Kobe <br> d．per yen |
| 1096 Ske Earlitr Bulletins For 1919 to 1935 Ratrs，also for Berlin，Prague and Warsaw． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1986 |  |  |  |  |  |  |  | London | N．York |  |  |  |  |  |  |
| JAN． | 74.86 | 29.29 | $61 \cdot 71$ | 7.28 | 15.19 | $19 \cdot 40$ | 22.40 | 4.960 |  | $4 \cdot 963$ | 18.24 | 2.68 | $18 \cdot 152$ | 15.66 | 14.04 |
| FEB． | 74.84 | 29.34 | $62 \cdot 15$ 62.35 | 7.28 | $15 \cdot 14$ | $19 \cdot 40$ | $\div 2.40$ | 4．996 |  | 4．993 | 18.07 | $2 \cdot 74$ | $18 \cdot 175$ | $15 \cdot 74$ | 14.08 |
| APR． | 75.00 | 29.22 | $62 \cdot 6$ | $7 \cdot 28$ | $15 \cdot 17$ | $19 \cdot 40$ | 22．40 | 4.944 |  | 4.967 | 17.98 | $2 \cdot 71$ | $18 \cdot 125$ | 15.80 | 14.03 |
| MAY | 75.47 | 29.35 | 63.03 | $7 \cdot 35$ | $15 \cdot 36$ | 19.40 | $22 \cdot 40$ | 4.971 |  | 4.979 | 18.00 | $2 \cdot 71$ | $18 \cdot 125$ | $15 \cdot 71$ | 14.06 |
| JUNE | 76.14 | 29.70 | 63.84 | $7 \cdot 42$ | 15.48 | 19.40 | $22 \cdot 40$ | 5．020 |  | $5 \cdot 032$ | $18 \cdot 13$ | $2 \cdot 72$ | $18 \cdot 1.5$ | 15.44 | 14.07 |
| JULY | 75.86 | $29 \cdot 72$ | 63.65 | 7.38 | $15 \cdot 35$ | 19.40 | $22 \cdot 40$ | 5.023 |  | 5.027 | 18.42 | $2 \cdot 77$ | 18.125 | $15 \cdot 33$ | 14.03 |
| AUG． | 76.33 | 29．81 | 63.84 | 7.40 | 15.42 | 19.40 | $22 \cdot 40$ | 5.028 |  | 5.026 | 18.02 | $2 \cdot 80$ | $18 \cdot 125$ | 14.90 | 14.05 |
| SEP． | 76.74 | 29.84 | 64－26 | 7.58 | 16.01 | 19.40 | $2 \cdot 40$ | 5.041 |  | 5.039 | 17.76 | $2 \cdot 81$ | $18 \cdot 125$ | 14.86 | 14.04 |
| OCT． | 105.09 | 29．10 | 92.96 | 9.13 | 21.31 | 19.40 | 22.40 | 4.900 |  | 4.898 | 17.56 | $2 \cdot 87$ | $18 \cdot 125$ | 14.88 | 14.03 |
| NOV． | $105 \cdot 17$ | 28.91 | 92.86 | 9.05 | 21.27 | 19.40 | 23．40 | 4.888 |  | 4.880 | 17.54 | $2 \cdot 89$ | $18 \cdot 125$ | 14.95 | 14.03 |
| DEC． | 105．14 | 29.03 | 93＇19 | 8.99 | 21.35 | 19.40 | 22.40 | 4.907 |  | 4.903 | 16.42 | $2 \cdot 93$ | $18 \cdot 144$ | 14.93 | 13.96 |
| JAN． | 105．14 | 29．11 | 93.23 | 8.96 | 21.39 | 19.40 | 22.40 | 4.908 |  | 4.909 | $16 \cdot 16$ | 2.95 | 18.151 | 14.95 | 13.95 |
| FEB． | 105－11 | 29.02 | 92.99 | 8.95 | 21.44 | 19.40 | $22 \cdot 40$ | 4.891 |  | 4.895 | 16.24 | 3.01 | 18.142 | 14.94 | 13.98 |
| MAR． | 106．31 | 28.99 | 92.81 | 8.93 | 21.43 | 19.40 | 22.40 | 4.885 |  | 4.882 | 16.23 | 3.01 | $18 \cdot 125$ | 14.94 | 14.00 |
| APR． | 109－31 | $29 \cdot 15$ | 93.40 | 8.98 | 21.54 | 19.40 | 22.40 | 4.916 |  | 4.909 | $16 \cdot 17$ | 3.07 | $18 \cdot 125$ | 14.94 | 14.00 |
| MAY | $110 \cdot 32$ | 29.28 | $93 \cdot 85$ | 8.99 | 21.60 | 19.40 | 22.40 | 4.938 |  | 4.931 | 16.24 | $3 \cdot 13$ | $18 \cdot 125$ | 14.91 | 14.00 |
| JUNE | 110.82 | 29－26 | 93.80 | 8.98 | 21.57 | 19.40 | $22 \cdot 40$ | 4.935 |  | 4.937 | 16.20 | $3 \cdot 22$ | $18 \cdot 125$ | 14.78 | 13.98 |
| JULY | $130 \cdot 34$ | 29.50 | 94.34 | 9.01 | 21.67 | 19.40 | 22.40 | 4966 |  | 4.972 | 16.43 | 3.22 | $18 \cdot 125$ | 14.68 | 13.97 |
| AUG． | 132.85 | 29.59 | 94.67 | 9.03 | 21.70 | 19.40 | 22.40 | 4.983 |  | 4.983 | 16.49 | $3 \cdot 15$ | $18 \cdot 125$ | 14.92 | 14.00 |
| SEPT． | 140.37 147 | 29.42 29.39 | $94 \cdot 14$ | 8.98 8.96 | 21.57 | 19.40 19.40 | 22.40 | 4.961 |  | 4.954 | 16.50 | 3.12 | 18.125 | 15.00 | 14.00 |
| OCT． | 147.97 | 29.39 | 94.18 | 8.96 | 21.52 | 19.40 | 22.40 | 4.956 |  | 4.954 | 16.56 | $2 \cdot 83$ | $18 \cdot 125$ | 15.00 | 14.00 |
| DEC． | 147.16 | 29．37 | 94．91 | 9.01 | 21.58 | 19.40 | 22.40 | 4.994 |  | 4.990 | 16.86 | $2 \cdot 77$ | 18.125 | 15.00 | 14.00 |
| DEC． | $147 \cdot 16$ | 29.41 | 94.99 | 8 | 21.61 | $19 \cdot 40$ | 22.40 | 4．997 |  | 4.9 .8 | 17.01 | 264 | $18 \cdot 125$ | 15.00 | 14.00 |
| JAN． | 149.89 | 29.53 | 95.00 | 8.97 | 21.62 | 19.40 | 22.40 | 5.000 |  | 5.001 | 17．04 | ＊2．83才 $\dagger$ | $18 \cdot 125$ | 15.00 | 14.00 |
| FEB． | 152.87 | 29.56 | $95 \cdot 37$ | 8.97 | 21.60 | 19.40 | 22.40 | 5.018 |  | 5.016 | 18.83 | ＊ $2 \cdot 8{ }^{+}+$ | 18.125 | 15.00 | 14.00 |
| MAR． | 159.63 | 29.53 | 94.75 | 8.97 | 21.63 | 1940 | 22.40 | 4.985 |  | 4.997 | 19.39 | $2.81{ }^{+}+$ | $18 \cdot 125$ | 14.92 | 13.06 |
| APR． | $160 \cdot 90$ | 29.54 | 94.63 | 8.96 | 21.67 | 1940 | 22.40 | 4.979 |  | 5.005 | $19 \cdot 46$ | $2.81 .+$ | 18.051 | 14.84 | 14.00 |
| MAY JUNE | 175．14 | 29．50 | 94.42 | 8.97 | 21.75 | $19 \cdot 40$ | 22.40 | 4.965 |  | 5．007 | 19.00 | $2.81{ }^{\text {d }}$ | 17.910 | 14.91 | 14.00 |
| JUNE | 178．17 | 29.23 | 94.22 | 8.96 | 21.66 | $19 \cdot 40$ | 22.40 | $4 \cdot 60$ |  | 5．012 | 19.02 | $2 \cdot 81+\downarrow$ | 17.795 | 14.94 | 14.00 |
| JULY | 178.15 | 29.14 | 93.71 | 8.95 | 21.54 | 19.40 | 22.40 | 4.931 |  | 4.959 | 18.94 | $2.83 \pm+$ | 17： 04 | 14.99 | 14.00 |
| AUG． | 178.55 178.42 | 28.92 28.45 | 92．75 | 8.94 | 21.32 | 1940 | 22.40 | 4.881 |  | 4.897 | 18.87 | $2.885+$ | 17.897 | 15.00 | 14.00 |
| OCT， | 178.71 | 28．20 | 91.27 90.64 | 8.90 8.77 | 21.25 20.99 | 19.40 19.40 | 22.40 | 4.805 |  | 4.831 | 19.00 | $2.93 \pm \dagger$ | 17.902 | 15.00 | 14.00 |
| NOV． | 178.68 | 27.84 | 89.51 | 867 | 2079 | 19.40 | 22.40 | 4.769 4.710 |  | 4.812 4.742 | 18.99 20.09 | 2．984＋ | 17．933 | 14.97 | 14.00 |
| DEC． | 177.48 | 27．72 | 88.75 | 8.59 | 20.65 | 19.40 | $22 \cdot 40$ | 4.671 |  | 4．706 | 20．55 | $3.06 \ddagger+$ | 17.96 $17 \cdot 923$ | 11.04 15.00 | 14.00 14.00 |
| JAN． | 17749 | 27.63 | 88.73 | 8.61 | 20.67 | 19.40 | 22.40 | $4 \cdot 669$ |  | 4．05 | 20.35 | $3.06+\dagger$ | $17 \cdot 037$ | 15.00 | 1400 |
| FEB． | 176.98 | 27.79 | 89．05 | 8.74 | 20.66 | 19.40 | $22 \cdot 40$ | 4.687 |  | $4 \cdot 708$ | $20 \cdot 35$ | $3.06{ }^{+}+$ | 17.937 | 14.93 | 14.00 |
| MAR． | 176.86 | 27.85 | 89.08 | 8.82 | 20.71 | $19 \cdot 40$ | 22.40 | 4.686 |  | $4 \cdot 704$ | $20 \cdot 30$ | $3.06 \pm+$ | 17.966 | 1491 | 14.00 |
| MAY | 17673 176.74 | 27.80 27.51 | 89.00 89.01 | 8.81 8.73 | 20.68 | 19.40 | 22.40 | 4.681 |  | 4．04 | 20.21 | $2847+$ | 17.937 | 1474 | 14.00 |
| JUNE | 176.73 | 27.53 | 89．04 | 8.81 8.81 | 20.72 20.77 | 19.40 19.40 | 22.40 22.40 | 4.68 4.683 |  | 4.698 4692 | 20.22 20.22 | $2.77 \dagger$ $2.71 \dagger$ | 17.910 17.911 | 14.81 14.86 | 14.00 14.00 |
| JULY | 17672 | 27.55 | $89 \cdot 13$ | 879 | 20.76 | 19.40 | 22.40 | 4．682 |  | $4 \cdot 690$ | ¢021 | $2 \cdot 62 \dagger$ | 17．905 | 1478 | 14.00 |
| AUG． | 17637 | $27 \cdot 14$ | 89.76 | 862 | $20 \cdot 42$ | 19．20 | 22．36 | 4.609 | 4.623 | 4620 | 19.92 | $2.63+$ | 17.937 | 14.74 | 14.00 |
| SEPT． | $17607 \ddagger$ | $23.58 \ddagger$ $23.98 \ddagger$ | 77.48 78.89 | $7.57 \ddagger$ | $1782 \pm$ | $16.77 \ddagger$ | 22.23 | $4.049 \pm$ | 4.041 | $4.419 \pm$ | $170 \ddagger$ | $3.26+$ | 17.939 | 1500 | 13.99 |
| OCT． | $17650 \ddagger$ | 23.987 | 78.89 | $7.57 \pm$ | $1788 \pm$ | $16.81{ }^{+}$ | 20.66 | $4.030 才$ | 4.012 | $4 \cdot 4=0 \ddagger$ | 17．0¢ | $3.25 \dagger$ | 17.993 | $15 \cdot 0$ | 14.01 |
| NOV． | $17650 \ddagger$ | $24 \cdot 26 \mp$ $24.22 f$ | $77 \cdot 34$ 77.3 | $7.55 \ddagger$ | $17.87 \pm$ | $16.80 \pm$ | 20.37 | $4.030 \ddagger$ | 3.928 | $4 \cdot 450 \pm$ | 1722 | $3 \cdot 21 \dagger$ | 18000 | 1500 | $14 \cdot 35$ |
| Week en | ding |  |  |  | 1781. | 16 c5． | 2029 | 4.03 I | 3． 33 | $4.450 \ddagger$ | $17 .\llcorner 5 \ddagger$ | 3．16† | 18.000 | 15.00 | $14 \cdot 38$ |
| Dec． 2 | 176．50t | $24.21+$ | 77.00 | $7.55 \ddagger$ | $17.87 \pm$ | $16.80 \ddagger$ | 20.20 | $4.030 \ddagger$ | 3．905 | $4 \cdot 40 \pm$ | 17．25 $\ddagger$ | $3 \cdot 1{ }^{\circ}+$ | 18.000 | 15．00 | 14.46 |
| ＂ 9 | $176.50 \pm$ | $24.29 \pm$ | $78 \cdot 87$ | 7.55 | 17．87 | $18.80 \pm$ | $20 \cdot 19$ | 4.030 | 3.909 | 4．4．0才 | 17.357 | $3 \cdot 22 \dagger$ | 18.000 | 15.00 | 14.46 |
| （16 16 | $176.50 \pm$ $176.50 \pm$ | 24－34 $\ddagger$ | 77.50 | 7.65 | 17.871 | $16.85 \ddagger$ | $20 \cdot 30$ | $4.030 \pm$ | 3.935 | $4.450 \pm$ | 17．53I | $3 \cdot 1$ ¢ $\dagger$ | 18.000 | 15.00 | 14.37 |
| ＂， 30 | $176.50 \ddagger$ | 24．05 $\ddagger$ | 77.71 77.81 | $7.55 \ddagger$ $7.55 \ddagger$ | $17.87 \pm$ 17.87 | $16.888^{\ddagger}$ 16.9 | 20．35 | $4.030 \pm$ | 3.950 3.952 | $4.450 \ddagger$ | $17.75 \ddagger$ | $3 \cdot 10 \dagger$ | 18.000 | 15.00 | 14.31 |
| 1940 | 176 | 24.05 | 77.81 | $7.55 \ddagger$ | 17．87\％ | 16．90才 | $20 \cdot 37$ | $4.030 \ddagger$ | 3．952 | $4.450 \ddagger$ | 17．75 $\ddagger$ | $3 \cdot 13 \dagger$ | 18.000 | 14.98 | 1431 |
| Jan． 6 | $176.50 \ddagger$ | $23.87 \ddagger$ | 77.75 | 7．53£ | 17．87t | $16.0 \pm$ | 20.49 | 4．030t | 3.930 | $4 \cdot 450 \pm$ | 17．75 | $3 \cdot 16+$ | 18.000 | 1496 | 14.30 |
| ＂ 13 | 176．62 | $23.82 \ddagger$ | 77.83 | $7.54 \ddagger$ | $17.90 \pm$ | $16.90 \ddagger$ | 20.45 | $4.03 \pm$ | $3 \cdot 958$ | $4.450 \ddagger$ | $17.87 \ddagger$ | $3 \cdot 17+$ | 18.000 | 14.94 | 1430 |
| 1, <br> . | $176.62 \ddagger$ $176.62 \mp$ | $23.87 \ddagger$ $23.82 \ddagger$ | 78.10 78.29 | $7.54 \pm$ | $17 \cdot 90 \pm$ | $16.90 \pm$ | 20.50 | 4.030 | 3.966 | $4.450 \pm$ | $11.72 f$ | 3．16＋ | 18.000 | 14.94 | 14．25 |
|  | 176.621 | $23 \cdot 821$ | $78 \cdot 29$ | $7.55 \ddagger$ | $17 \cdot 90 \pm$ | $16.90 \pm$ | 20.58 | 4.0301 | $3 \cdot 980$ | $4.450 \pm$ | 17．57 | $3 \cdot 14+$ | 18.000 | 14.94 | 14.22 |

[^6]：Average 15th to 31st．Average 1st to 7th，2＇58d．per mil．


#### Abstract

Among the chief sufferers in the war, as it has so far been conducted, are those Western European neutral states whose economic prosperity has largely depended on an active foreign and entrepôt trade both with this country and with Germany. These trade connections have inevitably undergone much disturbance since the outbreak of war, and, even apart from the strain of defence precautions, the countries concerned must have suffered a serious diminution of their national real incomes. Fortunately, as will be seen from the following reports from Belgium, Holland, Denmark and Sweden, their economies have shown considerable powers of adaptation to the new conditions, and, apart perhaps from Denmark, which so far seems to be the worst sufferer, their difficulties do not yet seem to have assumed critical dimensions. Their balances of payments have, however, generally become decidedly passive, which means that external events have not yet had their full impact upon internal conditions.


## BELGIUM.

## From a Belgian Correspondent.

## Fanuary I 5 th, 1940.

THE following notes will serve to indicate, so far as can be judged from the available statistical information, to what extent the outbreak of hostilities has affected the different sections of Belgian economy. For the months of July and August the development had been in continuation of earlier movements.

From the monetary point of view the war brought no immediate reaction, and the gold standard continued to function normally, with the gold points widened by the rise in freights to the United States. There were no greater difficulties in making internal payments. The belga was firm to begin with, but weakened later when it became necessary to make arrangements in U.S.A. for paying for goods before shipment. At the moment the belga-dollar rate is again approaching parity. The official discount rate has remained at $2 \frac{1}{2} \%$, while the allotment rate for Treasury Bonds rose from $2 \frac{1}{4}$ to $2 \frac{3}{4}$ between July and October, but was back at $2 \frac{1}{2} \%$ in December. The internal monetary situation was characterised, as elsewhere, by an inflation of the fiduciary issue by $5 \frac{1}{2} \mathrm{Md}$. fr. since July. This development was due both to the natural anxiety of the population to provide itself with ample liquid resources and to the first requirements of mobilisation. Gold movements were moderate, gold and foreign exchange reaching $21,127 \mathrm{Mn}$. on January 4th as against $20,566 \mathrm{Mn}$. in July, a higher figure having been reached during the interval.

Wholesale prices increased considerably, and the official index rose from 594 in August to

793 in December ( $1914=100 \%$ ), an increase of $34 \%$. According to the more complete estimates of the I.R.E. ${ }^{\star}$, this result exaggerates the real increase by about $7 \%$, which brings the rise in Belgium into accordance with that observed in various other countries. This increase most affects imported raw materials, and, through them, indirectly home manufactures. Prices of finished industrial products increased in the same proportion as those of raw materials, in contrast to what normally happens in an economic revival.

The cost of living index, after elimination of seasonal variation, rose from 201 in August to 205 in November, an increase of less than $2 \%$, the increase in certain imported items of consumption being partly balanced by a fall in meat prices. The retail price index, on which wages are based, has risen by $10.6 \%$, luxury goods playing an important part.

The stock market remains rather depressed, and the general index dropped by $16 \%$ from August to December. The 'sheltered industries' group lost $30 \%$, whilst 'unsheltered industries' fell $15 \%$. Belgian Government bonds, which had fallen heavily, actually rose.

In economic activity and unemployment there may be distinguished two phases of transition from a peace-time to a war-time economy. At the outset there is a period during which the whole of industry is profoundly

[^7]Belgium]


Dates of Series.-Cols, 1, 2, 1st of month ; 4,5,4th-10th; 6, 7, Average; 8 , Average second half of month; 9,15 th; 16 , for 25 working days 17, at end of month or year ; 18, 30 -day month; 19, calendar month

* Ministry of Labour index for 8rd category budgets.
disorganised by external events making supplies uncertain, and by internal events which take away a proportion of its man-power and means of transport. This is followed by a period of adaptation which is strongly progressive and affects different branches of industry in different ways. In Belgium the first phase may be considered as ended.

In September the number of unemployed increased abruptly by 33,000 in spite of a certain number of them being called to the colours. The index of iron and steel production fell by $20 \%$. The value of imports fell to only $50 \%$ and of exports to $75 \%$ of their normal levels. As to sea traffic, the number of ships entered at Antwerp was 258 in September, whereas in the preceding months there were about 1,000.

The following months saw a certain improvement in the situation. At the beginning of January unemployment returned to the level of the same date a year ago. The index of industrial
production was higher in November, 1939, than in 1938 (II7 against 109). This improvement is due to the marked increase in steel output and engineering, and to an appreciable improvement in the textile industry. The index covers only a part of industrial activity, that is to say, principally the heavy industries ; it does not, however, indicate the profound stagnation which exists in other sections, such as timber, building and clothing. In coal the demand is very active, but means of increasing production are limited.

As to the degree of employment, it should be noticed that part of the personnel is, in fact, on active service, and that an unemployment figure equal to that of last year does not correspond to an equal degree of employment.

Imports are improving, and in October and November were up to $75 \%$ of normal, whilst exports were $80 \%$. Maritime traffic, however, remains at a very low level, and during the last three months of the year, the port of Antwerp received on an average only 340 ships per month.

## NETHERLANDS.

Situation at the outbreak of the war; first reactions. Information communicated by the Netherlands Central Statistical Bureau in collaboration with the Netherlands Economic Institute at Rotterdam.

The Hague, fanuary I5th, 1940.

TDHE outbreak of the war in August, 1939, found Holland less unprepared than the corresponding event of 1914. During the long depression of the thirties many measures had been taken for the safeguarding of industry against foreign competition and for the assistance of agriculture, including the law of 1933 monopolising the imports and exports of nearly all food articles of any importance. A number of bureaux and commissions, governmental and private, had been set up which could be utilized in facing the new emergencies. In the critical days of September, 1938, extraordinary powers were given to the Government in case of war or war-emergency for the supply of food, and further powers by the eight emergency laws of June 24th, 1939.

The economic situation was also different in many respects. In 1914 the war put an end to some 20 years of world-wide expansion in which Holland had shared to the full and, though an economic depression was developing, the rate of employment was very high, sharply contrasting with the enormous reserves of man-
power existing now. The same holds good with regard to money. Sharp reactions on the labour and money markets, as reflected respectively by a sudden rise in unemployment and by runs on the savings banks and the closing of the Amsterdam Exchange, were absent now.

Moreover, the industrialisation of the Netherlands, already greatly stimulated by the world war, had made considerable progress since. Though, on the whole, the dependence on imports, especially of materials, has not diminished, we are now practically independent of other countries for the supply of coal, though interchange of specific grades remains desirable. The proportion in which the home production of wheat covers national consumption has increased from $24 \%$ in 1913 to $44 \%$ over the years 1933-1937.

The months of political tension preceding the outbreak of this new war had been characterised by a general tendency for increased importation and production in expectation of scarcity and a rise in prices. On the other hand, there began to appear a tendency to postpone or even cancel private works of long duration in view of the prevailing uncertainties.

|  | STOCKS \& SHARES. |  |  | BANK OF THE NETHERLANDS. |  |  | MONEY. |  | PRICES. |  | TRADE, OUTPUT, EMPLOYMENT, |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  | Wholesale prices. |  |  |  |  |  |  |  | Output of Coal. |  |
|  | $\begin{gathered} 1921 / 25 \\ =100 \end{gathered}$ | $\mathrm{Mn} \text {. }$ Gld. | $\begin{aligned} & 0000 \\ & \text { Gld. } \end{aligned}$ | Mn. Gld. |  |  | \% | \% | $\begin{array}{r} 1926- \\ 1930 \\ =100 \end{array}$ | Oct. 23 Sep. 2 $=100$ | Mn. Gld. |  | $\begin{array}{r} 1930 \\ =100 \end{array}$ | $\begin{gathered} \% \text { of } \\ 1925.7 \end{gathered}$ | Mn. tons. | $\begin{aligned} & 000 \\ & \text { tons } \end{aligned}$ | $\begin{aligned} & 000 \\ & \text { tons } \end{aligned}$ | \% |
| 1913 Av... |  |  |  | 316 |  | $4 \cdot 8$ | 4.65 |  |  | $\dagger \dagger$ |  |  |  |  |  |  | 156 |  |
| 1924 Av... | 90 | 28 | 30 | 975 | 2331 | 38 | $4 \cdot 94$ | $3 \cdot 96$ |  |  | 197 | 138 |  | 85 | 3.57 |  | 490 | 8.8 |
| 1933 Av... | 35 | 22 | 28 | 926 | 1445 | 175 | $2 \cdot 87$ | 1.11 | $62 \cdot 9$ | 78.9 | 101 | 60 | 125 | 57 | 3.21 |  |  |  |
| 1934 Av... | 32 | 22 | 27 | 891 | 1444 | 132 | $2 \cdot 50$ | $\cdot 87$ | 63.0 | $73 \cdot 1$ | 87 | 59 | 131 | 63 | 3.21 3.95 | 365 | 1049 | 27.8 |
| 1985 Av... | 30.4 | 3 | 26 | 819 | 1542 | 59 | 3.99 | $3 \cdot 15$ | 61.5 | $77 \cdot 1$ | 78 | 56 | 126 | 65 | $4 \cdot 10$ | 253 | 990 | 31.7 |
| 1936 Av... | $35 \cdot 3 a$ | 13 | 49 | 760 | 1564 | 78 | $2 \cdot 84$ | $1 \cdot 73$ | 63.8 | 75.0 | 85 | 62 | 139 | 63 | $4 \cdot 86$ | 243 | 1067 | $32 \cdot 7$ |
| 1937 Av... | 66.0 | 6 | 75 | 818 | 1863 | 498 | 2 | - 28 | 76.2 | 77.7 | 129 | 96 | 178 | 84 | $6 \cdot 19$ | 256 | 1193 | 26.9 |
| 1938 Av... 1936 | $60 \cdot 4$ | 3 | $3{ }^{\circ}$ | 933 | 1556 | 737 | 2 | -21 | 71.9 | 78.5 | 118 | 87 | 150 | 84 77 | 6.19 6.25 | 256 | 1124 | 26.9 25.0 |
| JULY..... | 34.9 | - | 32 | 747 | 1643 | 50 | $3 \cdot 10$ | 2.04 | 62•3 |  | 80 | 60 | 125 | 62 |  |  |  |  |
| AUG....... | $35 \cdot 7$ | 3 | 23 | 744 | 1333 | 54 | 3.00 | 1.36 | 62.7 | \% $74 \cdot 7$ | 82 | 60 | 125 | 62 59 | 5.74 4.93 | 219 | 1120 | $30 \cdot 9$ |
| SEPT | $36.2{ }^{\circ}$ | 3 | 44 | 761 | 1379 | 77 | 3.00 | 1.32 | $62 \cdot 6$ | $\int^{747}$ | 82 | 63 72 | 140 | 76 | 4.93 4.47 | 219 | 1077 | 30.9 31.0 |
| OC'T. | 48.4 | 4 | 133 | 765 | 1856 | 69 | $2 \cdot 83$ | 1.95 | 68.2 | $75 \cdot 5$ | 92 | 76 | 148 | 82 | $5 \cdot 00$ | 272 | 1182 | 31.1 |
| NOV... | 54.9 | 55 | 99 | 775 | 1963 | 102 | 2.50 | $\cdot 96$ | 69.5 | 75.8 | 101 | 77 | 156 | 75 | $4 \cdot 86$ | 248 | 1141 | 31.2 |
| $\begin{gathered} \text { DEC. ...... } \\ 1937 \end{gathered}$ | 56.5 | 21 | 54 | 777 | 2294 | 178 | 2.03 | . 82 | 71.0 | 7.55 | 114 | 80 | 176 | 75 | 4.86 5.28 | 278 | 1134 | 31.2 $32 \cdot 7$ |
| JAN. . | 64.4 | 7 | 94 | 780 | 2121 | 204 | 2 | '62 | 73.0 | 75.9 g | 106 | 73 | 176 |  | $5 \cdot 32$ | 233 | 1096 | $34 \cdot 3$ |
| FEB. | $68 \cdot 7$ | 11 | 115 | 772 | 1596 | 259 | 2 | - 41 | 74.0 | $75 \cdot 8$ | 105 | 79 | 179 | 74 | 5.45 | 233 | 1090 | 34.3 31.9 |
| MAR. | 71.7 | 3 | 106 | 786 | 1805 | 296 | 2 | - 31 | 76.0 | 76.0 | 125 | 94 | 180 | 77 | 5.98 | 2.67 | 1228 | 31.9 29.5 |
| APRIL | $69 \cdot 4$ 66.5 | 20 | 78 | 792 | 2039 | 318 | 2 | -25 | $77 \cdot 1$ | $77 \cdot 0$ | 142 | 101 | 189 | 95 | 8.82 | 261 | 1208 | 28.5 |
| JUNE | 65.2 | 6 | 61 | 812 | 1598 | 462 | 2 | -25 | 75.7 | $77 \cdot 1$ | 128 | 90 | 192 | 90 | 6.05 | 229 | 1090 | 24.5 |
| JUNE | 65.2 | 6 | 61 | 805 | 1680 | 567 | 2 | -25 | 76.3 | 78.1 | 140 | 95 | 192 | 85 | 6.46 | 255 | 1207 | 23.4 |
| JULY | 67.9 | 2 | 77 | 825 | 2138 | 554 | 2 | -22 | 77.5 | 78.5 | 146 | 102 | 205 | 86 | 6.48 | 264 | 1246 | 23.9 |
| AUG....... | $72 \cdot 6$ | 6 | 59 | 82 | 1460 | 598 | 2 | '19 | 77.6 | $78 \cdot 7$ | 122 | 98 | 188 | 82 | 6.47 | 248 | 1209 | $24^{\circ} 0$ |
| OCT. | 68.5 60.1 | 10 | 73 | 829 | 1659 | 581 | 2 | 20 | 769 | $78 \cdot 5$ | 130 | 113 | 170 | 90 | 571 | 250 | 1238 | 23.9 |
| NOV. | 58 | 10 | 78 | 864 | 2258 | 674 | 2 | -20 | 77.0 | 791 | 149 | 106 | 150 | 91 | $7 \cdot 46$ | 285 | 1260 | $\stackrel{4}{4} 5$ |
| DEC....... | $59 \cdot 1$ | 1 | 87 | 858 | 1835 | 688 | 2 | -24 | $76 \cdot 3$ | $79 \cdot 1$ | 130 | 98 | 155 | 89 | $5 \cdot 62$ | 268 | 1225 | 266 |
| 1938 | 5 | 1 | 8 | 858 | 1835 | 688 | 2 | -24 | $75 \cdot 6$ | 78.9 | 128 | 98 | 166 | 84 | 6.41 | 254 | 1224 | $29 \cdot 8$ |
| JAN... | 62.0 | 3 | 44 | 860 | 1721 | 591 | 2 | '19 | $75 \cdot 2$ | 78.7 | 119 | 82 | 164 |  |  |  |  |  |
| FEB. | 61.5 | 3 | 42 | 869 | $144)$ | 718 | 2 | -16 | 74.2 | 78.5 | 118 | 82 | 164 | 74 | 6.14 | 245 | 1158 | $31 \cdot 9$ |
| MAR | 60.0 | 4 | 55 | 888 | 1553 | 820 | 2 | -16 | $73^{\circ}$ | 78.1 | 120 | 90 | 146 | 73 80 | 5.16 | 208 | 1041 | 29.7 |
| MAY | 58.1 58.4 | 0 | 29 | 908 | 1412 | 837 | 2 | -16 | 72.5 | 78.2 | 115 | 81 | 135 | 76 | 6.15 | 232 | 1239 | 26.8 |
| JUNE | $57 \cdot 8$ | 4 | 31 | 906 | 1537 | 779 | 2 | -16 | 71.7 | 78.7 | 110 | 83 | 125 | 74 | 5.72 | 244 | 1086 | 24.8 23.9 |
|  |  |  |  | 906 | 1477 | 807 | 2 | 18 | 71.6 | $79 \cdot 5$ | 119 | 81 | 129 | 77 | 6.06 | 253 | 1029 | $22 \cdot 9$ |
| JULY | $61 \cdot 3$ | 3 | 43 | 920 | 1630 | 771 | 2 | '19 | $71 \cdot 3$ | 78.5 | 120 |  |  |  |  |  |  |  |
| AUG...... | 51.2 | 2 | 23 | 912 | 1512 | 730 | 2 | 19 | 70.8 | 78.3 | 120 | 78 | 135 | 71 | 6.21 | 253 | 1136 | $22 \cdot 3$ |
| SEPT. ... | 58.5 | 3 | 32 | 1005 | 1709 | 648 | 2 | . 42 | $70 \cdot 5$ | 78.5 | 116 | 90 | 145 | 72 | $7 \cdot 20$ | 260 | 1126 | 21.8 |
| OCT. ...... | 61.8 82.3 | 4 | 42 | 1033 | 1451 | 658 | 2 | -31 | $70 \cdot 9$ | 78.4 | 12 | 101 | 147 | 84 | 6.66 | 272 | 1086 | 21.8 |
| NUV.. | $62 \cdot 3$ $61 \cdot 8$ | 6 | 41 | 994 | 1717 | 726 | 2 | -20 | $70 \cdot 2$ | 77.9 | 119 | 98 92 | 159 | 80 92 | 6.81 6.50 |  | 1170 | $21 \cdot 9$ |
| 1939 | 61.8 | 5 | 27 | 978 | 1516 | 700 | 2 | -19 | 70.6 | 78.4 | 117 | 82 | 183 | 73 | 6.50 6.46 | 260 327 | 1143 1161 | $23 \cdot 3$ 286 |
| JA, . | $59 \cdot 3$ | 100 | 56 | 979 | 1546 | 665 | 2 | -19 | $70 \cdot 2$ |  |  |  |  |  |  |  |  |  |
| FEB. | 58.0 | 9 | 30 | 967 | 1709 | 682 | 2 | -19 | 69.9 | - | 112 | 79 | 181 | 76 | 5.76 | 278 | 1138 | 28.9 |
| MAR ...... | $59 \cdot 3$ | 1 | 35 | 973 | 1787 | 62.0 | 2 | . 33 | $69 \cdot 9$ $69 \cdot 8$ | $78 \cdot 3$ | 105 | 73 | 172 | 75 | 5.13 | 234 | 104 | 26.0 |
| APRIL... | 4.9 56.3 | 0 | 30 | 1041 | 1625 | 462 | 2 | 1.28 | 69.8 69.8 | $78 \cdot 3$ | 123 | 97 82 | 172 | 94 | 6.30 | 261 | 1195 | 22.5 |
| MAY JUNE | $56 \cdot 3$ 57.8 | 3 | 18 | 036 | 18)4 | 389 | ? | . 81 | 70.0 |  | 123 | 82 | 177 | 80 | 5.81 | 244 | 100 | $20 \cdot 5$ |
|  |  | 0 | 23 | 999 | 1871 | 413 | 2 | 56 | 69.9 | 77.0 | 138 | 98 | 186 190 | 82 85 | 5.53 6.45 | 268 | 172 | 18.5 |
| JULY. ... | 56.3 | 1 | 23 | 1014 | 1629 | 355 |  |  |  |  |  |  |  |  |  | 283 | 1134 | 17 |
| AUG....... | $55 \cdot 9$ | - | 18 | 1012 | 1516 | 384 | $2 \cdot 1$ | 1.11 |  | 71.3 | 132 | 93 | 195 | 86 | 6.80 | 288 | 1179 | 17.2 |
| SEPT. ... | $58 \cdot 1$ | - |  | 1157 | 1411 | 310 | 3 | 3.09 | 70.5 | 71.3 78.8 | 127 | 92 | 200 | 79 | 6.94 | 275 | 1119 | 16.8 |
| OOT...... | $55 \cdot 3$ | 4 | 16 | 1111 | 1508 | 316 | 3 | 2.13 | 80.4 | 78.8 80.9 | 10 | 5 | 12 | 46 | 3.67 |  | 974 | 16.7 |
| DEC......... | 54.1 53.2 | 300 | 20 | 112 | 1745 | $2{ }^{3} \mathrm{~B}$ | 3 | 2.02 | 83.6 | 81.7 | 157 | 52 75 | 181 | 33 57 | 1.91 |  | 1027 | 16.8 |
| 1940 | 53 | 300 |  | 1.35 | 1511 | 225 | 3 | $2 \cdot 34$ | 84.7 | $82 \cdot 7$ | 147 | 68 | 196 | 57 | $1 \cdot 38$ |  | 1016 |  |
|  |  |  |  |  |  | 680 |  |  |  |  |  |  |  |  |  |  |  |  |
| * Jan. to June flgures include Pernis and Vonderlingerplaat. $\$ 5 \mathrm{New}$ Series, excluding Agriculture. <br> * Aineterdam. + With ut gold \& silver, bullion \& cash. t+ Last month of Quarter. ${ }^{\circ}$ Up to Sept. 27th when gold standard was abandoned. <br> \& \{ Number of days lost divided by total number of possible working dava Trade Union members only. <br> Note - Pottery and Agrioulture not always included. $\quad a$ First 9 months. $b$ New Series. <br> II Based on new index in 1997. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The actual outbreak of hostilities brought about a sudden change in this, on the whole not unfavourable, situation, as a result of the unsafe condition of the seas, the contraband regulations, import and export restrictions from the belligerents' side and our own trade restrictions. The effects thereof are shown by a fall in the volume of imports from July to September by $16 \frac{1}{2} \%$ and of exports by $48 \%$. The tonnage of Dutch ships calling in the ports declined in the same period by $55 \%$, of foreign ships by $76 \%$, with a consequent decline in repair work : the man-power in the dock-yards fell by $22 \%$ during the summer quarter. Activity in many manufacturing trades and in building was much hampered by impediments in the supply of materials. In the field of ordinary trade, difficulties arose from the necessary priority of Government over private orders. All this explains why the mobilisation was not, at first, accompanied by a decrease in unemployment; moreover, many persons who had not done so before, now applied for work to the labour offices.

Yet, in October, and still more in November, business began to adapt itself to the new circumstances, as is shown by the resumption of the downward trend of unemployment at the former rate of about 7,000 persons per month. On the last day of November, after seasonal correction, 196,000 persons were registered as out-of-work, as against 380,000 in the third quarter of 1936 and 229,000 at the outbreak of the war. Some 50,000 additional workers were engaged on relief works. Imports and exports rose slightly in volume and more in value as a result of the rise in prices, but only in the case of imports did the value exceed that of the corresponding months of the foregoing years.

As soon as hostilities broke out, the Government were given powers to take measures against profiteering and hoarding. These measures
could not, however, prevent a certain, and in some cases considerable, rise of wholesale prices, in consequence of the advance in prices on the primary markets and in transport costs. Whereas, before September, wholesale and retail prices had shown only small fluctuations, there began in that month a conspicuous rise especially of the former, which, however, seems by now to have come practically to a standstill. In the middle of January wholesale prices stood $45 \%$ above those of August for materials, $17 \%$ for finished articles and $16 \%$ and $22 \%$ for vegetable and animal food articles respectively. Retail prices (mainly food articles) rose by $9 \%$, the cost of living at Amsterdam by $7 \%$.

On the securities market the outbreak of war was reflected by a slump in bonds and a small rise in shares. The latter, however, was of short duration, and in December the share index was at 84.3 as against 88.6 in August and 92.1 in September. The development on the bond market may be followed from the average yields as calculated by the Netherlands Bank. These were, in the months of August-December respectively, $3.66,4.26,4.22,4.19,4.39 \%$.

The expense involved in maintaining our neutrality can be estimated by the increase in outstanding short-term Government debt, which rose from 815 Mn . guilders on August ist, 1939, to about I,400 Mn. on January Ist, 1940. For the consolidation of these debts taxes have been increased, and a loan of 300 Mn . guilders has been issued. The gold stock of the Netherlands Bank decreased from $\mathrm{I}, 129 \mathrm{Mn}$. guilders in midAugust to $\mathrm{I}, 014 \mathrm{Mn}$. at the end of the year. The increase in note-circulation was, unlike that in many other countries, moderate : it rose from I,OI2 Mn. guilders mid-August to $\mathrm{I}, 206 \mathrm{Mn}$. in the first week of September, to fall back to I, 152 Mn . at the end of the year. From this it may be inferred that money-hoarding has taken place only on a moderate scale.

## DENMARK.

Information communicated by the Copenhagen Institute of Economics and History.

Fanuary I5th, 1940.

AT the outbreak of the war Danish business conditions were, on the whole, quite prosperous. The improvement of last spring continued during the summer months. Exports were greater than those of the year before, industrial output and the building trades reached unprecedented figures, and the
unemployment total was lower than it had been for a long time.

In normal times Danish foreign trade is frequently greater per head of the population than is the case in any other country of the world. It goes without saying, therefore, that a modern war, with its economic aspects increasingly emphasized, presents grave problems

to Denmark even though she is neutral. Thus far, Denmark has been able to maintain her right as a neutral country to carry on normal trade with both belligerent parties. This does not mean, however, that the war has brought no difficulties to Denmark, or that she has prospered by it. On the contrary, THE TERMS of trade have, since September, turned heavily against Denmark. On account of the rise in freight rates and in foreign f.o.b. prices, Danish import prices have gone up by $45 \%$ from August to December, in spite of the fact that the Danish krone has appreciated $10 \%$ in relation to sterling. Export prices, on the other hand, have risen by only $15 \%$. The divergence is mainly explained by the fact that the most important export prices have been kept down by British official maximum prices.

The unfavourable development of the relation between export and import prices means great difficulties for DANISH AGRICULTURAL PRODUCTION, which is, to a large extent, carried on by means of imported feeding stuffs, etc. In particular, the price of butter is unsatisfactory. Export prices have, since September, gone up by $15 \%$, but in the same period the prices of oil-cake have risen by $50-60 \%$. As regards bacon, the situation is similar. Export prices have increased far less than grain and maize prices.

Since 1933 THE DANISH CURRENCY has been linked to the pound. On September Ist, 1939, however, Denmark left the sterling group, and the dollar rate was pegged at $\$ \mathrm{I}=5.18 \mathrm{Kr}$. As mentioned above, this meant an appreciation in relation to the pound amounting to about $10 \%$. This attempt to counteract the rise in import prices has been made increasingly difficult by the unfavourable relation between export and import prices and the deterioration of the foreign exchange position. In view of the unsatisfactory development of prices it was impossible for the farmers to shoulder the additional burden inflicted upon them by the appreciation of the currency. Pending the outcome of the Anglo-Danish trade negotiations the farmers have, therefore, been indemnified by a grant from the exchequer.
the foreign exchange reserves have been rapidly dwindling away since the outbreak of the war. Instead of being able to buy their goods on credit, importers have had to pay cash. The additional demands on the holdings of foreign currency caused thereby can, of course, only be temporary. On the other hand, the unfavourable development of export and import prices has not yet shown its full
effect on the balance of trade, because the prices of goods imported have, to a large extent, been contracted before the war and do not, therefore, correspond to the current quotations. Moreover, the imports of grain and feedstuffs have, since September, been far below the normal level. This, together with the import restrictions, explains why the value of imports and the import surplus show about the same figures for the three months September-November, 1939, as the year before.


On account of the decrease of foreign currency holdings the National Bank has, successively, raised its discount rate from $3 \frac{1}{2} \%$ and to $5 \frac{1}{2} \%$, and THE FOREIGN EXCHANGE RESTRICTIONS have been extended to comprise almost all import goods, except a small group of very important raw materials. Furthermore, rationING has been introduced. For the time being petrol, coffee, tea, sugar and-more informally (without cards)-coal are rationed. (Sugar is rationed in order to make sure that enough will be available for export. Rations are very ample.)

MAXIMUM PRICES have been fixed for a number of goods, including grain, bread and flour.

On the stock exchange a heavy fall has occurred in BOND PRICES, partly as a result of the rise in the bank rate. Restrictions have been introduced to prevent too large fluctuations in bond and share prices, but the movement in share quotations have, on the whole, been moderate.

The fall in bond prices has, of course, together with the rise in costs, reacted very unfavourably on the building trade. The number of dwellings under construction is still above last year's figure, but the number of building permits is declining rapidly.

INDUSTRIAL PRODUCTION has been well maintained since the outbreak of the war. The production of motor cars (owing to petrol rationing), building materials and vegetable oils has declined, whereas the production of shoes and ladies' apparel shows an increase, thanks to a wave of buying during the autumn.

UNEMPLOYMENT, which, as mentioned above, reached very low figures during the summer, has increased since September, mainly on account of the decline in building activity. The percentage of insured workers unemployed
is now about the same as the year before. An agreement has been concluded between the trade unions and the employers' organisations, whereby wage rates are to be revised quarterly in accordance with the movements in the cost of living. Taken together with the unfavourable development of the ratio between import and export prices, this may make it very difficult to avoid the vicious spiral of successive rises in wages and prices.

FREIGHT RATES have, of course, risen extraordinarily since September, but so have costs, and a considerable number of Danish ships have been sunk. A shipping committee has been set up with authority to fix maximum rates.

To cover the increase in defence expenditure and other extraordinary expenses, taxes have been increased considerably, and a rise in local rates is expected in 1940.

## SWEDEN.

Information communicated by the Business Cycle Institute, Stockholm.

Fanuary $\mathbf{1 3}$ th, 1940.

THE impact of the war on Sweden's economic situation during the autumn is most apparent in the development of prices and changes in monetary and exchange conditions. More fundamental changes, however, have arisen in consequence of the increased outlays for defence purposes. New developments in production and consumption will result. As will be shown below, these effects have not been of dominating importance for the general economic development during the period of survey.

The business situation in Sweden was not subjected to any serious dislocations of production and trade during the autumn. The volume of industrial production has been maintained at the level reached before the war. The recovery from the slight depression in 1938 brought the volume of industrial production above the previous record level reached in 1937. The increase of production from August, 1938, to the same month, 1939, which for the general index amounted to $10 \%$, was headed by an $18 \%$ increase in the production of iron and steel. It should be observed that the very marked activity in industry and trade during the summer of 1939, resulting in a lower level of unemployment than ever registered before, was a home-market conjuncture to a larger extent than in 1937 and 1929. The volume of exports had indeed recovered from the setback in 1938, but for the first eight months of 1939 it remained only slightly above the average level for the same period of the years 1936-38. The home market derived its strength to a considerable extent from the very high rate of building activity, which, according to preliminary figures for a selected number of towns, seems to have surpassed the high level of 1937 by about $20 \%$. The consump-
tion goods industries expanded rapidly, owing to the increasing purchasing power. The high level of income and purchasing power can be judged by the increasing imports of consumption goods. The volume of imported consumption goods for the period January-August was $23 \%$ greater than the average for the years 1936-38.

The stable economic conditions ruling in Sweden before the outbreak of the war meant a considerable power of resistance to disturbances from outside. Construction works, already on a large scale in August, were generally continued and even accelerated. A temporary scarcity of certain raw materials did not apparently prevent real investment from being carried out on a considerable scale. Increased defence works added very important support to investments. As to the position of consumption goods, production was stimulated by a tendency towards hoarding commodities in the early weeks of September, and by a fairly active demand for durable consumption goods until the end of November. The result was that, in spite of growing scarcity of skilled workers in certain trades and general shipping difficulties, production and employment were generally well maintained during the autumn. Reduced production in certain export industries was compensated for by the increasing demand due to defence expenditures. Signs of coming difficulties were, however, becoming clearly manifest, partly in consequence of the movements in prices and interest rates. New plans for the construction of dwelling-houses have reacted sharply to increasing building costs and the high level of interest rates, as well as to the menacing uncertainties of the future. According to a special investigation, the plans for constructional activity for next season are estimated at less than half those of last year.

Wholesale prices in Sweden showed a sharp upturn from the beginning of September. The impetus came mainly from the rapidly-advancing import prices, while export prices rose much more slowly.


The increase of import prices is explained both by rising prices in foreign countries and by the tremendous rise in freight rates and insurance costs. According to a special investigation made by this Institute, covering about 20 of the most important raw materials, into an increase of $61 \%$ in average import prices between August and December, 1939, $27 \%$ was due to a rise in f.o.b. prices (in the exporting countries) and $34 \%$ to an increase in freight costs. These showed a rise of $256 \%$ during this period.

The rise in import prices has, of course, spread to internal prices, partly by way of increasing costs of production, partly by influencing prices of competing goods. Certain price increases of a more autonomous character have, however, also occurred. The prices of such articles as wood, charcoal, hides and, to a smaller extent, agricultural products, have risen without a corresponding rise in the costs of production. This latter type of price increase has not been an important factor in the general development of prices, however. A special state commission for price supervision has the function of preventing autonomous and speculative price changes. Without relying upon its mandatory powers of fixing maximum or normal prices, the commission has obtained good results by voluntary agreement with industrial and trade associations, as well as with individual firms. Retail prices have been increasing steadily, but relatively slowly, since the beginning of September. The cost of living index had by the end of December risen by about $6 \%$ above the August level.

The extremely easy conditions ruling on the money and capital markets ever since 1933 changed very rapidly in the autumn. The growing stringency has been caused by the following factors: (I) A passive balance of payments causing an outflow of foreign exchange from the Riksbank; (2) Increased demand for borrowing from the commercial banks ; (3) An increased demand for cash resulting in declining deposits and enlarged note circulation. The effect of the passive balance of trade (amounting to about 200 Mn . crowns for the months

September-November, compared with 90 Mn crowns last year) on the exchange situation has been intensified to a considerable extent by the necessity for importers to make cash payments in advance. An outflow of capital, mainly arising from the side of foreign owners of securities and deposits in Sweden, has intensified the demands on the reserves of foreign exchange. The fixed exchange rate of the crown to the $£$, which had been held close to 19.40 since the middle of 1933, was abolished after the 28th of August. The value of the crown has thereafter been based on a constant rate to the $\$(=4.20$ Swedish crowns), which is somewhat higher than before.

The stringency on the money market caused by the outflow of foreign exchange has been partly relieved by the Riksbank replacing its foreign assets by loans to commercial banks and to other borrowers. This, however, from another point of view, is an indication of the stringency of the market, which has forced the banks, after drawing heavily on their balances, to re-discount in the Riksbank. The note circulation has increased by 300 Mn . crowns between the end of August and the end of December. The drawing on saving accounts and the increasing cash balances cannot be regarded in itself as an inflationary menace. Greater need for means of circulation has arisen as a consequence of an increase in the level of prices that is mainly caused by forces outside the market. The effect of anticipated needs of cash in case of evacuation should also be observed. As a consequence of these changes the rate of interest has increased substantially. The longterm rate of interest has increased from below $3 \%$ before the war to about $4 \frac{1}{2} \%$. The official rate of discount at the Riksbank was augmented from $2 \frac{1}{2} \%$ to $3 \%$ at the 15 th of December.

The serious outlook for the current year appears clearly from the new budget for the year 1940-4I, which was presented to the Riksdag on January IIth. The sharply-increased appropriations for defence purposes will, according to a necessarily rough estimate, cause a deficit in the current budget of 500 Mn . crowns. If outlays for defence remain the same during the coming budget year the same deficit will arise in spite of heavy increases in taxation. The increases in old and new taxes are calculated to yield about 300 Mn . crowns, half of which come from direct and half from indirect taxes (imposed upon coffee, petrol, beer, industrial sugar, wine and alcohol, and tobacco). The reaction on the capital market, on income and on prices of these deficits, which for Sweden are very large, cannot be estimated at present.


# WHOLESALE PRICES. COMPARATIVE INDEX NUMBERS FOR 11 COUNTRIES. 

From 1938 see Supplements for March, Fune, September and December ; before 1938 see Bulletins for these months. See also p. 15, col. 2.

The table below gives comparable index-numbers of wholesale prices, based upon a list of commodities as nearly identical as possible for all the countries, and the same method of calculation and weighting is applied in each case. The index-numbers were described in detail in Special Memorandum No. 24.


Latest figures are provisional, $\ddagger$ Excluding Rye, Maize, Rice.
** Excluding Wool, Wood and Wood pulp.

* Excludes wheat.

Excluding Coal. With Coal Nov. $=126$. Italics are movements of gold prices. † Series to be resumed when adequate data available


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## EVENTS OF ECONOMIC IMPORTANCE.*

1940. 

| January | 4th | U.K. | $\ldots$ |
| ---: | ---: | ---: | ---: |
| " | 8th | U.K. | $\ldots$ |
| " 16th | U.K. | $\ldots$ |  |
| " | 17th | U.K. | $\ldots$ |
| " 31st | U.K. | $\ldots$ |  |


| February 2nd | U.K. | $\ldots$ |
| ---: | ---: | ---: |
| $"$ | 7th | U.K. |


| March | $\begin{aligned} & \text { 6th } \\ & \text { 9th } \end{aligned}$ | Russia U.K. |
| :---: | :---: | :---: |
| " | 12th | U.K. |
| " | 13th | Finland |
|  | 18th | U.K |


| 20th-2 Ist |  |  |  | France . |
| :---: | :---: | :--- | :---: | :---: |
| April | 4th | U.K. . |  |  |

Minister of Shipping announces requisitioning of British cargo liners.
Increased restrictions announced on transfer of sterling to accounts of non-residents.
Franco-British credit of $£ 43 \frac{1}{2} \mathrm{Mn}$. to Turkey announced.
Conversion announced of $£ 350 \mathrm{Mn}$. $4 \frac{1}{2} \%$ Conversion Loan (due July Ist, 1940) into $2 \% 3-5$ year stock.
Chancellor reveals that basic food prices are being subsidised at cost of $£_{\mathrm{I}} \mathrm{Mn}$. per week.
Admiralty takes control of merchant ship-building.
Terms of financial agreement between Government and Railways announced.
Treasury announces requisitioning of 60 dollar securities.
Gold Mines to be allowed to sell gold at market price, but to be subject to additional taxation.
Decrees issued governing rationing, price control, and labour conditions. Bank of France's gold reserve to be revalued and 30 Md . francs to be placed at disposal of Treasury.
Finno-Russian peace negotiations begin in Moscow.
Announced that as from March 26th empire exports of whisky, furs, tin, rubber and jute to be paid for in approved foreign exchange or sterling bought in official market.
$£ 300 \mathrm{Mn} .3 \%$ War Loan, 1955-59 issued.
Onerous Russian peace-terms accepted.
Higher minimum prices for gilt-edged securities fixed on London Stock Exchange.
Daladier Government resigns, M. Reynaud forms new government.
Chancellor announces setting up of English Commercial Corporation, Ltd.
German occupation.
German invasion.
Chancellor makes statement on fall in free sterling rate in New York.
Announced that remitters of sterling must buy at official rate.
Further railway wage increase demanded.
Board of Trade cancels all export licences to Baltic countries. Paper ration to be reduced.
Treasury to requisition 117 more dollar securities for payment April 29th.
Minister of Transport announces $10 \%$ rise in rail charges from May Ist.
Budget introduced. Additional direct and indirect taxation, purchases tax on wholesale sales, and limitation of dividends of public companies.

* For August to December, 1939, see Calendar for Year issued with January, 1940, Bulletin.


# UNITED KINGDOM. 

## FINANCE \& BANKING IN THE FIRST QUARTER OF 1940

By F. W. Paish.

GOVERNMENT FINANCE. - In our January Bulletin the expectation was expressed that the total budget deficit for 1939-40 would be substantially less than the $£ 940 \mathrm{Mn}$. envisaged in the revised estimates. In the event, total expenditure, at $£ \mathrm{I}, 8 \mathrm{I}$ o Mn ., was $£ \mathrm{I} 26 \mathrm{Mn}$. below the estimate, while total Revenue, at
 in Revenue was due mainly to higher receipts than anticipated from Customs, Excise, Motor Vehicle Duties and Miscellaneous Receipts. The yields of Income Tax and Surtax were almost exactly in accordance with the estimates.

Despite the gradually rising trend of war expenditure and the usual sharp increase in payments during the last fortnight of March, total Expenditure during the first quarter of 1940 averaged only $£ 48 \mathrm{Mn}$. per week, while ordinary Revenue, at its seasonal peak, averaged nearly $£ 39 \mathrm{Mn}$. The average weekly deficit for the quarter was therefore only a little over £9 Mn., as compared with nearly $£ 26 \mathrm{Mn}$. in the previous quarter :-
GOVERNMENT REVENLE AND EXPENDITURE. (£Mn Weekly Averages

| 1939 Revenue. |  | Expenditure. Supply |  | $\begin{aligned} & \text { Surplus }(+) \\ & \text { or } \\ & \text { Deficit }(-) . \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Services. | Total. |  |
| Oct. 1-28 | 16.0 | $27 \cdot 6$ | 33.7 | $-17 \cdot 7$ |
| Oct. 29-Dec. 2 | $17 \cdot 4$ | $39 \cdot 3$ | $47 \cdot 2$ | $-29.8$ |
| Dec. 3-31 | 13.7 | 38.8 | $42 \cdot 8$ | $-29.2$ |
| Av. Oct.-Dec. | $15 \cdot 9$ | $35 \cdot 6$ | 41.8 | $-25 \cdot 9$ |
| 1940 |  |  |  |  |
| Jan, 1-27 | 48.0 | $39 \cdot 9$ | $44^{\prime} 1$ | + 3.9 |
| Jan. 27-Mar. 2 | 41.4 | $42 \cdot 6$ | $45 \cdot 5$ | - 4.2 |
| Mar. 3-16 | 28.8 | $46 \cdot 1$ | $47 \cdot 2$ | -18.4 |
| Mar. 16-31 | $24 \cdot 2$ | $60 \cdot 7$ | 63.0 | -38.8 |
| Av. Jan.-Mar. | 38.8 | $45 \cdot 1$ | 48.0 | $-9.2$ |
| Apr. 1-20 | $17 \cdot 2$ | 36.8 | $44 \cdot 8$ | -27.6 |

 Mn . was covered by sales of 3\% Defence Bonds and $£ 34 \mathrm{Mn}$. by the net increase in the total of National Savings Certificates. The remaining $£ 48 \mathrm{Mn}$. was considerably more than met by receipts from the new 3\% War Loan, which by the end of March had amounted to $£ 98 \mathrm{Mn}$.

The Floating Debt.-In consequence of the reduced deficit and the above-mentioned loan receipts, it was possible to effect an appreciable reduction in the Floating Debt during the quarter, from $£ \mathrm{I}, 535 \mathrm{Mn}$. to $£_{\mathrm{I}, 489 \mathrm{Mn} \text {. by }}$ March 3Ist. The greater part of the decline
was in Treasury bills issued by tender, which fell from $£ 760 \mathrm{Mn}$. to $£ 73 \mathrm{I}$ Mn., while ' tap' bills fell by $£ 13 \mathrm{Mn}$. to $£ 697 \mathrm{Mn}$., and Ways \& Means Advances by $£ 4 \mathrm{Mn}$. to $£ 6 \mathrm{I} \mathrm{Mn}$. The fall in 'tender' bills occurred entirely during March ; during January the fall in the total bill issue was exceeded by the fall in 'tap' bills, while ' tender' bills rose :-

FLOATING DEBT. (£Mn.)
'Tender

Bills, \begin{tabular}{c}
'Tap <br>
Bills,

 

Ways and Means <br>
Advances.
\end{tabular}$\quad$ Total

The fall in ' tap ' bills in January is probably accounted for partly by the reduction during that month in the amount of Government Securities held by the Bank of England and partly by the rise in Public Deposits. There is no such obvious explanation for the rise in 'tap' bills during March. It is possible that ' tender' bills purchased earlier by the Departments were being replaced on maturity by ' tap ' bills.

The Bank of England.-The most noticeable feature of the Bank of England returns since the beginning of 1940 has been the great fluctuations in the totals of Public Deposits. These have risen to a high level towards the end of each month, and fallen to a more moderate level after the deduction of the special payments which usually fall due at the beginning of the month. Bankers' Deposits at the Bank of England have fluctuated conversely, and at the ends of the months being barely adequate and at other times superabundant.

Clearing Banks.*-In consequence of the fluctuations in Bankers' Deposits at the Bank of England, mentioned above, the cash reserves of nine London Clearing Banks fell in January almost to the customary minimum of $10 \%$.

[^8]In February and March the ratio increased to the more comfortable level of $10.5 \%$. If the figures had been averaged, as before the war, instead of being taken for single days, the cash ratios would probably have been considerably higher.

Clearing Bank discounts, after rising to a peak of $£ 374 \mathrm{Mn}$. in January, subsequently declined to $£ 325 \mathrm{Mn}$. in March. It seems likely that the banks are holding a smaller share of the total of Treasury bills issued by tender than they were a few months ago. Between November 25 th and March 23 rd the total of bills issued by tender rose from $£ 665 \mathrm{Mn}$. to $£_{746 \mathrm{Mn} \text {., while between November and }}$ March the clearing banks' Discounts fell from $£ 34 \mathrm{I} \mathrm{Mn}$. to $£ 325 \mathrm{Mn}$., Call Loans being practically unchanged. Thus the expansion in the Floating Debt has as yet had a much less than proportionate effect in expanding the banks' assets and deposits. Indeed, there have been several occasions in recent years when, with a far smaller Floating Debt and a considerably smaller total of tender bills, the banks' Discounts and Call Loans were as large as now.

One reason for the increasing gap between the total of Treasury Bills issued by tender and the total of the clearing banks' Discounts and Call Loans is the rapidly-increasing size of the London assets of sterling area countries. The sterling assets of the empire central banks alone appear to have increased since the outbreak of war by something like $£ 150 \mathrm{Mn}$., of which some two-thirds is attributable to India. Another possible reason is the increase which is believed to have taken place in the Departments' holdings of bills issued originally by tender, though this factor is probably much less important since the rise in the 'tap' bills issue during March and April.

Apart from Discounts, changes in clearing bank assets have been unimportant. Advances showed much less than the usual seasonal expansion from December to March, and Investments have hardly changed. It seems clear that, in consequence of the reduced Budget deficit, of the well-maintained level of purchases of National Savings Certificates and of 3\% Defence Bonds, and of the great increase in Empire sterling funds, no serious further expansion of bank credit took place pending the issue of the recent $3 \%$ War Loan. It must, however, be remembered that the very large expansion of bank deposits which occurred in the seven years preceding the war has probably not even yet exerted its full effect. It is therefore to be hoped that the authorities will so arrange
their borrowing policy that they will not need to have recourse to the banks for financial assistance.

Security Prices.-Despite the recent international developments, prices both of industrial and of fixed interest securities have lost only a small part of the increases recorded in the first two months of the year. Prices of gilt-edged securities have remained above the new and higher minima announced on March 19th. Short-term interest rates show little change, the three months' rate remaining only just above $\mathrm{I} \%$.

Exchange Rates.-Interest has continued to be centred mainly on the movements of the ' free' sterling rate in New York. After the announcement of increased restrictions on the transfer of sterling from domestic to foreign accounts on January 8th, the rate rose from $3.73 \frac{3}{8}$ on January 6th to nearly 4.00 on January 29th. It declined slightly during February, but still stood at 3.90 on March 6th. After the announcement on March 9th that after March 26th exports of certain commodities could be paid for only in approved foreign exchange or in sterling bought through official channels, an accelerated decline began, and by March 15th the rate had fallen to $3.70 \frac{1}{8}$. The rate remained at about this level until the new regulations came into force, and then fell sharply to $3 \cdot 48 \frac{1}{4}$ on March 27th. After temporary recovery $3.58_{\frac{3}{5}}^{3}$ on April 6th, the rate fell again to $3.46 \frac{1}{8}$ on April 9th, on the news of the German invasion of Norway and Denmark. Since then there has again been a slight recovery, and on April 23 rd the rate was $3.52 \frac{1}{4}$. The implications of the fluctuations in the New York free rate are further discussed in a note on p. 43 .

## RECENT MOVEMENTS.

The final payment of about $£ 129 \mathrm{Mn}$. on the $£ 300 \mathrm{Mn} .3 \%$ War Loan was made on April I5th. As the excess of Treasury expenditure for the week was about $£^{2} 29 \mathrm{Mn}$. and about $£ 4 \mathrm{Mn}$. was received from sales of National Savings Certificates and Defence Bonds, the week's fall in the Floating Debt was $£ 104 \mathrm{Mn}$. Of this, $£_{15} \mathrm{Mn}$. was in Treasury bills issued by tender, $£ 7 \mathrm{I} \mathrm{Mn}$. in 'tap' bills and $£ \mathrm{I} 8 \mathrm{Mn}$. in Ways and Means Advances. This would seem to indicate that the great bulk of non-official subscriptions to the loan had been paid for, leaving mainly subscriptions by government departments to be paid for on the final date. The complete absence of disturbance to credit conditions in spite of the large payment on a single day is thus easily intelligible.

The Chancellor of the Exchequer introduced his second war budget on April 23rd. He estimated war expenditure for $1940-41$ at $£_{2}, 000 \mathrm{Mn}$., and total expenditure at $£ 2,667$ Mn . The yield of existing sources of revenue in 1940-4I was estimated at $£ \mathrm{I}, \mathrm{I} 33 \mathrm{Mn}$., and new taxation is to be imposed estimated to yield £IOI Mn., bringing the total estimate of Ordinary Revenue to $£ \mathrm{r}, 234 \mathrm{Mn}$., and leaving a deficit of $£ \mathrm{I}, 433 \mathrm{Mn}$. to be covered by borrowing. Some part of this immense sum will no doubt be subscribed out of special funds accruing to government departments, such as the social insurance funds, part from the reinvestment of the proceeds of requisitioned foreign securities, part from the investment of accumulating sterling area balances in London, and part, if necessary, out of the Treasury's own reserves of gold and foreign exchange. But after making all allowances for receipts from these sources, a very large balance will be left, and it is difficult to see how the whole of this can be provided out of genuine savings.

It is therefore greatly to be hoped that the Chancellor's estimates of the yield from taxation will prove to be conservative. The probability that tax yields will exceed the estimates is increased by the fact that no account has been taken of the possible yield of a proposed new tax, which is one of the two striking innovations contained in this Budget. It is proposed to impose a tax, at a rate not yet decided, on retailers' purchases from wholesalers of most commodities other than food and drink. In so far as the demand for such commodities at present prices is in excess of anticipated supplies, this measure will help to bring demand into
equilibrium with supply, and either to divert to the Treasury the increase in prices which would otherwise go to producers or sellers, or alternatively, if prices were prevented from rising otherwise, to obviate shortages of supplies in the shops or the extension of rationing.

The other most striking feature of the budget is the limitation of dividends of public companies to their level in one of three pre-war years, with a minimum of $4 \%$. At the same time the capitalisation of the consequent increase in company reserves by the issue of bonus shares is forbidden. This extension of the principle of compulsory saving to ordinary shareholders (preference shareholders will not be affected) is, of course, designed to reduce the amount of expenditure for non-government purposes, and to increase the amount available for lending to the Treasury. How far it will succeed in achieving these objects will largely depend (I) on whether public companies can be prevented from using, for non-essential capital or other expenditure, the amounts they can no longer distribute; and (2) on whether the market prices of shares of the companies affected will rise pari passu with the increases in their reserves, and, if so, whether holders of such shares will be tempted to convert these rises into consumable income by selling a portion of their holdings of these or other securities. If they do this, the effect will be to divert to current private consumption a part of other people's genuine savings which otherwise would have been available to meet government expenditure, and the object of the measure will to that extent be defeated.

## RETAIL PRICES AND WAGES, TRADE AND EMPLOYMENT.

By A. L. Bowley.

THE COST OF LIVING.-The Ministry of Labour's Cost of Living Index showed an increase of about $12 \%$ from September, 1939, to January Ist. Since then its movements have been slight, and on April Ist it stood at $15 \%$ above September ist. For food alone the increase in the seven months was nearly $14 \frac{1}{2} \%$.* Of the other constituents of the index rent was unchanged, clothing rose $31 \%$, fuel $9 \%$ and miscellaneous items $8 \%$.

The increases in the food group show great variation.

[^9]PERCENTAGE INCREASE IN RETAIL PRICES.
Sept. 1, 1939, to April 1, 1940.


The prices on which the index is based are of goods of as nearly as possible the same quality at successive dates. It has, however, been not uncommon in many districts that the qualities available have changed and choice has been
limited. Though the quantities permitted of some rationed articles are (as pointed out in our January Bulletin) as great as or greater than those in the standard budget, nevertheless the machinery of rationing and price-fixing has affected purchases. The unchanged budget to which the Cost of Living Index refers is not now realistic, and it does not necessarily measure the effective change in cost to any large group of families. It gives, however, a rough indication of the magnitude of the change of retail prices.

After all qualifications are admitted, it is clear that on the whole rates of wages for unchanged work have risen since August less than prices of unchanged goods.

WAGE RATES.-Since last August rates of wages have been raised in nearly every occupation included in our index number. Writing Ioo for the index in August, 1939, we have:-

| November | $\ldots$ | $102 \cdot 2$ | Kebruary | $\ldots$ | $105 \cdot 5$ |
| :--- | :--- | :--- | :--- | :--- | :--- |
| December | $\ldots$ | $103 \cdot 4$ | March | M. | Mer.3 |
| January | $\ldots$ | $104 \cdot 3$ | April | ... | $108 \cdot 8$ |

The percentage increases for separate occupations included in the index, up to April 15th, were:-

| Agriculture | 76 | Cotton |  | 13\% |
| :---: | :---: | :---: | :---: | :---: |
| Bricklayers | $5 \cdot 5$ | Wool |  | $19 \cdot 3$ |
| Bricklayers' Labourers | 7.2 | Local Authorit | Laboure | 6.2 |
| Dock Labourers | 7.6 | Trams |  | 6.6 |
| Railwaymen | 6.0 | Lorry Drivers |  | $7 \cdot 0$ |
| Engineers' Fitters | 7.5 | Boots | ... ... | 10.5 |
| Engineers' Labourers. | 97 | Confectionery |  | 6.9 |
| Shipbuilding ... | 13.0 | Tailoring |  | $10 \cdot 0$ |
| Coal | $12 \cdot 7$ | Shirts |  | $10 \cdot 0$ |
| Compositors | 0 | Tobacco |  | 0 |

For coal, cotton and wool piece-rate changes are included. The rest are time-rates, and in the cases of agriculture and the last five entries statutory minima. The rates for cotton and woollen operatives had fallen considerably in recent years.

In the six months, September to March inclusive, the Ministry of Labour records an estimated increase of about $£ 1.7 \mathrm{Mn}$. in weekly wages. This is probably somewhat less than the $8 \frac{1}{2} \%$ found in our index, for $£_{\mathrm{I}} .7 \mathrm{Mn}$. is $8 \frac{1}{2} \%$ on $£ 20 \mathrm{Mn}$., which is less than the usual estimate of the pre-war weekly wage in the whole group of industries (excluding agriculture) which comes under their scope.

The reckoning here given makes no allowance for overtime, night or Sunday work, greater efficiency and regularity in price-earnings, nor for change in occupations. But it affords a view of the rather slow increase in wages for those who have had no facility for extra earnings.

It may be noticed that, as in the period 1914 to 1918, labourers' wages have advanced relatively more than have artisans'.

EXTERNAL TRADE.-After the check in September and October, 1939, declared Imports recovered rapidly. In the first seven months of war the total value was $£ 591 \mathrm{Mn}$., as compared with $£ 525 \mathrm{Mn}$. in the corresponding period of 1938-9. The Board of Trade Index number of wholesale prices was about $20 \%$ higher in September-March, 1939-40, than a year earlier, so that it would appear that the quantity of Imports was lower; but the extent to which imports on Government account affect the statistics is unknown, and the former method of valuing by c.i.f. prices may have been modified.

The values stated for Exports of United Kingdom goods are more definitely comparable with those of a year before. From November onwards there has been little change month by month, and the total values have been nearly the same as a year before.

| EXPORTS, UNITED KINGDOM GOUDS £Mn. |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| All Goods | 1938-9 |  |  |  | 1939-40 |  |
| Sept.-Oct. | $\ldots$ | $82 \cdot 4$ | $\ldots$ | ... | ... | 47.7 |
| Nov. ... | ... | $42 \cdot 9$ | ... | ... | ... | $37 \cdot 4$ |
| Dec. to Mar. | ... | 158.2 | ... | $\ldots$ | ... | $160 \cdot 1$ |
| Seven months ... | $\ldots$ | 283.5 | $\ldots$ | ... | $\ldots$ | 245.2 |
| Manufactures |  |  |  |  |  |  |
| Sept,-Oct. | $\ldots$ | 63.4 | ... | $\ldots$ | ... | 35.4 |
| Nov. |  | $32 \cdot 5$ | ... | ... | ... | 28.0 |
| Dec. to Mar. | ... | $122 \cdot 9$ | $\ldots$ | $\ldots$ | $\ldots$ | 125.6 |
| Seven months ... | ... | 218.9 | ... | $\ldots$ | ... | $188 \cdot 9$ |

The relevant increase in prices is not known, and quantity statistics are no longer published ; but there can be no doubt that the aggregate quantity exported on civil account is less this year than last. There has been a decrease in value of exported machinery and vehicles (including ships and aircraft).

UNEMPLOYMENT.-The normal increase in unemployment that takes place after Christmas was accentuated this year by severe weather in January, which stopped outdoor work ; and the improvement that generally occurs in February was negatived by the abnormal frost and snow in that month which dislocated transport, and increased the number of 'temporarily stopped' in many industries. Nevertheless, there was a reduction in the numbers wholly unemployed. By March IIth weather conditions were nearly normal and the total number of insured persons unemployed was 200,000 less than in December, 1939, and more than 600,000 less than in March, 1939.

Some detail of the industrial distribution of wholly unemployed males is shown in Table I. It is not known how many of these men are actually fit for regular work. Their regional distribution is not published, and the usual

Table that showed the period of unemployment is no longer issued. It is known, however, that the number of men in Great Britain applying for benefits or allowances, who had been on the register of the Unemployment Exchanges for a year or more diminished from 223,000 in August, 1939, to 137,000 in January, 1940. Of the latter number nearly one-half were over fifty-five years old, and about $64 \%$ of them were classed as labourers. The numbers in the London and Southern Divisions were small.

TABLE I.
Wholly unemployed males were distributed among the Industrial Groups as follows:-

| Industrial Group. | (000's.) |  |  | $\begin{gathered} \text { March, } \\ 1940 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{gathered} \text { March, } \\ 1939 \end{gathered}$ | $\begin{gathered} \text { December, } \\ 1939 \end{gathered}$ |  |
| Agriculture ... | ... | 43 | 35 | 29 |
| Coal-mining ... | ... | 82 | 48 | 41 |
| Metal Production | ... | 24 | 11 | 9 |
| Engineering ... | .. | 47 | 22 | 19 |
| Vehicles ... | ... | 17 | 15 | 10 |
| Ships ... ... | $\ldots$ | 38 | 15 | 13 |
| Metal Industries | $\ldots$ | 36 | 19 | 17 |
| Textiles... | $\ldots$ | 38 | 18 | 15 |
| Clothing ... | ... | 16 | 14 | 9 |
| Food, \&c. | ... | 29 | 18 | 16 |
| Wood ... |  | 26 | 19 | 19 |
| Building | $\ldots$ | 161 | 157 | 132 |
| Public Works ... |  | 113 | 87 | 74 |
| Local Govt. | $\ldots$ | 63 | 51 | 45 |
| Docks \& Shipping |  | 77 | 54 | 51 |
| Distribution ... |  | 142 | 94 | 81 |
| Others . | ... | 265 | 195 | 160 |
|  |  | 1217 | 872 | 740 |

Table II shows the changes in male unemployment (excluding Building, Public Works, and Agriculture where the employment is seasonal and affected by the weather) since January, 1939. Table III shows detail for important industries, and the Table on page 50 gives a long sequence for the totals and selected industries.

TABLE II.
INSURED MALES UNEMPLOYED.


By March, 1940, there was under 4\% unemployment in many of the industries connected with munitions or military supplies, and in some cases it had probably reached an irreducible minimum. But it was over $10 \%$ in Quarrying, Pottery, Tinplates, Linen, Jute, Furniture, Building, Public Works, Local Government Employment, Shipping and Docks, Entertainments, Hotels, etc., and some miscellaneous groups.

No statistics are available of the number of persons in employment. To make a comparison with March, 1939, we have to balance the reduction of the number unemployed (630,000 in 12 months, of whom 560,000 were males), together with the normal net increase in the number insured (about 200,000) and any additional entrants against the number of insured persons who have joined the forces. Since the total number of insured persons last July was nearly $15,000,000$, it appears that the labour force engaged in production and civilian service cannot have sensibly increased in twelve months and may have diminished. Work is, however, more intensive, regular and prolonged.

INSURED PERSONS UNEMPLOYED．
Males and Females．Aged 16－65
A Wholly Unemployed．

UNITED KINGDOM．ooo＇s（nearest）．
Excluding Agriculture．
B Temporarily Stopped

1938－39

| Building |  | September 12 th,1938 |  |  | December 12th， 1938 |  |  | January 16th， 1939 |  |  | February 13 th， 1939 |  |  | $\begin{gathered} \text { March } 13 \text { th, } \\ 1939 \end{gathered}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Total | A | B | Total | A | B | Total | A | B | Total | A | B | Total |  | B |
|  |  | 148 | 143 | 4 | 196 | 189 | 7 | 251 | 220 | 31 | 211 | 199 | 12 | 168 | ${ }_{162}$ | B |
| Public Works |  | 113 | 111 | 2 | 124 | 122 | 3 | 134 | 128 | 7 | 124 | 121 | 3 | 116 | 113 | 3 |
| Coal |  | 151 | 85 | 66 | 124 | 84 | 40 | 111 | 84 | 27 | 116 | 82 | 33 | 107 | 113 | 25 |
| Cotton |  | 125 | 54 | 71 | 83 | 50 | 34 | 84 | 47 | 38 | 78 | 47 | 31 | 69 | 46 | 23 |
| Wool |  | 40 | 15 | 25 | 29 | 13 | 16 | 33 | 13 | 20 | 29 | 12 | 17 | 26 | 12 | 14 |
| Other Textiles |  | 99 | 54 | 45 | 80 | 47 | 32 | 83 | 46 | 37 | 78 | 46 | 32 | 73 | 12 | 14 |
| Clothing ．．． |  | 79 | 45 | 34 | 73 | 45 | 28 | 85 | 49 | 37 | 69 | 45 | 32 23 | 54 | 44 38 | 29 16 |
| Distribution |  | 184 | 173 | 11 | 195 | 186 | 9 | 225 | 211 | 14 | 226 | 214 | 13 | 217 | 207 | 10 |
| Other Industries |  | 649 | 498 | 151 | 642 | 523 | 119 | 716 | 558 | 157 | 666 | 548 | 119 | 624 | 523 | 101 |
| Hotels |  | 61 | 59 | 2 | 94 | 92 | 2 | 97 | 94 | 3 | 98 | 95 | 3 | 93 | 91 | 2 |
| fessions，\＆c． |  | 158 | 150 | 8 | 187 | 178 | 8 | 198 | 180 | 12 | 193 | 184 | 9 | 186 | 178 | 8 |
| Totals | $\ldots$ | 1807 | 1387 | 420 | 1827 | 1529 | 298 | 2017 | 1635 | 382 | 1888 | 1593 | 295 | 1733 | 1496 |  |
| Males |  | 1377 | 1102 | 275 | 1424 | 1227 | 197 | 1558 | 1364 | 254 | 1452 | 1258 | 194 | 1330 | 1174 | 156 |
| Females | $\ldots$ | 430 | 285 | 145 | 403 | 302 | 101 | 459 | 331 | 128 | 436 | 335 | 101 | 403 | 322 | 156 |

1939－40

| $\underset{\text { Puilding Works }}{ }$ | September 11th， 1939 |  |  | $\begin{gathered} \text { December 11th } \\ 1939 \end{gathered}$ |  |  | January 15th， 1940 |  |  | $\begin{gathered} \text { February } 12 \text { th, } \\ 1940 \end{gathered}$ |  |  | March 11th， 1940 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total | A | B | Total | A | B | Total | A | B | Total | A | B | Total | A | B |
|  | 99 | 95 | 4 | 164 | 157 | 7 | 267 | 196 | 71 | 275 | 189 | 86 | 137 | 132 | 5 |
|  | 77 | 75 | 2 | 89 | 87 | 2 | 102 | 92 | 11 | 106 | 89 | 18 | 76 | 74 | 2 |
| Coal | 77 | 53 | 24 | 72 | 48 | 23 | 61 | 47 | 13 | 68 | 44 | 24 | 51 | 41 | 9 |
| Cotton | 51 | 28 | 23 | 26 | 22 | 5 | 24 | 19 | 5 | 24 | 18 | 6 | 20 | 16 | 4 |
| Wool | 12 | 6 | 6 | 7 | 5 | 3 | 8 | 5 | 3 | 7 | 4 | 3 | 6 | 4 | 2 |
| Other Textiles | 62 | 33 | 29 | 40 | 29 | 10 | 40 | 29 | 12 | 43 | 29 | 14 | 37 | 28 | 9 |
| Clothing ．．． | 97 | 59 | 38 | 59 | 42 | 16 | 59 | 42 | 17 | 48 | 36 | 12 | 36 | 29 | 6 |
| Distribution | 164 | 151 | 13 | 163 | 154 | 9 | 176 | 163 | 14 | 174 | 157 | 17 | 149 | 140 | 9 |
| Other Industries | 424 | 347 | 77 | 413 | 358 | 56 | 449 | 364 | 85 | 457 | 350 | 107 | 368 | 317 | 53 |
| Hotels | 82 | 79 | 3 | 99 | 96 | 3 | 96 | 91 | 3 | 90 | 86 | 107 | 368 | 317 | 5 |
| Commerce，Pro－ fessions，\＆c． | 160 | 149 | 11 | 178 | 168 | 10 | 182 | 167 | 14 | 174 | 158 | 17 | 150 | 142 | 8 |
| Totals | 1305 | 1075 | 230 | 1310 | 1166 | 144 | 1464 | 1216 | 248 | 1466 | 1160 | 307 | 1111 | 1001 | 110 |
| Males | 875 | 756 | 119 | 928 | 837 | 91 | 1067 | 883 | 185 | 1091 | 841 | 251 | 782 | 711 | 71 |
| Females | 430 | 319 | 111 | 383 | 329 | 53 | 397 | 334 | 63 | 375 | 319 | 56 | 329 | 290 | 39 |

TABLE IV
UNEMPLOYMENT BY DISTRICTS．
PERCENTAGE OF INSURED PERSONS UNEMPLOYED．－GREAT BRITAIN AND N．IRELAND．
（See Ministry of Labour Gazette，P．335，Sept．1939，for details of changes in areas after Aug．1939．）

|  |  | ङ゙ H H | ジ |  | 咸 | I ¢ 0 m |  | $\begin{gathered} \text { 苟 } \\ \text { 志 } \\ \text { O } \\ \text { BR } \end{gathered}$ |  |  |  |  | $\begin{aligned} & \text { d } \\ & \text { 4 } \\ & 3 \\ & \text { Z } \end{aligned}$ | ¢ |  | － |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Jan． 16 | 14.3 | $15 \cdot 3$ | 11.6 | $9 \cdot 6$ |  | $11 \cdot 1$ |  | 9.6 | $10 \cdot 5$ |  | 14.7 | $18 \cdot 3$ | 21.2 | 18.4 | $25 \cdot 7$ | 28.2 | 2.0 |
| 1939 | Feb． 13 | 13.4 | $14 \cdot 3$ | $11 \cdot 1$ | $9 \cdot 1$ |  | $10 \cdot 1$ |  | 9.0 | 9.5 |  | 13.1 | 17.2 | $20 \cdot 1$ | $17 \cdot 1$ | 25．9 | 25.9 | 1.9 |
|  | Mar． 13 | $12 \cdot 3$ | 13.1 | $10 \cdot 2$ | $8 \cdot 3$ |  | 8.6 |  | 7.9 | 8.5 |  | $12 \cdot 0$ | 16.1 | $19^{\circ} 0$ | 16.2 | 23.0 | $26 \cdot 3$ | 1.9 |
|  | Apr． 17 | 11.6 | 12.4 | $9 \cdot 7$ | $7 \cdot 8$ |  | 7.9 |  | $7 \cdot 2$ | 8.4 |  | 11.8 | 15.2 | $17 \cdot 7$ | 15.4 | 21.0 | $25 \cdot 3$ | 1.9 |
|  | May 15 | 10.6 | 11.2 | 9.0 | $7 \cdot 2$ |  | 7.0 |  | $6 \cdot 3$ | $7 \cdot 4$ |  | 11.0 | $14 \cdot 1$ | 16.1 | $14 \cdot 1$ | 18.1 | $22 \cdot 7$ | 1.8 |
|  | June 12 | $9 \cdot 7$ | 10.4 | $7 \cdot 9$ | 6.6 |  | $5 \cdot 7$ |  | $5 \cdot 1$ | $7 \cdot 0$ |  | $9 \cdot 9$ | 13.6 | 14.9 | $12 \cdot 7$ | 16.8 | 21.0 | 1.7 |
|  | July 10 | 9.0 | $9 \cdot 7$ | $7 \cdot 4$ | 6.2 |  | 5.4 |  | $4 \cdot 5$ | 6.9 |  | 8.8 | 12.4 | $14 \cdot 1$ | 11.9 | $15 \cdot 7$ | 21.7 | 1.5 |
|  | Aug． 14 | $8 \cdot 7$ | $9 \cdot 3$ | $7 \cdot 6$ | $5 \cdot 8$ |  | 5：0 |  | 4.4 | $7 \cdot 7$ |  | 8.4 | $11 \cdot 9$ | $13 \cdot 3$ | 11.7 | $15 \cdot 2$ | $19 \cdot 9$ | 1.4 |
|  | Sept． 11 | $9 \cdot 1$ | 8.6 |  | 8.2 |  |  | 4.5 | $5 \cdot 2$ | 6.9 | 6.2 | $8 \cdot 1$ | 11.8 | 13.0 | 11.8 | $14 \cdot 3$ | $20 \cdot 1$ | 1.4 |
|  | Oct． 16 | $9 \cdot 6$ | $9 \cdot 3$ | 10.7 | 9.6 | 9.0 | $9 \cdot 2$ | 6.6 | 6.5 | $6 \cdot 1$ | $5 \cdot 6$ | 7.9 | 11.6 | 13.7 | 11.8 | $15 \cdot 3$ | 21.2 | 1.5 |
|  | Nov． 13 | $9 \cdot 5$ | $9 \cdot 1$ | $10 \cdot 3$ | 9.7 | 8.9 | $9 \cdot 2$ | 6.7 | 6．2 | $5 \cdot 6$ | $5 \cdot 4$ | 7.6 | 11.0 | $13 \cdot 1$ | 11.1 | 15.5 | 22.0 | 1.6 |
|  | Dec． 11 | $9 \cdot 1$ | 9.0 | 9.5 | $9 \cdot 1$ | 9.0 | 8.9 | 6．1 | 6.2 | $5 \cdot 3$ | 5．5 | $7 \cdot 4$ | $10 \cdot 3$ | $13 \cdot 4$ | 10.6 | $15 \cdot 8$ | 22.4 | 1.5 |
| 1940 | Jan． 15 | $10 \cdot 2$ | $10 \cdot 1$ |  |  |  | ＊ |  |  |  |  |  | 10.9 | 13.8 | $11 \cdot 3$ | 16.7 | 23.8 | 1.4 |
|  | Feb， 12 | $10 \cdot 2$ | 106 | $9 \cdot 3$ | $9 \cdot 3$ | $12 \cdot 3$ |  | 8.7 | $6 \cdot 3$ | $7 \cdot 2$ | 8.0 | $9 \cdot 2$ | $10 \cdot 7$ | 14.9 | $11 \cdot 3$ | $17 \cdot 5$ | 23.6 | $1 \cdot 2$ |
|  | Mar． 11 | $7 \cdot 8$ | $7 \cdot 6$ | 8.1 | $7 \cdot 9$ | 8.3 |  | $5 \cdot 9$ | 4.8 | 4.2 | $4 \cdot 6$ | $6 \cdot 1$ | $8 \cdot 1$ | 11.2 | 9.5 | $14 \cdot 3$ | 21.4 | $1 \cdot 1$ |

Regional Percentages prior to November，1939，based upon numbers insured in July，1938；subsequently upon numbers insured in July， 1939.
＊From January，1940，included in Southern Area；See Ministry of Labour Gazette，February，1940，p． 47.

## WHOLESALE PRICES.

By G. L. Schwartz and E. Grebenik.

THE peace-time interest in price movements as an index of rising or falling trade disappears in war-time and is replaced by concern with the dangers of inflation. If, in spite of the war effort with its diversion of resources, the economy remained free or relatively free, the ordinary price index compiled on orthodox lines would be an adequate detector of inflationary developments; but in a regime of widespread control and restriction, with gaps in information imposed by the necessity of secrecy, the question arises whether price indices, especially if of pre-war composition, retain any validity or significance. A war-time price may be artificial in several senses. It may be arbitrarily fixed by the Government, the cost of the commodity itself being subject to control. If the cost is not subject to control the selling price can be rendered artificial by subsidies. The country may secure commodities on favourable terms by bulk purchase or priority arrangements to the exclusion, partial or complete, of other buying countries. In that case the price, an actual one to the country itself, is an artificial one in relation to the world price. Further, the published quotations which furnish the material for an index may be misleading or inadequate. A c.i.f. price for an import may have a quite arbitrary element of freight charge, the quoted price may be c. and f., that is, without insurance, it may be f.o.b. plus a nominal addition, or the quotation may be purely nominal.

These complications do not mean that the validity of indices is completely destroyed, but that they are of more limited application. Thus if retail food prices are kept artificially low by subsidies, the cost of living index is still a valid measure of the purchasing power of wages in the country, since the prices are the actual prices paid in the shops. But the index is no longer valid for comparison with the indices of other countries for the purpose of detecting inflationary tendencies. On the other hand, a rise in a particular index is not necessarily a symptom of inflation. It may be brought about by increased taxation on articles entering into the index, and this development in itself contains no element of inflation. It is being argued at the moment that the proposed sales (or purchases) tax will bring about a rise in prices and start the vicious spiral. This argument is fallacious. Any additional money spent on articles affected by the sales tax will necessarily curtail expenditure on other commodities, in the absence of any credit expansion. A price index of the taxed commodities
would show a rise, but an index of other commodities would show a fall. In a comprehensive expenditure index the two movements would offset each other. Similar reactions should take place in the indices of wholesale prices. If the Government is subsidising one set of prices from the Exchequer, the taxation or borrowing required to furnish the subsidies reduces the effective demand for other commodities, with inevitable effect on their prices.

With the caution imposed by such considerations we may consider the comparative statistics of price movements in various countries during the first six months of the war. The following table shows the published price indices for selected countries reduced to the common base of the last pre-war month.

| 1939-Sept. | WHOLESALE PRICES INDICES. Prices in August, $1939=100$ |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | U.K. | U.S.A. Holland | Sweden | Switzerland | Belgium |
|  | 107 | 100107 | 106 | 109 | 119 |
| Oct. | 113 | 107114 | 112 | 112 | 123 |
| Nov. | 121 | 109118 | 115 | 114 | 129 |
| Dec. | 125 | 110120 | 119 | 117 | 133 |
| 1910-Jan. | 128 | 110123 | 122 | 118 | 139 |
| Feb. | 131 | 107 127 | 124 | 121 | 141 |
|  | Greece | Canada | S. Africa $\dagger$ | Australia | Japan |
| 1939-Sept. | 103 | 108 | - | 102 | 106 |
| Oct. | 104 | 109 | 107 | 107 | 107 |
| Nov. | 108 | 111 | 110 | 104 | 110 |
| Dec. | 112 | 112 | 114 | 104 | 115 |
| 1940-Jan. | 113 | 113 | 117 | 103 | 118 |
| Feb. | 114 | 113 | 110 | 102 | 116 |
| + \% of July, 1939. |  |  |  |  |  |

If the increases are placed in ascending order, the order of the countries almost coincides with that of geographical remoteness from the war.

PERCENTAGE INCREASE IN WHOLESALE PRICE INDICES. Aug.-Feb., 1939-40.


Since many of the commodities which enter into wholesale indices are obtained from overseas by European countries, this suggests that up to the present difficulties of import arising from shortage of shipping, blockade measures, insurances, delays and other complications have been more responsible for price increases than any financial developments of an inflationary character. It should be noted that over the period under consideration the currencies of Belgium, Holland, Sweden and Switzerland retained approximately the pre-war parity with the dollar.

The Bank of England Statistical Summary gives the following interesting comparison of price movements in the U.K. and the U.S.A. deduced from the same fifteen commodities.

PRICES OF PRIMARY COMMODITIES IN THE U.K AND U.S.A
(Week ending 19th August, $1939=100$ )
Foods Metals trialmaterials Total
1939 U.K. U.S.A. U.K. U.S.A. U.K. U.S.A. U.K. U.S.A $\begin{array}{lllllllll}\text { Sept. } 30 & 117.8 & 119.2 & 102.0 & 107.0 & 108.5 & 126.8 & 110 \cdot 3 & 118.2\end{array}$ $\begin{array}{llllllllll}\text { Oct. } 28 & 121.8 & 114.6 & 102.1 & 113.7 & 113.2 & 122 & 0 & 113.4 & 116.8\end{array}$ $\begin{array}{lllllllll}\text { Nov. } 25 & 124.5 & 112.8 & 104.3 & 112.8 & 128.5 & 121.8 & 120.0 & 115.7\end{array}$ $\begin{array}{lllllllll}\text { Dec. } 30 & 124.5 & 117.2 & 119.9 & 109.7 & 135 \cdot 6 & 131 \cdot 1 & 126.0 & 119.5\end{array}$

1940
$\begin{array}{llllllllll}J a n . ~ & 137 & 133.7 & 115 \cdot 9 & 118 \cdot 0 & 105 \cdot 6 & 134 \cdot 7 & 126 & 0 & 129 \cdot 6 \\ 116.2\end{array}$ $\begin{array}{llllllllll}\text { Feb. } 24 & 138^{\prime} 9 & 117 \cdot 1 & 120.2 & 103.6 & 135 & 125 \cdot 2 & 132.4 & 115 \cdot 9\end{array}$ $\begin{array}{lllllllll}\text { Mar. } 30 & 134.5 & 115 \cdot 8 & 120.6 & 102.8 & 111.3 & 120.1 & 132.8 & 113.6\end{array}$
Commodities. Wheat Maize, Sugar, Beef, Cottonseed Oil, Tea (U.K.), Coffee (U.S.A.
Pig-iron, Copper, Lead, Tin, Cotton, Wool Tops, Hides, Linseed, Rubber.

In the large table below are our comparable series based upon 35 items including all those in the Bank of England index except rubber.

The total index numbers for France, Belgium, Sweden and U.K. showed $30 \%$ increase or more since August, those for U.S.A., Canada and S. Africa less than $20 \%$ and New Zealand only $4 \%$. For foodstuffs alone France, Belgium and U.K. exceeded $30 \%$ increase, U.S.A. and Canada $20 \%$.

## WHOLESALE PRICES.

## COMPARATIVE INDEX NUMBERS FOR 11 COUNTRIES.

See Supplements for March, fune, September and December in 1938-39; before 1938 see Bulletins for these months. The table below gives comparable index-numbers of wholesale prices, based upon a list of commodities as nearly identical as possible for all the countries, and the same method of calculation and weighting is applied in each case. The index-numbers were described in detail in Special Memorandum No. 24.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { Ba-e } \\ & 1913 \\ & =100 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1939 |  |  |  |  |  |  |  |  |  | 1940 |  |  |  |
|  | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | $\begin{aligned} & \text { Year } \\ & 1925 \end{aligned}$ |
| FOOD- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United Kingdom U.S.A. | 56 62 | $\begin{aligned} & 56 \\ & 62 \end{aligned}$ | $\begin{aligned} & 58 \\ & 63 \end{aligned}$ | $57$ | 56 | 55 |  | $62 \pm$ | $67 \ddagger$ | $73 \ddagger$ | $78 \ddagger$ | 77\% | 75 | 159 |
| Sweden $\ldots$....... | 77 | 77 | $\begin{aligned} & 63 \\ & 78 \end{aligned}$ | $\begin{aligned} & 61 \\ & 77 \end{aligned}$ | 58 78 | 57 78 | 68 | $65$ | 66 | 70 | 71 |  |  | 151 |
| Holland ${ }^{\text {\% }}$..... | +0 +85 | 62 | 62 | 61 | 61 | 59 | 63 | $\begin{aligned} & 85 \\ & 64 \end{aligned}$ | $\begin{aligned} & 86 \\ & 65 \end{aligned}$ | $88$ | $\begin{aligned} & 88 \\ & 69 \end{aligned}$ |  |  | 160 |
| Germany ...... | 85 | 85 | 85 | 85 | 83 | 82 |  |  |  |  |  | 70 | 71 | 147 |
| Belgium......... | 108 | 110 | 111 | 108 | 104 | 103 | 121 | 122 | 121 | 128 | 134 |  |  | 128 |
| France ......... Italyt ........ | 134 | 128 | 126 | 125 | 122 | 117 | 118 | 119 | 139 | 128 | 168 | 136 | 143 | 649 504 |
| Canada .......... | 62 | 62 | 63 | 62 | 60 |  |  | 70 |  |  |  |  |  | 663 |
| New Zealand.. | 91 | 90 | 91 | 81 | 89 | 88 | 71 89 | 70 90 | 68 91 | 75 95 | 76 | 75 |  | 158 158 |
| S. Africa ..... |  | 90 |  |  | 89 |  |  | 92 | 91 | 91 | 91 |  |  | 158 |
| MATERIALS - |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United Kingdom |  | 74 | 75 | 76 | 76 | 78 | 84*** | 86** | 88** | 98** |  | 99** | $93^{*}$ * | 157 |
| U.S.A. Siveden | $\begin{aligned} & 66 \\ & 82 \end{aligned}$ | 65 83 | 66 | 65 | 65 | 65 | 69 | 74 | 73 | 74 | 75 | 99** | $93^{*}$ | 175 |
| Holland .......... | 82 54 | 83 54 | 84 55 | 85 | 85 | 87 | 100 | 118 | 126 | 127 | 1.29 |  |  | 141 |
| Germany ...... | 66 | 66 | 67 | 55 67 | 55 | 56 | 63 | 67 | 71 | 74 | , 6 | 77 | 78 | 148 |
| Belgium......... | 109 | 108 | 108 | 109 | 109 | 112 | 125 |  | 17 |  |  |  |  | 151 |
| France ......... | 135 | 136 | 138 | 140 | 140 | 141 | 148 § | 153§ | 168 S | $183 \$$ | 184 ¢, | 157 | 160 | 584 542 |
| Italyt............ |  |  |  |  |  |  |  | 1538 |  | 183 | 184. |  |  | 542 713 |
| Camada ......... | 65 | 65 | 66 | 66 | 66 | 66 | 72 | 74 | 75 | 77 | 77 | 77 |  | 170 |
| New Zealand.. S. Africa ..... | 90 | 90 | 90 | 90 | 91 | 91 | 91 | 92 | 94 | 94 |  |  |  | 165 |
|  |  | 7 |  |  | 74 |  |  | 80 | 84 | 90 | 9 ; |  |  | 161 |
| TO'AL- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United Kingdom | 67 | 67 | 68 | 68 | 68 | 69 | 74 | 76 | 78 | 88 | 91 | 90 | 89 | 158 |
| U.S.A. <br> Siveder | 64 80 | 64 81 | 65 | 63 | 62 | 62 | 69 | 70 | 70 | 72 | 73 |  |  | 165 |
|  | 80 56 | 81 57 | 82 | 80 | 8 | 83 | 93 | 105 | 119 | 111 | 113 |  |  | 149 |
| Germany | 74 | 74 | b8 74 | 57 74 | 57 73 | 57 | 63 | 66 | 69 | 71 | 73 | 74 | 75 | 148 |
| Belgium......... $\{$ | 109 | 109 | 109 | 109 | 107 | 108 | 123 | 128 | 131 | $\overline{8}$ | 144 | 147 |  | 142 |
|  | 47 | 47 | 47 | 47 | 46 | 47 | 53 | 54 | 55 | 158 | 61 | 14 | 153 | 610 |
| France ......... | 135 | 133 | 133 | 134 | 133 | 127 | 136 | 139 | 156 | 172 | 179 | 177 |  | 527 |
| Italyt............ | 46 | 45 | 45 | 45 | 45 | 43 | 39 | 40 | 44 | 49 | 51 | 61 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  | 693 |
| Canada ........ | 64 | 64 | 65 | 64 | 64 | 64 | 72 | 72 | 72 | 76 | 77 | 76 |  |  |
| New Zealand.. S. Africa ..... | 90 | 90 80 | 90 | 89 | 90 | 90 | 90 | 91 | 93 | 94 |  |  |  | 162 |
|  |  |  |  |  | 80 |  |  | 85 | 87 | 90 | 92 |  |  | 145 |

[^10]
# THE FREE STERLING RATE. 

By F. W. Paish.

THE recent fall in the so-called 'free sterling' rate on the New York market has attracted a good deal of attention, and though the total volume of transactions in sterling in this market is said to be relatively small, the question seems to be of sufficient importance to justify examination of the principles involved.

Until March 26th last, foreign owners of sterling balances were under no restriction as to their use. While transfers from British accounts to those of foreign residents were controlled, foreign residents were able to transfer sterling funds freely, either to other foreigners or to British residents, for any purpose. The only disability from which they suffered was that, if they wished to transfer their balances abroad, the exchange authorities might refuse to sell them foreign exchange at the official rates. In this case the only way for them to convert their sterling into foreign currency would be to sell it for what it would fetch in the New York market. Sales would necessarily be to other foreign residents, for British residents who come into the possession of dollars are legally obliged to sell them at once to the exchange authorities at the official rate. For the same reason, and also because of the restrictions on transfers of sterling from British to foreign accounts, British residents cannot sell sterling in New York. The transactions are thus wholly between foreign residents.

The rate on the New York market will normally stand at a perceptible discount, for sellers of sterling will have to offer some incentive to buyers to buy from them rather than from the authorities. The larger the discount, the greater the incentive to buy sterling in the free market, and the greater the reluctance to sell.

Apart from short-term speculators, who no doubt at times may have an important, though temporary, effect on the rate in either direction, foreign sellers of sterling on the New York market may be divided into two main categories -firstly, the holders of pre-war sterling balances or of the proceeds of sales of sterling securities, and secondly, the recipients of current sterling payments for imports, services, etc. Among buyers we may distinguish three main types: purchasers of British goods and services, invoiced in sterling ; foreigners who have sterling obligations to meet for pre-war debts and for dividends, interest, sinking funds, etc., on the many hundreds of millions of British investments in
non-empire countries ; and long-term investors or speculators, who are prepared to buy sterling or sterling securities to hold.

While the British authorities have no direct interest in the transfer of sterling balances from one foreigner to another, they have a considerable interest in the use which is made of the funds by the purchaser. If, for instance, a foreign exporter, paid in sterling, sells his pounds for dollars to a speculator who is prepared to hold them, the transaction is equivalent to a foreign sale on credit to this country, and, at least for the time being, enables imports to be increased without imposing any drain on our exchange reserves. Conversely, if the holder of a prewar sterling balance sells it to a foreign importer, who uses it to buy British goods for export, the proceeds of these exports are not available to pay for necessary imports, which must then be paid for out of our exchange reserves.

It is therefore clear that if foreign holders of sterling balances can be prevented from using them to pay for British exports, the direct effect will be to increase the flow of foreign exchange available for paying for imports. It is for this reason that, since March 26th, foreign owners of sterling balances have been prevented from using them to pay for British and empire exports of six important commodities-whisky, furs, tin, rubber, jute and jute manufactures, which must now be paid for either in approved foreign currencies or in sterling purchased from the exchange authorities at the official rate.

That the direct effect of these measures has been to increase the amount of foreign exchange sold to the authorities cannot be doubted. There are, however, certain indirect effects which require examination. Since foreign purchasers of these commodities no longer need to buy sterling in New York, the demand there for sterling has declined, and the rate has fallen from about $\$ 3.90$ in the $£$ to about $\$ 3.50$, and the discount on the official rate has widened from about $3 \%$ to about $12 \frac{1}{2} \%$. This widening of the discount has increased the incentive for foreigners to buy their sterling in the New York market instead of from the authorities, and also to insist, so far as possible, on British exports being invoiced in sterling instead of in foreign currencies, while British exporters will find it easier to sell goods invoiced in sterling as compared with goods invoiced in foreign currencies, and may be able in some cases to obtain a higher sterling price. Conversely, foreign exporters
will, where possible, invoice goods in foreign currencies, while British residents with payments to make abroad will increase their efforts to obtain foreign currencies from the exchange authorities. Thus the authorities will find that some of the dollars they used to buy for sterling will now be sold on the New York market, while the legitimate demands on them for foreign currencies will tend to increase. Hence some of the additional foreign exchange obtained from exports of the six commodities may be lost.

There are other indirect reactions to the fall in the free rate whose nature is less predictable. It will be convenient to examine separately the effects of a fall in the free rate upon the three sources of demand for sterling and two sources of supply distinguished earlier.

Buyers of sterling to pay for British goods invoiced in sterling will certainly increase their purchases. If British exporters were at once to increase their sterling prices in proportion to the fall in sterling, so that the dollar prices of British exports remained unchanged, the quantity of goods bought would presumably be also unchanged, and the quantity of sterling bought would rise in proportion to the fall in the rate, the quantity of dollars paid for it being unchanged. It is, however, exceedingly unlikely that the sterling prices will rise to this extent, though they may well show some increase. The dollar cost of British exports invoiced in sterling will therefore fall, and the quantity of exports bought and of sterling demanded will rise. It is, however, quite uncertain whether the increased demand for sterling will be greater or less than the fall in the rate, and, therefore, whether the quantity of dollars paid for the sterling will increase or decrease. For some types of goods, the quantity of dollars paid will no doubt show an increase, and for others a decrease. In existing conditions, and especially since the United States decision to calculate customs duties at the official rate, it seems quite possible that the effect of reducing the dollar price of British exports in this way will be that they will realise fewer dollars.

The same argument applies with even greater force to the purchases made by foreigners to meet interest, etc., payable in sterling. In this case the amount of sterling demanded is fixed, and the only effect of a fall in the rate is that foreigners are able to pay their debts with fewer dollars.

The effect on the demand for sterling by long-term speculators is uncertain. If they believe that the fall has reached its limit and that sooner or later the free rate will recover to or approach the official rate, the lower the free rate the more sterling they will be encouraged
to buy. On the other hand, if they think that a further fall is threatened-for instance, by the inclusion of further British exports among the list of those which cannot be bought with free sterling-their demand will temporarily decline. Even if the speculative demand for sterling increases, it is impossible to say whether the amount paid in dollars will also increase. It seems a priori likely that the amount paid in dollars by speculators will decline both when the discount is very large (because so much sterling can be bought for so few dollars) and when it is very small, because there is then little profit to go for. But within wide limits, the absolute level of the rate will be much less important than the direction in which it is expected to move.

On the supply side, the foreign holders of old sterling balances will be affected in exactly the same way as potential long-term speculators on the demand side. Prima facie, the lower the rate, the greater will be the cost of cutting the loss, the greater the incentive to hold for ultimate recovery, and the smaller the number of pounds sold. But this tendency may well be reversed, at least for a time, either if the owners of the balances think that the rate is likely to fall further, or if their expectations of an ultimate recovery are weakened.

Finally, those British importers, etc., who make payment in sterling, or in the currencies of countries with which there is no official rate of exchange, and where the market rates of exchange are based on the New York rate, will find that the sterling cost to them of the goods they import has risen. They will, therefore, reduce the quantity they buy and their total expenditure, expressed in terms of foreign currencies, will tend to fall. It is possible that this may lead to some fall in foreign prices, but in present conditions it is not likely that this fall will be equal to more than a small part of the fall in the rate, so that the sterling cost will still show a rise. Whether the total amount of sterling paid for the reduced quantity of goods imported will rise or fall is uncertain. In present conditions, where goods still imported are mainly those which are urgently needed, one would expect that the rise in the sterling price would cause a less than proportionate reduction in the quantity imported, and that the amount of sterling paid, and subsequently sold on the New York market, would tend to increase.

It is now possible to reach some conclusions about the identity of those who benefit by the fall in the free sterling rate and of those who suffer. Those who benefit are clearly (I) the foreign consumers of those British exports which are still allowed to be invoiced in sterling,
the exporters and manufacturers of such goods, and possibly those connected with such trades; (2) foreigners with sterling payments to make for interest, etc., who are automatically relieved of part of their burden ; and (3) foreign speculators, who, if free sterling ultimately recovers to the official rate will make larger profits. Those who suffer to provide these benefits are (I) the foreign holders of existing sterling balances, and (2) the British importers and consumers of foreign goods which are paid for in sterling or in foreign currencies where exchange rates move with the New York rate. Perhaps we should also add the foreign producers of goods which compete with the British exports.

Looking at the matter from a purely insular point of view, there is probably no reason to object to the results of a decline in the free rate in so far as it affects transactions between foreign owners of sterling balances and foreign speculators or payers of interest, etc. What one foreigner loses another gains, and provided that the total amount of sterling transferred from owners of old balances to payers of interest is not increased we lose nothing. The effect on transactions between holders of balances and foreign importers is less certain. In this case, a fall in the free rate is similar in its effects to a tax on sales of foreign balances of which the proceeds are used to subsidise exports. If the consequent increase in exports can be achieved without drawing seriously upon home resources which are badly needed for war purposes, and if their aggregate selling value in terms of foreign currencies rises by more than the foreign currency value of the additional imported materials required in their manufacture, this will be desirable. If not, it may merely result in a diversion of resources to exporting without a commensurate increase in their net yield of foreign exchange, or even to a fall in this net yield.

The same argument applies with even greater force to the loss suffered by British consumers of such imported goods as cannot be paid for in foreign currencies bought at official rates. In effect, these consumers are being taxed to provide subsidies (I) for foreign speculators ; (2) for foreign payers of sterling debts for interest, etc.; and (3) for certain British exports. The first two of these are clearly undesirable. The third is desirable, if at all, only if, firstly, the value of exports, expressed in dollars, shows an increase greater than the concomitant increase in the dollar cost of imported raw materials ; and secondly, if the increase in output of exported goods can be achieved without the disproportionate use of labour or other local resources which are badly needed for other work.

In spite of these difficulties, the British Government is of the opinion that the advantages obtained from insisting that certain exports shall be paid for in foreign exchange, or in sterling bought at the official rate, outweigh the concomitant disadvantages of a fall in the free rate, and it seems likely that further commodities will from time to time be added to the six already affected. The first commodities to be added should clearly be those which fail to satisfy the criteria mentioned above. It may also be found possible to make arrangements, like that now apparently in force in Argentina, whereby some at least of the sterling required by foreigners for interest payments is purchased from the official authorities. The undesirable secondary effects of the further withdrawal of demand for sterling on the free market and of the consequent fall in the free rate might be reduced by one or more of the following expedients :-
(I) The effects on the price of British imports might be obviated by extending the practice of paying for imports in foreign exchange bought at the official rate.
(2) If it is considered desirable to continue to pay for some imports in sterling, either because it is believed that such payments are more likely to be spent or kept in Britain or because it is desired to maintain the habit of sterling payments, it might prove possible to differentiate sterling balances transferred to foreigners in payment for current imports, etc., from other foreign-owned sterling balances. If, for instance, sterling paid for imports could be used for the purchase of any Empire exports which are allowed to be sold abroad, its discount on the free market would probably fall to a relatively small figure, while that for old balances would remain large.
(3) If a large discount on old balances were considered undesirable, for political or psychological reasons, it might prove possible to increase the investment demand for them. This might be done by formal Government guarantee to permit their transfer after the war at the present official rate (perhaps in the form of a long-period forward contract), thus reducing the risk. Alternatively, it might be possible to offer to their owners British Government medium- or long-term dollar bonds at the official rate of exchange. The resale of such bonds to British residents would be prevented by the existing restrictions on the transfer of sterling from British to foreign accounts. Either of these measures would have the additional advantage of checking the withdrawal of foreign funds, and so of increasing the amount of sterling which foreigners would be obliged to buy at the official rate.


STOCKS \& SHARES-

NEW CAPITAL ISSUESBANK CLEARINGS-

BANK OF ENGLANDPRINCIPAL BANKS-

TREASURY BILLS

Index Nos, of Prices and Yield as percentage of 1924 level; on 15th of month. For end of month flgures see Supplements, Sensitive Index.-Geometric Mean of monthly percentage changes,
Issues during month in Gt. Britain (a), for U.K. (b), for Abroad, excluding Government loans, etc.-As published Total of Town Clearings (i.e, excluding Metropolitan) of London Bankers' Clearing House for $S$ weeks covering Stock Exchange settlement days, Consols settlement day, and 4th of following month. Country Clearings London Bankers' Clearing House and Provincial Clearings for 11 towns-Proportionate totals for 24 working days. Deposits. 11th-17th of month. Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November 22 nd , 1928. Current Deposit and other accounts, etc. Before September, 1939, averages for the month of 9 clearing banks e. -excluding the National Bank, Ltd., and the District Bank), afterwards, data for last making up day of Issued by tender. Total of Bills issued by tender during 15 weeks preceding date of Fichequer Return. Otherwise issued Total of Treasury Bills in existence less those issued by tender Day-to-Day Rate and 3 Months' Rate, Averages for week ending 15th of month

PRICES AND WAGES.


PRICE OF GOLD-
PRICE OF SILVER-
BOARD OF TRADE INDEX Arerage (cash) Drice of bar silver for week ending 15th of month.-ECONOMIST
STATIST (SAUERBECK) Aised on new inder first published in Januars, 1035,-BOARD OF TRADE JOLRAAL.
INDICES-for 1924,-STATIST.
COST OF LIVING INDEX—Ministry of Labour's inder showing movement since 1094
living prevalent in working-class houscholds before the war. For ist of month, but placed the standard of
RETAIL FOOD PRICES-
As above, for food only.

OUTPUT AND INTERNAL ACTIVITY.

§ Ex Bank Holiday week but not Good Friday.

- Four weeks excluding holiday week.



Total for 4 weeks ending approximately at end of month-BOARD OF TRADE JOURNAL.
Output for standard four-week month, based upon monthly flgures issued by the BRITISH IRON AND STEEL FEDERATION.
Rayon, yarn and waste, derived from Excise Statistics,-DOARD OF TRADE JOURNAT
Revised index of value of sales in Departmental Stores, Co-operatives, multiple and independent shops. For discussion see Board of Trade Journal. Feb. 9th. 1939.-BANK OF ENGLAND. Co-operatives, multiple and independent shons. Dally averages, ex telegraph, telephone, savings bank and postal orders.-BOARD OF TRADE JOURNAL. Imports entered for home consumption.-BOARD OF TRADE JOURNAI. .
Tonnage of goods carried on the Railways of Great Britain during the month, excluding free-hauled Ionthly receipts for goods traffic, excluding cost of collection and delirery till January, 1928, then oxcluding recelpts for collection and delivery,-MINISTR $\bar{Y}$ OF TRANSPORT

## EXTERNAL TRADE．

|  | TOTAL IMPORTS（Values）． |  |  |  |  | NET IMPORTS Total． £ Mn． | EXPORTS OF U．K，GOODS（Values）． |  |  |  | GOLD． |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Food， Drink and Tobacco． £Mn． | Raw Materials． £Mn． | Manu－ factures． £Mn， | Total （including Miscellaneous） £Mn． |  |  | Food， Drink and Tobacco． £Mn． | Raw Materials． $£ \mathrm{Mn}$ ． | Manu－ factures． $£ \mathrm{Mn}$ ． | Total （including Miscellaneous） $£ \mathrm{Mn} .$ | ImPORTS £Mn． | Export <br> £Mn． |
| 1924 | 47.6 大 | 33.3 大 | $25^{\circ} 0$＊ | 106.4 大 $\dagger$ | 11.7 | 94．8 大 | $4 \cdot 7$ 大 | 8.9 大 | 51.6 ＊ | 66.8 | 3.0 | $4 \cdot 1$ |
| 1929 A | $44 \cdot 8$ | $28 \cdot 3$ | $27 \cdot 9$ | 101 | $9 \cdot 1$ | $92 \cdot 8$ | 6 | 6．6 | 47．8 | 60.8 | 5.2 | 6.5 |
| 1933 A | 28.5 | 15.0 | 126 | 56.5 | $4 \cdot 1$ | 52.4 | $2 \cdot 3$－ | $3 \cdot 8$ | 23.4 | 30.6 | 21.0 | 50 |
| 1934 Av．． | 29.1 | 17.5 | 14.3 | $61 \cdot 3$ | $4 \cdot 3$ | $57 \cdot 1$ | $2 \cdot 5$ | $4 \cdot 0$ | 25.4 | $33 \cdot 0$ | 21.9 | $\cdot 7$ |
| 1935 Av．． | $29 \cdot 9$ | 17.8 | 15.4 | 63.5 | 4.6 | 58.9 | $2 \cdot 5$ | 4.4 | 27.4 | $35 \cdot 5$ | 203 | 14.5 |
| 1936 Av．．． | $32 \cdot 2$ | $20 \cdot 8$ | 17.8 | $71 \cdot 1$ | $5 \cdot 1$ | 66.0 | 3.0 | $4 \cdot 3$ | 28.4 | 36．8 | 26.2 | 18.0 |
| 1937 Av．．． | 35.9 | $26 \cdot 3$ | 22.9 | $85 \cdot 7$ | $6 \cdot 3$ | 79.4 | 3.2 | $5 \cdot 4$ | $33 \cdot 7$ 30.5 | $43 \cdot 4$ $39 \cdot 3$ | 24.6 20.0 | 18.0 25.3 |
| 1938 Av．． | 36.2 | $20 \cdot 7$ | 19．5 | $77 \cdot 1$ | $5 \cdot 2$ | 71.9 | 3.0 | $4 \cdot 7$ | $30 \cdot 5$ | $39 \cdot 3$ | $20 \cdot 0$ | $25 \cdot 3$ |
| 1936 JULY | $29 \cdot 9 \quad 31 \cdot 1$ | 20．1 21．5 | $18.2 \quad 18.5$ | $68.7 \quad 71.6$ | $5 \cdot 0$ | $63.7 \quad 65 \cdot 9$ | $3.0 \quad 3.2$ | $4.6 \quad 4 \cdot 6$ | $31.5 \quad 30.3$ | $40 \cdot 1 \quad 39 \cdot 1$ | 41.5 | 3.2 |
| AUG． | 29.0 S0．6 | $18.820 \cdot 1$ | $17 \cdot 8 \quad 17 \cdot 4$ | $66^{\prime} 1 \quad 68 \cdot 6$ | 4.4 | 61.6184 .6 | $2.8 \quad 2.9$ | $4.0 \quad 4 \cdot 3$ | 27.5128 .3 | $35.3 \quad 36.5$ | 60.0 | 4.6 |
| SEPT | $32.938 \cdot 1$ | $19.6 \quad 29.7$ | $19 \cdot 1 \quad 19 \cdot 4$ | $71.9 \quad 75.5$ | 3.9 | $68 \cdot 0 \quad 69 \cdot 1$ | $3.0 \quad 2.9$ | $4 \cdot 3 \quad 4 \cdot 5$ | $28.8 \quad 29.6$ | $37 \cdot 0 \quad 37 \cdot 9$ | 33.6 | 3.9 |
| OCT． | 38.9 33．2 | $21.5 \leqslant 3.0$ | 19.818 .2 | $80.5 \quad 74.7$ | 4.5 | 76.1 68．2 | $\begin{array}{lll}3 \cdot 6 & 3 \cdot 1\end{array}$ | $4.8 \quad 4.4$ | 32.250 .1 | $41.8 \quad 38 \cdot 7$ | 19.8 | $18 \cdot 9$ |
| NOV | $\begin{array}{lll}37 \cdot 1 & 33.0\end{array}$ | $22822 \cdot 1$ | $18.4 \quad 17 \%$ | $78.7 \quad 73.2$ | $4 \cdot 3$ | $74 \cdot 3 \quad 67 \cdot 4$ | $3.8 \quad 3.0$ | 4.6 42 | $28.9 \quad 28.3$ | $38.4 \quad 36.5$ | 29.4 | $12 \cdot 9$ |
| DEC | $\begin{array}{lll}37.7 & 34.1\end{array}$ | $26.1 \quad 22 \cdot 1$ | $19 \cdot 2 \quad 19 \cdot 5$ | $83.7 \quad 76.4$ | $6 \cdot 1$ | $77.6 \quad 70 \cdot 4$ | $3.4 \quad 3 \cdot 3$ | $4.9 \quad 4.9$ | $30.3 \quad 30 \cdot 9$ | 40.542 .0 | 35.8 | 15.8 |
| 1937 | $32.038 \cdot 2$ | $25 \cdot 7 \quad 29.0$ | $\begin{array}{lll}17.6 & 18.6\end{array}$ | $75 \cdot 7 \quad 73.2$ | 51 | $\begin{array}{ll}70.6 & 67 \%\end{array}$ | $3.0 \quad 2.9$ | $5 \cdot 1 \quad 5 \cdot 2$ | $29.9 \quad 29.9$ | $39 \cdot 1 \quad 39 \cdot 1$ | 11.8 | 17.0 |
| FEB． | 30.734 | 22.1 28．9 | 18.6 20．6 | $71.7 \quad 78.1$ | 6.9 | $64.8 \quad 70 \cdot 2$ | $\begin{array}{ll}3.1 & 3.4\end{array}$ | 4.9 5．2 | 29．7 71.6 | $38 \cdot 6 \quad 41 \cdot 2$ | 41.7 | $17 \cdot 3$ |
| MAR． | 35.3 35．8 | $25 \cdot 0 \quad 24 \cdot 2$ | $22 \cdot 1 \quad 21 \cdot 1$ | 82.9 81．6 | 6.7 | $76.2 \quad 78.0$ | $2.9 \quad 3.0$ | $5 \cdot 3 \quad 5 \cdot 3$ | 34.232 .9 | $43.5 \quad 42 \cdot 3$ | 37.6 | 21.9 |
| APR． | 32.986 .1 | $26.0 \quad 26.4$ | $23 \cdot 6 \quad 24.0$ | $83.0 \quad 87 \cdot 1$ | $7 \cdot 3$ | $\begin{array}{lll}75.7 & 83.0\end{array}$ | $3 \cdot 1 \quad 3.5$ | $5.6 \quad 5.9$ | 33.434 .5 | $43.0 \quad 44.8$ | 33.1 | 310 |
| MAY． | $34.2 \quad 34 \cdot 4$ | $25 \cdot 6 \quad 25 \cdot 6$ | 22.922 .7 | 83.2 83．2 | $7 \cdot 4$ | $\begin{array}{ll}75 \cdot 8 & 77.0\end{array}$ | 3.183 | $5 \cdot 5 \quad 5 \cdot 2$ | $\begin{array}{lll}33 \cdot 3 & 32.8\end{array}$ | $42 \cdot 7 \quad 42 \cdot 1$ | 11.7 | 21.7 |
| JUNE | $\begin{array}{lll}35 \cdot 8 & 36.9\end{array}$ | 27.4 28．7 | $24.4 \quad 25.3$ | 88.2 91．5 | $7 \cdot 1$ | $81.1 \quad 85 \cdot 4$ | $3.0 \quad 3.4$ | $5.7 \quad 5.9$ | $34.7 \quad 37 \cdot 0$ | $44 \cdot 4 \quad 47 \cdot 4$ | 320 | $27 \cdot 7$ |
| JULY | $34.0 \quad 35.4$ | $26 \cdot 3 \quad 28 \cdot 1$ | $24.6 \quad 25.1$ | 85.5 86．2 | 6.8 | 78.7 89．7 | $3.3 \begin{array}{ll}3.5\end{array}$ | $6.0 \quad 5.9$ | $\begin{array}{lll}37.4 & 36.0\end{array}$ | $476 \quad 46 \cdot 3$ | $44 \cdot 1$ | 18.9 |
| AUG． | $34.8 \quad 56.6$ | $26.7 \quad 28.6$ | $24 \cdot 7 \quad 24 \cdot 1$ | 86.6 89．8 | 6.9 | $80.0 \quad 84.0$ | 3.0 | $5 \cdot 3 \quad 5 \%$ | 33.434 .4 | $42 \cdot 5 \quad 44 \cdot 1$ | $30 \cdot 7$ | 6.6 |
| SEPT． | $36.2 \quad 56.4$ | $26.5130 \cdot 8$ | $24.6 \quad 24 \cdot 9$ | $87 \cdot 8 \quad 92 \cdot 7$ | $5 \cdot 2$ | 82.683 .9 | $3.4 \quad 3.4$ | $5.4 \quad 5.7$ | $34.5 \quad 35.5$ | $44 \cdot 3 \quad 45 \cdot 6$ | 15.4 | 21.6 |
| OCT．． | $43 \cdot 4 \quad 37 \cdot 1$ | $27 \cdot 9 \quad 29 \cdot 9$ | 24.422 .4 | 96.2 89．9 | $5 \cdot 7$ | $90.5 \quad 81 \cdot 1$ | $3.4 \quad 2.9$ | $5 \cdot 8 \quad 5 \cdot 3$ | $36 \cdot 7 \quad 34 \cdot 4$ | $47 \cdot 2 \quad 43 \cdot 8$ | $12 \cdot 7$ | 14.6 |
| NOV． | $\begin{array}{lll}43 \cdot 1 & 38 \cdot 4\end{array}$ | $28.3 \quad 27.4$ | $25 \cdot 3 \quad 24 \cdot 3$ | $97.3 \quad 90 \cdot 7$ | $5 \cdot 3$ | $91.9 \quad 82 \cdot 0$ | 4.0 S．2 | $5 \cdot 3 \quad 5 \cdot 0$ | 34.734 .9 | $45.2 \quad 43 \cdot 4$ | 12.9 | 90 |
| DEC．．． | $42.8 \quad 38 \cdot 7$ | $27 \cdot 3 \quad 23 \cdot 1$ | $23.3 \quad 23.6$ | 94.3 86．3 | $5 \cdot 0$ | $89 \cdot 3 \quad 80 \cdot 6$ | $\begin{array}{lll}3.5 & 3.3\end{array}$ | $4.9 \quad 4.9$ | $33.3 \quad 34.0$ | $43.9 \quad 44 \cdot 4$ | $11 \cdot 3$ | $8 \cdot 3$ |
|  | $\begin{array}{lll}36.1 & 36.8\end{array}$ | $25 \cdot 7$ 22．0 | 22.523 .8 | 849 822 | $4 \cdot 8$ |  | 3．0 3.0 | 4.7 4．7 | 32.6 32．6 | 41.2 41．2 | $12 \cdot 7$ | $7 \cdot 3$ |
| FEB． | $33 \cdot 2 \quad 87 \cdot 2$ | $22.5 \quad 23 \cdot 3$ | 19.5 \＆ 1.6 | 75.7 82．6 | $5 \cdot 5$ | $70 \cdot 2 \quad 76 \cdot 1$ | $2.8 \quad 3.0$ | 4.24 .5 | $29.7 \quad 31.5$ | $37.5 \quad 39 \cdot 8$ | 14.8 | 4.6 |
| MAR | 37.1 S8．0 | $24.0 \quad 23.3$ | 23.2 22．1 | 84.9 84．0 | $5 \cdot 5$ | $79.4 \quad 81.3$ | $2.8 \quad 2.9$ | $4 \cdot 9 \quad 4 \cdot 9$ | $\begin{array}{lll}33.5 & 32.3\end{array}$ | 42.2 4i．1 | 28.8 | $13 \cdot 0$ |
| APR． | 32.1 S5：2 | $21.5 \geqslant 1.9$ | $19.720 \cdot 0$ | $73.7 \quad 77.5$ | 5：0 | $68.7 \quad 75 \cdot 3$ | $2.4 \quad 2.7$ | $4.5 \quad 4.7$ | $29.3 \quad 30 \cdot 4$ | $37.3 \quad 38.9$ | 20.6 | $9 \cdot 9$ |
| MAY | 35.235 .5 | $20.420 \cdot 3$ | 19.419 .3 | $75.4 \quad 75.5$ | $7 \cdot 2$ | $68.2 \quad 69.3$ | $2.8 \quad 3.0$ | $4.9 \quad 4.7$ | 29．5 29：2 | $38.2 \quad 37 \cdot 9$ | 27.4 | $7 \cdot 8$ |
| JUNE | $\begin{array}{lll}38.4 & 59.7\end{array}$ | $19.4 \quad 20 \cdot 4$ | $18.1 \quad 18.7$ | $76.5 \quad 79.4$ | $5 \cdot 0$ | $71.5 \quad 75 \cdot 7$ | $2.7 \quad 3.0$ | $4.5 \quad 4.7$ | $\begin{array}{llll}28.8 & 30 \cdot 7\end{array}$ | $36.9 \quad 39 \cdot 3$ | $29 \cdot 6$ | 11.5 |
| JULY | $\begin{array}{lll}36.3 & 37.8\end{array}$ | 19.220 .5 | $17.7 \quad 18.0$ | 73.9 77．0 | 4.6 | 69．3 72.9 | $2.9 \quad 3.0$ | $4.7 \quad 4.7$ | $29.0 \quad 27.9$ | $37.5 \quad 36.5$ | 16.0 | $11 \cdot 1$ |
| AUG． | $\begin{array}{llll}35 \cdot 1 & 37 \cdot 0\end{array}$ | $20.3 \quad 21.8$ | $18 \cdot 0 \quad 17 \cdot 6$ | $74 \cdot 1 \quad 77 \cdot 1$ | $5 \cdot 0$ | $69 \cdot 1 \quad 72.5$ | $3.0 \quad 3.1$ | 4.54 .9 | $28.0 \quad 28.9$ | $36 \cdot 3 \quad 37 \cdot 7$ | $12 \cdot 9$ | $27 \cdot 9$ |
| SEPT | $37.7 \quad 38.0$ | 18.020 .9 | 18.718 .9 | $75.0 \quad 78.4$ | 4.0 | $71.0 \quad 22.1$ | $3.1 \quad 3.0$ | $4.6 \quad 4.9$ | 31.138 .0 | $39.8 \quad 40 \cdot 9$ | 36.4 | $90 \cdot 3$ |
| OCT． | $\begin{array}{lll}39.3 & 38.6\end{array}$ | 19.020 .3 | $20.2 \quad 18.6$ | $79.0 \quad 73.0$ | $5 \cdot 4$ | 73.665 .9 | $3.7 \quad 3.2$ | $5: 3 \quad 4.9$ | $\begin{array}{llll}32 \cdot 3 & 30 \cdot 3\end{array}$ | 42.6 39．7 | 29.4 | $73 \cdot 5$ |
| NOV．． | $\begin{array}{lll}39.1 & 34 \cdot 8\end{array}$ | $18.7 \quad 18.1$ | $\begin{array}{lll}19.7 & 18.9\end{array}$ | $78.0 \quad 72.3$ | $5 \cdot 1$ | $72.9 \quad 66.1$ | $3.8 \quad 3.0$ | 5.450 | 32.531 .8 | $42.9 \quad 41 \cdot 0$ | 3.9 | 24.4 |
| DEC． 1939 | $\begin{array}{lll}35 \cdot 4 & 32 \cdot 1\end{array}$ | $19.8 \quad 16.8$ | $\begin{array}{lllllllllll}17 & 18.1\end{array}$ | $74 \cdot 1 \quad 68 \cdot 1$ | $4 \cdot 8$ | $69 \cdot 3 \quad 62 \cdot 6$ | $\begin{array}{lll}3.0 & 2.9\end{array}$ | 4646 | $29.430 \cdot 0$ | $39 \cdot 1 \quad 396$ | 7.5 | 21.7 |
| JAN．．． | $35.0 \quad 35.2$ | $21.5 \quad 18.4$ | 18.419 .4 | $75.6 \quad 78.7$ | 4.6 | 71.068 .1 | $3.1 \quad 3.0$ | $4.7 \quad 4.7$ | $30 \cdot 4 \quad 30 \cdot 5$ | $39 \cdot 5 \quad 39 \cdot 5$ | 4.7 | 12.5 |
| FEB．． | 30.2838 .9 | $17 \cdot 2 \quad 17 \cdot 7$ | $\begin{array}{lll}17.6 & 19.5\end{array}$ | $65.5 \quad 71.6$ | $4 \cdot 8$ | $60.7 \quad 65.9$ | $2 \cdot 5 \quad 2 \cdot 7$ | $4 \cdot 3 \quad 4.5$ | $30 \cdot 4 \quad 32 \cdot 3$ | $38.1 \quad 40 \cdot 4$ | $3 \cdot 5$ | $35 \cdot 1$ |
| MAR． | $\begin{array}{lll}35.7 & 36.5\end{array}$ | 19.619 .0 | $\begin{array}{lll}21.9 & 20 \cdot 9\end{array}$ | $78.0 \quad 77 \cdot 2$ | 4.9 | 75.1874 .9 | $3.1 \quad 3.2$ | $4 \cdot 8 \quad 4 \cdot 8$ | $32.7 \quad 31.4$ | $41.6 \quad 40 \cdot 4$ | 128 | $68 \cdot 3$ |
| APR． | $30.3 ~ 33.3$ | $\begin{array}{lll}19.5 & 19.9\end{array}$ | $19.7 \quad 20.0$ | $70.1 \quad 78.8$ | 4.6 | 65.5 71．9 | $2.4 \quad 2.7$ | $4.2 \quad 4 \cdot 3$ | 27.428 .4 | 35.136 .5 | $62 \cdot 0$ | $87 \cdot 9$ |
| MAY | 33.6 | 22.822 .7 | 21.5121 .3 | $78.5 \quad 78.5$ | 5.0 | $\begin{array}{ll}73.5 & 74 \cdot 7\end{array}$ | $\begin{array}{lll}3.2 & 3.4\end{array}$ | $5 \cdot 4 \quad 5 \cdot 1$ | 32.7132 .3 | $42 \cdot 3 \quad 41 \cdot 8$ | 31.9 | $94 \cdot 7$ |
| JUNE．． | 36.1 87．2 | 22.128 .2 | $23.3 \quad 24.2$ | 82．2 85.3 | $4 \cdot 3$ | 77.982 .4 | $\begin{array}{ll}3.4 & 3.8\end{array}$ | $5.2 \quad 5 \cdot 4$ | $30.5 \quad 32 \cdot 5$ | $39.9 \quad 42.5$ | $17 \cdot 6$ | $28 \cdot 7$ |
| JULY | 32.9137 .3 | $21.5 \quad 22 \cdot 7$ | $23.5 \quad 28.9$ | 78.3 81．5 | $3 \cdot 7$ | $74.6 \quad 78.4$ | $3 \cdot 0 \quad 3 \cdot 1$ | $5 \cdot 3 \quad 5.3$ | $31.0 \quad 29.9$ | $40 \cdot 4 \quad 39.4$ | 11.9 | $43 \cdot 4$ |
| AUG． | $\begin{array}{lll}346 & 36.4\end{array}$ | 22.228 .9 | 23.683 .1 | $81 \cdot 1 \quad 81 / 1$ | $4 \cdot 5$ | 76.68084 | $3 \cdot 318.4$ | $4.4 \quad 4.8$ | $28.5 \quad 29.4$ | $37 \cdot 1 \quad 38 \cdot 5$ |  | 1 |
| SEPT | $\begin{array}{ll}23.0 & 23.2 \\ 29.8 & 25.5\end{array}$ | $\begin{array}{lll}13.5 & 15 \cdot 7\end{array}$ | 13.0 | $49 \cdot 9 \quad 52 \cdot 6$ | 2.4 | $\begin{array}{lll}47.6 & 48.3\end{array}$ | $\begin{array}{ll}2 \cdot 1 & 1.8\end{array}$ | $2.9 \quad 3.0$ | $\begin{array}{lll}17 \cdot 4 & 17 \cdot 9\end{array}$ | $23.1 \quad 23.4$ |  |  |
| OCT． | 29.825 .5 | $\begin{array}{lll}15.9 & 17.0 \\ 23.7 & 98.9\end{array}$ | 15.714 .4 | $61.8 \quad 57 \cdot 3$ | 2.0 | 59.8 1．3．6 | 2.21 .9 | $3 \cdot 8 \quad 3 \cdot 5$ | 18.016 .9 | $24.6 \quad 22.9$ |  |  |
| NOV．． | 38.6 <br> 24.4 <br> 42.8 <br> 8.7 | $\begin{array}{ll}23 \cdot 7 & 22.9 \\ 23.2 & 19.6\end{array}$ | $21.2 \quad 20 \cdot 4$ | $\begin{array}{ll}84.0 & 78.2 \\ 86.6 & 78.0\end{array}$ | 2.7 | $\begin{array}{ll}81 \cdot 2 & 73 \cdot 7\end{array}$ | $\begin{array}{ll}3.6 & 2.8 \\ 3.8 & \end{array}$ | $5.0 \quad 4.6$ | $28.0 \quad 27.5$ | $37 \cdot 4 \quad 35 \cdot 7$ |  |  |
| DEC． 1940 | 42.838 .7 | $\begin{array}{lll}23.2 & 19.6\end{array}$ | $20.020 \cdot 3$ | 86.6 79．2 | $2 \cdot 5$ | 84.1 76．0 | $3.8 \quad 3.7$ | $4.6 \quad 46$ | $30.6 \quad 31.8$ | $40.2 \quad 40 \cdot 8$ |  |  |
| JAN．．． | $46.0 \quad 46.3$ | $31.5 \quad 27.0$ | $26.6 \quad 28.1$ | $105.0 \quad 103.7$ | 3.7 | $101 \cdot 3 \quad 97 \cdot 1$ | $3.8 \quad 3.8$ | 4.64 .7 | $\begin{array}{lll}31.8 & 31.8\end{array}$ | 41.1 41．2 |  |  |
| FEB． | $\begin{array}{lll}37.9 & 41.0\end{array}$ | $\begin{array}{ll}33.0 & 32.9\end{array}$ | $24.2 \quad 25.9$ | $95.6 \quad 100 \cdot 3$ | $2 \cdot 4$ | 93．2 $\quad 97 \cdot 6$ | $2 \cdot 9 \quad 3 \cdot 1$ | 4.3 4．4 | $29.730 \%$ | $37.4 \quad 38.4$ |  |  |
| MAR． | 43.7448 | 34.783 .7 | $\begin{array}{ll}29.6 & 28.3\end{array}$ | $108.5 \quad 107 \cdot 3$ | 3.6 | 104．9 107\％4 | $2.9 \quad 8.0$ | $4.1 \quad 4.1$ | $33.5 \quad 32 \cdot 2$ | $41.6 \quad 40 \cdot 4$ |  |  |



SHIPPING-ENTERED
SHIPPING FREIGHTS-
UNEMPLOYMENT-
INSURED PERSONS -

Tonnage of British and Foreign vessels entering and leaving British ports with cargoes during month,-BOARD
OF TRADE MONTHLY ACCOUNTS OF TRADE \& NAVIGATION.
Chamber of Shipping index number as published by "The Statist." For description see Journal of RSS. Part I.
1938.-PREPARED BY DR. ISSERLIS.

Number of books lodged at Labour Exchange on or about 25th of month to September, 1937, thereafter one week earlier.-MINISTRY OF LABOUR GAZETTE

## FOREIGN EXCHANGES．

|  | average of daily rates． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Paris } \\ & \text { f. to } £ \end{aligned}$ | $\begin{aligned} & \text { Brus. } \\ & \text { sels } \\ & \text { b. to } £ \end{aligned}$ | $\begin{aligned} & \text { Milan } \\ & \text { 1. to } £ \end{aligned}$ | $\begin{aligned} & \text { Amster- } \\ & \text { dame } \\ & \text { fl. to } £ \end{aligned}$ | $\begin{aligned} & \text { Zurich } \\ & \text { f. to } £ \end{aligned}$ | $\begin{aligned} & \text { Stock- } \\ & \text { holm } \\ & \text { kr. to } £ \end{aligned}$ | Copen－ <br> hagen <br> kr．to |  | $\begin{aligned} & \text { vYork } \\ & \text { to } £ \end{aligned}$ | $\begin{gathered} \text { Mon- } \\ \text { treal } \\ \text { \$ to } \end{gathered}$ | $\begin{aligned} & \text { Buenos } \\ & \text { Aires§ } \\ & \text { p. to } £ \end{aligned}$ | Rio de Janeiro d．per mil． | Bombay <br> d．per rup． | $\underset{\text { kong }}{\text { Hong }}$ <br> ${ }_{\text {d．per }}^{\text {kong }}$ | Kobe <br> d．peryen |
| See Earlifr Bulletins For 1919 to 1935 Ratrs，also for Berlin，Prague and Warsaw． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN． | 74.86 74.84 | $29 \cdot 29$ | $61 \cdot 71$ | $\begin{aligned} & 728 \\ & 7.08 \end{aligned}$ | $\begin{aligned} & 15 \cdot 19 \\ & 15: 14 \end{aligned}$ | $\begin{aligned} & 19 \cdot 40 \\ & 19 \cdot 40 \end{aligned}$ | $\begin{aligned} & 22 \cdot 40 \\ & \leftarrow 2 \cdot 40 \end{aligned}$ | $\begin{aligned} & 4.960 \\ & 4.996 \end{aligned}$ |  | $\begin{aligned} & 4.963 \\ & 4.993 \end{aligned}$ | $18 \cdot 24$ 18.07 | 2.68 2.74 | 18．152 | 15.66 15.74 | $\begin{aligned} & 14.04 \\ & 14.08 \end{aligned}$ |
| MAR． | 74.84 74.92 | 29.28 | 62.35 | 7.27 | 15.14 | $19 \cdot 40$ | $22 \cdot 40$ | 4．971 |  | 4．977 | 18.04 | $2 \cdot 73$ | 18.125 | 15.93 | 13.98 |
| APR． | $75 \cdot 00$ | 29．22 | 62．66 | 7.28 | 1517 | $19 \cdot 40$ | $22 \cdot 40$ | 4.944 |  | 4．967 | 17.98 | $2 \cdot 71$ | $18 \cdot 125$ | 15.80 | 14.03 |
| MAY | $75 \cdot 47$ | 29－35 | 63.03 | $7 \cdot 35$ | $15 \cdot 36$ | 19.40 | $22 \cdot 40$ | 4．971 |  | 4.979 | 18.00 | 2.71 2.72 | $18 \cdot 125$ | 15.71 | 14 |
| JUNE | 76.14 | 29.70 | $63 \cdot 84$ | 7.42 | 15.48 | 19.40 | $22 \cdot 40$ | 5.020 |  | 03 | $18 \cdot 13$ | $2 \cdot 72$ | 18．125 | 15.44 |  |
| $\begin{aligned} & \text { JULY } \\ & \text { AUG. } \\ & \text { SEP. } \\ & \text { OCT. } \\ & \text { NOVV. } \\ & \text { DEC. } \\ & 1937 \end{aligned}$ |  |  | 63.65 | $7 \cdot 38$ | $15 \cdot 35$ | $19 \cdot 40$ | 22.40 | 5.023 |  | 5.027 | 18.42 |  |  |  |  |
|  | $76 \cdot 33$ | 29．81 | 63.84 | 7.40 | 15.42 | 19.40 | 22.40 | 5.028 |  | 5.026 5.039 | 18.02 17.76 | 2.80 2.81 | $18 \cdot 125$ $18 \cdot 125$ | 14.90 14.86 | $\begin{aligned} & 14.05 \\ & 14.04 \end{aligned}$ |
|  | $\begin{array}{r}76.74 \\ \hline 105.09\end{array}$ | 29.84 29.10 | 64.26 92.96 | 7.58 9.13 | 16.01 21.31 | 19.40 19.40 | $22 \cdot 40$ $22 \cdot 40$ | 5.041 4.900 |  | 5.039 4.898 | 17.76 17.56 | 2.81 2.87 | $18 \cdot 125$ 18 | 14.86 14.88 | 14.03 |
|  | 105.09 105.17 | ${ }_{28}^{29.10}$ | $92 \cdot 96$ 92.86 | 9.13 9.05 | $21 \cdot 31$ 21.27 | 19.40 19.40 | 22.40 $22 \cdot 40$ | 4.900 4.888 |  | 4.898 4.880 | 17.56 17 | 2.87 2.89 | ${ }_{18}^{18.125}$ | 14.88 14 | 14.03 |
|  | 105．14 | 29．03 | 93．19 | 8.99 | 21.35 | $19 \cdot 40$ | $22 \cdot 40$ | 4.907 |  | 4．903 | 16.42 | $2 \cdot 93$ | $18 \cdot 144$ | 14.93 | 13.96 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $\begin{aligned} & 1937 \\ & \text { JAN. } \\ & \text { FEB. } \end{aligned}$ | 105．14 | 29. | 93.23 | 8. | $21 \cdot 39$ | 19.40 | $22 \cdot 40$ | 4.908 |  | 4.909 | 16.16 | 2.95 | $18 \cdot 151$ | 95 | 95 |
|  | 105•11 | 29.02 | 92．99 | 8.95 | 21.44 | $19 \cdot 40$ | $22 \cdot 40$ | 4.894 |  |  |  |  | 18.142 |  |  |
| FEB． <br> MAR | 106．31 | 28.99 | 92.81 | 8.93 | 21.43 | $19 \cdot 40$ | $22 \cdot 40$ | 4.885 |  | 4.882 | 16.23 | 3.01 | 18.125 | 14.94 | 14.00 |
| MAR． | 109．31 | $29 \cdot 15$ | $93 \cdot 40$ | 8.98 | 21.54 | $19 \cdot 40$ | $22 \cdot 40$ | 4．916 |  | 4.909 | 16.17 | 3.07 | 18.125 | 14.94 | 14.00 |
| $\begin{aligned} & \text { MAY } \\ & \text { JUNE } \end{aligned}$ | 110．32 | 29．28 | 93＇85 | 8.99 | 21.60 | 19.40 | $22 \cdot 40$ | 4.939 |  | 4.931 | 16.24 | $3 \cdot 13$ | 18.125 | 14.91 | 14.00 |
|  | 110.82 | 29．26 | $93 \cdot 80$ | 8.98 | 21.57 | 19.40 | $22 \cdot 40$ | 4.935 |  | 4.937 | 16.20 | $3 \cdot 22$ | $18 \cdot 125$ | 14.78 | 13.98 |
| JULY | $130 \cdot 34$ | $29 \cdot 50$ | $94 \cdot 34$ | 9.01 | 21.67 | $19 \cdot 40$ | $22 \cdot 40$ | $4 \cdot 966$ |  | 4.972 | 16.43 | 3.22 | 18.125 | 14.68 | 13.97 |
| AUG． | $132 \cdot 85$ | 29．59 | 94.67 | $9 \cdot 03$ | 21.70 | $19 \cdot 40$ | $22 \cdot 40$ | $4.983$ |  | 4．983 | 16.49 | $3 \cdot 15$ | $18 \cdot 125$ | 14.92 | 14.00 |
|  | 140：37 | 29.42 | $94 \cdot 14$ | 8.98 | 21.57 | 19.40 | $22 \cdot 40$ | 4.961 |  | 4．954 | 16.50 | $3 \cdot 12$ | $18 \cdot 125$ | 15.00 | 14.00 |
|  | 147.97 | 29－39 | 94－18 | 8.96 | 21.52 | 19.40 | $22 \cdot 40$ | 4.956 |  | 4．954 | 16.56 | $2 \cdot 83$ | $18 \cdot 125$ | 15.00 | 14.00 |
| $\begin{aligned} & \text { OCT. } \\ & \text { NOV. } \end{aligned}$ | 14719 | $29 \cdot 37$ | 94.91 | 9.01 | 21.58 | 19.40 | $22 \cdot 40$ | 4．994 |  | 4.990 | 16.86 | $2 \cdot 77$ | $18 \cdot 125$ | 15.00 | 14.00 |
| DEC． | 14716 | $29 \cdot 41$ | 94.99 | 8.99 | 21.61 | 19.40 | $22 \cdot 40$ | 4．997 |  | 4．998 | 17.01 | $2 \cdot 64$ | $18 \cdot 125$ | 15.00 | 14.00 |
| 1938 | 149：89 |  | 95．00 |  | $21 \cdot 62$ | 19.40 |  | 5.000 |  |  |  | ＊2．83什 | 18.125 |  |  |
|  | 152.87 | 29：56 | 95：37 | 8.97 | $21 \cdot 60$ | $19 \cdot 40$ | $22 \cdot 40$ | 5．018 |  | $5 \cdot 016$ | 18.83 | ＊2．82 $+\dagger$ | $18 \cdot 125$ | 15.00 | 14.00 |
| FEB． MAR． | 159.63 | 29．53 | 94.75 | 8.97 | 21.63 | 19.40 | $22 \cdot 40$ | 4.985 |  | $4 \cdot 997$ | 19.39 | 2．81－t | 18.125 | 14.92 | 13.96 |
|  | 160.90 | 29.54 | 94．63 | 8.96 | 21.67 | 19.40 | $22 \cdot 40$ | 4.979 |  | 5.005 | 19.46 | $2.81 \pm+$ | 18.051 | 14.84 | 14.00 |
| $\begin{aligned} & \text { MAY } \\ & \text { JUNE } \end{aligned}$ | $175 \cdot 14$ 178.17 | $\begin{aligned} & 29 \cdot 50 \\ & 29.23 \end{aligned}$ | $\begin{aligned} & 94: 43 \\ & 94 \cdot 22 \end{aligned}$ | $\begin{aligned} & 8.97 \\ & 8.96 \end{aligned}$ | $\begin{aligned} & 21 \cdot 75 \\ & 21.66 \end{aligned}$ | 19.40 19.40 | $\begin{aligned} & 22 \cdot 40 \\ & 22: 40 \end{aligned}$ | 4.965 4.960 |  | $\begin{aligned} & 5.007 \\ & 5.012 \end{aligned}$ | $\begin{aligned} & 19.00 \\ & 19.02 \end{aligned}$ | 2．81t＋ | $\begin{aligned} & 17.910 \\ & 1: 795 \end{aligned}$ | $\begin{aligned} & 14.91 \\ & 14.94 \end{aligned}$ | 14.00 14.00 |
| JULY |  | 29.14 |  | 8.95 | 21.54 |  | 22.40 |  |  |  |  |  | 17.004 | 14.99 |  |
| AUG． | 178.55 | $28 \cdot 92$ | 92．75 | 8.94 | 21.32 | 19 －40 | $22 \cdot 40$ | 4.881 |  | 4．897 | 18.87 | 2．88．t | 17.897 | 15.00 | 14.00 |
|  | 178.42 | 28.45 | 91－27 | 890 | 21．25 | $19 \cdot 40$ | $22 \cdot 40$ | 4．805 |  | 4．831 | 19：00 | $2 \cdot 93$ 抽 | 17.902 | 15.00 | 14.00 |
| OC1． NOV | 178.71 | 28.20 | 90.64 | 8.77 | 20.99 | $19 \cdot 40$ | $22 \cdot 40$ | $4 \cdot 769$ |  | 4．812 | 18.99 | $2 \cdot 98$. | 17.933 | 14.97 | 14.00 |
| NOV．DEC． | 178.68 | 27.84 | ¢9 51 | 8.67 | 2079 | 19.40 | $22 \cdot 40$ | $4 \cdot 710$ |  | 4.742 | 20.09 | 3．02t $\dagger$ | 1796 | 14.94 | 14.00 |
|  | $177 \cdot 48$ | $27 \cdot 72$ | 88.75 | 8.59 | $20 \cdot 65$ | 19.40 | 22．40 | 4.671 |  | 4．706 | 20.55 | $3.66 \ddagger+$ | 17.923 | 15.00 | 14：00 |
| JAN． | 17749 |  |  |  | 20 | $19 \cdot 40$ | $22 \cdot 40$ | $4 \cdot 6$ |  | 4．705 | 20 |  | 17．037 | 15.00 | 14.00 |
| FEB． | 176．98 | 27.79 | 89：05 | 8.74 | $20 \cdot 66$ | $19 \cdot 40$ | $22 \cdot 40$ | 4.687 |  | 4－708 | $20 \cdot 35$ | $3 \cdot 06$ | 17.937 | 14.93 | 14.00 |
| MAR． | $176 \cdot 86$ | 27.85 | 89.08 | 8.82 | $20 \cdot 71$ | $19 \cdot 40$ | $22 \cdot 40$ | 4.686 |  | $4 \cdot 704$ | $20 \cdot 30$ | $306 \ddagger+$ | 17.966 | 14.91 | 14.00 |
| APR． | 176.73 | 27.80 | 89.00 | 8.81 | $20 \cdot 68$ | $19 \cdot 40$ | $22 \cdot 40$ | 4．681 |  | $4 \cdot 704$ | 20.21 | $2841+$ | 17.937 | 14.74 | 14.00 |
| JUNE | $\begin{aligned} & 176 \cdot 74 \\ & 176.74 \end{aligned}$ | $\begin{aligned} & 27.51 \\ & 27.53 \end{aligned}$ | $\begin{aligned} & 89.01 \\ & 89.04 \end{aligned}$ | $\begin{aligned} & 8.73 \\ & 8.81 \end{aligned}$ | $\begin{aligned} & 20.82 \\ & 20.77 \end{aligned}$ | 19.40 19 | $\begin{aligned} & 22 \cdot 40 \\ & 22.40 \end{aligned}$ | 4．682 |  | 4.698 | 20.22 | $2 \cdot 77+$ | 17.910 | 14.81 | 14.00 |
|  |  |  |  |  |  |  |  | 4.88 |  | 4692 | 20.22 | $2 \cdot 11{ }^{\circ}$ | 17.911 | 14.86 | 14.00 |
| JULY | 17672 | 27.55 | 89.03 | 879 | 20.76 | $19 \cdot 40$ | 22.40 | 4．682 |  | 4.690 | 2021 | $2 \cdot 62$＋ | $17 \cdot 005$ | 1478 | 1400 |
| ${ }_{\text {AUG }}$ SEPT | 176.37 | $27 \cdot 14$ | 89.76 | 862 | $20 \cdot 42$ | 19：20 | 22：36 | $4 \cdot 609$ | 4.623 | 4620 | 19.42 | $2 \cdot 6$ ¢ $\dagger$ | 17937 | 11.74 | 14.00 |
| OCT． | $17607 \pm$ | $23.58 \pm$ | 7748 | $757 \ddagger$ | $1782 \pm$ | $18.77 \ddagger$ | $22 \cdot 23$ | $4.049 \pm$ | 4.041 | $4.419 \pm$ | 170 路 | 3.26 中 | 17.939 | 1500 | 1399 |
|  | $17650 \ddagger$ | $23 \cdot 987$ $24 \cdot 27^{7}$ | 78.89 77.34 | $7.57 \ddagger$ | $1788 \pm$ <br> 17.87 | 16.817 | 20.66 20.37 | 4．030才 | 3.012 | $4.450 \ddagger$ | $17.09 \ddagger$ | $3.25+$ | 17993 | 1500 | 14.01 |
| NOV． | 176．50才 | 24－22 $\ddagger$ | 77.33 | $755 \ddagger$ | 1787 | $1685 \ddagger$ | 20．29 | 4．03ほ | $3 \cdot 933$ | $4.450 \mp$ | $17.65 \ddagger$ | $3 \cdot 21{ }^{3}+$ | 18000 18000 | 1500 1500 | 14.35 14.38 |
| 1940JAN．FEB． | 176．61 $\dagger$ | 23.86 | 78.11 |  | 17．89 |  |  |  |  |  |  |  |  |  |  |
|  | $176.62 \pm$ | 23．82 | 78：11 | 7.55 | 17.90 | 19．907 | $20 \cdot 51$ | $4 \cdot 030 \neq$ | $3 \cdot 964$ | 4．4：0才 | 17：357 | $3.14+$ | 18.000 | 14：92 | 14.24 |
| MAR． | $176.62 \ddagger$ | 23．70才 | 74．18 | 7．55F | $17.90{ }^{\text {a }}$ | 16．90才 | 19.49 | $4 \cdot 030$ | $3 \cdot 757$ | $4.450 \ddagger$ | 17．10才 | $3 \cdot 30 \dagger$ | $18 \cdot 000$ | 14.91 | 14.96 |
|  | ${ }_{\text {ding }} 176{ }^{\text {c }}$＋ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Mar． 9 , 16 | 176．62 | ${ }^{23 \cdot 68 \ddagger}$ | 74．33 | $\begin{aligned} & 7.55 \pm \\ & 7.55 \ddagger \end{aligned}$ | 17．90才 | 16．90\％ | 20.33 19 | $4.030 \pm$ 4.0307 | 3.906 3.758 | $4.450 \pm$ | $17.12 \ddagger$ | $\begin{aligned} & 3.17 \dagger \\ & 3.27 t \end{aligned}$ | 18：000 | 14.94 | $14 \cdot 39$ |
| ，， 23，， 30 | 176．62 | $23.68 \ddagger$ | 73.35 | 755 | $1790 \pm$ | 16． 0 O | 19.32 | 4．030٪ | $3 \cdot 735$ | 4．450 | $1707 \pm$ | 3：33＊ | $18 \cdot 000$ | 1491 | 15.10 |
|  | 176．62 $\ddagger$ | ${ }^{23.62 F}$ | 69．90 | $7.55 \ddagger$ | 17.907 | 16．907 | 18.23 | 4.03 | 3.563 | $4.450 \ddagger$ | 17．11 | 3．52† | 18.000 | 14：88 | 1582 |
| Apr．${ }^{6}$ | $176 \cdot 62 \mp$ | 23．62 | 70.08 | $7 \cdot 55$ | $17 \cdot 90$ | 16．90t | 18.45 | $4.030=$ | 3.572 | $4 \cdot 450 \pm$ | 1／f17 $\ddagger$ | 3．51＋ | 18.000 | 14．87 | 15.85 |
| ，＂， 20 | 176．627 | $\begin{aligned} & 23.67 \pm \\ & 23.87 \pm \end{aligned}$ | 69.04 69.00 | $7.55 \pm$ $7.55 \ddagger$ | $\begin{aligned} & 17.90^{7} \\ & 17.90^{\ddagger} \end{aligned}$ | $16 \cdot 90 \ddagger$ $16 \cdot 80 \ddagger$ | － | $4.030 \ddagger$ | 3.513 | $4.450 \ddagger$ | $17.17 \pm$ | $3.56 \dagger$ | 18.000 | 14.87 | 16.03 |
|  | 176．62 | 23．87£ | 69．12 | 7.557 | 17．90ı | 16.907 10 | － | 4.0307 $4.030 \pm$ | 3.509 3.516 | $4.450 \pm$ | $17.17 \pm$ | 3．5．1 | 18000 | 14.87 | 16.08 |
|  |  |  |  |  |  |  |  |  |  | $4.450 \pm$ | $17.17 \pm$ | $3.53+$ | 18：000 | 14.87 | 16. |

[^11]
# RECENT MOVEMENTS IN UNITED STATES. 

Information communicated by Miss DOROTHY WESCOTT, Assistant Editor of the Review of Economic Statistics, Harvard University.

March 28th, 1940.

GENERAL SURVEY.-In the summer of 1939-when the last reports on economic developments in the United States were prepared for this Bulletin-general business activity was showing definite improvement over the early months of the year. The upward movement was particularly sharp among important manufacturing industries, where output was increasing instead of experiencing the customary summer curtailment ; but other indices of physical output and measures of consumer income also reflected the upturn. Wholesale commodity prices, however, were still drifting downward, continuing the movement that had begun in the spring of 1937; and stock prices, while tending upward, were on the whole fluctuating within a narrow range.

The outbreak of the European war in September was reflected almost immediately in domestic business activity. The improvement previously evidenced in industrial output became more vigorous, particularly among those industries producing durable goods; commodity prices, especially prices of basic materials, rose sharply ; and stock prices in the first half of September advanced rapidly, while prices of fixed interest securities experienced a considerable decline. The sharp rise of industrial activity and commodity prices accompanied substantial demands from domestic sources, as efforts were made to anticipate commodityprice advances and to increase inventories. Under the stimulus of forward buying, industrial production - after seasonal adjustments advanced more than $17 \%$ from August to October, and further though less substantial increases occurred in November and December. The value of inventories held by manufacturers is estimated by the Department of Commerce to have risen about $9 \%$ during the latter part of the year, most of the increase occurring during November and December. After October, the volume of new orders received is reported to have dropped off considerably; and by the close of December, unfilled orders of manufacturing companies as a whole were declining.

Thus far in 1940 industrial output, especially output of important basic materials, such as iron and steel, has decreased, contrary to the usual seasonal tendency; and the Federal Reserve Board adjusted index of industrial production has lost most of the gain made after August of last year. But for some industries not directly included in the Reserve Board production index, especially the machinery, aircraft, and rayon industries, activity is reported to have continued at high levels. The Harvard index of business for the first $2 \frac{1}{2}$ months this year has averaged about the same as in the final quarter of 1939. Wholesale commodity prices, which had maintained until early January the level reached in the sharp advance of September, have since receded fairly steadily; for the week ending March 23 rd, the " all commodities" index of the Bureau of Labor Statistics was the lowest since the end of August. Stock prices have moved within a very narrow range, with the general tendency downward.

BUSINESS VOLUMES.-The most general index of the dollar volume of business-bank debits at selected centres outside New York City-reached its low point for 1939 in the first quarter of the year, and thereafter moved upward irregularly, the average for the entire year rising considerably above 1938. (See table, p. 54, col. 2.) So far in 1940, the index has remained close to the average level of the final quarter of last year. Adjusted electric power output, a fairly comprehensive index of physical activity, also advanced rather steadily after March of last year, until in December it was the highest since mid-1937. Since December, some decrease from the 1939 fourth-quarter average has occurred, but the decline has been moderate and the present level of the index is higher than in the January-June period of last year.

The volume of industrial output, with allowance made for normal seasonal variations, advanced in each month of the second half of 1939, the largest increases occurring in September and October. By December, the Federal Reserve Board adjusted index had risen to 128 (\% of 1923-25), approximately $40 \%$ above the

April-May level, the low point of the year. ${ }^{\star}$ While manufacturing and mineral output both contributed to the rise, manufacturing production made the greater advance. The most vigorous increase was shown by the iron and steel industry ; the adjusted index for this group rose from 73 in May to 173 in December. Activity in other durable-goods industries did not increase so rapidly as that in iron and steel, but nevertheless advances were substantial ; the index for the durable goods group in December was I4I, compared with 71 in May. During the same period, the non-durable-goods index rose from 108 to 120 . Since the year-end, industrial activity has fallen from the levels then attained; by February, 1940, the adjusted index had dropped to IO9, and further decline, though at a less rapid pace, is indicated for March.

Reflecting the changes in industrial activity, indices of factory employment and pay rolls made marked advances in the second half of 1939, and subsequently have declined. Likewise, a sharp rise of income payments accompanied the expansion of economic activity last year ; although January and February this year brought some decrease, the seasonally adjusted index of income payments was still considerably above most of 1939.

Railway shipments of freight also record the considerable expansion of economic activity from last June to December. During the first half of the year, the car loadings series was dominated by variations in shipments of coal, which dropped considerably after March 3Ist, when a strike was called among bituminous coal miners, and then rose substantially after settle-

[^12]ment of the strike at mid-May. In the second half of the year, practically all classes of freight contributed to the advance in total loadings, the rise of the important miscellaneous group (which reflects largely the shipments of materials and products of manufacture) being particularly marked. While the first two months of 1940 have brought fairly sharp declines from November-December levels, total loadings have remained above the average for the first threequarters of last year. The few indices of retail trade that are available advanced from the summer of 1939 until December; since then moderate declines have occurred, but the indices have remained above figures for the greater part of last year. The value of exports from the United States in December rose very sharply, to the highest figure of any month in approximately ten years; and this high level has been maintained in the first two months of 1940.

The value of construction contracts awarded reached in 1939 the highest total since 1930. Practically all of the increase over 1938 was due to an increase in privately-financed projects; the value of those publicly financed was approximately the same as in the earlier year. Among the several classes of construction, the most important change occurred in residential building, which was $35 \%$ greater than a year earlier; non-residential building declined about $10 \%$; and heavy engineering contracts (public works and utilities) rose $10 \%$. At the year-end, the figures for total contracts were increased substantially by awards for two dams to be constructed under the Tennessee Valley Authority ; consequently, the seasonally corrected index, shown in the table, p. 55, col. 7 , rose very sharply. Since December, the adjusted index has fallen back to the level of mid-I939, all classes of construction contributing to the decline.

COMMODITY PRICES.-The outbreak of the war in Europe reversed abruptly the movement of commodity prices in the United States. For more than two years, prices had been declining, and in August the " all commodities" index of the Bureau of Labor Statistics was the lowest since the summer of 1934. A sharp advance in the first two weeks of September carried the index back to the level of early 1938 ; the index rose from 75.3 ( $\%$ of 1926) in the week ending September 2nd, to 78.4 in the week ending September 9th, and 79.3, September 16th. The advance extended to all commodity markets, with the sharpest changes occurring among farm products, foods, hides and leather products, and textiles. After mid-September, prices of farm

|  | Basic Series |  |  |  | Bank Debits |  | F．R． Banks |  | F．R．Member Banks |  |  |  | INTERESTRATES |  |  |  |  | PRICES |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | \％of <br> Dec．＇ 2 |  |  |  | $\begin{aligned} & \text { 荌 } \\ & \text { 告 } \\ & 0 \\ & \text { y } \\ & 3 \\ & \text { 艺 } \\ & 10 \mathrm{~N} \end{aligned}$ |  |  |  |  |  <br> 10 |  $\text { Mn. } 8$ |  |  |  | \％ |  |  |  | Whole <br> \％of 1 |  |  | Cost of Living ： <br> 1924 |
| 1924 | － | 286 | $3 \cdot 90$ | $3 \cdot 74$ | 2196 | 1901 | 374 | 4544 | 1720 |  | 494 | － | $+21.5$ |  | $3 \cdot 08$ |  | 534 | 100 | 100 | 100 | 100 | 100 |
| 1929 Av． | 149：0 | 386 | 5．85 | $7 \cdot 69$ | 5021 | 2768 | 950 | 449 | 2260 |  | 569 | 1117 | $+14.6$ | 5.2 | $7 \cdot 61$ | 283 | 966 | O7 |  |  | － |  |
| 1933 Av．． | 45.8 | 184 | 162 | $1 \cdot 11$ | $1{ }^{\text {类苼9 }}$ | 1221 | 282 | 2133 | 1753 |  | 838 | 1101 | $-14.5$ |  | $1 \cdot 14$ | 76 | 87 |  | 51.4 | 71.5 |  | 73.5 |
| 1934 Av．．．． | 52.5 | 207 | 1.00 | 0.91 | 1383 | 1383 | 36 | 2457 | 1869 |  | 1033 |  | ＋ 94.6 |  | $\begin{aligned} & 1.0 \\ & 1.0 \end{aligned}$ | 90 | 183 | 76.5 | $5 \quad 65 \cdot 3$ | $78.5$ | $\begin{aligned} & 68 \\ & 76 \end{aligned}$ | 73.5 78 |
| 1935 Av．． | 578 | 234 | 0.76 0.75 | 0.57 | 1533 | 1594 | $7 \cdot 5$ | 2435 | 1999 |  | 1196 | 1272 | +144.9 |  | ${ }^{-} 56$ | 110 | 396 | 81．5 | $\begin{array}{ll}5 & 653 \\ 5 & 78.7\end{array}$ | 78.5 77.9 | 81a | 78 |
| 1936 Av．．． | 79.8 | 265 | $0 \cdot 75$ | 1.16 | 1741 | 1831 | 6 | 2434 | 2204 |  | 1358 | 1460 | +93.3 | 1.5 | ． 92 | 148 | 521 | 82.5 | － $80 \cdot 9$ | 79.6 | 82 ${ }^{1}$ | 84 |
| 1938 Av，．． | 59.6 | 258 | 0.92 | $1 \cdot 38$ | 1406 | 1706 | 14 | 2565 | 2103 | 360 | 1266 | 1503 | ＋132．1 |  | 1.0 | 152 | 333 | 88 | 86.5 | 85.5 | $85 \cdot 1$ | 87 |
| 1936 | 59 | 250 | 0 | 138 | 1406 | 1706 | 9 | 2565 | 2103 | 374 | 1252 |  | $+164 \cdot 4$ |  | 10 | 121 | 361 | 80 | 68.5 | 82 | $79^{\circ} 0$ | 85 |
| JULY | $80 \cdot 3$ | 276 | 0.75 | 1.25 | 1620 | 1862 | 3 | 2433 | 2248 |  | 1411 | 1475 | ＋ 15.4 |  | 1.0 | 148 | 339 | 82 | 81.5 | 5 |  |  |
| AUGUST | $80 \cdot 9$ | 274 | $0 \cdot 75$ | $1 \cdot 25$ | 1436 | 1711 | 6 | 2433 | 2230 |  | 1393 | 1478 | ＋ 67.5 |  | 1.0 | 151 | 297 | 83 | 84 | 80 |  |  |
| SEP＇ | 81.5 | 268 | 0.75 | 1.25 | 1566 | 1759 | 8 | 2433 | 2252 |  | 1389 | 1496 | $+1718$ |  |  | 153 | 409 | 83 | 84 |  |  |  |
| OCT． | 86.5 | 268 | 0.75 | 1.25 | 1717 | 2014 | 7 | 2433 | 2257 |  | 1385 | 1515 | ＋218．8 |  |  | 160 | 466 | 83 | 84 84 | 80.5 | 84.3 82.8 | 84.5 84.5 |
| NOV． | $88 \cdot 3$ | 280 | 0.75 | 1.25 | 1739 | 1848 | 6 | 2433 | 2244 |  | 1369 | 1536 | ＋ 75.8 |  |  | 166 | 381 | 84 |  | 81 | 82． | 84.5 84.5 |
| DEC． 1937 | 87.8 | 304 | $0 \cdot 75$ | 1.25 | 2266 | 2324 | 7 | 2433 | 2276 |  | 1373 | 1554 | $+\quad 57.0$ | 1.5 | 1.0 | 164 | 726 | 84 86 | 88．5 | 81 82.5 | 82.5 82.9 | 84.5 85 |
| JAN ．．．． | 90.4 | 283 | 0.75 | 1.25 | 1910 | 2038 | 2 | 2433 | 2273 |  | 1374 | 1552 | $+121.3$ |  |  | 167 | 618 | 87.5 | 91.5 |  |  |  |
| FEB | 90.8 | 287 | 0.75 | 1.25 | 1691 | 1762 | 3 | 2433 | 2260 |  | 1362 | 1557 | $+120 \cdot 3$ |  |  | 171 | 562 | 88 | 91.5 | 84.5 |  |  |
| MARCH ．．． | $90 \cdot 2$ | 293 | 0.82 | 1.25 | 2040 | 2162 | 7 | 2433 | 2261 |  | 1332 | 1543 | ＋154．3 |  |  | 172 | 384 | 89.5 | 94 | 85 | 845 854 | 86 86 |
| APRIL ．．．． | 83.4 | 296 | 1.00 | 1.35 | 1708 | 2005 | 10 | 2494 | 2228 |  | 1288 | 1528 | ＋215．8 |  | 1.0 | 163 | 321 | 89.5 | 92 | 86.5 | 85.4 85.6 | 86 87 |
| MAY |  | 301 | 1.00 | 1.38 | 1511 | 1929 | 16 | 2531 | 2220 | § | 1268 | 1542 | ＋155．4 |  |  | 162 | 271 | 89 | 90 | 86.5 | 86.5 | 87.5 |
| JUNE | 78.4 | 301 | 1.00 | 1.38 | 1643 | 2002 | 14 | 2531 | 2233 | 430 | 1263 | 1530 | ＋262．0 | 1.5 |  | 155 | 573 | 89 | 88.5 | 86.5 | 86.2 | 87.5 |
| JULY ．．．． | 84.6 | 302 | 1.00 | 1.38 | 1675 | 2015 | 14 | 2530 | 2222 | 440 | 1248 | 1498 | ＋175．4 |  |  |  | 342 |  |  |  |  |  |
| AUGUST． | $80 \cdot 3$ | 302 | 1.00 | 1.38 | 1348 | 1840 | 17 | 2529 | 2233 | 456 | 1240 | 1492 | ＋104．8 |  |  | 168 | 188 | 89 | 86.5 | 86.5 | 85．5 | 87.5 87.5 |
| SEPT | 62.8 | 286 | 1.00 1.00 | 1.38 1.38 | 1472 | 1864 | 24 | 2529 | 2219 | 473 | 1216 | 1484 | ＋145．5 |  | 1.0 | 146 | 225 | 89 | 86 | 86 | 85.8 | 88 |
| NOV． | 57.3 | 268 | 1.00 | 1.38 | 1315 | 1992 | 22 | 2529 | 2189 | 483 | 1200 | 1476 | ＋ 905 |  | 1.0 | 126 | 226 | 87 | 80.5 | 85.5 | 84.9 | 8 |
| I）EC． 1938 | 54.6 | 283 | 1.00 | 1.38 | 1828 | 1816 | 16 | 2567 | 2148 | 463 | 1203 | 1464 | ＋ 22.1 +18.0 | 1.0 |  | 114 | 136 176 | 85 $83 \cdot 5$ | 75 73 | $84 \cdot 5$ 84 | 83.6 82.6 | $87 \cdot 5$ 87 |
| JAN． | 54.6 | 260 | 100 | 1.38 | 1448 | 1760 | 11 | 2565 | 2128 | 446 | 1215 | 1444 | ＋ 21 |  |  | 117 | 122 |  |  | 83.5 |  |  |
| FEB | 57.3 | 250 | 1.00 | 1.38 | 1091 | 1462 | 10 | 2565 | 2121 | 439 | 1228 | 1451 | $+\quad 21$ $+\quad 80$ |  |  | 115 | 200 | 81.5 | 70 | 83.5 83.5 | $80 \cdot 3$ 78.4 | 86 85 |
| MARCH | 44.2 | 252 | 1.00 | $1 \cdot 38$ | 1475 | 1736 | 10 | 2565 | 2107 | 433 | 1219 | 1436 | ＋ 52.9 | 1.0 | 1.0 | 109 | 245 | 81.5 | $70 \cdot 5$ | 83 | 786 | 85 |
| APRIL | 49.8 | 254 | 1.00 | $1 \cdot 38$ | 1457 | 1660 | 10 | 2565 | 2082 | 423 | 1222 | 1444 | ＋ 71.1 | 1.0 | 1.0 | 103 | 352 | 80 | 68.5 | 82 | 79.4 | 85 |
| MAY | 48.1 | 254 | 1.00 | 1.38 | 1283 | 1601 | 8 | 2565 | 2073 | 408 | 1230 | 1458 | ＋ 52.8 | 1.0 | 1.0 | 104 | 220 | 795 | 67.5 | 82 | $79 \cdot 1$ | 85 |
| JUNE | $58 \cdot 3$ | 254 | 1.00 | $1 \cdot 38$ | 1564 | 1716 | 9 | 2565 | 2070 | 395 | 1231 | 1493 | ＋ 55.3 | 1.0 | 1.0 | 108 | 513 | 80 | 68.5 | 81.5 | $80 \cdot 2$ | 85 |
| JULY | $62 \cdot 2$ | 260 | 1.00 | 1.38 | 1383 | 1668 |  | 2565 |  | 388 | 1232 | 1502 | $+63.8$ | 1.01 |  | 127 | 470 | 80.5 | 69.5 | 81.5 | 80.0 |  |
| AUG． | 60.6 | 262 | 1.00 | 1.38 | 1225 | 1602 | 72 | 2565 | 2068 | 389 | 1246 | 1512 | ＋166．0 | 1.01 | 1.0 | 128 | 418 | 79.5 | 67.5 | 81.5 | 78.4 | 85 84.5 |
| SEPT | $60 \cdot 6$ | 257 | 94 | 1.38 | 1308 | 1644 | 8 | 2565 | 2108 | 389 | 1281 | 1538 | ＋5？0．9 | 1.01 | 1.0 | 125 | 238 | 80 | 68 | 81.5 | 78.7 | 84.5 |
| NOV |  |  |  | 1.38 | 1514 | 1810 | 7 | 2565 | 2132 | 390 | 1304 | 1569 | ＋562．4 | 1.01 | 10 | 137 | 763 | 79 | 67 | 81.5 | 78.1 | 84.5 |
| DEC． | 66.2 | 280 | 69 | 1 | 12 | 1704 | 7 | 2565 | 2135 | 388 | 1303 | 1582 | ＋177．8 | 101 | 10 | 143 | 396 | 79 | 68 | 81 | 77.8 | 84.5 |
| 1939 | 662 | 280 | 69 | 88 |  |  | 72 | 2565 | 2159 | 386 | 1312 | 1609 | $+240 \cdot 5$ | 1.01 | 1.0 | 137 | 453 | ＇78．5 | 67.5 | 805 | 78.6 | 84.5 |
| JAN． | 626 | 262 | 69 | 1.38 | 1453 | 1786 | 42 | 2565 | 2147 | 380 | 1313 | 1605 | $+156 \cdot 3$ | 1.01 |  | 134 | 278 | 78.5 | 67 | $80 \cdot 5$ | $77 \cdot 5$ | 84 |
| FEB．． | $64^{4} 4$ | 257 | －69 | 1.38 | 1238 | 1520 | 52 | 2565 | $\underline{21500}$ | 376 | 1333 | 1604 | ＋ 23.3 | 1.01 | 1.0 | 132 | 541 | 78.5 | 67 | $80 \cdot 5$ | 76.8 | 34 |
| MARCH | 57.0 56.6 | 260 | 69 | 1.38 | 1627 | 1821 | 3 2 | 2565 | 2170 | 379 | 1346 | 1603 | $+365.4$ | 1.01 | 1.0 | 132 | 240 | 78 | 66 | $80 \cdot 5$ | 76.4 | 83.5 |
| MAY | 60.2 | 271 |  | 1. | 1331 | 1683 | 32 | 2565 | 2173 | 385 | 1360 | 1616 | ＋605．8 | 101 | 1.0 | 116 | 356 | 77.5 | $63 \cdot 5$ | $80 \cdot 5$ | 76.6 | 855 |
| JUNE | 57.0 | 271 | 69 | 1.38 1.38 | 1531 | 1868 | 42 | 2565 | 2169 | 384 | 1360 | 1680 1718 | +429.4 +240.4 | $\begin{array}{ll}1.0 & 1 \\ 1.0 & 1\end{array}$ |  | 124 | 1312 604 | $77 \cdot 5$ | 63.5 62.5 |  | 76.5 76.3 | 83.5 83.5 |
| JULY | 62.2 | 280 | －69 | 1.38 | 1279 | 1768 | 52 | 2523 | 2205 | 389 | 13901 | 1737 | ＋278．6 | 1.01. |  | 127 | 586 | 77 | $62 \cdot 5$ | $80 \cdot 5$ | 76.5 | 84 |
| AUGUST | 57.9 | 275 | 69 | 1.38 | 1312 | 1750 | 52 | 2435 | 2233 | 393 | 14151 | 1772 | ＋ 259.9 | 1.01. | 1.0 | 126 | 459 | 76.5 | 61 | 80 | $75 \cdot 1$ | 83.5 |
| SEPT | 65.9 | 284 | 69 | 1.38 | 1514 | $18 \cdot 3$ | 62 | 2763 | 2238 | 417 | 14061 | 1821 | $+3261$ | 1.01 | 10 | 138 | 174 | 80． 5 | 68.5 | 82 | 79.0 | 84 |
| OCT | $65 \cdot 8$ 63.2 | 278 | 69 | 1.38 | 1368 | 1903 | 6 | 2759 | 2257 | 428 | 14151 | 1851 | ＋ +697 | 1.01. |  | 139 | 740 | 81 | 67 | 84 | 78.4 | 84.5 |
|  | 63.4 |  | －69 | 1.38 | 1304 | 1864 | 7 | 2640 | 2297 | 435 | 14391 | 1874 | $+168.0$ | 1.01 |  | 137 | 218 | 81 | 67.5 | 84 | $77 \cdot 9$ | 84.5 |
| 1940 | 64 |  |  | 1.38 | 1763 | 2239 | 82 | 2502 | 2335 | 440 | 14551 | 1886 | $+451.2$ | 1.01. |  | 135 | 329 | 81 | 67.5 |  | $76 \cdot 9$ | 81 |
| JAN． | 63.0 | 281 | 69 | 1.38 | 1474 | 1998 |  |  | 2316 | 433 |  | 1895 |  |  |  | 135 |  |  |  |  |  |  |
| FEB．${ }^{\text {MARCH．．．}}$ | 6362 | 283 | 69 | 1.38 | 1214 | 1734 | 72 | 2477 | 2322 | 432 | 14701 | 1921 | ＋201．4 | 1.01 .0 |  | 134 | 4518 | $80 \cdot 5$ | 68.5 | $83.5$ | $78 \cdot 1$ |  |
| $\begin{aligned} & \text { MARCH } \\ & \text { APRIL } \end{aligned}$ |  |  |  |  |  |  |  |  |  |  |  |  |  | 1.01. |  | 134 136 |  |  |  |  |  |  |


products and foods decreased, although at the year-end they remained well above August levels ; but industrial commodities rose steadily through the final quarter of the year, reflecting in large part further advances in such commodities as hides, rubber, silk, wool-supplies of which are almost wholly or in part obtained from abroad. The general index showed only small changes around the level attained at the middle of September.

Since the beginning of January, prices of industrial products, as well as farm products and foods, have declined. For the week ending March 23 rd, the B.L.S. " all commodities" index was 77.9 , about $2 \%$ below the index for the first week of the year, but approximately $4 \%$ above the average for last August.

The decline this year in prices of industrial commodities is attributed in part to a decrease in speculative buying and a reduction in the volume of industrial production, and in part to increased imports. According to estimates of the Federal Reserve Board and the Bureau of Labor Statistics, prices of imported commodities rose last autumn more sharply than prices of domestic goods ; and this year, prices of the import group have fallen considerably more than those of the domestic. This decline has carried the import group prices to about the same level, relative to August, 1939, as prices for domestic commodities. Both groups are well above last August levels.

MONEY AND CREDIT.-The year 1939 showed an increase of over $\$ 3,000 \mathrm{Mn}$. in the monetary gold stock of the United States, raising the stock from $\$_{14,500} \mathrm{Mn}$. at the close of 1938 to $\$ 17,600 \mathrm{Mn}$. at the close of last year. There was a substantial increase each month ; the largest occurred in March and April, and in August. Mainly because of these additions of gold, the year closed with member-bank reserve balances at the new high figure of $\$_{\text {II }}, 700 \mathrm{Mn}$.some $\$ 3,000 \mathrm{Mn}$. above those at the end of 1938. More than $\$ 5,000 \mathrm{Mn}$. represented excess reserves. Reserve balances have continued to expand in 1940, reflecting a seasonal return of currency from circulation and further imports of gold.

Except for a moderate rise in September, total earning assets of the federal reserve banks changed very little over most of 1939. After the beginning of war in Europe, prices of U.S. government bonds dropped abruptly ; and during this period of sharp decline, the federal reserve banks added to their holdings of government securities. After September, when government bond prices rose and yields declined, the reserve
system's holdings of government obligations were reduced. From late September until early in January this year, prices of government bonds rose fairly steadily ; declines occurred in February ; but this month improvement has again appeared. Short-term money rates last September, contrary to the rapid rise in bond yields, remained unchanged ; in fact, virtually no change occurred in such rates throughout 1939, or thus far this year.

Total loans and investments of reporting member banks showed relatively small increase in the first half of 1939 ; for while investments were increasing, loans were dropping below end-of-1938 levels. The improvement in business in the second half of 1939, however, was accompanied by a rapid increase in commercial loans. Holdings of U.S. government securities increased almost continuously throughout the year ; and at the close, such holdings comprised more than three-fourths of the total investments of reporting member banks. For the entire year, total loans and investments rose more than $\$ \mathrm{r}, 600 \mathrm{Mn}$., with the greater part of the increase due to the rise in investments, although commercial loans also comprised a substantial percentage of the total increase. Changes in other types of securities and other types of loans were small. So far this year, investments have risen further, while loans have declined moderately from the levels attained at the close of 1939. Adjusted demand deposits-excluding government and interbank items-advanced to new high levels last year, and further substantial increases have occurred in I940.

SPECULATION AND FINANCE.-The opening, and the final four, months of I939 saw stock prices at the highest levels of the year, which were about the same as the average for the closing quarter of 1938. After narrow movements in February last year, industrial stock prices dropped fairly sharply in March ; further declines took place during April ; and although some improvement appeared in the months immediately following, the advance was small and irregular until war was declared. Early September brought sharp advance for this group: the Dow-Jones index rose $13 \%$ from September 2nd to September 12th. Through the remainder of the month, the index fluctuated narrowly, and by the closing day had declined about $2 \%$. This downward tendency, with prices moving within a narrow range, continued through the rest of the year, and into 1940. On a monthly average basis, the February, 1940, index was 147.3, compared with the 1939 monthly high of I52.2 and the low of that year
of 127.7. The March average to date is I47.I. Railroad stock prices followed, in main outline, the movements of industrial prices in 1939 ; and, likewise, current levels are moderately below the levels of last autumn. Public utility stock prices, on the average, moved in a generally sidewise direction from the summer of 1939 through January of this year ; but since January prices of this group also have declined.

Corporate bond prices rose in the first quarter of 1939, weakened in April, and then advanced again until September when prices dropped sharply. Late in September, the advance was resumed and continued until early January, but subsequently some decline has occurred. Since September, the volume of trading in security markets has been small, and
the narrow movements in share prices, characteristic of 1939 - except when crises developed abroad-has continued.

Total security flotations last year were higher than in either 1937 or 1938, but below those of 1936. All of the increase over 1938 represented larger refunding issues ; flotations to raise new capital were smaller than in the earlier year. The decline of the latter reflected largely a drop in new corporate financing-a drop of $57 \%$; new capital issues of municipalities and U.S. possessions declined about $4 \%$; while farm loan and government agency issues almost doubled. In the first two months of 1940, refunding issues have comprised the greater part of total flotations; new capital flotations, both private and public, have been small.

## CANADA.

# Information communicated by B. A. and A. F. W. PLUMPTRE, of the University of Toronto. 

$$
\text { April 8th, } 1940 .
$$

THE last report on Canada published in this Service appeared in the summer of 1939. The intervening period has been extremely eventful, both economically and politically. The Canadian parliament met in special session immediately after the outbreak of war in Europe ; and on September ioth the government formally declared war. The same parliament passed legislation to establish a number of war-time controls over economic affairs and over civil liberties. It appears that the latter controls have been more extensive, and the former less extensive, than in Great Britain and other British countries. After a brief session parliament was prorogued. It reassembled in January, 1940, and a busy session was anticipated ; but to the surprise of almost all and to the indignation of many it was immediately dissolved. A general election, which had to occur before the end of 1940, was called for March 26th. The Liberal administration was re-elected with an even larger majority than it had had before, gaining $73 \%$ of the seats in the House on the basis of $54 \%$ of the votes. The Conservatives, whose chief platform had been their attack on the government, obtained $31 \%$ of the votes and $16 \%$ of the seats. Another election had taken place a few days earlier. In Alberta the Social Credit Party, led by William Aberhart, was re-elected with a comfortable majority in the Legislature.

Chief amongst the economic and financial controls which were established in the autumn of 1939 were the following: An Advisory Committee on Economic Policy, composed of senior civil servants, was set up. It has given advice on specific matters referred to it by the government ; but as yet no necessity seems to have arisen for the formulation of a general war-time economic policy. The remainder of the new machinery can be broadly divided under the headings of supply and control. In the former the War Supply Board has been most important. Consisting chiefly of industrialists and manufacturers, it has been concerned with the allocation of orders for munitions and war supplies. An Agricultural Supply Board, composed of civil servants, has also done important work. It has been concerned partly with the maintenance of supplies of fertilizers and insecticides. Its most extensive task has been to cushion the apple industry against the sudden diminution of such purchases from Great Britain. It bought up some of the crop, has stopped internecine dumping from one producing area into another, guaranteed prices, arranged for increased production of tinned apples and apple juice, and conducted an effective advertising campaign to encourage domestic consumption of these products and of raw apples.

As to the organs of control, the two most important in the economic field are the Wartime Prices and Trade Board and the

Foreign Exchange Control Board. The former, comprised of civil servants, has appointed four administrators-for wool, coal, sugar, and hides and leather. Apart from these products, where the present purpose of administration is to adjust Canadian marketing conditions to altered practices in Great Britain and elsewhere, the Wartime Prices Board is chiefly effective as a warning to stop arbitrary increases in prices. The Foreign Exchange Control Board, with a staff of two or three hundred, is the most active of the various organs. It is composed of the Governor of the Bank of Canada and senior civil servants. From its inception (September 15th, 1939) it has attempted to focus all dealings in foreign exchange upon itself, and with considerable success.* The object has been to permit all current international transactions to take place unimpeded, except for the minor hindrance of filling out extra forms and returns, and at the same time preventing all outward movement of capital. The rates set by the Board have been $\$ 4.43$ (buying) and $\$ 4.47$ (selling) for sterling and \$I.Io and \$i.II for American funds. A small efflux of capital has occurred and the rates paid for American funds for this purpose have run up to $\$ 1.25$. The black market, where these deals take place, is very narrow and seems largely influenced by the movements of sterling on the open market in New York. In conclusion it may be remarked that, so far, Canada's organs of control seem to have been sheltering the country's economic and financial system from the shocks arising from war abroad, rather than moulding the system to war-time purposes.

Meanwhile, sections of the economy have been feeling the stimulus of war demand, actual and prospective. The seasonally-corrected index of employment in manufacturing stood at the highest point in its history in January, I940; the index of industrial production rose sharply from 128 (\% of 1926) in August to 145 in January. In part the war orders of the Canadian and British governments were responsible for the activity; but it seems probable that other factors were more influential. A bumper wheat crop in the Prairies, combined with the government's support of the price by purchasing between one and two hundred million bushels at about 70 cents per bushel, may well have been the most important single factor. In addition, exports to the United States increased rapidly during the autumnal boomlet in that country. Apart from $\$ 50$ millions' worth of wheat that

[^13]went across the border for storage, Canadian exports to U.S.A. were worth $\$ 339 \mathrm{Mn}$. in 1939 as compared with $\$ 267$ in 1938 and $\$ 370$ in 1937. The business recession in the United States during the first two months of 1940 exercised a dampening influence on Canadian conditions, but other supporting factors were strong enough to prevent a similar movement in this country. Part of the impetus has come from an upward movement of wholesale prices. The general index, has moved up more rapidly than that in the United States, but less rapidly than that in Great Britain. The disparity of movement has been roughly in conformity with the movement of exchange rates. Unlike that in Great Britain, however, the Canadian index of retail prices has as yet risen very little, the only important increases being in the prices of foods. Meanwhile the various stimuli to industry-larger farm purchasing power, larger government spending, larger exports, higher prices-have induced a considerable increase in imports. These have chiefly been, as one would expect, in machinery of all sorts, coal and chemicals, and also, as a result of increased consumer purchasing power, in fruit and vegetables.

In the field of finance two occurrences are worthy of attention. The first was a flotation of $\$ 200 \mathrm{Mn}$. by the government in October. This was notable partly because the issue was taken up entirely by the banks, with the central bank creating an appropriate volume of cash reserves in order to maintain their ratios, thus indicating the smoothness with which the banking system led by the five-year-old Bank of Canada can provide credit. In the special war session of parliament the Minister of Finance announced that the government intended to finance the war as far as possible by taxation; but that in order to stimulate production, which was far below the nation's capacity, a judicious dose of controlled inflation was desirable at the outset. The October loan was notable also because about $\$ 90 \mathrm{Mn}$. was used to take up and retire Canadian issues from Great Britain, thus providing a supply of Canadian funds for Great Britain. Canada may well emerge a creditor country of some importance if this war lasts for some time, and if very large expeditionary forces are not maintained abroad. The second financial event was the War Loan of January, 1940, also for $\$ 200 \mathrm{Mn}$. This loan was open to public subscription, and met with a very favourable response from small and large investors. The rate was about $3 \frac{1}{4} \%$. A peculiar and novel feature is that the issue is divided

|  | FINANCE． |  |  |  |  | PRICES． |  |  |  | TRADE AND PRODUCTION |  |  |  |  |  |  | EMPLOYMENT． |  |  |
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| 1926 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | $\bigcirc$ | $y$ | 10 | 11 | 12 | 13 | 100 | 10 272 | 10 81 | 17 100 | 18 100 | 19 100 |
| Average | 100 | 100 | 253 | 125 | 195 | 100 | 100 | 100 | 100 | 84 | 107 | 63 | 77 | 28 | 170 | 67 | 77 | 81 | 84 |
| 1933 Av． | 68 | 96 | 250 | 115.5 | 193 | 51 | 70 | 67 | 78 | 37 | 45 | 2 | 7 | 28 | 1 | 70 | 109 | 91 | 96 |
| 1934 Av． | 86 | 84 | 274 | 111.5 | 195 | 59 | 73.5 | 71.5 | 79 | 43 | 55 | 26 | 94 | 36 | 193 |  | 析 |  | 00 |
| 1935 Av ． | 94 | 77 | 263 | 104 | 208 | 63 | 73 | 72 | 79 | 46 | 62 | 26 | 103 | 515 | 197 | 71 | 97 | 88 | 100 |
| 1986 Av． | 119 | 71 | 299 | 91.5 | 221 | 70 | 74 | 74 | 81 | 53 | 80 | 39 | 1154 | 46 | 208 | 74 | 87 | 104 | 104 |
| 1937 Av． | 127 | 73 | 293 | 96 | 235 | 87 | 80 | 85 | 83 | 67 | 84 | 32 | 127 | 58 | 220 | 80 | 101 | 115 | 115 |
| 1938 Av． | 104 | 69 | 258 | 98 | 242 | 74 | 78 | 78 | 84 | 56 | 71 | 26 | 115 | 52 | 202 | 78 | 107 | 11 | 111 |
| 1936 |  |  |  |  |  |  | 73 | 74 | 80 | 54 | 85 | 42 | 112 | 44 | 203 | 74 | 103 | 105 | 106 |
| JULY | 114 |  | 289 | 86 | 21 | 66 | 73 | 78 | 81 | 50 | 93 | 41 | 116 | 38 | 222 | 75 | 109 | 106 | 107 |
| AUG．．． | 115 |  | 262 | 87 |  | 74 | 75 | 76 | 81 | 53 | 84 | 41 | 124 | 45 | 251 | 77 | 104 | 109 | 110 |
| SE | 127 |  | 333 | 93 | 226 | 76 | 75 | 77 | 81 | 65 | 103 | 56 | 126 | 44 | 263 | 77 | 100 | 108 | 111 |
| NOV | 132 |  | 330 | 92 | 227 | 77 | 75 | 77 | 81 | 66 | 110 | 63 | 122 | 43 | 220 | 76 | 80 | 107 | 110 |
| DEC． | 129 |  | 340 | 91 | 230 | 82 | 77 | 80 | 82 | 53 | 95 | 51 | 121 | 41 | 206 | 78 | 61 | 102 | 104 |
| 1937 | 137 | 68 | 323 | 92 |  | 86 | 78 | 81 | 82 | 52 | 78 | 36 | 119 | 38 | 192 | 76 | 57 | 105 | 104 |
| JAN．．． | 142 | 71 | 323 273 | 92 | 237 | 86 86 | 79 | 83 | 82 | 49 | 65 | 26 | 118 | 46 | 186 | 76 | 53 | 108 | 103 |
| FEB．．． | 147 | 76 | 319 | 84 | 237 | 90 | 80 | 86 | 82 | 71 | 84 | 28 | 122 | 83 | 214 | 76 | 54 | 111 | 103 |
| APRIL | 136 | 76.5 | 338 | 96 | 238 | 91 | 81 | 86 | 82 | 57 | 60 | 20 | 129 | 86 | 208 | 79 | 71 | 114 | 106 |
| MAY．．． | 132 | 75 | 277 | 97 | 237 | 88 | 80 | 85 | 83 | 77 | 91 | 33 | 126 | 56 | 210 | 79 | 105 | 118 | 114 |
| JUNE | 129 | 74 | 289 | 97 | 238 | 84 | 80 | 85 | 83 | 76 | 95 | 37 | 131 | 64 | 214 | 81 | 128 | 119 | 119 |
| JULY | 133 | 73 | 272 | 97 | 232 | 93 | 82 | 88 | 83 | 72 | 92 | 34 | 131 | 49 | 219 | 80 | 140 | 118 | 120 |
| AUG．．． | 135 | 73 | 261 | 98 | 234 | 85 | 82 | 86 | 84 | 70 | 91 | 31 | 127 | 54 | 231 | 80 | 144 | 121 | 123 |
| SEPT． | 119 | 72.5 | 273 | 98 | 237 | 86 | 81 | 85 | 84 | 70 | 84 | 29 | 127 | 56 | 262 | 82 | 144 | 122 | 126 |
| OCT．． | 106 | 74 | 291 | 99 | 233 | 86 | 81 | 85 | 84 | 82 | 94 | 39 | 133 | 54 | 260 | 81 | 132 | 119 | 125 |
| NOV．．． | 103 | 74 | 293 | 97 | 235 | 84 | 81 | 83 | 84 | 81 | 102 | 45 | 134 | 48 | 235 | 80 | 104 | 116 | 122 |
| DEC．．． | 104 | 72 | 308 | 94 | 233 | 84 | 80 | 83 | 84 | 53 | 76 | 29 | 125 | 64 | 204 | 86 | 82 | 109 | 113 |
| 1938 | 107 | 71.5 | 244 | 91 | 231 | 86 | 82 | 84 | 84 | 50 | 72 | 30 | 114 | 49 | 187 | 78 | 72 | 110 | 110 |
| FAN．．． | 107 | 71 | 218 | 92 | 232 | 85 | 82 | 84 | 84 | 47 | 61 | 20 | 107 | 37 | 180 | 77 | 71 | 110 | 108 |
| MAR．．． | 99 | 70 | 237 | 93 | 234 | 83 | 82 | 83 | 84 | 65 | 74 | 23 | 110 | 53 | 199 | 78 | 72 | 111 | 105 |
| APRIL | 98 | 69 | 240 | 97 | 241 | 82 | 81 | 82 | 84 | 49 | 52 | 13 | 114 | 57 | 185 | 76 | 88 | 111 | 107 |
| MAY | 100 | 68 | 246 | 96.5 | 240 | 77＋ | 79 | 80 | 84 | 67 | 68 | 19 | 112 | 50 | 190 | 76 | 114 | 112 | 112 |
| JUNE | 100 | 69 | 273 | 99 | 246 | 77－ | 79 | 80 | 84 | 59 | 67 | 23 | 109 | 50 | 187 | 80 | 125 | 112 | 113 |
| JULY | 107 | 69 | 247 | 99 | 239 | 71 | 78 | 79 | 84 | 56 | 67 | 24 | 110 | 51 | 183 | 78 | 128 | 110 | 112 |
| AUG．．． | 105 | 69 | 237 | 98 | 242 | 64 | 77 | 76 | 85 | 57 | 70 | 22 | 111 | 53 | 213 | 77 | 134 | 114 | 115 |
| SEPT． | 99 | 71 | 266 | 102.5 | 245 | 64 | 76 | 74 | 84 | 56 | 73 | 29 | 121 | 53 | 250 | 79.5 | 143 | 112 | 117 |
| OCT．．． | 110 | 70 | 298 | 105 | 248 | 64 | 75 | 74 | 84 | 64 | 89 | 40 | 121 | 62 | 257 | 80 | 123 | 111 | 115 |
| NOV．．． | 110 | 68 | 297 | 103 | 250 | 65 | 74 | 73 | 84 | 63 | 87 | 38 | 128 | 48 | 219 | 79 | 113 | 110 | 114 |
| 1）EC．．． | 107 | 68 | 291 | 100 | 250 | 65 | 74 | 73 | 84 | 44 | 70 | 29 | 118 | 63 | 178 | 79 | 96 | 104 | 108 |
| 1939 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN ．．． | 103 | 67.5 | 5205 | 98 98 | 246 247 | 65 | 74 74 | 73 73 | 83 | 44 40 | 71 58 | 27 19 | 114 | 40 56 | 171 160 | 78 | 89 94 | 106 | 106 |
| MAR．．．． | 104 | 66 | 243 | 100 | 249 | 65 | 73 | 73 | 83 | 58 | 70 | 21 | 115 | 47 | 191 | 76 | 94 | 107 | 105 |
| APRIL | 96 | 67.5 | 5． 247 | 101 | 251 | $65 \cdot 5$ | 73 | 73 | 83 | 42 | 51 | 14 | 119 | 51 | 179 | 79 | 94 | 108 | 106 |
| MAY．．． | 99 | 68 | 284 | 102 | 252 | 65 | 73 | 74 | 83 | 73 | 81 | 28 | 123 | 49 | 215 | 81 | 115 | 111 | 113 |
| JUNE | 97 | 67 | 283 | 101 | 254 | 63 | 73 | 73 | 83 | 64 | 78 | 26 | 124 | 60 | 195 | 85 | 133 | 111 | 116 |
| JULY | 97 | 67 | 238 | 100 | 252 | 63 | 73 | 73 | 83 | 59 | 77 | 28 | 124 | 54 | 196 | 84 | 146 | 113 | 117 |
| AUG．．． | 94 | 68 | 239 | $100 \cdot 5$ | 252 | 58 | 73 | 72 | 83 | 63 | 76.5 | 24 | 127 | 60 | 229 | 82 | 152 | 115 | 120 |
| SEPT． | 100 | 78 | － 283 | 107 | 258 | 64 | 77.5 | 78 | 83 | 74 | $82 \cdot 5$ | 30 | 128 | 49 | 295 | 88 | 131 | 120 | 122 |
| OCT ${ }^{\text {NOV }}$ | 106 | 76.5 | 5290 | 114 | 284 | $64 \cdot 5$ | 79 | 79 | 85 | 79 | 91 | 38 | 140 | 43 | 270 | 89 | 118 | 122 | 124 |
| NOV．．． | 104 | 74 75 | 293 | 116 | 281 | 65 | 80 | 80 | 85 | 85 | 98.5 | 43 | 139 | 40 | 248 | 83 | 84 | 122 | 123 |
| DEC．．． 1940 | 101 | 75 | 306 | 114 | 277 | 69 | 81 | 82 | 85 | 72 | 102 | 53 | 138 | 62 | 199 | $87 \cdot 5$ | 69 | 118 | 116 |
| JAN．．． | 100 | 74 | 267 | 112 | 276 | 70 | 82 | 83 | 85 | 71 | 91 | 36 | 145 | 52 | 210 | 86 | 58 | 120 | 114 |
| FEB．．． MAR．．． | 99 | 73 | 295 | 116 | 277 | 70 | 82 | $\begin{aligned} & 83 \\ & 831 \end{aligned}$ | 85 | 71 | 72 | 26 |  |  |  | 85 |  |  |  |

Dates of Skries：Cols．4，5，16－18，end of month；1－2，6－9，averages．Source：Dominion Bureau of Statistics．
Ool．1．－＂Investors＇Index＂Index of current market valuatiotes on Series shareholders＇equity in about 100 companies．
2．－Weighted index of yield to maturity or call date（whichever gives lowest）of 6 taxable federal issues maturing in not less than 7 years．
3．－From 32 banking centres，comprising about $85 \%$ of total debits Excludes debits to accounts of central bank since its founding in April，1935．Largely influenced by financial transactions．
4．－Refers to operations in Canada only．Includes loans to pro－ vincial and municipal governments
5．－Includes governmental deposits．Excludes all deposits with provincial，postal and Quebec savings banks，and with
$6-9 .-$ Col． 6 comprises 70 items ；col．7， 322 items ；col．8， 567 items；col． 9 comprises separate groups for food，fuel，rent，

11．－Excludes all exports of both monetary and non－monetary gold since 1937 ；includes gold in small quantities only， shipped as dust，quartz，etc．，in earlier annual averages．
12．－Comprises＂animal products＂and＂vegetable products＂ groups：includes partly and fully manufactured products in
some cases made from imported raw materials，e．g．，rubber products
13．－Adjusted for seasonal variation．Includes 41 weighted series largely representing foreign trade in raw materials．Tends to overstate amplitude of cyclical fluctuations，probably with an upward bias．
14．－Based on value of contracts awarded，deflated annually for changes in union rates of wages，and monthly for changes in prices of building materials
15．－Revenue freight only ；excludes cars received from U．S onnections
16．－Index of value，comprising 13 groups adjusted for number of business days and for seasonal variation．Refers to depart ment，＂variety，＂and chain stores only，representing chiefly urban sales．Base－Av， $1930=100 \%$ ．Monthly series com menced January，1929．Annual estimates from 1923.
17．－Includes workers on relief projects
19．－Establishments with over 15 employees only．Includes part time workers on same basis as full－time．Excludes farm labourers and civil servants，and underweights the service industries
into five series. One will be callable in each of the years 1948-52; but which series will be called in which year will be decided by lot at the time. It is therefore impossible to calculate precisely the yield of individual series. This feature diminishes trading in this issue-which the authorities may have desired. The rate of $3^{\frac{1}{4}} \%$ was slightly below the market; the issue was sold on a patriotic appeal. It is interesting that, while for a year or two Canadian yields have been below the yields on comparable British securities, the recent British war loan sold at a yield lower than the Canadian. As for the market in equities, it has been sluggish since the flurry of September-October. Prices of shares and also of bonds interlisted between Canadian and American markets have continuously been at a premium in Canada considerably exceeding the official premium on American funds. The premium on securities in the local market has been nearer to the premium on American funds in the black market -which is what one would expect.

As long as the nature of the war in Europe
remains indefinite it is impossible to go far in adapting the Canadian economy to Allied needs. It is clear enough that we cannot go wrong by expanding certain lines of manufactures. But even here some choices have to be made; for instance, should Canada undertake chiefly the final stages of aeroplane construction, relying on the United States for the earlier processes, or should it attempt to build planes to British specifications almost " from the ground up"? And beyond this, what of the primary industries? Apples and lumber have already been hit very hard by British restrictions on such imports. Will these products not be needed " for the duration"? Will Canadian wheat be wanted as a result of widespread devastation in Europe ? Will shipping become so scarce as to enhance the geographical advantage of Canada over the other Dominions, and, within Canada, of the Maritime Provinces over British Columbia (which depends so largely on the Panama Canal route to Europe)? Until the answers to these questions seem more clear it is inevitable that certain sections of the Canadian economic forces should mark time.

## SOUTH AFRICA

## Information communicated by Mr. G. F. THIRLBY, of the University of Cape Town.

25th March, 1940.

BY the cessation of trade with Germany, the Union lost direct exports which for two years had been approximately $£ 5 \mathrm{Mn}$. per annum, a figure which placed Germany second to the United Kingdom in the list of the Union's customers. ${ }^{\star}$ But a large proportion (approximately $£ 3.7 \mathrm{Mn}$. in 1937 and again in 1938) of the export trade to Germany was in the form of wool. The seriousness of the loss thus depended largely upon its effect upon the wool-farmer, who was losing the customer who had purchased $36 \%$ by weight of his total wool clip of the past two seasons. But in September, the United Kingdom Government agreed to support the market during the current season, thereby, in effect, guaranteeing for South African wool a minimum price in the market considerably in advance of last season's price. And, in the event, prices have been well in advance of this minimum.

In the meantime, substantial export trade appears to have been diverted to the U.S.A.,

[^14]the U.K., and Japan, whose 1939 purchases increased (over those of 1938) by about $£ 3^{\frac{1}{2}} \mathrm{Mn}$., mainly in the last quarter. Exports to France, Italy and Belgium declined by about $£ \mathrm{I}$ Mn., again mainly in the last quarter. (Exports to Germany were $£ 2.7 \mathrm{I} M \mathrm{M}$.) Private imports from the U.K. declined, from 1938 to 1939, by $£_{2} \frac{1}{2} \mathrm{Mn}$., and from Germany by over $£_{\mathrm{I}}^{1} \frac{1}{2} \mathrm{Mn}$.; from the U.S.A.. Canada, India and British Malaya they rose by about $£_{2 \frac{1}{4}} \mathrm{Mn}$. Despite the dislocation, tonnage of cargo in the overseas trade, both landed and shipped, was heavier in 1939 than in 1938, both for the year as a whole and in the last quarter.

In the middle of last year, an increase in imports seemed imminent. For the first half of 1939, the margin of exports over imports had strengthened: it was $£ 4.4 \mathrm{Mn}$. greater than in 1938, and even slightly greater than in 1937. And there were already indications that the reversal of the downward trend was beginning. The shock of September, however, affected imports more than exports. In the first half of the year, both imports and non-gold exports had been of approximately the same value as in 1938 ; then, for the three months September to


November, imports were heavily below the 1938 level, while non-gold exports were slightly above. But, as might have been expected, after an interruption, imports rose above the level of I2 months earlier. Moreover, the fall in imports for the year as a whole was largely due to a cut, in the second half-year, in imports of Government stores, which fell by some $£ 3 \frac{1}{2} \mathrm{Mn}$. to $£ 5.9 \mathrm{Mn}$., while private imports fell by only about $£ \mathrm{IM}$ Mn. to $£ 85.2 \mathrm{Mn}$. In 1938, $27 \%$ of Government imports and $6 \%$ of private imports came from Germany. The relatively small cut in private imports possibly supports the view that the general tendency for imports to rise was offsetting the effect of breaking off relations with Germany.

Partly because of the temporary check to imports, the margin of exports over imports for the whole year was $£ 4 \mathrm{I} .6 \mathrm{Mn}$., as compared with $£ 23.2 \mathrm{Mn}$. for 1938 and $£ 21.5 \mathrm{Mn}$. for 1937. But the greater part of the increase in the export margin ( $£ 13 \mathrm{Mn}$. of the $£ 18 \mathrm{Mn}$. increase over 1938) was attributable to the enhanced value of gold output. Steadily rising before, the value was now heavily increased by a fall in the value of sterling (to which the South African pound is pegged) in terms of gold.

The supporting indication of the promise of increased imports was the increasing strength of gold and foreign bill reserves in the Reserve Bank, and the increasing size of the commercial banks' deposits. In the last few months this movement has proceeded apace. At the yearend the reserve of foreign bills was approximately the same as a year before. The gold reserve had increased by $£_{3} 3.5 \mathrm{Mn}$. at the standard valuation; but as practically the whole increase occurred after August, the figure may be doubled to indicate the change of the reserves in terms of currency. Commercial banks' deposits stood at their highest. But advances, which had shown some sign of increase at the turn of the halfyear, receded again from August, and had barely recovered by the year-end.

In the light of these considerations, it seems reasonable to anticipate that, in the absence of interruption by authority, an emphasized movement upwards of import values may occur in the near future. Alternatively the Union may accumulate gold and foreign bills.

With the outbreak of war, the previous hesitancy of iong-term investors to be influenced by the short-run revival of trade continued or increased in face of doubts concerning the future course of trade. There are signs now that the Government is impatient of the slowness of private enterprise, and intends to direct some
of the financial resources into local investment. With the tendency for the prices of imported goods to rise, ${ }^{\star}$ and under the protection of increased freight and insurance rates, it might well have been expected that local manufacturing industries would be stimulated to expansion. There are indications that this expansion has in fact begun. But the Government's policy does not appear to be to allow the risk of loss to fall entirely on the shoulders of those investors who are willing to bear it without special support, and who have access to capital through the usual commercial channels. It has set up an Industrial and Agricultural Requirements Commission to determine (inter alia) the steps that require to be taken " to ensure that a higher degree of selfsufficiency may be attained," and has decided to devote $f_{5} \mathrm{Mn}$. to capitalise a Company to be called the National Development Corporation of South Africa, Ltd., to promote new, and develop existing, industries and undertakings. If, taken together, these two measures are correctly interpreted as indicating a movement towards increased protectionism after the war, they combine with (inter alia) the increasing straitjacketing of the marketing of agricultural products, and with the rapid widening of the range of complicated wage-regulation in the interests of privileged workers-supported as it is by the increasing restriction of entry of natives into the towns-to provide an insecure foundation upon which to build any hope of the Union's entering a post-war world of economic freedom.

The growing significance of gold-mining in the South African economy appears not only in the analysis of foreign trade, but also in the details of Government finance. It is particularly evident in the large part the industry is being forced to play in the financing of the Government's War Expenses Account. With the Revenue Account for 1939/40 approximately balanced, the Budget anticipated an expenditure for 1940/4I increased-to $£ 57.3 \mathrm{Mn}$.-mainly by an addition of $£ 11.75 \mathrm{Mn}$. to defence expenditure. Reckoning on the existing basis of taxation

[^15](and, for gold-mining taxation, on a gold price of $150 /-$ an oz.) the Minister calculated that revenue would be about the same as in the closing year. It would, he anticipated, be augmented by $£ 3.6 \mathrm{Mn}$. by the operation of gold-mining taxation upon the full market price of gold, but it would still be $£ 8.5 \mathrm{Mn}$. short of expenditure. He proposed to meet most of the deficiency by a " special contribution " (of $9 \%$ of taxable income before deduction of redemption allowance and loss brought forward from a previous year) to yield $£ 3.5 \mathrm{Mn}$. from goldmining; a transfer of $f_{2} \mathrm{Mn}$. from Loan Account; a withdrawal of the $30 \%$ rebate on
income tax, to yield $£ \mathrm{I} .8 \mathrm{Mn}$. ; and an excess profits duty, additional customs duty on certain " luxury" articles, and a special contribution from the diamond mines.

Loan Expenditure in the closing financial year had involved the increase of the permanent debt by $£ 15.2 \mathrm{Mn}$. A new issue of $£ 17.6 \mathrm{Mn}$. $3 \frac{3}{4} \%$ Local Registered Stock 1950 at $99^{\frac{1}{2}}$ had effected the conversion of £iri. 8 Mn . 1940/50 $5 \%$ stock and provided the Treasury with $f_{6} 5.8 \mathrm{Mn}$. of new money. In the coming year, nearly half of the expenditure of $£ 24 \mathrm{Mn}$. was to be met by temporary borrowing and probably a local loan to be floated late in the year.

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## EXECUTIVE COMMITTEE.



Temporary war-time Subscription, $£ 1$.

## LONDON $\mathfrak{E}$ CAMBRIDGE ECONOMIC SERVICE

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JULY, 1940

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Subscribers are reminded that the Service is prepared to answer enquiries and to supply further statistics on special subjects. No charge is made unless considerable labour is entailed.

## EVENTS OF ECONOMIC IMPORTANCE.

| May | $\begin{aligned} & \text { I940. } \\ & \text { Ioth } \end{aligned}$ | Holland, Belgium . . |  | German invasion. |
| :---: | :---: | :---: | :---: | :---: |
| , | „ | U.K. |  | Churchill succeeds Chamberlain as Prime Minister. |
| " | 14th | Holland |  | Dutch Army surrenders. |
| " | 19th | France |  | Petain appointed vice-Premier, Weygand Commander-in-Chief |
| " | 22nd | U.K. |  | Parliament passes Emergency Powers Act, giving Government complete control over persons and property. |
| " | 27th | U.K. |  | Labour Supply Board set up to control labour movements and supply. |
| " | 28th | Belgium |  | Belgian Army surrenders. |
| " | 29th | U.K. |  | Chancellor announces 100\% E.P.T. for all businesses. |
| June | 4th | U.K. |  | Dividend Limitation Bill withdrawn. |
| " | 5th | U.K. |  | Minister of Labour announces new labour regulations in Coal, Building and Engineering trades. |
| " | 7th | U.K. |  | Exchange control extended. All exports to be paid for in foreign exchange or sterling bought at official rates. Foreign sales of sterling securities restricted. Extension envisaged of system of clearing agreements. |
| " | Ioth | Italy |  | War declared on England and France. |
| " | IIth | U.K. |  | Bank of England's fiduciary note issue increased from $£ 580 \mathrm{Mn}$. to $£ 630 \mathrm{Mn}$. |
| " | 14th | France |  | Germans occupy Paris. |
| " | 16th | France |  | Reynaud resigns premiership : replaced by Petain. |
| " | 17th | France |  | Petain asks for armistice. |
| " | 20th | U.S.A. |  | President appoints Knox and Stimson, Republicans, as Secretaries for Navy and War. |
| " | 2ISt | U.K. |  | Chancellor announces new unlimited issue of $2 \frac{1}{2} \%$ National War Bonds, 1945-7, for sale on tap. |
| " | 25th | France |  | Fighting ceases after French acceptance of German and Italian Armistice terms. |
| " | 27th | Roumania |  | Russian ultimatum demands surrender of Bessarabia and North Bukovina. |
| " | 28th | U.S.A. |  | Republican Convention nominates pro-Ally Wendell Willkie as presidential candidate. |
| July | Ist | Roumania |  | Russians complete occupation of Bessarabia and N. Bukovina. |
| " | 4th | U.K. |  | Navy sinks French ships off Oran. <br> Chancellor announces Treasury will accept six months' deposits from banks. |
| " | 5th | France |  | Cabinet breaks off relations with U.K. |
| " | 9th | U.K. |  | Announced tea to be rationed immediately and margarine from July 22nd. <br> House of Commons grants new war credit of $£ 1,000 \mathrm{Mn}$. |
| " | 17th | U.K. |  | New measures announced for regulation of Sterling-Dollar Exchange. |
| " | 22nd | U.S.A. |  | President introduces measure for purchase of $S$. American surplus stocks. |
|  | 23rd | U.K. |  | Supplementary Budget introduced |

## THE ECONOMIC POSITION.

THE rise of nearly $50 \%$ in the rate of the British Government's war expenditure, which has occurred since May, corresponds to a general acceleration of war activity. The unemployment total had fallen by June 17th to 780,000 , a figure which approaches what used to be regarded as the normal minimum, though the special war-time powers to control the movement of labour may now permit a further reduction in the large number of temporarily unemployed who are merely moving from one situation to another, and some of the men who have been unemployed for long periods may be drawn into useful work. No information is available as to the number of men withdrawn from civil employment for service with the forces, but in view of the fall in unemployment, the attraction of new workers into industry, the continued rise in wage rates, and the longer hours worked, it seems probable that the total national wage bill is still rising. Meanwhile, the supply of goods available for internal civil consumption is increasingly restricted, and the cost of living continues to rise.

The increase in the quantity of money continues. The rise of over $£ 60 \mathrm{Mn}$. in the Bank of England's note circulation may probably be attributed mainly to an increased desire for liquidity in view of the military situation, though in fact the additional notes may be needed for financing some increasing wage bill. The further rise in clearing bank current account deposits, on the other hand, is entirely due to increased holdings of Treasury bills by the banks and is therefore directly attributable to the rise in the floating debt. This rise, if continued, would undoubtedly increase the danger of an acute disequilibrium between the demand for consumption goods and their supply.

For the moment the development of such a disequilibrium appears to be largely held in check, partly by the response to the appeal for saving and investment in Government loans, and partly by a reduced willingness to make purchases owing to the existing condition of physical uncertainty. But if either of these restraining forces should weaken, an excess of unsatisfied demand might develop which would cause either a further large rise in the level of prices or, if prices were fixed, an inadequacy of supplies and the appearance of queues at the shops. This in turn would compel the extension of the rationing system to practically the whole field of consumption goods. The best hope of reducing the risk of such a development lies in a reduction, by means of increased taxation, in the amount of incomes available for consumption, and in the sales tax which can be stiffened. In this connection the recent Supplementary Budget has been criticised as being insufficiently drastic.

The recent foreign trade figures naturally show a fall in both imports and exports from the high levels earlier in the year, but the excess of imports remains between $£ 50 \mathrm{Mn}$. and $£ 60 \mathrm{Mn}$. per month. Allowing for invisible exports on income account, the adverse balance of payments now appears to be running at the rate of something like $£ 400 \mathrm{Mn}$. a year. An unknown but probably substantial proportion of this is being covered by the accumulation and investment in London of funds belonging to sterling area countries, who are thus in effect supplying a large proportion of their exports on credit. The balance is being met by the sale of gold and foreign securities to the United States.

# UNITED KINGDOM. 

FINANCE \& BANKING IN THE SECOND QUARTER OF 1940

By F. W. Paish.

GOVERNMENT FINANCE. - Until the end of May the rate of war expenditure continued at about the same level as in the previous quarter, with the cost of the Supply Services averaging rather over $£ 40 \mathrm{Mn}$. per week. At the beginning of June a sudden increase in expenditure took place, and during that month the weekly cost of the Supply Services averaged $£ 60 \mathrm{Mn}$. This
increase brought total ordinary expenditure for the quarter up to $£ 695 \mathrm{Mn}$., as compared with $£ 624 \mathrm{Mn}$. in the previous quarter. Revenue is always low in the second quarter, and though this year it was $£ 44 \mathrm{Mn}$. higher than in the second quarter of 1939, it amounted to only $£_{\text {I } 88 ~ M n ., ~ l e a v i n g ~ a ~ d e f i c i t ~ f o r ~ t h e ~ q u a r t e r ~ o f ~}^{\text {n }}$ $£ 507 \mathrm{Mn}$., or $£ 39 \mathrm{Mn}$. per week :-

GOVERNMENT REVENUE AND EXPENDITURE (£Mn.) Wcekly Averages.

Expenditure

|  | Expenditure. |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Revenue. | Supply Services. | Total. | Deficit |
| 1939-Oct.-Dec. | $15 \cdot 9$ | 35.6 | 41.8 | $25 \cdot 9$ |
| 1940-Jan.-Mar. | 38.8 | $45 \cdot 1$ | 48.0 | 9.2 |
| April 1-27 | $16 \cdot 1$ | 41.2 | 46.9 | $30 \cdot 8$ |
| April 28-June 1 | $14 \cdot 1$ | 41.7 | 49.8 | $35 \cdot 7$ |
| June 2-30 | $13 \cdot 3$ | $60 \cdot 0$ | 63.9 | $50 \cdot 6$ |

Of the quarter's deficit, $£ 203 \mathrm{Mn}$. were covered by receipts from the $3 \%$ War Loan issued in March, about $£ 44 \mathrm{Mn}$. each from sales of $3 \%$ Defence Bonds and from net sales of Savings Certificates and nearly $£ 43 \mathrm{Mn}$. from the first five days' sales of $2 \frac{1}{2} \%$ War Bonds.

The Floating Debt.-The whole of the remaining $£_{1} 73 \mathrm{Mn}$. was met by expanding the Floating Debt, which rose from $£ \mathrm{I}, 489 \mathrm{Mn}$. on March 3ist to $£_{\mathrm{I}}^{\mathrm{I}, 662 \mathrm{Mn} \text {. on June 30th. Of }}$ this rise, $£ 159 \mathrm{Mn}$. occurred in the issue of ' tap ' bills and only $£ 39 \mathrm{Mn}$. in ' tender' bills, while Ways and Means Advances from public departments fell by $£_{25} \mathrm{Mn}$. The remarkable rise in the ' tap' bill total may in part be due to the reported action of the Treasury in issuing bills direct to the clearing banks through the ' tap,' but an important part of the increase is almost certainly attributable to the rise in the value of Government Securities held in both departments of the Bank of England. Between May 22nd and July 3rd the Bank's holdings of Government Securities rose by $£ 84 \mathrm{Mn}$., while between May 18th and June 29th 'tap' bills increased by $£ 122 \mathrm{Mn}$.

Bank of England.-Between April 3rd and July 3rd, total assets of both Departments of the Bank of England increased by $£ 87 \mathrm{Mn}$. Almost the whole of this increase occurred after May 22nd, and $£ 84 \mathrm{Mn}$. of it was due to the increase in Government Securities mentioned above. More than three-quarters of the increase in assets was required to offset the effect on deposits of an expansion of $£ 66 \mathrm{Mn}$. in the note circulation, of which $£ 62 \mathrm{Mn}$. took place after May 22nd. After the expansion in the circulation had reduced the Note Reserve of the Banking Department below £II Mn. on June 5th, the Fiduciary Issue was raised from $£ 580 \mathrm{Mn}$. to $£ 630 \mathrm{Mn}$., thus replenishing the Reserve to the extent of $£ 50 \mathrm{Mn}$. Despite this addition, by July 3rd the Reserve had fallen again to little more than $£ 22 \mathrm{Mn}$. The significance of this sudden and violent rise in the circulation is discussed in a subsequent note.

As the rise in the Bank's assets during the quarter was $£ 21 \mathrm{Mn}$. larger than the rise in the note circulation, the total of Deposits was augmented by this amount, again almost entirely in the second half of the quarter. Over $£ 7 \mathrm{Mn}$.
of the increase was immobilised in Other Deposits (perhaps in consequence of the blocking of foreign balances), but Public plus Bankers' Deposits rose by $£ 13.5 \mathrm{Mn}$. to the very high level of $£ 156.7 \mathrm{Mn}$. on July 3 rd. The corresponding figure a year ago was under $£_{\mathrm{II}} \mathrm{I} 6 \mathrm{Mn}$.

Bankers' Deposits have continued to fluctuate violently in consequence of the very large movements in Public Deposits. As usual, Bankers' Deposits have been at their lowest before the end of each month, when Public Deposits are inflated in anticipation of heavy end-month payments, and at highest early in each month, after the Treasury has made its payments :-
BANK OF ENGLAND.
Public and Bankers' Deposits.
Public Deposits.
$43 \cdot 1$
22.4

The exceptionally heavy movement at the beginning of July was due to the repayment on July Ist of about $£ 100 \mathrm{Mn}$. of non-assented $4 \frac{1}{2} \%$ Conversion Loan. The increase of $£ 20$ Mn . during the week ending July 3rd in the Bank's security holdings was no doubt required to facilitate this repayment, as well as to assist the banks in their half-yearly ' window-dressing' operations.

Clearing Banks.-Despite the fact that Bankers' Balances at the Bank of England have usually been low towards the ends of the months, when the monthly statements are now made up, the published figures of the Clearing Banks' cash reserves have remained at a very comfortable level. This is largely due to the increased quantities of actual currency which the banks are now carrying in their tills. According to the Bank of England's Statistical Summary, the London clearing banks' holdings of notes and coin rose from under $£_{123} \mathrm{Mn}$. in March to over $£_{141} \mathrm{Mn}$. in June. Of the other assets, the individual end-June figures of Cash, Call Money, and Discounts are not comparable with those for earlier months in consequence of the effect of the half-yearly window-dressing operations, the obverse of which can probably be seen in the sharp increase, noted above, in Government Securities held by the Bank of England. The total of the three items is, however, fairly reliable, and at $£ 782 \mathrm{Mn}$. for nine London Clearing Banks shows an increase of $£ 88 \mathrm{Mn}$. over the March figure. By far the greater part of this increase should probably be attributed to Discounts. Of the other items, Advances continued
their previous decline, falling from $£ 954 \mathrm{Mn}$. in March to $£ 913 \mathrm{Mn}$. at the end of June ; but this fall was partly offset by the increase in Investments, which rose from $£_{567} \mathrm{Mn}$. to £.592 Mn. Deposits rose from $£ 2,239 \mathrm{Mn}$. in March to $£_{2} 2,34 \mathrm{I}$ Mn. at the end of June. Of the increase, $£ 30 \mathrm{Mn}$. was due to a temporary increase in Balances with other Banks and Items in Transit and may be disregarded. The remaining $£ 72 \mathrm{Mn}$. was more than accounted for by the rise in liquid assets, and the banks' 'quick assets ratio' rose from $31 \%$ to $33.5 \%$ of deposits. It may be noted that throughout this quarter the rise in the Clearing Banks' discounts has been appreciably larger than the increase in issues of Treasury bills by tender, thus lending confirmation to the reports that the Treasury has sold bills direct to the banks through the 'tap.'

Security Prices.-Prices of Industrial securities remained fairly steady until towards the end of the second week of May, but during the remainder of that month declined by about $15 \%$. During the first half of June the decline was temporarily checked, but in the third week prices again declined sharply, and on June 24th were nearly $35 \%$ below the April level. Since then there has been some recovery.

Prices of fixed interest securities moved similarly, but much less violently. The maximum fall did not exceed about $7 \%$, of which nearly half has since been recovered. Short-term interest rates are unchanged at their existing low level.

Exchange Rates.-The point of chief interest in the Exchange market has again been the movements in the New York free rate. After remaining fairly steady in the vicinity of $\$ 3.50$ to the $£$ until early in May, the rate broke sharply to 3.19 on the news of the German invasion of Holland and Belgium, and fluctuated about this level until June 5th. On June 6th it recovered to over 3.50 on reports of new British exchange control measures, and on June 7th, when these reports were confirmed, it rose to 3.83 .

The new measures announced by the Treasury fell into two parts. On the one hand, all exports to Switzerland and U.S.A. were to be paid for either in the currency of the importing country or in sterling bought at the official rate, while exports to other non-sterling countries were to be paid for through clearing or payments agreements; on the other, all sales of sterling securities by foreigners were restricted, thus cutting down the supply of sterling available for sale by

The immediate rise in the free rate was apparently due partly to the reversal of speculative positions and partly to the suddenly increased demand for sterling by foreigners with sterling obligations to meet. The recovery was, however, fairly well maintained, though the rate subsequently showed some decline from the peak quotation of 3.95 recorded on June 25th. The maintenance of the rate was presumably partly due to the reduction in the supply of sterling offered on the free market, and partly to the desire of those with future sterling obligations to cover them on more favourable terms than those available in the official market, before the negotiations in progress between the British Treasury and the New York banks attained their object of eliminating the free market altogether.

## RECENT MOVEMENTS.

Since the end of June two new Government measures of considerable importance in the financial field have been introduced. The first of these, announced by the Chancellor of the Exchequer on July 4th, instituted a change in the technique of Government borrowing. In future the Treasury will borrow direct from the banks at $\mathrm{I} \frac{1}{8} \%$ on six months' fixed deposit, subject to prior withdrawal only for the purpose of permitting investment by a bank or its customers in longer-term Government loans, or, in emergency, under the penalty of a discount calculated at Bank Rate. The reasons given by the Chancellor for this innovation were the present volume of Treasury bills and the uneven spread of the receipt of revenue. No doubt the new system will be more flexible than the normal method of issuing Treasury bills by tender, but it is hard to see how it differs from the sale to the banks of six months' bills through the 'tap.' It should be noted that the new technique differs from the somewhat similar method used in the war of 1914-18 in that the banks' deposits with the Treasury were then withdrawable at short notice, and were therefore a more liquid asset than three months' Treasury bills, while the new deposits are less liquid than bills. The new system is therefore likely to have a less expansionist effect on the volume of credit than that used in the last war, which was at the time considered to have contributed considerably to the war inflation.

That the new system has not yet succeeded in eliminating the effects of fluctuations in Government revenue is clear from the Bank of England figures for July 17th, which show a rise in Public Deposits from £ $£ 6.6 \mathrm{Mn}$. on

July 3 rd to $£ 56.0 \mathrm{Mn}$. on July 17th, while Bankers' Deposits fell from $£$ I 40.1 Mn . to the extremely low figure of $£ 79.2 \mathrm{Mn}$.

Simultaneously with the introduction of the new system, the weekly publication of details of Government borrowing, including the figures of the floating debt, was discontinued. After strong protests by the press, it was announced that the figures would in future be published monthly. The reason given for the change was that weekly figures were subject to violent fluctuations of no permanent significance and were liable to be misleading. It is difficult to attach much weight to this explanation; few people examine the weekly figures, except those who are competent to make intelligent use of them. Nevertheless, there is reason for satisfaction at the announcement that the figures are not to be suppressed altogether. Short-dated Government debt is a much better substitute for money than longdated securities; and an undue expansion of the floating debt, by providing the community, and especially the banks, with an excess supply of highly liquid assets, would almost certainly lead to a dangerous expansion of credit. It is, therefore, of the utmost importance that the relevant figures should be published regularly and promptly, in order that the press should be able to continue to exercise its function of responsible criticism.

The second important announcement was made on July 17th, when a Treasury Order was issued setting up new machinery for regulating Anglo-American exchange business. The essence of the new scheme is that all amounts in sterling which are allowed to be transferred to the accounts of United States residents will in future be placed to their credit in special accounts to be opened in London by United States banks. Sterling in these accounts will be available to pay for all exports from the sterling area to the United States and will be convertible into dollars at the official rate.

Existing United States private balances will be freely transferable to United States residents, and to British residents for any purpose other than paying for exports. They will no doubt continue to be transferred in New York, and a free market there will therefore continue for a time. But as these private United States balances cannot in aggregate be replenished, they will disappear in course of time as they are transferred to British residents, and the free market, with its differential quotation, will then disappear. Similar arrangements have been made with Switzerland.

It will be noted that these arrangements are closely similar to those put forward in the
second of the suggestions made on p. 45 of our April Bulletin.

During the first four weeks of July Government expenditure on the Supply Services showed a further increase to an average weekly total of over $£ 64 \mathrm{Mn}$., and total expenditure to over £68 Mn. Ordinary revenue, however, was higher at over $£ 23 \mathrm{Mn}$. per week, chiefly on account of the seasonal rise in Income Tax, and the average weekly deficit fell to $£ 45 \mathrm{Mn}$. Net borrowing for the period totalled $£ 18 \mathrm{I} .5 \mathrm{Mn}$. In addition, £102.7 Mn. of $4 \frac{1}{2} \%$ Conversion Loan was redeemed. The first monthly analysis of changes in the constituent items of the National Debt shows that new long term borrowing amounted to $£ 140.7 \mathrm{Mn}$., consisting of $£_{15} 15 \mathrm{Mn}$. of Savings Certificates, $£ 29.9 \mathrm{Mn}$. of $3 \%$ Defence Bonds, $£ 86.2 \mathrm{Mn}$. of $2 \frac{1}{2} \%$ War Bonds, and $£ 8.7 \mathrm{Mn}$. of ' Other Debt.' The
 Mn . Treasury bills issued by tender rose from $£_{770} \mathrm{Mn}$. to $£ 826 \mathrm{Mn}$., ' tap' bills from $£ 856$ Mn. to $£ 907 \mathrm{Mn}$., Ways and Means Advances from $£ 37 \mathrm{Mn}$. to $£ 44 \mathrm{Mn}$., and $£ 30 \mathrm{Mn}$. was borrowed from the banks on deposit. During the last fortnight Treasury Bills issued by tender have been under-allotted, and no further sums have been borrowed from the banks on deposit. It is to be hoped that the rise in short-term borrowing from the banks and money-market will now be checked.

In view of the increase in total estimated Government expenditure during the present financial year from $£ 2,667 \mathrm{Mn}$. to $£ 3,467 \mathrm{Mn}$., the Chancellor of the Exchequer, in his Supplementary Budget introduced on July 23 rd , imposed new taxation estimated to yield $£_{1} 125.8$ Mn . in the present year and $£ 239.15 \mathrm{Mn}$. in a full year. The great bulk of the increase is derived from higher Income Tax and Surtax and from the new Purchase Tax on retail sales, which in a full year are estimated to yield $\oint 95 \mathrm{Mn}$. and $£ 110 \mathrm{Mn}$. respectively. Income tax on wages and salaries is in future to be deducted at source. Tax on salaries will begin to be deducted in November and on wages in January.

The new Budget has been criticised chiefly on the ground that the proportion of expenditure covered by taxation remains inadequate. It leaves well over $£ 2,000 \mathrm{Mn}$., or nearly $60 \%$ of Expenditure, to be covered by the sale of gold and foreign assets and by borrowing. Even if we place the adverse balance of international payments, to be financed by the sale of assets abroad and by borrowing from sterling area countries, as high as $£ 500$ for the year, this leaves well over $£ 1,500 \mathrm{Mn}$. to be provided out of the genuine internal savings of the country if inflation is to be avoided.

# PRICES AND WAGES, TRADE AND EMPLOYMENT. 

By A. L. Bowley.

WHOLESALE PRICES.-The increase in wholesale prices was much more rapid than in most retail prices from August, 1939, to February, 1940, but in the last four months the two index numbers have moved in the same proportion.

The accompanying Table, based on the Board of Trade's figures, shows less variation among commodities than has occurred in retail prices.

INDEX NUMBERS OF WHOLEBALE PRICES. Averages for the Year $1930=100$.

| Group | $\begin{aligned} & \text { Aug. } \\ & 1939 \end{aligned}$ | $\begin{aligned} & \text { Mar. } \\ & 1940 \end{aligned}$ | $\begin{aligned} & \text { June } \\ & 1940 \end{aligned}$ | \%age increase <br> Aug. '39 to June 1940 |
| :---: | :---: | :---: | :---: | :---: |
| Cereals | 84 | 131 | 133 | 58 |
| Meat, fish and eggs | 84 | 110 | 112 | 32 |
| Other food and tobacco ... | 100 | 129 | 143 | 43 |
| Total-food, etc. ... | 90 | 124 | 130 | 44 |
| Coal | 117 | 134 | 140 | 20 |
| Iron and steel ... | 129 | 151 | 153 | 19 |
| Non-ferrous metals | 101 | 123 | 124 | 23 |
| Cotton ... ... | 81 | 122 | 124 | 52 |
| Wool | 103 | 161 | 163 | 59 |
| Other textiles ... | 74 | 109 | 109 | 47 |
| Chemicals \& oils ... | 93 | 114 | 118 | 26 |
| Miscellaneous .. | 96 | 125 | 140 | 45 |
| Total-materials et | c. 102 | 131 | 137 | 34 |
| All articles | 98 | 129 | 135 | 37 |

From March to June this year the principal movements have been in uncontrolled foodstuffs, in coal, chemicals and oils, and among the miscellaneous materials group. Cotton rose in April, but fell in May and June. In many cases the control of prices has resulted in approximate stationariness since March.

It is to be remembered that these wholesale prices are no longer those paid by traders in a free market, and in fact there is no clear statement of their origin or application.

It may be noticed that the heaviest wartime advances have been among the principal imported goods, viz., cereals and textiles.

RETAIL PRICES.-The Index-number of the Cost of Living rose nearly regularly (when seasonally adjusted) by about $1 \frac{1}{2} \%$ monthly from September Ist, I939, to July Ist, I 940 and on July ist was $20 \%$ higher than a year before. The rate of increase is rather slower than in the Great War, when the Index rose $25 \%$ from July, 1914, to July, 1915. The difference is largely due to the subsidies this time on bread, etc.

Since July, 1939, the increase has varied greatly from one commodity to another, as the accompanying Table shows. The poorest section of the working-class, if their diet contained more bread and margarine and less meat and butter than the average on which the index is weighted, and if their expenditure on clothing was small, would have experienced a rise less than that shown. On the other hand and more generally, cheap lines have vanished from the shops and there have been difficulties in obtaining ordinary supplies, owing to hindrances to distribution as well as to rationing, and the resulting modifications in the weekly purchases have tended to be costly. The incidence of the changes has probably varied greatly from family to family according to income and locality, and the general average can only give a rough indication of the effective change in prices.

During June there was an increase in the prices of milk and of eggs, and of potatoes by the displacement of the old by the new crop.

| DETAIL OF THE COST OF LIVING INDEX. Prices as \%ages* of those in July, 1914. |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { July } 1 \\ 1939 \end{gathered}$ | $\begin{gathered} \text { June } 1 \\ 1940 \end{gathered}$ | $\begin{gathered} \text { July } 1 \\ 1940 \end{gathered}$ | \%age rise <br> July '39 to July 1940 |
| Beef : British | 129 | 152 | 152 | 17 |
| Chilled | .. 115 | 150 | 149 | 30 |
| Mutton : British | .. 132 | 145 | 145 | 10 |
| ,, Frozen | .. 122 | 136 | 136 | 11 |
| Bacon . | .. 131 | 166 | 166 | 27 |
| Fish | - 208 | 284 | 300 | 44 |
| Flour | . 130 | 127 | 126 | -3 |
| Bread | 146 | 147 | 147 | 1 |
| Tea ... | . 153 | 163 | 163 | 7 |
| Sugar | .. 146 | 218 | 215 | 47 |
| Milk | .. 188 | 181 | 219 | 17 |
| Butter | .. 107 | 130 | 129 | 21 |
| Cheese ... | .. 114 | 150 | 148 | 30 |
| Margarine ... | - 92 | 103 | 103 | 12 |
| Eggs ... | .. 133 | 173 | 182 | 37 |
| Potatoes | .. 200 | 167 | 296 | 48 |
| All food ... | .. 139 | 158 | 168 | 21 |
| Rent . | .. 162 | 164 | 164 | 1 |
| Clothing ... | .. $207 \frac{1}{2}$ | 285 | 290 | 40 |
| Fuel, gas, etc. | .. 180 | 212 | 212 | 18 |
| Miscellaneous | .. 180 | 210 | 210 | 17 |
| All commodit | 156 | 181 | 187 | 20 |

WAGES.-There have been some increases in wage-rates since April, for which month a summary was given on p. 38 of the last Bulletin. The principal increases from April 15 th to July isth have been for builders, dockers,
railwaymen and especially in Agriculture, where the minimum rate of 48 s . weekly took effect on June zoth.

It is convenient to make comparison with May, 1939, since the first rise of importance after a stationary period took place in Engineering in June, 1939. The constituents of our wagerate index are as follows :-

> WAGE RATES.

|  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 1924 | 1939 | 1940 | \%age Increase |
|  | Dec. | May | July | May '39 to July '40 |
| Bricklayers | 100 | 98.5 | 106.1 | 8 |
| ," Labourers | 100 | 98.1 | 108.3 | 10 |
| Compositors | 100 | 100.0 | 100.0 | 0 |
| Docks | 100 | 108.1 | 124.5 | 15 |
| Fitters | 100 | 115.9 | 128.2 | 11 |
| Labourers | 100 | 122.2 | 139.6 | 14 |
| Railways | 100 | 96.4 | 106.3 | 10 |
| Cotton | 100 | 92.0 | 112.7 | 22.1 |
| Wool | 100 | 86.7 | 103.4 | 19 |
| Shipbuilding | 100 | 108.0 | 122.0 | 13 |
| Local Authorities | 100 | 103.0 | 111.0 | 8 |
| Trams | 100 | 108.5 | 120.8 | 11 |
| Lorry drivers | 100 | 104.6 | 113.0 | 8 |
| Boots* ${ }^{\text {* }}$. | 100 | 105.6 | 116.7 | 11 |
| Confectionery* | 100 | 107.4 | 114.8 | 7 |
| Tailoring* ... | 100 | 115.4 | 126.9 | 10 |
| Shirts** | 100 | 115.4 | 126.9 | 10 |
| Tobacco* | 100 | 100.0 | 110.4 | 10 |
| Agriculture ... | 100 | 123.9 | 172.0 | 39 |
| Coal ... .. | 100 | 108.8 | 125.3 | 15 |
| Weighted average | 100 | 104.9 | 119.0 | 13 |

Where, as in Cotton and Wool, the numbers depend partly on piece-rates, in Coal partly on earnings, and in Railways on complicated adjustments, there are elements of approximation in the Table.

The index-number takes no account of greater regularity in employment, which is probably wide-spread, nor of increased earnings due to overtime and night-work, common in munition industries, nor to the considerable shifting to higher-paid occupations. It therefore is of little use for any attempt to estimate the change of average earnings, and still less for changes in total earnings, since the numbers employed are not known.

But there are a very considerable number of workpeople who are still working in their former positions without any opportunity for additional earnings, and in general, their wage-rates have increased less than has the official Cost of Living Index, which, in turn, is generally believed to underestimate the effect of priceincreases and the changes in consumption necessitated by rationing and scarcity.

EXTERNAL TRADE.-After a considerable reduction of Imports and Exports in September and October, 1939, consequent upon the outbreak of war, before the system of convoys was organised, trade increased rapidly, and by the end of the year the monthly totals were greater than a year before.

There has been a falling off both in Imports and Exports in May and June this year, as trade has ceased with several European countries and the Mediterranean route has been interrupted. Exports to America, South Africa and Australia, however, did not diminish in June.

The Table shows that the total value of Exports in the years ending in June, 1939, and June, 1940, were nearly the same, so that (with the increase in price) the quantity has fallen considerably.

The adverse balance of trade in the first six months of 1940 was $£ 343 \mathrm{Mn}$., as compared with $£ 183 \mathrm{Mn}$. in 1939.

|  | 19381939 | 1938 | 1939 | 19 | - |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Quarters | THIRD | FOU | TH |  | T1 |  | ON |
| Total Imports £.Mn. |  |  |  |  |  |  |  |
| ood, 8 | $108.0 \quad 89.5$ | 111.0 | 110.2 | $100 \cdot 6$ | $127 \cdot 3$ | 990 | 116 |
| Mater'ls, \&c. | 57.156 | $57 \cdot 5$ | $62 \cdot 5$ | $58 \cdot 1$ | 99.0 | 64.2 |  |
| Manuf'ct'res | $54.3 \quad 59.9$ | $57 \cdot 3$ | 56.0 | 57.8 | $80 \cdot 3$ | 64.2 | 86. 5 |
| (incl.miscll.) $221.3207 \cdot 8$ |  | 228 | $230 \cdot 3$ | 218.5 | 308.3 | 3 | 304 |
| Exports of British Produce £Mn. |  |  |  |  |  |  |  |
| Food, | $9.0 \quad 8.4$ | $10 \cdot 5$ | $9 \cdot 6$ | $8 \cdot 7$ | $9 \cdot 7$ | 9 | 10 |
| Mater'ls, \&c. | $13 \cdot 8 \quad 12 \cdot 6$ | $15 \cdot 3$ | $13 \cdot 4$ | $13 \cdot 7$ | 13.0 | 14.7 | 13. |
| Manuf'ct'res | $88.0 \quad 76.8$ | $93 \cdot 7$ | 76.6 | $93 \cdot 5$ | 95.0 | 90.5 | 105 |
| (incl.misc'l | 510 | 124*1 | 102\%1 | $119 \cdot 1$ | $119 \cdot$ |  |  |

UNEMPLOYMENT.-There has been a rapid decrease of unemployment among insured persons since February, but on June 17th, 1940, there were still 501,000 males and 279,000 females (including agriculture) without work. The accompanying Tables show the distribution of unemployment by industries. Building, Construction and Local Government Service (which includes road-workers, etc., employed by authorities) account for 149,000 persons-a large number, but very much fewer than in recent years. The Distributive Trades account for 98,000, and Hotel and similar service for 57,000 . The only industries of importance that have more unemployment than a year ago are, however, Linen (19,000 unemployed) and Paper and Printing ( 31,000 ).


TABLE II.
INSURED MALES UNEMPLOYED.
Excluding Building, Public Works and Agriculture. (000's.
Wholly Unemployed Temporarily Stopped

|  | Year | 1939 | 1940 |  | 1939 | 1940 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| January |  | 957 | 595 | ... | 216 | 103 |
| February | ... | 938 | 564 | $\ldots$ | 179 | 147 |
| March ... | ... | 900 | 506 | ... | 147 | 84 |
| April ... | ... | 846 | 455 | ... | 149 | 52 |
| May . | ... | 786 | 402 | ... | 121 | 55 |
| June |  | 718 | 336 | ... | 125 | 39 |
| July | ... | 651 | ... | $\ldots$ | 118 | ... |
| August | ... | 617 | ... | ... | 126 | ... |
| September |  | 586 | ... | ... | 114 | ... |
| October |  | 646 | ... | ... | 80 | ... |
| November |  | 624 | ... | .. | 74 | ... |
| Iecember | ... | 593 |  | ... | 82 | $\cdots$ |

The numbers " temporarily stopped," viz., 41,000 males and 45,000 females, are unusually low. Of all unemployed more than half have been out of work three months or less. It is not surprising that in this period of rapid change a considerable number do not get transferred immediately.

Details are available about the periods of registered unemployment of insured persons, excluding Northern Ireland and persons not applying for benefits or allowance.

The great reduction in the number that have been out of work for six months or more is noticeable.

PERIODS OF REGISTERED UNEMPLOYMENT
GREAT BRITAIN (000's.) $\begin{array}{lcc}\text { Less than } & 3 \text { to } 6 & 6 \text { months } \\ \text { months or more. Total }\end{array}$

June, 1939.

| Men- 18-65 years | 498 | 106 | 373 | 977 |
| :---: | :---: | :---: | :---: | :---: |
| Boys- 16-18 years | 11 | 2 | 1 | 14 |
| Women-18-65 years | 146 | 35 | 47 | と28 |
| Girls- 16-18 years | 10 | 1 | 1 | 12 |
| Total ... | 665 | 144 | 422 | 1231 |
| May, 1940. |  |  |  |  |
| Men- 18-65 years | 299 | 61 | 170 | 530 |
| Boys- 16-18 years | 7 | 1 | 0 | 8 |
| Women-18-65 years | 122 | 28 | 43 | 193 |
| Girls- 16-18 years | 8 | 1 | 1 | 10 |
| Total ... | 437 | 91 | 214 | 742 |

There is not sufficient information to show the number of persons at work in insured trades, since the number withdrawn to the Forces is not known, nor the number of additional workers becoming insured, and the percentages of unemployment, based on the insured totals of May, 1939, have little significance.

At present, also, it is not known how many persons not in the insured population are available for work. Only a trifling number were on the Labour Exchange Register in May, 1940, but it is known that many are applying for work through other channels.

INSURED PERSONS UNEMPLOYED．
Males and Females．Aged 16－65
A Wholly Unemployed．

UNITED KINGDOM．ooo＇s（nearest）．
Excluding Agriculture．
B Temporarily Stopped

1938－39

|  | September 12 th， 1938 |  |  | December 12th， 1938 |  |  | $\begin{gathered} \text { April 17th, } \\ 1939 \end{gathered}$ |  |  | $\begin{gathered} \text { May } 15 \text { th, } \\ 1939 \end{gathered}$ |  |  | $\begin{gathered} \text { June } 12 \text { th, } \\ 1939 \end{gathered}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total | A | B | Total | A | B | Total | A | B | Total | A | B | Total | 1939 | B |
| Building | 148 | 143 | 4 | 196 | 189 | 7 | 150 | 144 | 6 | 130 | 126 | 4 | 118 | ${ }_{115}^{\text {A }}$ | B |
| Public Works | 113 | 111 | 2 | 124 | 122 | 3 | 112 | 110 | 2 | 104 | 102 | 2 | 118 | 115 | 2 |
| Coal | 151 | 85 | 66 | 124 | 84 | 40 | 106 | 81 | 25 | 106 | 77 | 29 | 112 | 75 | 37 |
| Cotton | 125 | 54 | 71 | 83 | 50 | 34 | 65 | 43 | 22 | 59 | 40 | 19 | 55 | 37 | 17 |
| Wool | 40 | 15 | 25 | 29 | 13 | 16 | 30 | 12 | 18 | 27 | 11 | 15 | 20 | 39 | 10 |
| Other＇Textiles | 97 | 54 | 45 | 80 | 47 | 32 | 78 | 44 | 34 | 66 | 43 | 24 | 60 | 9 | 21 |
| Clothing ．．． | 79 | 45 | 34 | 73 | 45 | 28 | 53 | 35 | 18 | 47 | 33 | 15 | 48 | 32 | 16 |
| Distribution | 184 | 173 | 11 | 135 | 186 | 9 | 198 | 188 | 10 | 186 | 175 | 11 | 167 | 156 | 11 |
| Other Industries | 619 | 498 | 151 | 642 | 523 | 119 | 590 | 492 | 99 | 526 | 453 | 72 | 479 | 410 | 69 |
| Hotels | 61 | 59 | ， | 94 | 92 | 2 | 82 | 79 | 3 | 78 | 75 | 3 | 63 | 60 | 3 |
| fessions，\＆c．． | 158 | 150 | 8 | 187 | 178 | 8 | 177 | 188 | 8 | 166 | 158 | 8 | 151 | 142 | 9 |
| Totals | 1807 | 1387 | 420 | 1827 | 1529 | 298 | 1641 | 1396 | 245 | 1495 | 1293 | 202 | 1369 | 1170 |  |
| Males | 1377 | 1102 | 275 | 1424 | 1227 | 197 | 1257 | 1100 | 157 | 1141 | 1013 | 127 | 1057 | 1926 | 131 |
| Females | 430 | 285 | 145 | 403 | 302 | 101 | 384 | 296 | 88 | 354 | と80 | 75 | ＋ 312 | 244 | ＋69 |

## 1939－40

| Building ．．． Public Works | $\begin{aligned} & \text { September } 11 \text { th, } \\ & 1939 \end{aligned}$ |  |  | $\begin{gathered} \text { December 11th } \\ 1939 \end{gathered}$ |  |  | $\begin{gathered} \text { April } 15 \text { th, } \\ 1940 \end{gathered}$ |  |  | $\begin{gathered} \text { May 20th, } \\ 1940 \end{gathered}$ |  |  | June 17th， 1940 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total | A | B | Total | A | B | Total | A | B | Total | A | B | Total | A | B |
|  | 99 | 95 | 4 | 164 | 157 | 7 | 105 | 102 | 3 | 87 | 85 | 2 | 66 | 65 | 1 |
|  | 77 | 75 | 2 | 89 | 87 | 2 | 67 | 66 | 1 | 59 | t8 | 1 | 47 | 46 | 1 |
| Coal | 77 | 53 | 24 | 72 | 48 | 23 | 44 | 38 | 6 | 40 | 34 | 6 | 32 | 28 | 4 |
| Cotton | 51 | 28 | 23 | 26 | 22 | 5 | 19 | 15 | 4 | 23 | 14 | 9 | 16 | 12 | 4 |
| Wool | 12 | 6 | 6 | 7 | 5 | 3 | 6 | 4 | 3 | 7 | 3 | 4 | 5 | 3 | 2 |
| Other Textiles | 62 | 33 | 29 | 40 | 29 | 10 | 37 | 27 | 9 | 43 | 29 | 14 | 45 | 31 | 13 |
| Clothing ．．． | 97 | 59 | 38 | 59 | 42 | 16 | 29 | 24 | 5 | 31 | 23 | 8 | 39 | 27 | 12 |
| Distribution | 164 | 151 | 13 | 163 | 154 | 9 | 129 | 122 | 8 | 113 | 106 | 7 | 98 | 92 | 6 |
| Other Industries | 424 | 347 | 77 | 413 | 358 | 56 | 327 | 283 | 43 | 308 | 262 | 46 | 255 | 221 | 35 |
| Hotels ．．． | 82 | 79 | 3 | 99 | 96 | 3 | 72 | 69 | 3 | 60 | 58 | 2 | 57 | 55 | 2 |
| Commerce，Pro－ fessions，\＆c． | 160 | 149 | 11 | 178 | 168 | 10 | 134 | 127 | 7 | 119 | 112 | 7 | 103 | 97 | 6 |
| Totals | 1305 | 1075 | 230 | 1310 | 1166 | 144 | 969 | 877 | 92 | 890 | 784 | 106 | 763 | 677 | 86 |
| Males | 875 | 756 | 119 | 928 | 837 | 91 | 669 | 612 | 57 | 603 | 544 | 58 | 487 | 446 | 41 |
| Females | 430 | 319 | 111 | 383 | 329 | 53 | 301 | 265 | 36 | 287 | 240 | 48 | 276 | 231 | 45 |

TABLE IV
UNEMPLOYMENT BY DISTRICTS．
PERCENTAGE OF INSURED PERSONS UNEMPLOYED．－GREAT BRITAIN AND N．IRELAND．
（See Ministry of Labour Gazette，P．335，Sept．1939，for details of changes in areas after Aug．1939．）

|  |  |  | ¢ |  | Ė | E | $\begin{aligned} & \text { d } \\ & \text { x } \\ & \text { 安 } \\ & \text { in } \end{aligned}$ | $\begin{gathered} \text { In } \\ \text { d } \\ \text { 7 } \\ 0 \\ \text { OR } \end{gathered}$ |  |  |  |  | $\begin{aligned} & \text { d. } \\ & \text { y } \\ & \text { B } \\ & \text { Z } \end{aligned}$ | 䊙 |  | $\stackrel{\dot{\infty}}{\stackrel{\text { D}}{\leftrightarrows}}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1939 | Apr． 17 | 11.6 | 12.4 | $9 \cdot 7$ | 7•8 |  | $7 \cdot 9$ |  | $7 \cdot 2$ | 8.4 |  | $11 \cdot 8$ | $15 \cdot 2$ | $17 \cdot 7$ | $15 \cdot 4$ | 21.0 | $25 \cdot 3$ | 1.9 |
|  | May 15 | 10.6 | 11.2 | $9 \cdot 0$ | $7 \cdot 2$ |  | $7 \cdot 0$ |  | 6.3 | $7 \cdot 4$ |  | 11.0 | $14 \cdot 1$ | 16.1 | $14 \cdot 1$ | 18.1 | $22 \cdot 7$ | $1 \cdot 8$ |
|  | June 12 | $9 \cdot 7$ | 10.4 | $7 \cdot 9$ | 6.6 |  | $5 \cdot 7$ |  | 5－1 | $7 \cdot 0$ |  | $9 \cdot 9$ | 13.6 | 14.9 | $12 \cdot 7$ | 16.8 | 21.0 | 1.7 |
|  | July 10 | 9．0 | $9 \cdot 7$ | 7.4 | 6.2 |  | 5.4 |  | $4 \cdot 5$ | 6.9 |  | 88 | 12.4 | $14 \cdot 1$ | 11.9 | $15 \cdot 7$ | 21.7 | 1.5 |
|  | Aug． 14 | $8 \cdot 7$ | $9 \cdot 3$ | $7 \cdot 6$ | $5 \cdot 8$ |  | 5：0 |  | 4.4 | $7 \cdot 7$ |  | 8.4 | $11 \cdot 9$ | $13 \cdot 3$ | 11.7 | $15 \cdot 2$ | $19 \cdot 9$ | 1.4 |
|  | Sept． 11 | $9 \cdot 1$ | 8.6 | 10.9 | 8.2 | $8 \cdot 3$ | $6 \cdot 3$ | 4.5 | $5 \cdot 2$ | 6.9 | 6.2 | 8.1 | 11.8 | 13.0 | 11.8 | $14 \cdot 3$ | $20 \cdot 1$ | 1.4 |
|  | Oct． 16 | $9 \cdot 6$ | $9 \cdot 3$ | $10 \cdot 7$ | 9.6 | 9.0 | $9 \cdot 2$ | 6.6 | 6.5 | $6 \cdot 1$ | $5 \cdot 6$ | $7 \cdot 9$ | 11.6 | 13.7 | 11.8 | $15 \cdot 3$ | 21.2 | 1.5 |
|  | Nov． 13 | $9 \cdot 5$ | $9 \cdot 1$ | $10 \cdot 3$ | $9 \cdot 7$ | 8.9 | $5 \cdot 2$ | 6.7 | 6.2 | $5 \cdot 6$ | $5 \cdot 4$ | $7 \cdot 6$ | 11.0 | 131 | 11.1 | 15.5 | 22.0 | 1.6 |
|  | Dec． 11 | $9 \cdot 1$ | 9.0 | 9.5 | $9 \cdot 1$ | 9.0 | 8.9 | 6．1 | 6.2 | $5 \cdot 3$ | 5．5 | $7 \cdot 4$ | $10 \cdot 3$ | $13 \cdot 4$ | $10 \cdot 6$ | 15.8 | $22 \cdot 4$ | 1.5 |
| 1910 | Jan． 15 | 10.2 | $10 \cdot 1$ | $9 \cdot 5$ | 10.0 | $11 \cdot 7$ | ＊ | 8.9 | $7 \cdot 3$ | 6.6 | $7 \cdot 3$ | $8 \cdot 9$ | $10 \cdot 9$ | 13.8 | $11 \cdot 3$ | 16.7 | $23 \cdot 8$ | 1.4 |
|  | Feb． 12 | $10 \cdot 2$ | 10.6 | $9 \cdot 3$ | $9 \cdot 3$ | $12 \cdot 3$ |  | $8 \cdot 7$ | $6 \cdot 3$ | 7.2 | $8 \cdot 0$ | $9 \cdot 2$ | 10.7 | 14.9 | 11.3 | $17 \cdot 5$ | $23 \cdot 6$ | 1.2 |
|  | Mar． 11 | $7 \cdot 8$ | $7 \cdot 6$ | 8.1 | $7 \cdot 9$ | $8 \cdot 3$ |  | $5 \cdot 9$ | $4 \cdot 8$ | 4.2 | 4.6 | 6．1 | $8 \cdot 1$ | 11.2 | 9．5 | 14.3 | 21.4 | 1.1 |
|  | Apr． 15 | 6.8 | 6.5 | 7.4 | 6.9 | $7 \cdot 1$ |  | $5 \cdot 0$ | $4 \cdot 2$ | $3 \cdot 3$ | $3 \cdot 8$ | 5．2 | 6.8 | $9 \cdot 9$ | － 8.5 | 13.4 | $20 \cdot 3$ | 1.0 |
|  | May 20 | 6.2 | $5 \cdot 9$ | $7 \cdot 1$ | 6.5 | 6.0 |  | $4 \cdot 5$ | 3.7 | 2.7 | $3 \cdot 4$ | $5 \cdot 0$ | 6.6 | $9 \cdot 1$ | $7 \cdot 6$ | 11.4 | 20.4 | 0.8 |
|  | June 17 | $5 \cdot 3$ | $4 \cdot 7$ | 6.8 | $5 \cdot 9$ | $5 \cdot 2$ |  | 3.9 | 2.9 | $2 \cdot 1$ | 2.8 | 4.2 | $5 \cdot 1$ | $7 \cdot 7$ | 6.8 | $9 \cdot 3$ | 20.7 | $0 \cdot 7$ |

Regional Percentages prior to November，1939，based upon numbers insured in July， 1938 ；subsequently upon numbers insured in July， 1939.
＊From January，1940，included in Southern Area；See Minisiry of Labour Gazette，February，1940，p． 47.

# THE QUANTITY OF MONEY. 

By F. W. Paish.

DURING the past year, and especially since the outbreak of war, there has been a very substantial increase in the quantity of money in this country. Since the beginning of July, 1939, the note circulation of the Bank of England has risen from $£ 508 \mathrm{Mn}$. to $£ 610$ Mn ., or by $20 \%$. Between June, 1939, and June, 1940, the Bank of England's Statistical Summary estimates that the total amount of notes and coin in circulation outside the banks increased from $£ 469 \mathrm{Mn}$. to $£ 548 \mathrm{Mn}$., or by $17 \%$. During the same period total bank deposits (of 9 London clearing banks) have risen from $£_{2}$, , ioI Mn . to $£ 2,34 \mathrm{I} \mathrm{Mn}$., or by over $I I \%$. This last figure understates the real increase, for, as pointed out in our January Bulletin, there have almost certainly been considerable transfers from inactive to active balances, partly as a result of the withdrawal of foreign funds from London, and partly in consequence of the use of inactive balances for subscription to War Loans. A symptom of this transfer may be seen in the fact that by far the greater part of the increase in total deposits has occurred in Current Accounts, which in the year ending May, 1940, rose, according to the Bank of England's Statistical Summary, from
 Deposit Accounts increased by only $6 \%$. Since last October Current Accounts have increased by $£ 83 \mathrm{Mn}$., or $6.4 \%$, while Deposit Accounts have been almost stationary. As a result of these movements, the ratio of Current Accounts to total deposits rose from $55 \%$ in May, 1939, to $57 \frac{1}{2} \%$ in May, 1940. In view of the very low level of interest rates paid on Deposit Accounts, it is probable that, before the war, a considerable proportion of the Current Account balances were in fact inactive, and that the rise in the proportion of Current Account balances is therefore less than the rise in the proportion of active balances. During the war of 1914-18 the rise in the ratio of Current Accounts to total deposits (according to Mr. Keynes' estimate, ${ }^{\star}$ from $52 \%$ in 1913 to $66 \%$ in 1919) was an important contributory towards the credit expansion which occurred during the war, and the similar present tendency is a development which requires watching.

What effects are to be expected from an increase of this magnitude in the totals of currency in circulation and of active bank

[^16]deposits ? To answer this question it is necessary to examine the possible uses to which this additional money is being put. In the first place, holders may use their additional money merely to increase the liquidity of their own positions, and not to increase their expenditure. In this case, the increase in the quantity of money merely satisfies an increased demand for money to hold, and there is no effect on the demand for commodities. Secondly, if production is increasing, the additional money may be used to increase the volume of purchases at unchanged prices. And thirdly, if output is expanding less rapidly than the quantity of money, or is declining, the extra money may merely serve to cause or accelerate a rise in prices.

As regards the recent increase in the note circulation, there can be little doubt that much of the addition is being used merely to increase liquidity. The rise has not been steady, but has occurred mainly in two marked waves-in August-September, 1939, and in May-June, 1940. Each of these periods was a time of increased uncertainty for many people. Both actual movement away from normal places of residence and the possibility that such movement may be necessary in the near future at short notice are strong inducements towards the holding of additional quantities of ready money.

A second reason for the increased demand for currency may probably be found in a larger national wage-bill. Many wages have been increased (our wage index for June shows a rise of $10 \%$ since June last year), and the rises in earnings of many persons, in consequence of new entrants to industry, reduced unemployment and increased overtime, have been still larger. On the other hand, a substantial proportion of the wages of the very large number of men now employed in the navy, army and airforce is paid in kind, and their money wages are in aggregate probably substantially less than in peace-time. This decrease must go some way towards offsetting the increased money-earnings of civilian employees.

However this may be, it seems probable from the figures of retail sales that little of the increased volume of currency is being used to finance retail purchases. Despite a rise of over $20 \%$ in the Cost of Living Index (excluding Rent and Rates), the index of Retail Sales increased by only $4 \frac{1}{2} \%$ between May, 1939, and May, 1940

Although neither of these indexes can be regarded as accurately representing the whole range of retail purchases, it seems clear that the physical volume of retail sales has fallen heavily. Some part of this fall may be due to the fact, mentioned above, that soldiers, sailors and airmen obtain most of their food, clothing, etc., without money payment. But it seems likely that a large proportion of the civilian population is spending less than the cash in its possession would enable it to do.

One reason for this is no doubt the patriotic appeal to reduce consumption and lend the resulting savings to the Government ; but it is likely that in present circumstances this appeal is being reinforced by other considerations. Above all, in the present situation, the possibilities of the physical destruction or enforced abandonment of property are strong deterrents to any but the most portable additions to existing possessions (it is noteworthy that there is a keen demand for diamonds), while for many of those who have already left their own homes the problem of storage space is no doubt acute.

While it is highly probable that the bulk of the increase in the volume of currency has been used for the purpose of increasing liquidity, it is not certain how far the same is true of the increased amounts of money held on Current Account deposits. There has almost certainly been an increase in total physical production, including production for government account, while wholesale prices have risen much more than the cost of living. Nevertheless, there has probably been some tendency for current account balances to be increased by more than is necessitated by increased expenditure. One effect of a very high level of taxation, including E.P.T., is that businesses are obliged to set aside substantial sums as reserves for future taxation payments. In some cases these can be temporarily invested in the business, but where this is not possible they must be held in liquid form, and often in the form of cash with bankers. The fall of nearly $£_{50} \mathrm{Mn}$. in Bank Advances since last September is probably due in part to the same cause. Finally, it is likely that the physical
uncertainties which have increased the demand for currency have also operated, though perhaps in a smaller degree, to increase the demand for current account deposits.

It is unfortunate that the discontinuance of the publication of figures of bank debits and of most of the figures of bank clearings makes it impossible to check the impression that the velocity of circulation of Current Account deposits has fallen. The only clearing statistics now published are for certain provincial centres. For nine of these the figures for last quarter show an increase of $19 \%$ over the previous year and for June an increase of $23 \%$. If these were typical of the whole country, it would indicate that the turnover of deposits had increased by at least as much as their quantity. But it is unlikely that they are typical. The whole of the rise has occurred in four centres only, the other five showing on balance a small decline, and it seems likely that the figures for London, which are no longer published, would show a very large decline.

If it is true that a substantial proportion of the increased quantity of money is being held idle in consequence of the risks of adding to property in present conditions, the possibility must be recognised that some at least of these purchases have been merely postponed until the present uncertainties have been diminished. If this is so, the resulting increase in demand, for the satisfaction of which no additional supplies of consumption goods are likely to be available, might well precipitate an undesired rise in prices or, if prices are fixed, reveal serious shortages. Should the present uncertainties then be replaced by others, concerned with the future purchasing power of sterling, a situation of considerable difficulty might develop. Any further net increase in Government borrowing from the banks, especially on short term, can only serve to increase the danger. It is to be hoped that henceforward it will be found possible to finance the war out of taxation and long-term borrowing from the public, and to avoid any further expansion of bank credit.

# WHOLESALE PRICES. COMPARATIVE INDEX NUMBERS FOR 11 COUNTRIES. 

See Supplements for March, fune, September and December in 1938-39; before 1938 see Bulletins for these months.
The table below gives comparable index-numbers of wholesale prices, based upon a list of commodities as nearly identical as possible for all the countries, and the same method of calculation and weighting is applied in each case. The index-numbers were described in detail in Special Memorandum No. 24.

Provisional figures have been calculated for recent months based upon such data as could be obtained from reliable sources. Besides the exclusions indicated in the footnotes interpolation has occasionally been necessary for certain items.


Latest flgures are provisional.
Italics are movements of gold prices.
Excluding Rye. ** Excluding Wood and Wood pulp.
§ Excl. Wood, Hides, Leather.


[^17]STOCKS \& SHARES-

NEW CAPITAL ISSUESBANK CLEARINGS-

BANK OF ENGLAND-
PRINCIPAL BANKS-

TREASURY BILLS-

MONEY-

```
                                    Sensitive Index.-Geometric Mean of monthly percentage changes.
                                    Issues during month in Gt. Britain (a), for U.K. (b), for Abroad, excluding Government loans, etc, - As published
                                    Total of Town Clearings (i, , Cringing Metropolitan) of London Bankers' Clearing House for 3 weeks covering
                                    Total of Town Clearings (i.e., excluding Metropolitan) of London Bankers' Clearing House for 3 weeks covering
                                    , L
                                    of London Bankers, Clearing House and Provincial Clearings for 11 towns-Proportionate totals for 24 woskin days
                                    Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November 22nd, 1928.
                                    Current Deposit and other accounts, etc. Before September, 1939, averages for the month of 9 clearing banks
                                    excluding the National Bank, Ltd., and the District Bank), afterwards, data for last making up day of
                            Me month.-As published by THE MIDLAND BANK, LTD.
                            ssued by tender. Total of Bills issued by tender during 13 weeks preceding date of Emchequer Return
                            Otherwise issued. Total of Breasury Bills in existence less those issued by tender up to June, 1940 11th-17th
                            Day-to-Day Rate and 3 Months' Rato. Averages for week ending 15th of month
```

PRICES AND WAGES．

|  | WHOLESALE． |  |  |  |  |  |  |  |  | RETAIL． |  |  |  | WAGES． |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Price of s．per fine oz． | Bar Silver （Cash）． <br> d．per oz． |  | Trade I Food． $\%$ | $x$ Nos． <br> Materials， etc． \％ | \％ | （Sauer |  | Nos． Total． $\%$ | C | M．of ost of ving． \％ | Labour Fo \％ |  | Index of Average Weakly Wages． |
| 1924 iv．．． | $93.69 \dagger$ | $34^{\circ} 0$ | 100 | 100 | 100 | 100 | $\star$ | 100 | 100 | 100 | $\star$ | 100 | ＊ | 100＊ |
| 1929 Av．．． | 84．95† | 24.5 | 82.2 | $87 \cdot 4$ | $79 \cdot 4$ | 84 | － | 81 | 82 | 94 | － | 94 | － | 99. |
| 1933 A $1 .$. | $124.87 \dagger$ | 18.1 | 61.6 | 63.1 | 60.7 | 57.5 | － | 57 | $57 \cdot 5$ | $79 \cdot 5$ $80 \cdot 5$ | 二 |  |  |  |
| 1934 1935 Av．．．． | $137.65 t$ $142.10+$ | 21.4 29.0 | $63 \cdot 3$ 64.0 | 64.8 66.0 | $62 \cdot 4$ $62 \cdot 7$ | 59.5 59 | － | ${ }_{68}^{58}$ | 59 | $80 \cdot 5$ 81.5 | 二 | 72 | － | 94 95 |
| 1986 Av．．． | $140 \cdot 29+$ | 20.2 | 67.9 | 69.9 | 66.7 | 62 | － | 65 | 64 | 84 | 二 | 76.5 | 二 | 97 b |
| 1937 Av．． | $140 \cdot 76{ }^{+}$ | $20 \cdot 1$ | 78.2 | 77.8 | 78.0 | 71.5 | － | 75 | $73 \cdot 5$ | 88.5 | － |  |  | $100 \frac{3}{4}$ |
| ${ }_{1938} 1938$ Av．．． | 142＇49 | $19 \cdot 5$ | $72 \cdot 9$ | 74.1 | $72 \cdot 1$ | 65 | － | 66 | $65 \cdot 5$ | 89 | － | 82 | － | 104 4 |
| JULY | 138.92 | 19.7 | 67.3 | 68.4 | 66.5 | 61 | 61 | 63 | 62.5 | 83.5 | 84.5 | 75.5 | 77 | 98 |
| AUG． | $138 \cdot 40$ | 19.5 | 68.5 | $71 \cdot 3$ | 66.8 | 63 | 63 | $64 \cdot 5$ | 64 | 84 | 84.5 |  | ${ }_{7} 77.5$ | 98 |
| SEP＇T．．．． | 13748 | 19.5 | 69.1 | $72 \cdot 3$ | 67.3 | 64 | 65 | 65 | 65 | 84.5 | 84 | 77.5 | ${ }^{2} 6.5$ | 98 |
| OCT：．．．．． | 141.94 | 20.0 | 70.2 70.7 | 74.6 73 | 67.7 690 | $65 \cdot 5$ 65.5 | 66 66 | 66 | 66 | 88.5 | 84.5 84 | 80 | ${ }_{77} 78$ | 98 |
| NOV． | 142.55 141.82 | 21.7 21.2 | $70 \cdot 7$ 72.5 | $73 \cdot 6$ 75.6 | 69.0 70.7 | $65 \cdot 5$ 67.5 | ${ }_{67 \cdot 6}^{66}$ | 69 73 | 68 71 | $86 \cdot 5$ 86.5 | 84 85 | 80 80 |  | 98 98 |
| 1987 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN． | 14160 | 21.2 | 74.0 | 75.6 | 72.8 | 67.5 | $67 \cdot 5$ | $73 \cdot 5$ | 71.5 | 86.5 | 85．5－ | 79.5 | 78 | 99 |
| IEB | 142.09 | $20 \cdot 1$ | $74 \cdot 7$ | $75 \cdot 0$ | 74.2 | 68.5 | 68 | 76 | 73 | 86.5 | $85 \cdot 5+$ | 79.5 | 78.5 | 100 |
| MAR | 142.43 | 20.6 | 77.2 | 76.6 | $77 \cdot 1$ | 73 | 72．5 | 79.5 | 77 | 86.5 | 87.5 | 79.5 | 81． 5 | 100 |
| APRIL．．． | 141.61 | $20 \cdot 9$ | 78.2 | 77.6 | $78 \cdot 3$ | 73 | 72 | 76 | 75 | 87 | 89 | 80 | $82 \cdot 6$ | 1004 |
| JUNE．． | 140.54 | 20.0 | 79.6 | $77 \cdot 3$ | $80 \cdot 3$ $80 \cdot 3$ |  |  | 77 77 | 76 75 | $8_{88} 8$ | 89 90 |  |  | 1003 |
| JULY．．．． | 140.17 | $20 \cdot 1$ | 80.2 | $78 \cdot 3$ | $80 \cdot 8$ | 73 | is | 77.5 | 76 | 88.5 | 89.5 | 82 | 83：5 | 101 |
| AUG．．．．．．． | 139.45 | 19.9 | $80 \cdot 1$ | 78.2 | $80 \cdot 7$ | 72.5 | 73 | 76 | 75 | 88.5 |  | 82 | 83 | 1014 |
| SEPT．．．． | 140.47 | 19.9 | 79.9 | 78.9 | $80 \cdot 2$ | 72.5 | 73.5 | 75 | 74 | 90 | 89.5 | 84 | 83 | 1014 |
| OCT． NOV． | 140.42 14018 | 20.0 19.7 | 79.5 78.0 | $80 \cdot 2$ 79.5 | 78.8 | 72.5 | 78.5 71.5 | 72 | 72 | 91.5 | 89.5 | 85.5 | 83 | $102 \downarrow$ |
| DEC． | 139．84 | 18.8 | 78.0 | $79 \cdot 5$ 79.5 | 76.9 760 | 70.5 71.5 | 71.5 71.5 | 69 69 | $69 \cdot 5$ 70 | ${ }_{91}^{91} 5$ | 89 89 | ${ }_{85}^{85} 5$ | 82.5 8.5 | 103 |
| 1938 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN．． | 139.67 | 19.8 | 77.5 | $79 \cdot 9$ | 75.9 | $70 \cdot 5$ | 70 | 68.5 | 69.5 | 89.5 | 88.5 | 83.5 |  | 103． |
| MAR | 139.62 | 20.2 | $76 \cdot 1$ | 78.7 | 74.4 | 70 | 69 | 69 | 69.5 | 89 | 88.5 | 82 | 81.5 | 104 |
| APRIL．．． | 139.91 | 18.8 | 74.8 74 | $76 \cdot 6$ 76.3 | 73.6 72.7 | 69 | 69 | $66^{5}$ | 68 | 88 | 89 | $80 \cdot 5$ | 82.5 | 104 |
| MAY | 139：87 | 187 | 73.4 | 76.4 | 71.5 | 68 | ${ }_{67} 68$ | 66 | ${ }_{67}^{67}$ | 88.5 | $\begin{aligned} & 91 \\ & 90 \cdot 5 \end{aligned}$ | ${ }_{81} 815$ | 84.5 | 104\％ |
| ．JUNE | $140 \cdot 61$ | 18.9 | 72.4 | $75 \cdot 6$ | 70.5 | 67.5 | 67． 5 | $64 \cdot 5$ | $65 \cdot 5$ | 91 | 92 | 85 |  | 1048 |
| JULY． | $141 \cdot 19$ | $19 \cdot 3$ | 72.3 | $74 \cdot 4$ | $70 \cdot 9$ | 65 | 65 |  |  |  |  |  | 84.5 |  |
| AUG． | 142.57 144 1 | 19.5 | 71.5 | $72 \cdot 1$ | $70 \cdot 9$ | 62 | 62.5 | 64.5 | 63.5 | 89 | 89.5 | 82. |  | 1042 |
| 0 CJ ． | 146.45 | 19.7 | 71.2 | 69.9 $70 \cdot 5$ | $70 \cdot 8$ 71.3 | ${ }_{59}^{61}$ | 62 | 65.5 | 63.5 | 88.5 | 88 | 81.5 | $80 \cdot 5$ | 1042 |
| Nuv | 146.83 | 19.7 |  | 69.0 | 71.4 | $\begin{aligned} & 59: 4 \\ & 58 \end{aligned}$ | $\begin{aligned} & 60.5 \\ & 58.5 \end{aligned}$ | $\begin{aligned} & 66 \cdot 5 \\ & 66 \end{aligned}$ | 64 | 89 | 87.5 |  | 79.5 | 104 |
| DEC． | 148.93 | 20.1 | 70.6 | 69.8 | 70.8 | $\begin{aligned} & 58 \\ & 60 \cdot 5 \end{aligned}$ | $\begin{aligned} & 58.5 \\ & 60.5 \end{aligned}$ | $66$ | 63 64 |  |  |  | 78.5 78.5 | $104 \frac{1}{2}$ |
| 1939 JAN． |  |  |  |  |  |  |  |  |  |  |  |  |  | $104 \frac{1}{2}$ |
| FEB． | 148.33 | $20 \cdot 3$ $20 \cdot 3$ | 69.9 69.6 | $70 \cdot 4$ $69 \cdot 3$ | $69 \cdot 3$ 69.4 |  |  | $65 \cdot 5$ | 64 | 88.5 | 87.5 | 81 | 79.5 | 105 |
| MAR．．．．． | 148.28 | 20.6 | 69.4 | 68.5 | 69．6 | $\begin{aligned} & 60 \\ & 60 \cdot 5 \end{aligned}$ | $69.5$ | $\begin{aligned} & 66 \\ & 66 \end{aligned}$ | $63 \cdot 5$ 64 | 87.5 87.5 | $\begin{aligned} & 87 \\ & 88.5 \end{aligned}$ |  | 78.5 | 105 |
| APRIL MAY | 148.50 148 | 20.0 20.1 | 69.9 70.3 | 69.6 69.9 | 69.7 | $61 \cdot 5$ | $\begin{aligned} & 60 \cdot 5 \\ & 60 \cdot 5 \end{aligned}$ | 66 $67 \cdot 5$ | 64 | 87.5 87.5 | 88．5 |  | $\begin{aligned} & 81 \cdot 5 \end{aligned}$ | $\begin{aligned} & 105 \\ & 105 \end{aligned}$ |
| MAY <br> JUNE |  | 20.1 19.8 | $\begin{aligned} & 70 \cdot 3 \cdot 3 \\ & 70 \cdot 5 \end{aligned}$ | $\begin{aligned} & 69 \cdot 9 \\ & 69 \cdot 9 \end{aligned}$ | $\begin{aligned} & 70 \cdot 2 \\ & 70.5 \end{aligned}$ | $61$ | $60$ | 68 | 65 | 87.5 | $89 \cdot 5$ |  | 81.5 | 105 |
| ，ULY | 148.49 | 16.6 | $70 \cdot 6$ |  |  |  | $6{ }^{6} 5$ | 67.5 | 65 | 89 | $90 \cdot 5$ | 81.5 | 83\％ | 1054 |
| AUG．．．．．． | 148：56 | 17.1 | $70 \cdot 6$ | $\begin{aligned} & 69.5 \\ & 68.8 \end{aligned}$ | 70.8 71.1 | $\begin{aligned} & 58.5 \\ & 59.5 \end{aligned}$ | $\begin{aligned} & 58 \cdot 5 \\ & 59 \cdot 5 \end{aligned}$ |  | 64 | 88.5 | 89.5 | $80 \cdot 5$ |  | $105 \frac{3}{4}$ |
| SEPT．．．． | 168.00 168.00 | 21．48， | 75.9 | $\begin{aligned} & 088 \\ & 77.0 \end{aligned}$ | 74.9 | 68.5 | $\begin{aligned} & 59 \cdot 5 \\ & 69 \cdot 5 \end{aligned}$ | $\begin{aligned} & 685 \\ & 73: 5 \end{aligned}$ | 65 72 | 88.5 94.5 | $\begin{aligned} & 89 \\ & 93.5 \end{aligned}$ | 818 | ${ }_{87} 81.5$ | 1059 |
| $\begin{aligned} & \text { OCT } \\ & \text { NOV } \end{aligned}$ | 168.00 168.00 | 22.9 23.4 | $79 \cdot 7$ 85 | $83.2$ | 77.5 | 73.5 | ${ }_{75}{ }^{7}$ | 77.5 | 76 | 94.5 | 93.5 94.5 | 88 90 | $\begin{aligned} & 8 y \cdot 5 \\ & 87 \cdot 5 \end{aligned}$ | 106 |
| DEC． | $168.00{ }^{\text {c }}$ | 23.4 | 87.9 | $\begin{aligned} & 86.5 \\ & 89.9 \end{aligned}$ | $84 \cdot 1$ | 76 79 | 7 | 83.5 | 81 | 99 | 96.5 | 92 | 88.5 | 1074 |
| 1940 |  |  |  |  |  |  |  | 91 | 86.5 | 99.5 | 97.5 |  | $89 \cdot 5$ | 1094 |
| JEB ．．． | $\begin{aligned} & 168.008 \\ & 168.00 \mathrm{~s} \end{aligned}$ | $\begin{aligned} & 2200 \\ & \end{aligned}$ |  |  |  |  |  |  |  |  |  |  |  |  |
| MAR．${ }^{\text {a }}$ ．．．．． | 168.00 | 20.6 | ${ }_{93}{ }^{\text {92 }}$ | 96．4 | 90.0 91.4 | $\begin{aligned} & 82 \cdot 5 \\ & 82 \cdot 5 \end{aligned}$ | $\begin{aligned} & 82 \\ & 82 \end{aligned}$ | $\begin{aligned} & 93 \cdot 5 \\ & 00.5 \end{aligned}$ | 89.5 | $102 \cdot 5$ | $101 \cdot 5$ | $94 \cdot 5$ | 93.5 | $111{ }^{2}$ |
| APRIL．．．． | 168.00 | 20.7 | 950 | 95.6 | $91-2$ | 82.5 | 81 | 92 96 | 89 |  |  |  |  | $114 \frac{1}{2}$ |
| $\begin{aligned} & \text { MAY } \\ & \text { JUNE ...... } \end{aligned}$ | $\begin{aligned} & 168.00 \\ & 168.00 \end{aligned}$ | $\begin{aligned} & 21 \cdot 7 \\ & 23 \cdot 3 \end{aligned}$ | $\begin{aligned} & 96 \cdot 1 \\ & 96 \cdot 8 \end{aligned}$ | $\begin{aligned} & 97.5 \\ & 99.1 \end{aligned}$ | $94 \cdot 9$ | $83$ | $81.5$ | ${ }_{98}^{98}$ | ${ }_{92}^{91}$ | 103.5 | 105 |  |  | ${ }_{115}^{115}$ |
| ．JULY ．．．． | $168 \cdot 00$ § | $21 \cdot 7$ |  |  |  |  |  |  | $93 \cdot 5$ |  | 108.5 | 98.5 |  | 116 |
| $\dagger$ Average of daily quotations for year． |  |  |  | ＊NORMAL SEASONAL CHANGEREMOVED．＊ |  |  |  |  |  |  |  |  |  |  |

PRICE OF GOLD－
PRICE OF SILVER－Arerage（cash）price of bar siler for month－ECONOMIST
and
Geometric Mean of Wholesale Prices（averages for month）of 200 commodities as
OARD OF TRADE JOUP jercentage of 1924 average．
8TATIST（SAUERBECK）
NDICES－for 1924 ，－STATIST．
living prevalent in working－class houscholds
month－e．g．．reading working－class houscholds before the war．For 1st of month but placed the standard of month－e．g．，reading for March 1st is shown against February－to facilitate comparison with ．＂Statist，＂previou index
RETAIL FOOD PRICES－

[^18]
## OUTPUT AND INTERNAL ACTIVITY.




Total for 4 weeks ending approximately at end of month,-BOARD OF TRADE JOURNAL IRON AND STEIEL Output for standard four-week month, based upon monthly figures issued by the BRITISH
FEDERATION.
Output of authorised undertakings.-ELECTRICITY COMMISSION
Rayon, yarn and waste, derived from Excise Statistics,-BOARD OF TRADE JOURNAL
Revised index of value of sales in Departmental Stores, Co-operatives, multiple and independent shops. For discussion see Board of Trade Journal, Feb. 9th, 1939.-BANK OF ENGLAND.
Daily averages, ex telegraph, telephone, savings bank and postal orders.-BOARD OF TRADE JOURNAL Imports entered for home consumption.-BOARD OF TRADE JOURNAL.

Tonnage of goods carried on the Rallways of Great Britain during the month, excluding free-hauled Monthly recelpts for goods traffic, excluding cost of collection and delivery till January. 1928, thon oxcluding recalpts for collection and delivery,-MINISTRY OF TRANSPORT.

EXTERNAL TRADE.


## * NORMAL SEASONAL GHANGE REMOVED

|  | Tonnage of Ships (with Cargoes). |  |  |  | Index of Tramp Shipping Freight Rates. \% of 1995 | INSURED PERSONS UNEMPLOYED $\ddagger$ <br> (Great Britain and North Ireland). |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  | Males. | Females. |  | Persons. |  |  |  |
|  | Entered Cleared British Ports. |  |  |  |  | İ H. <br> 000 | ©ٍ <br> 000 |  |  |  |  |  |  |  | ङ゙ ث̈ H <br> 000 | $\begin{aligned} & \text { 플 } \\ & \text { and } \\ & \text { and } \\ & 0 \\ & 0 \\ & 000 \end{aligned}$ | $\begin{aligned} & \text { 守 } \\ & \text { à } \\ & \text { cis } \\ & \text { g } \\ & 000 \end{aligned}$ |  | E. H. H <br> 000 |  |
| 1924 Av. ... | 461 | * | 544 |  |  | - | 941 | 72 | 52 | 116 | 78 | 99 | 35 | 344 | 145 | 263 | 62 |  |  | 1203 | 103 |
| 1929 Av . | 522 | - | 572 | - | 133.5 | 1019 | 176 | 41 | 67 | 49 | 146 | 35 | 345 | 160 | 244 | 68 | 994 | 268 | 1262 | $10 \cdot 4$ |
| 1933 Av. .. | 503 | - | 464 | - | - | 2163 | 338 | 79 | 177 | 103 | 336 | 64 | 687 | 379 | 404 | 92 | 2110 | 457 | 2567 |  |
| 1934 Av. ... | 522 | - | 459 | - |  | 1817 | 280 | 52 | 111 | 80 | 295 | 61 | 569 | 369 | 354 | 85 | 1802 | 369 | 2171 | 19.9 16.7 |
| 1935 Av. ... | 530 | - | 477 | - | 100 | 1682 | 241 | 44 | 88 | 67 | 288 | 52 | 529 | 373 | 346 | 72 | 1715 | 313 | 2027 | 15.5 |
| 1936 Av. .. | 562 | - | 473 | - | 113 | 1455 | 198 | 33 | 59 | 50 | 272 | 37 | 466 | 340 | 311 | 51 | 1498 | 251 | 1749 | 15. 13 |
| 1937 Av. .. 1938 Av. .. | 587 580 | - | 512 491 | - | 175.6 | 1196 | 129 | 27 | 41 | 40 | 254 | 28 | 379 | 300 | 286 | 42 | 1278 | 204 | 1482 | 11.0 |
| 1938 Av. ... | 580 |  | 491 | - | 126.9 | 1367 | 133 | 47 | 57 | 36 | 271 | 51 | 459 | 312 | 436 | 98 | 1424 | 379 | 1802 | 12.9 |
| $\begin{aligned} & 1937 \\ & \text { JAN. } \end{aligned}$ | 487 | 638 | 453 |  | $167 \cdot 7$ | 1365 | 138 | 25 | 47 | 43 | 308 | 29 | 431 | 344 | 312 | 35 | 1489 | 188 | 1677 | 12.4 |
| FEB... | 482 | 589 | 428 | 497 | 157.9 | 1324 | 136 | 24 | 45 | 42 | 290 | 28 | 416 | 343 | 301 | 34 | 1460 | 165 | 1625 | 12.4 120 |
| MAR. | 576 | 620 | 472 | 490 | 158.9 | 1298 | 130 | 25 | 44 | 42 | 289 | 26 | 406 | 336 | 279 | 33 | 1406 | 170 | 1576 | 11.6 |
| APIRIL | 542 | 572 676 | 514 | 548 | 176.8 | 1175 | 124 | 24 | 41 | 40 | 234 | 26 | 375 | 311 | 261 | 33 | 1305 | 131 | 1436 | 10.5 |
| JUNE | 600 | 676 | 509 | 491 | 185.4 | 1191 | 156 | 26 | 39 | 42 | 226 | 29 | 380 | 293 | 265 | 40 | 1246 | 210 | 1456 | 10.7 |
| JUNE | 629 | 584 | 545 |  | 1871 | 1126 | 169 | 22 | 37 | 39 | 210 | 25 | 350 | 274 | 244 | 37 | 1167 | 203 | 1370 | 100 |
| JULY | 642 | 575 | 582 | 544 | 185.0 | 1117 | 146 | 26 | 40 | 38 | 222 | 26 | 355 | 264 | 268 | 40 | 1136 | 249 | 1386 | 101 |
| AUG. | 672 | 604 | 549 |  | $193 \cdot 3$ | 1090 | 122 | 23 | 39 | 38 | 220 | 25 | 356 | 267 | 267 | 41 | 1148 | 209 | 1357 | 10. 9.9 |
| SEPI. | 601 | 558 | 563 | 632 | 201.7 | 1107 | 118 | 23 | 39 | 39 | 228 | 28 | 360 | 272 | 272 | 44 | - | - | 1379 | $10 \cdot 1$ |
|  |  |  |  |  |  | \$1071 | 116 | 22 | 38 | 38 | 221 | 29 | 343 | 264 | 263 | 45 | 1139 | 195 | 1334 | 97 |
| NOV. | 610 | 569 6.90 | 550 491 | 515 | $190 \cdot 0$ | 1112 | 113 | 22 | 39 | 36 | 233 | 27 | 350 | 292 | 283 | 41 | 1215 | 180 | 1395 | 101 |
| DEC. | 586 | 600 | 484 | 514 | 141.0 | 1310 | 100 | 25 | 43 | 37 39 | 256 | 33 38 | 377 | 304 | 334 355 | 55 | 1284 | 222 | 1507 | 10.9 |
| 1938 |  |  |  | 514 | 1410 | 1310 | 100 | 25 | 43 | 39 | 341 | 38 | 413 | 311 | 355 | 66 | 1339 | 326 | 1665 | $12 \cdot 1$ |
| JAN. | 533 | 589 | 448 | 462 | 138.2 | 1376 | 98 | 32 | 47 | 37 | 320 | 46 | 465 | 331 | 441 | 83 | 1466 | 351 | 1818 | 13.2 |
| FEB. | 484 | 593 | 415 | 481 | 129.5 | 1358 | 97 | 34 | 49 | 36 | 294 | 48 | 467 | 333 | 449 | 92 | 1467 | 341 | 1808 | $13 \cdot 1$ |
| MAR. ...... | 560 | 603 | 458 | $47 y$ | 127.5 | 1316 | 102 | 37 | 50 | 34 | 256 | 50 | 461 | 326 | 448 | 94 | 1426 | 338 | 1764 | 12.7 |
| APR... | 530 | 569 579 | 465 | 495 | 126.9 | 1318 | 125 | 39 | 51 | 35 | 241 | 52 | 459 | 316 | 442 | 97 | 1394 | 366 | 1760 | 12.7 |
| JUNE ...... |  | 599 559 | 480 519 | 463 506 | $130 \cdot 6$ 123.1 | 1337 | 150 | 46 | 53 | 34 | 233 | 58 | 458 | 305 | 444 | 112 | 1376 | 404 | 1780 | 12.8 |
| JUNE ...... | 613 | 559 | 519 | 506 | 123.1 | 1375 | 156 | 53 | 59 | 35 | 237 | 68 | 473 | 294 | 455 | 125 | 1352 | 478 | 1829 | $13 \cdot 2$ |
| JULY |  | 543 | 524 | 489 | 120.2 | $1382 \dagger$ | 190 | 54 | 58 | 37 | 257 | 53 | 454 | 279+ | $438 \dagger$ | 108 | $1339+$ | 481 $\dagger$ | $1819+$ | $\underline{12 \cdot 9 \dagger}$ |
| AUG. | 642 | 577 | 538 | 493 | 126.4 | 1341 | 154 | 56 | 60 | 35 | 247 | 56 | 455 | 278 | 439 | 113 | 1333 | 447 | 1780 | 12.6 |
| SEPT. |  | 548 550 | 548 | 517 | 126.3 | 1377 | 151 | 59 | 64 | 37 | 261 | 60 | 454 | 291 | -430 | 110 | 1387 | 420 | 1807 | $12 \cdot 8$ |
| OCT. | 589 537 | 550 | 535 | 501 | 127.6 | 1374 | 121 | 46 | 63 | 39 | 285 | 44 | 451 | 325 | 425 | 85 | 1486 | 313 | 1799 | $12 \cdot 7$ |
|  | 537 | E51 | 489 | 489 | $122 \cdot 3$ | 1420 | 129 | 52 | 64 | 39 | 302 | 41 | 457 | 336 | 420 | 77 | 1529 | 310 | 1839 | 13.0 |
| $1939$ | 550 | 562 | 470 | 499 | $124 \cdot 1$ | 1425 | 123 | 53 | 62 | 39 | 319 | 39 | 456 | 334 | 403 | 74 | $15<9$ | 298 | 1827 | 12.9 |
| JAN... |  | 557 | 465 | 479 | 120.8 | 1558 | 111 | 49 | 67 | 40 | 385 | 43 | 508 | 355 | 459 | 74 | 1635 | 382 | 2017 | $14 \cdot 3$ |
| FEB. | 454 | 555 | 414 | 491 | 121.5 | 1452 | 115 | 39 | 63 | 40 | 334 | 38 | 476 | 347 | 436 | 69 | 1593 | 295 | 1888 | 13.4 |
| MAR. |  | 571 | 469 | 488 | 117.5 | 1330 | 107 | 34 | 59 | 41 | 283 | 33 | 440 | 333 | 403 | 62 | 1496 | 237 | 1733 | 12.3 |
| APR | 523 615 | 651 590 | 477 | 508 | 119.6 | 1257 | 106 | 33 | 56 | 33 | 262 | 34 | 419 | 309 | 384 | 61 | 1396 | 245 | 1641 | 11.6 |
| MAY JUNE | 615 | 590 | 541 |  | 129.6 | 1141 | 106 | 24 | 48 | 35 | 234 | 29 | 375 | 290 | 354 | 63 | 1293 | 202 | 1495 | $10 \cdot 6$ |
| JUNE | 639 | 693 | 571 | 653\% | 121.5 | 1057 | 112 | 22 | 43 | 34 | 214 | 25 | 345 | 262 | 312 | 49 | 1170 | 199 | 1369 | $9 \cdot 7$ |
| JILY | 657 |  |  |  | 1230 | 990 | 103 | 20 | 38 | 32 | 222 | 21 | 312 | 242 | 292 | 42 | 1086 | 196 | 1282 | 9.0 |
| AUG. | 662 |  | 552 |  | 1208 | 949 | 95 | 22 | 36 | 30 | 207 | 20 | 309 | 230 | 298 | 41 | 1032 | 215 | 1248 | $8 \cdot 7$ |
| OCT. ..... |  |  |  |  |  | 875 | 76 64 | 14 14 14 | 28 | 17 | 176 | 20 | 321 331 | 223 | 430 | 44 | 1075 | 230 | 1305 | $9 \cdot 1$ |
| NOV. ...... |  |  |  |  |  | 937 | 62 | 14 | 26 | 17 | 239 | 12 | 315 | 252 | 416 | 26 | 1217 | 137 | 1354 | 9.5 |
| $\begin{aligned} & \text { DEC. } \\ & 1940 \end{aligned}$ |  |  |  |  |  | 928 | 71 | 15 | 24 | 16 | 252 | 11 | 300 | 239 | 383 | 23 | 1166 | 144 | 1310 | $9 \cdot 1$ |
| JAN...... .. |  |  |  |  |  | 1067 | 60 | 17 | 26 | 16 | 369 | 11 | 322 | 246 | 397 | 20 | 1216 | 248 | 1464 | $10 \cdot 2$ |
| FEB......... |  |  |  |  |  | 1091 | 68 | 21 | 25 | 18 | 380 | 12 | 327 | 240 | 375 | 19 | 1160 | 307 | 1466 | 10.2 |
| MAR....... |  |  |  |  |  | 782 | 50 | 17 | 21 | 14 | 212 | 9 | 257 | 202 | 329 | 17 | 1000 | 110 | 1111 | 7.8 |
| APR......... |  |  |  |  |  | 669 | 44 | 16 | 18 | 12 | 171 | 8 | 225 | 175 | 301 | 17 | 877 | 92 | 969 | 6.8 |
| MAY ${ }^{\text {JUNE }}$...... |  |  |  |  |  | 603 | 40 | 14 | 16 | 11 | 146 | 9 | 213 | 154 | 287 | 21 | 784 | 106 | 890 | 6.2 |
| JUNE ...... |  |  |  |  |  | 487 | 32 | 10 | 13 | 9 | 112 | 6 | 177 | 128 | 276 | 16 | 677 | 86 | 763 | $5 \cdot 3$ |

: 16-65 years. Ex. Agriculture and any disqualified for beneflt by trade dispute. N.B.-Changes in method of enumeration in Sept., 1987 and July, 1938.
\# NORMAL SEASONAL CHANGE REMOVED. Uper line, old basis. Lower line, new basis. $\dagger$ Including certain domestic workers after June, 1938

TRANSPORT:
SHIPPING-ENTERED
SHIPPING-ENTERED
SHIPPING FREIGHTS-
UNEMPLOYMENT-
INSURED PERSONS-

Tonnage of British and Foreikn vessels entering and leaving British ports with cargoes during month.-BOARD
Chamber of Shipping index number as published by ${ }^{\circ}$ The Statist." ${ }^{\text {Th }}$ For description see Journal of RSS. Part I 1938.-PREPARED BY DR. ISSERLIS

Number of books lodged at Labour Exchange on or about 25th of month to September, 1937, thereafter one week earlier.-MINISTRY OF LABOUR GAZETTE.


# THE STATE BUDGET OF THE U.S.S.R. 

By ALEXANDER BAYKOV.

THE State Budget of the U.S.S.R. in its expenditure and revenue is much more closely bound up with all branches of the national economy than is the State Budget of other countries, since it fulfils the function of the redistribution of the national income of the country. It is also the central apparatus for redistributing the main proportion of the country's national accumulation of capital. It is known that in the U.S.S.R. there is no ownership of the means of production. It is therefore not possible for private individuals to accumulate capital on a large scale. Consequently the accumulation of capital on a large scale can only occur in State-or State-controlled (e.g., in agriculture)-enterprises. The basis of the Soviet Budget lies in the financing of the development of the national economy. (This financing during the past period has amounted to more than $50 \%$ of the total expenditure of the State Budget.)

It is evident that with such a task to fulfil, there must pass through the channels of the State Budget a much greater part of the gross National Income than is the case in other countries. Hence its growth is tightly bound up with the whole trend of development of production and accumulation of capital in the National Economy of the country. This accumulation of capital is absorbed into the State Budget by means of the special system of taxation and non-taxation measures which are very different from the fiscal practice of other countries. It has already been stated that in the U.S.S.R. there is no private ownership of the means of production. There is, therefore, no basis for direct taxation as in other countries. Direct taxation must therefore be replaced by another kind of taxation.

The receipts of the State Budget can be divided into three groups. In the first group are the receipts from the so-called "socialized sector" of the national economy, taxes received from State and State-controlled enterprises.

In the second group are the receipts from the State loan which is subscribed by the large mass of the population, and also by the State enterprises, while the third group comprises receipts from taxation, dues, licences, etc., paid by private persons.

The majority of the receipts of revenue of the State Budget come from the first group.

The taxation from the State and Statecontrolled enterprises comprise two kinds of
taxation: (I) turnover tax on goods, and (2) reckoned percentage from the profits of enterprise.

The relative significance of these two kinds of receipts in the revenue of the State Budget is shown by the following figures :-

|  | Revenue of State Budget | Turnov | er Tax | Reckoned Profits Ente | \%age from of State prise |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Absolute | Absolute | As \%age of total revenue | Absolute | As \%age of total revenue |
| 1933 | 40.153 | 27.060 | 67.6 | 1.165 | 2.9 |
| 1934 | 50.816 | 37.675 | 74.1 | 1.317 | 2.6 |
| 1935 | 67.428 | 52.167 | 79.4 | 2.071 | 3.2 |
| 1936 | 83.760 | 65.762 | 78.5 | 3.700 | 4.4 |
| 1937 | 96.572 | 75.921 | 78.6 | 6.500 | 6.7 |

As is seen from the above figures, the turnover tax has contributed more than three-quarters of the total revenue of the State Budget. The greatest part of the income of the State and State-controlled enterprises is accumulated in the State Budget by means of the turnover tax.

The amount of the receipts from the turnover tax depend upon three factors: (I) wholesale prices of commodities; (2) the rating of the turnover tax ; and (3) the quantity of commodities sold. Two of these factors are fixed by the State, viz., the price of commodities and the rating of the turnover tax. Thus it is seen that the turnover tax is a particular kind of universal indirect taxation. By means of the turnover tax the State derives the monopoly profit from the whole internal trade turnover of the country. The ratings of the turnover tax may vary between $1 \%$ and $97 \%$, and by means of the turnover tax the Soviet Government not only accumulates the monopoly profit from all internal turnover, but also regulates the prices of the commodities themselves.

Owing to the disproportion which has occurred during the past period in the development of output of different goods and commodities consumed by the large mass of the population, the purchasing capacity of the rouble on the internal market has continually fluctuated against the different goods and commodities.

For example, during the first year of collectivisation in the U.S.S.R. a large reduction of live-stock took place, and moreover, the import of live-stock was also stopped. As a result of this condition the price of meat was raised. The State, however, still continued to purchase livestock from the farmers at the fixed low price, so
that the State enterprises which sold the meat to the consumers received an enormous monopoly profit. This monopoly profit was automatically drawn into the State budget by means of the turnover tax. For example, in 1936, from every rouble ( 100 kopeks) obtained from the sale of meat, a turnover tax of from 77-87 kopeks, according to the different regions of the U.S.S.R., had to be paid. Thus, the monopoly profit of the State amounted to $77-87 \%$.

Supposing, for some reason or other, the State regulating organ decides to raise the price paid for the supply of meat from the farmerst but at the same time to keep the price of mea, sold to the consumer at the same level, this can be achieved by reduction in the rate of turnover tax. Supposing, on the other hand, that the net price and selling price must remain unchanged, but that for some reason or other, it is necessary to raise the possibility of capital accumulation in certain enterprises, this also can be achieved by reducing the rate of turnover tax. It is not possible to give here a detailed explanation as to why the Soviet Government has introduced this special kind of taxation and how this taxation functions, but it should again be stressed that the turnover tax is a universal indirect taxation, and at the same time is the means of regulating prices in the U.S.S.R. Also, that the amount of the receipts which the State budget derives from it depends on three factors: Planned price of commodities, rate of turnover tax and quantity of all goods and commodities sold on the internal market.

If the quantity of goods and commodities sold and the rate of turnover tax remain unchanged, but the price is raised, the receipts in the State budget from the turnover tax will automatically increase. Actually, the rise in prices during the two periods of the five-year plans was the principal cause of the enormous increase in the State budget during those periods. In 1928-29 the revenue of the State budget amounted to 8.428 Md. roubles; in 1932 to 29.089 Md. roubles, and in 1937 to 96.572 Md. roubles. Thus, during the first two fiveyear plans, the State budget increased nearly twelve-fold. This increase, as before mentioned, was chiefly due to the rise in prices during this period.

It is unfortunate that the Soviet economic press does not publish an Index of Prices. It can, however, be seen from the following examples how much the prices of certain commodities rose during the two five-year plans.

In 1930 the rationing price of a kilogram of rye bread was $7 \frac{1}{2}$ kopeks, in 1932 I2 $\frac{1}{2}$ kopeks,
in 193327 kopeks. In 1935, when rationing was liquidated, the price of a kilogram of rye bread was fixed between 80 and I50 kopeks, according to the different regions. Thus, the price of rye bread in 1935 was more than 10 times that in 1932. The change in the price of the other agricultural products is shown in the following table :-


If we use the price of these seven goods as a substitute for the price index, we come to the conclusion that the prices in 1937 were about $420 \%$ as high as in 1932. But the prices of agricultural products in 1932 were already about $200-250 \%$ as high as in 1928-29.

In 1936 the whole retail turnover of the U.S.S.R. was estimated at 100 Md. roubles and the turnover tax for the budget of this year amounted to 62.7 Md . roubles. Therefore, from every 100 roubles' worth of all goods sold on the internal market, 62.7 roubles were taken as indirect taxation into the State budget.

All these indirect facts persuade us that the real increase in the State budget during the periods of the two five-year plans was much smaller than would be concluded from the nominal figures-not 8.4 Md. roubles in 1928-29 and 96.6 Md. roubles in 1937, but probably 8.4 and $25-27 \mathrm{Md}$. roubles respectively.

By 1937, the process of adjustment of prices was in general ended, and in the period 19381939 no great change took place. Consequently, any change in the amount of the budget in the years 1938-1940, as compared with 1937, would reflect the real increase in the budget.

It is necessary to say a few words about the second group of State revenues-the State loan. This group is also very different from the loan practice of the budget of other countries. The Soviet State loan is a permanent part of the State budget. Every year a certain amount of the State revenue is obtained by means of the State loan which is subscribed by the large mass of the population. Soviet State loan can only be compared with the war loans of other countries.

The figures of internal indebtedness of the U.S.S.R. are given below :-

| MILLIONS OF <br> From Private <br> Subscription |  |  |  |
| :--- | :---: | :---: | ---: | | ROUBLES. |
| :---: |
| From State Enter- |
| prise Subscription | Total

The internal indebtedness of the State has increased from $\mathrm{I}, 264 \mathrm{Mn}$. roubles in 1928 to $28,765 \mathrm{Mn}$. roubles in 1938, and of this 28,765 Mn ., 21,155 Mn. roubles were in the hands of the large mass of the population. In 1937 more than 50 Mn . people in the U.S.S.R. were the owners of State loan bonds. At the same time the savings deposit of the population in the Savings Banks was as follows :-

|  | IN MILLION ROUBLES. |  |
| :---: | :---: | :---: |
| 1933 | 1937 | 1938 |
| $1,181.8$ | $3,985.1$ | $5,484.7$ |

It is thus seen that the savings deposit invested in the State loan by private persons was much greater than the savings deposit of private persons in savings banks. By means of the turnover tax and State loans the Soviet Government draws into the State budget the greatest part of the national income of the country, and the State loan has the character of compulsory national saving.

The receipts of the third group-direct taxation, dues, licences, etc.-play a less important part in the revenue of the State budget.

In the current year the State budget was approved two months earlier than in 1939 (April 3rd instead of May 29th).

TOTAL STA'E BUDGET*. MD. ROUBLES
Union, Republic and Local Budgets.)

|  |  | 1938 | 1939 | 1940 |
| :--- | :--- | ---: | ---: | :---: |
| Revenue- | Estimated | 132.638 | 156.098 | 183.955 |
|  | Fulfilled | 127.481 | 155.900 | - |
| Expenditure- | Estimated | 131.138 | 155.448 | 179.913 |
|  | Fulfilled | 124.039 | 153.100 | - |
| Surplus- | Estimated | 1.500 | 650 | 4.042 |
|  | Fulfilled | 3.442 | 2.800 | - |

As is seen from the above figures, the budget estimate for 1940 is about $17 \%$ more in revenue and expenditure than the 1939 budget. Also, as in previous years the budget was balanced with a surplus. The total State budget is divided as follows :-

[^19]|  |  | Md. Roubles |
| :--- | :--- | ---: |
| Total State Budget | Revenue | 183.955 |
| Union Budget | Expenditure | 179.913 |
|  | Revenue | 141.095 |
|  | Expenditure | 137.054 |
| Local Budgets | Expende | $28.266 \dagger$ |
|  | Revenue | 12.368 |
|  | Expenditure | 14.593 |
|  |  | $30.491 \dagger$ |

The above figures show that the Soviet Budget is a very centralised budget, $76 \%$ of the expenditure is accredited to the Union budget and only $24 \%$ is at the disposal of the budgets of the II Soviet republics.

This may be explained as follows. All the expenditure for the financing of the national economy and Defence expenditure passes through the Union Budget, while through the Republic Budget there passes for the most part only the expenses for social-cultural services, administration expenditure, and only to a small degree the financing of the national economy of local importance

In the 1940 Budget it is estimated that the receipts from all groups will be increased. The detailed figures of fulfilment for 1939 are not available, so that a direct comparison can only be made with the estimated figures. We have seen from the above figures, however, that the estimated and fulfilment figures in 1939 do not differ to any great extent.


More than half of the total increase in the I940 Budget over the 1939 Budget is due to increase in receipts from Turnover tax. This increase is estimated for on the basis that in 1940 all marketable production will be increased by $13.6 \%$. It is pointed out that the marketable production must increase by $13.6 \%$, although increase from turnover tax is planned only at $11.8 \%$. The reason for this is the planned reduction in the rating of turnover tax for some branch of the national economy with the object of increasing the profits in this branch of the National economy. Consequently, the fulfilment of the estimated revenue from turnover tax will depend on the extent of the fulfilment of the planned rise of $13.6 \%$ of marketable production in 1940.

[^20]The total amount of profits from the Socialized sector of the National Economy for 1940 is planned at 33.3 Md . roubles, from which 22.4 Md . roubles must be allotted to the State budget. A rise of $45 \%$ in all the profits of enterprises is estimated for 1940, as compared with 1939. This rise in profits is based on the planned increase in output, the estimated rise of $11 \%$ in the productivity of labour and a reduction of the net cost of $2.8 \%$, as compared with 1939. The increase in the other receipts of the State budget is based also on the planned rise in output of production, trade turnover and rise in income of the population.

In forming an opinion concerning the actual possibility of fulfilment of the Soviet budget, it is necessary to bear in mind a further particular characteristic of the Soviet financial system. The People's Commissariat of Finance has the right of control and inspection of all institutions and enterprises which are concerned with the budget. In 1939, for example, $75 \%$ of the district and local budgets, $75 \%$ of village budgets and 105,945 institutions and enterprises were inspected by the People's Commissariat of Finance. By this control and inspection, the financial authorities can control the process of fulfilment of the planned financial operations of all enterprises of the Socialized Sector of the national economy. In accordance with the result of this inspection they can help the enterprises to fulfil their plan, or alternatively, to adjust the revenue and expenditure of the State budget according to the degree of fulfilment of the plan.

The expenditure of the State budget for 1940 is estimated as follows :-


One particular feature of the budget for 1940 stands out very clearly, i.e., the enormous expenditure for Defence. As compared with 1938 the expenditure on Defence is more than doubled, and reaches the level of expenditure of the financing of the whole national economy.

Contrary to all preceding periods, the expenditure for Defence in 1940 takes the foremost place. This enormous expenditure on defence may partly be explained by the need to
replace the war materials used in the Finnish Campaign, but apart from this the estimated defence expenditure for 1940 is exceptionally great.

The expenditure for the financing of the National Economy for 1940 is estimated at a lower figure than in 1939. This is the first time in the history of the Soviet budget that the expenditure for financing the national economy has been lower than that of the preceding year. The expenditure for financing the national economy is divided into two large groups: (I) financing of capital investment, and (2) financing the enlargement of the working capital of the enterprises of the socialized sector.

The total amount of capital investment for 1940 is estimated at 36.I Md. roubles, $15 \%$ more than in 1939. For the financing of capital investment, however, the State budget has only to supply 24.4 Md . roubles, i.e., $67.5 \%$ of the total capital investment. The remaining II. 7 Md. roubles must be obtained from the capital of the enterprises themselves.

The whole plan of the estimated expenditure for capital investment is as follows :-


As in previous years, the greatest part of expenditure for capital investment must be invested in industry. In 1940, a considerable part of the expenditure is also devoted to transport. A much smaller amount is planned for capital investment in agriculture, and in communal and cultural buildings.

A large programme is also planned for capital repair. For this purpose 6.6 Md . roubles are allotted for 1940. 5.3 Md. roubles are estimated for the increase of working capital of the enterprises of the socialized sector, and 8 Md . roubles are allotted from the State budget for the financing of the machine-tractor organisations. In general, $31.8 \%$ of the total expenditure of the State budget for 1940 is planned to be spent in the financing of the national economy and a similar amount on Defence.

In the third place is the expenditure for social cultural services, amounting to 42.9 Md . roubles, or 4.5 Md . roubles more than 1939.

Of this total, 23.2 Md . roubles, or $54.1 \%$ are allotted for education, 9.8 Md . roubles for health and physical culture, and 7.8 Md . roubles for social insurance, etc.

## EGYPT.

By N. R. GRUNBERG.

DURING the last few years Government expenditure in Egypt has followed an upward trend.

|  |  | $1938-39$ | $1939-40 *$ | $1940-41^{*}$ |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Receipts | £E. 000 | 37,620 | 40,595 | - |  |
| Expenditure | $\ldots$ | $\cdots$ | 40,393 | 42,125 | 47,000 |

The increase is mainly due to defence expenditure and to the fulfilment of obligations under the Anglo-Egyptian agreement. To cover the deficit in all three years mentioned above, the Government has drawn and intends to draw on its reserve funds, although during the last year or so new taxes have been instituted (income tax and stamp tax) and old ones increased (customs and excise duties). It is anticipated that to balance the budget for 1940-41 income tax and railway fares and freight rates will have to be raised. In August, 1939, in order to promote cotton exports the tax of $£ \mathrm{E} .0 .200$ per 100 kg . exported was removed, but it had to be reinstituted on February 3rd with incidence as from August 15th, 1940. None of this season's cotton exports will therefore pay the tax, and normally this would mean a loss of some $£$ E. 750,000 to the revenue. The Government has tried to offset this by increasing the duties on tobacco, motor spirit, kerosene, coffee and sugar.

Further support was afforded to cotton growers in October, 1939, when the Government instructed the Agricultural Credit Bank (State subsidised) to advance them up to $80 \%$ of the market value of the crop.

In 1939 total exports were valued at £E. $34,08 \mathrm{I}, 000$, or $16.2 \%$ more than in 1938. Three-fifths of the gain occurred after the beginning of the war and was due as much to higher prices as to larger quantities. Cotton exports accounted for $£ \mathrm{E} .24,330,000$, or roughly $70 \%$ of the total.

In 1939 the area sown to cotton in Egypt was one of the smallest in the last decade, but the yield was good and the crop larger than the 1938 crop by some $4.5 \%$. Following the trend in recent years more Giza 7, long staple cotton, was produced at the expense of other long staple and shorter staple cottons. The Liverpool market, however, was strongly influenced by the war, which caused a strong demand for motor tyre and other fabrics usually woven from Upper Egyptian and American short staple cottons, while Lancashire lost the German market for its exports of fine yarns from long stapled

Egyptian cottons for the manufacture of gloves and hosiery. The demand did not, therefore, absorb the record crop of Giza 7 (596,000 cantars more than in 1938) as rapidly as this became available for export. On March Ist this season's crop position was as follows :-

| 000 cantars* Exports | Giza 7 1300 | Other long staples. 400 | Medium long staples. 260 | Shorter staples. |
| :---: | :---: | :---: | :---: | :---: |
| Remaining supply |  | 400 | 260 | 2880 |
| Exports last seaso |  |  | 160 | 2000 |
| after March 1st. | $\begin{array}{r} 980 \\ 1 \text { cant } \end{array}$ | $\begin{gathered} 484 \\ =\text { approx } . \end{gathered}$ | b. 152 | 2500 |

India, the present leading market for Giza 7 , had by mid-season imported twice as much as last season, and Japan and China together had trebled their imports, but nevertheless there was anxiety about the disposal of the crop, and pressure for Government support for the Giza 7 market. This, however, was not forthcoming, and the difference between the price of Giza 7 and Ashmouni (short medium staple), which at Liverpool had been a little more than Id. per lb . in early September, diminished to nothing on April 5th. Consequently the area sown in Giza 7 this year is very much smaller than last, although the total area sown to cotton is some $8 \%$ to $9 \%$ larger than last season.

The war led to hopes that cotton prices would soar to the levels they reached during the last war, and between the middle of August and the middle of September they did rise by some $25 \%$. It was even feared that unless the Government intervened the fellah would give up cereals and the other essential food crops. However, by the end of September prices were down to within $5 \%$ to $7 \%$ of prices on September ist and stayed low and hesitant. The declaration of war had cost Egypt the German, Polish and Czech markets which between them took $1,500,000$ cantars of cotton, and the Government approached the British Ambassador with a view to coming to an agreement for the purchase of available surpluses by Great Britain. The market continued weak, so that by October 26th the Government intervened and decided to buy if the market fell below the futures closing prices of October 25th. This, together with the declaration that Great Britain had offered to take one-and-three-quarter million cantars at prices to be fixed, arrested the downward trend. The prices finally offered by Great Britain were those of November IIth, but no agreement was
reached. Prices were rising and the Government raised its buying limits as follows :-

| Talaris + Per Cantar * |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: |
|  | Oct. 26. | Nov. 30. | Jan. 18. | Feb. 17. |
| Sakellaridis | 13.52 | 14.71 | 17.80 | 18.80 |
| Giza 7 | 12.73 | 13.98 | 16.24 | 17.24 |
| Ashmouni | 11.07 | 12.67 | 15.24 | 16.42 |
|  | * Approx. 99 lb. | Hpprox. $4 / 0$. |  |  |

Failure to come to an agreement with Great Britain, the volume of Giza 7 available and the fact that shipments to extra-European neutrals were about $33 \%$ more than last season, whilst the takings of European neutrals were limited to last year's levels (Italy was pressing for larger supplies), caused in Egypt the feeling that the country was victimised by this latter limitation. It was, however, held in England that takings by allied countries had increased to such an extent that they more than compensated any such loss, in addition to covering the loss of trade with German and subject states.

| EGYPTIAN E | EXPORTS OF COTTON (000 cantars). |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Sept. } 1 \\ & 1939-40 \end{aligned}$ | $\begin{gathered} \text { Jan. } 31 \\ 1938-39 \end{gathered}$ | $\begin{array}{r} \text { Sept. } 1 \text { t } \\ 1939-40 \end{array}$ | $\begin{aligned} & \text { March } 31 \\ & \text { 1938-39 } \end{aligned}$ |
| Allied states... | 2737 | 1616 | 3625 | 2575 |
| European neutrals | 759 | 743 | 1125 | 1115 |
| Other neutrals | 717 | 464 | 850 | 640 |
| Hostile and subject | - | 682 | 850 | 900 |
|  | 4213 | 3505 | 5600 | 5230 |

Feeling in this connection ran so high that on April 29th Nahas Pasha addressed a memorandum stating the Egyptian case to the British Ambassador. About ten days later shipping was diverted from the Mediterranean, and prices which had been declining slowly, fell sharply, so much so that on May 14th the last closing quotations, except in Ashmouni, were near the levels at which the Government had undertaken to enter the market as a buyer. The Alexandria cotton market was closed from that day by royal decree. It is probable that by this date the farmers had sold most of their cotton, and as the Government's policy has been designed primarily to help the farmer, it no doubt had no further raison d'étre, especially as it would appear that speculators had stepped in and bought up large quantities of spot cotton at low prices. However, the Government's action hit many bona fide inland merchants, shippers and growers, as well as bankers who had made advances on the security of future hedges.

Exports of cotton during March amounted to some 760,000 cantars, and it does not seem probable that they exceeded this figure in April, so that by the time shipping was diverted in the Mediterranean there were some 2,200,000 cantars of cotton (excluding scarto) left in Egypt. After allowing for local consumption
estimated at 600,000 cantars, there are left 1,600,000 cantars, to which must be added the carryover at the beginning of the season, estimated at some 560,000 cantars. This cotton at present prices represents roughly some £E.5.5 Mn.

It is principally on the exports of cotton that Egypt depends for the funds with which to buy the goods she needs and for her other foreign payments, and this season cotton prices helped to bring about the following results :-

|  | EXPORTS. |  | IMPOR'TS. |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Year. $29 \cdot 3$ | 1st Qr | Year. $36 \cdot 1$ | 1st Q |
| 1939 | $34 \cdot 1$ | $10 \cdot 7$ | $34 \cdot 1$ | $8 \cdot 1$ |
| 1940 |  | $9 \cdot 6$ |  | $10 \cdot 7$ |

The balance of trade in former years had been favourable by an average of about $£$ E. 3 Mn ., but in 1938 it was adverse by £E. 7 Mn . In 1939 this gap was reduced to $£$ E.Io,000.

In comparison with 1938 imports decreased, especially during September and October, and particularly since the war they have included large Government purchases of iron, steel and armaments for defence purposes. When allowance is made for this and for higher prices in recent months, it would appear that imports for home consumption have been seriously reduced. This is not surprising as for some years now it has been difficult to dispose of the cotton crop favourably and tourist traffic has been very small.

The credit position of the country had been stringent during the summer of 1939, and when war was declared banks stopped credit to all but their most important and regular customers. Holders of notes were unwilling to accept extensions (a usual procedure in Egypt), and some wholesalers were reluctant to dispose of stocks even on a cash basis. By October the position became so serious that the Egyptian Chamber of Commerce in Alexandria was asked to use its influence with them to ease the position of retailers. However, as peace in the Mediterranean continued, bank credits were resumed and responsible merchants were able to secure advances against securities, but some banks still refused advances on merchandise. Commercial credit from abroad was stopped and retailers were unable to obtain credit. The Egyptian pound followed sterling in its sharp decline, the note circulation increased, while deposits and clearings declined. The banks met all demands without difficulty, but were cautious where credit was concerned. Towards the end of the year the credit situation
was somewhat eased by the improvement in cotton prices. Shortly after the beginning of the war Talaat Pasha Harb, founder of the Banque Misr, resigned, and the loss of its leader, in conjunction with the difficulty of the times for a bank heavily engaged in supporting and financing many young industries (Sociétés Misr for cotton ginning, spinning, weaving, silk weaving, navigation by river and sea, air transport, tobaccos, printing, fisheries, etc.) is believed to have led the bank into a difficult position. On March 28th, after a secret session of parliament, the Government decided to guarantee present and future deposits of the bank and to take the necessary steps to strengthen its position.

About the middle of July this year, in consequence of an agreement with Great Britain, Egypt obtained sole control of her Public Debt.

Crops were favourable throughout the year. Sugar cane was cut and delivered to the factories which work from early January, late areas being
cut in March. The yield was normal. The planting, germination and growth of the new crop are satisfactory.

The unusually cold weather in January affected the clover crop, which was under average for all four cuts; the seed crop in Upper Egypt, however, was satisfactory. Barley and wheat were slightly retarded in January by the cold, but ear and grain formation were normal and the harvesting of early barley began in Upper Egypt, in mid-March. The cotton area this year is some $8 \%$ to $9 \%$ larger than last year ; $95 \%$ of South Delta sowing was completed by the end of March, as was that in Upper Egypt excepting Fayoum and Guirga. Resowing of not more than $5 \%$ of the area was necessary, but in some parts of Lower Egypt this was as high as $15 \%$. Hoeing, resowing, irrigation and thinning proceeded normally. The crop is reported as normal and the Egyptian Government is already thinking of its disposal. It is anxious to make arrangements for delivery at Egyptian ports.

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## EXECUTIVE COMMITTEE.



## EDITORIAL COMMITTEE.


F. W. Paish (Secretary).
K. C. SuIth (Statistician).

Temporary war-time Subscription, $£ 1$.
[For particulars, apply to the Secretary, London \& Cambridge Economic Service,
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## EVENTS OF ECONOMIC IMPORTANCE.

1940. 

July 30th America .. .. N. \& S. American Countries represented at Havana Conference sign Act of Havana.

| " | " | U.K. |
| :---: | :---: | :---: |
| " | 3ISt | U.S.A. |
| Aug. <br> " | $\begin{aligned} & \text { I Ith } \\ & \text { 20th } \end{aligned}$ | $\begin{aligned} & U . K . \\ & U . K . \end{aligned}$ |
| " | 2ISt <br> 27-29th | Roumania <br> U.K. <br> Central Africa |
| " | 29th | South Africa |
| " | 30th | Roumania |

Sept. 3rd U.S.A.

| 6th | Roumania .. |  |
| ---: | :--- | :--- |
| 7th | U.K. | .. |
| 13th | Egypt | . |
| 2Ist | Australia | .. |

23rd W.Africa..
" Indo-China
26th U.S.A.
27th Fapan
Oct. 3rd U.K.
8th Roumania ..
„ U.K. ..
15th U.S.A. ..
16th U.K. ..
18th China ..
2Ist U.K. ..
„, " Greece ..

23 rd U.K. .. .. Further increase of $6 \%$ announced on ordinary railway fares and charges.
28th U.K. .. .. New list of Canadian Securities requisitioned. system to all trade with European and N. African ports.
.. Government prohibits export of aviation petrol to countries outside Western Hemisphere.
Mass air-raids on Britain begin.
Premier announces agreement to lease to U.S.A. bases in West Indies, etc., and creation of relief stores of commodities for Europe.
Agreement to cede S. Dobrudja to Bulgaria.
Importation of British bank-notes prohibited.
French Equatorial Africa rebels from Vichy Government and joins de Gaulle.
Supplementary budget. Extra gold-mining taxes smaller than expected.
Axis powers at Vienna Conference award two-thirds of Transylvania to Hungary.
President announces transfer of 50 destroyers to Britain in exchange for lease of naval and air bases.
Abdication of King Carol. Antonescu becomes Iron Guard dictator.
Intensive air-bombardment of London begins.
Italians invade Western Desert.
General election, resulting in Government's loss of almost all majority.
.. Abortive attempt by de Gaulle and British fleet to occupy Dakar.
.. French agree to allow entry of Japanese troops.
. Embargo imposed on export of Iron and Steel scrap to Japan.
. Pact signed with Axis powers.
.. Cabinet reconstruction announced. Chamberlain resigns office.
.. German troops enter with consent of Roumanian Government.
. . Premier announces compulsory air-raid insurance of real property.
. . Conscription Act comes into force.
.. Parliament grants new War Credit of $£ 1,000 \mathrm{Mn}$.
.. Britain reopens Burma Road.
.. Purchase Tax comes into force.
.. Italian invasion begins.

# UNITED KINGDOM. 

## THE ECONOMIC POSITION.

T'HE rate of the British Government's war expenditure, after increasing by nearly $50 \%$ during May and June, remained fairly stable from July to September. In recent weeks it has shown signs of a renewed rise. Owing to the incidence of interest payments and revenue receipts, the Treasury's average weekly deficit has risen steadily month by month, and has been much in excess of the yield of long-term loans. There has consequently been a heavy increase in the floating debt. During the past two months this has mainly taken the form of direct Treasury borrowing from the banks on six months' deposit. Bank Deposits therefore showed a sharp rise in September and may be expected to show another in October. It is to be hoped that increased receipts from taxation and a continuation in the recent improvement in the yield of long-term loans will enable the Treasury to reduce the extent of its recourse to credit expansion as a means of finance. In particular, the Purchase Tax should prove a useful means of helping to prevent the increase in the quantity of money from inducing an undesired expansion in demand.

Foreign Trade Statistics for the third quarter of the year show, as was to be expected, some falling off from the totals of the two previous quarters. The recorded value of imports, which
of course includes increased insurance and freight as well as the effect of increased prices, is considerably greater than in any quarter in 1939 or 1938. The value of exports also is greater than a year ago. The adverse balance of merchandise was in the third quarter a little lower than in the second, and a good deal less than in the first quarter; for the first nine months of 1940 it exceeded £5IO Mn., as compared with $£ 280$ Mn. in the nine months of 1939. Part of this increase ranks as invisible exports in so far as increased insurance premiums and freights accrue to this country.

There has been a slackening in the increase of wholesale prices, as recorded by the Board of Trade, and only a moderate increase of those retail prices which form the basis of the Cost of Living Index. Wage rates, apart from the rise in agricultural wages in July, increased very slowly. Earnings have only kept pace with the Cost of Living Index where there has been overtime, night-work or increased facilities for piece-rate earnings, or transfer to better paid jobs, or a reduction of broken-time. There has been a further reduction of the number totally unemployed, but some increase in the temporarily stopped in coal-mining, textile and the clothing trades.

## FINANCE \& BANKING IN THE THIRD QUARTER OF 1940.

By F. W. Paish.

GOVERNMENT FINANCE. - Since the jump of nearly $50 \%$ which occurred during May and June, the rate of war expenditure has become stabilised at its new level. During each of the three months comprising the third quarter, the weekly cost of the Supply Services averaged rather more than $£ 65 \mathrm{Mn}$., and since the cost of debt services, etc., showed a slight seasonal decline, total expenditure declined slightly from a weekly average of over $£ 70 \mathrm{Mn}$. in July to about $£ 68 \mathrm{Mn}$. in September. The seasonal fall in tax revenue was more marked, and the average weekly excess of expenditure rose from $£ 46.4$ Mn . in July to $£ 52.6 \mathrm{Mn}$. in September.

Total expenditure for the quarter was $£ 915 \mathrm{Mn}$., as against $£ 695 \mathrm{Mn}$. in the previous quarter. Ordinary revenue showed a seasonal
rise at $£ 264 \mathrm{Mn}$., and the deficit for the quarter was therefore $£ 65 \mathrm{I} \mathrm{Mn}$., or $£ 49.5 \mathrm{Mn}$. per week, as compared with $£ 507 \mathrm{Mn}$., or $£ 39 \mathrm{Mn}$. per week, in the previous quarter :-

| GOVERNMENT REVENUE AND EXPENDITURE (£Mn.) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Expenditure. |  |  |
|  | Revenue Total | Supply | Total |  |
| 1939-Oct.-Dec. | $15 \cdot 9$ | $35 \cdot 6$ | $41 \cdot 8$ | Deficit. $25 \cdot 9$ |
| 1940-Jan.-Mar. | 38.8 | 45.1 | 48.0 | 25.9 9.2 |
| April 1-27 | 16.1 | 41.2 | 46.9 | $30 \cdot 8$ |
| April 28-June 1 | $14 \cdot 1$ | $41 \cdot 7$ | 49.8 | 35.7 |
| June 2-30 | $13 \cdot 3$ | $60 \cdot 0$ | $63 \cdot 9$ | 50.6 |
| July 1-27 | $24 \cdot 4$ | 66.5 | $70 \cdot 8$ | 46.4 |
| July 28-Aug. 31 | 20.7 | 67.6 | 69.8 | $49^{\circ} 1$ |
| Sept. 1-30 | 15.7 | 65.5 | $68 \cdot 3$ | $52 \cdot 6$ |

To the quarter's deficit of $£ 65 \mathrm{I} \mathrm{Mn}$. must be added over $£$ Io4 Mn . of repayments of $4 \frac{1}{2} \%$ Conversion Loan and some $£ 4 \mathrm{Mn}$. of
issues to the Post Office, etc., bringing the total amount requiring finance by loan to $£ 760 \mathrm{Mn}$. This was raised as follows :-

GOVERNMENT BORROWING IN THIRD QUARTER, 1840

|  | $\left(£ M_{1}\right.$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | July | Aug. | Sept. | Total for Qr |
| Nat. Savings Certificates | $15 \cdot 9$ | $12 \cdot 3$ | $9 \cdot 3$ | 37.5 |
| 3\% Defence Bonds . | 29.9 | $13 \cdot 1$ | $7 \cdot 2$ | 50.2 |
| $2 \frac{1}{2} \%$ Nat. War Bonds | 86.2 | $57 \cdot 1$ | $40 \cdot 4$ | $183 \cdot 7$ |
| Other Debt. ... | 8.7 | $3 \cdot 7$ | $2 \cdot 3$ | 14.7 |
| Treasury Deposits | 30.0 |  | 94.0 | 124.0 |
| Treasury Bills, Tender... | 56.0 | 10.0 |  | 66.0 |
| W ,', Tap ... | 50.6 | 136.0 | 42.4 | 229.0 |
| Ways \& Means Advances from Govt. Depts. | 7*0 | $17 \cdot 1$ | $30 \cdot 8$ | 54.9 |
|  | 284.3 | $249 \cdot 3$ | 226.4 | $760 \cdot 0$ |

The heavy borrowings in July were due to the fact that the great bulk of the repayments of the $4 \frac{1}{2} \%$ Conversion Loan were made in that month. The larger subscriptions in July to $2 \frac{1}{2} \%$ War Bonds, and probably also those to $3 \%$ Defence Bonds, may be ascribed to reinvestment of part of these repayments. The period covered by the August figures was five weeks, as against approximately four weeks in July and September.

The Floating Debt.-Of the total borrowings for the quarter, no less than $£ 474 \mathrm{Mn}$. were on short term, and constitute an increase in the Treasury's Floating Debt. This represents $62 \%$ of the total amount borrowed during the period, or, if allowance is made for the repayment of the $4 \frac{1}{2} \%$ Conversion Loan, $72 \%$ of the net amount borrowed. As less than one quarter of the estimated revenue for the year was received during the three months ending September, a small part of the expansion in the Floating Debt may be ascribed to normal seasonal causes ; but at least $£ 400 \mathrm{Mn}$. must be regarded as a permanent addition to the National Debt.

The quarter's changes in the Floating Debt figures show two remarkable features. The first of these is the great expansion in Treasury bills issued through the "tap" and in Ways and Means Advances from public departments, which together increased by $£ 57.6 \mathrm{Mn}$. in July, $£_{153.1} \mathrm{Mn}$. in August, and $£ 73.2 \mathrm{Mn}$. in September. The rise in " tap" bills on this occasion does not seem to have been due to sales of these bills to the banks, for during August the increase in clearing bank discounts was small, while in September they declined. It seems therefore that the "tap " bills have been taken up mainly by public departments and other agencies outside the clearing banks.

The other notable development has been the stabilisation at $£ 65 \mathrm{Mn}$. of the weekly issue of bills by tender, involving a check to the expan-
sion in the total of bills so issued, and their replacement as a means of additional borrowing from the banks by the use of six months' Treasury Deposits. As these are both longerdated and less negotiable than normal discounts, they should probably be regarded as an addition to the banks' investments.

Bank of England.-The sharp rise in the note circulation, which was so conspicuous a feature in May and June, came to an end early in July, and since then the circulation has shown a slightly downward trend, part of which may possibly have been due to some repatriation of notes from abroad. Government Deposits remained high in July and the first part of August, but since then have been much smaller. In the middle of September there was a temporary rise of nearly $£_{20} \mathrm{Mn}$. in the Bank's holdings of Government Securities, believed to have been due to government borrowing on Ways and Means Advances. As a result of these movements, Bankers' Deposits were maintained during the second half of the quarter at a high level, averaging about $£_{11} 17 \mathrm{Mn}$.

Clearing Banks.-The expansion in the total of the banks' assets and deposits, which has been proceeding slowly since before the outbreak of war, continued during the third quarter at a somewhat accelerated pace. The totals of deposits, as published, are confused by the fluctuations in the item " Balances with Other Banks and Items in Transit," which represents in the main cheques which have been credited to one account and not yet debited to another, and which should strictly speaking be deducted from the total of deposits. The effect of making this adjustment for recent months is as follows :-

Nine Clearing banks.

|  | NINE | CLEARING BANKS. <br> Gross Deposits. <br> (£ Mn.) | Net Deposits. <br> (£ Mn.) |  |
| :--- | :---: | :---: | :---: | :---: |
| 1940 |  |  | ( 2341 | 2222 |
| June | $\ldots$ | $\cdots$ | 2328 | 2243 |
| July | $\cdots$ | $\cdots$ | 2328 | 2281 |
| August | $\cdots$ | $\cdots$ | 2349 | 2360 |
| September | $\cdots$ | 2466 |  |  |

The clearing banks have continued to be plentifully supplied with cash, the holdings for nine banks rising from $£ 255 \mathrm{Mn}$. in June to $£_{2} 275 \mathrm{Mn}$. in September, with the result that, despite the increase in deposits, the ratio of cash to deposits has risen from $10.9 \%$ to II.I $\%$. With regard to the other assets, the effect of the Government's decision to use Treasury Deposits, instead of bills as a means of increasing their borrowings from the banks is seen in a check to the rise in the banks' Call Money and Discounts which in September together totalled $£_{5} 52 \mathrm{Mn}$. as against $£ 527 \mathrm{Mn}$. in June. On the other
hand, these banks invested an additional $£ 60 \mathrm{Mn}$. in Securities and lent the Government $£ 86.5$ Mn . on deposit. The decline in Advances, from $£ 913 \mathrm{Mn}$. in June to $£ 889 \mathrm{Mn}$. in September, was less marked than in the previous quarter, mainly in consequence of a sharp rise of $£_{\mathrm{I} 7 \mathrm{Mn} \text {. during the month of September. }}$ The September rise is contrary both to the normal seasonal movement and to the recent trend, and may be a temporary development due to special causes.

Security Prices.-During the quarter prices of industrial securities have shown a gradual but persistent recovery from the very low levels reached in July. By the middle of October our index had recovered about two-thirds of its fall between mid-May and mid-July, though it was still well below the level maintained during the first four months of the year. Prices of fixed interest securities have also continued to recover, though more slowly, and by the middle of October were again at their mid-May level. Short-term interest rates remained rigidly fixed at their existing low level.

Exchange Rates.-The demand for free sterling on the New York market by speculators who had previously sold short, together with the restriction of supplies, has been sufficient to close the gap between the free and official rates. Indeed, for a time the refusal of the British authorities to sell sterling to speculators caused the free rate to rise slightly above the official rate. The only other change has been a slight appreciation of the Swiss franc in terms of dollars, which has induced a corresponding rise in the sterling rate. This movement was apparently due to diminished fears of an early invasion of Switzerland.

## RECENT MOVEMENTS.

During the first twenty-six days of October, Government expenditure on the Supply Services has shown a further increase to an average of $£ 69.6 \mathrm{Mn}$. per week, while the usual seasonal increase in interest payments has brought total expenditure up to an average of $£ 77.2 \mathrm{Mn}$. per week. Despite a very satisfactory contra-seasonal rise in revenue to $£ 22.4 \mathrm{Mn}$. per week, largely due to higher income-tax receipts, the average
weekly deficit increased to $£ 54.9 \mathrm{Mn}$., the highest figure yet recorded. Figures of receipts from sales of long-dated securities are as follows :-

|  | (£Mn.) |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | N.S. | $3 \%$ | $21 \%$ | Int.-Free |  |  |
| 1940 | Certs. | Bonds. | Bonds. | Loans. | Total |  |
| Oct. 1-26 | $11 \cdot 0$ | $10 \cdot 4$ | $56 \cdot 3$ | 3.7 | $81 \cdot 4$ |  |

Despite the improved yield from the sale of long-term securities, the increase in the floating debt during the period October Ist-26th was $£ \mathrm{I} 25.5 \mathrm{Mn}$. of which $£ 75.5 \mathrm{Mn}$. was borrowed from the banks on Treasury Deposit. The increased sales of $2 \frac{1}{2} \%$ Bonds during the third week of October apparently eased the Treasury's position, for during the week ending October 26th the amount borrowed from the banks on deposit was reduced to $£_{15} \mathrm{Mn}$. It is to be hoped that improved tax receipts, in consequence of the inauguration of the Purchase Tax on October 2Ist and of the commencement in November of the system of deducting income tax from salaries at source, together with a continued improvement in the yield of long-term loans, will enable the Treasury still further to reduce its recourse to the banks. It is difficult to believe that the public's demand to hold increased cash reserves has not been adequately met by the great increase in bank deposits which has already occurred, and further expansion must give rise to apprehensions that the public demand for goods may be stimulated to a degree which cannot be satisfied at the existing level of prices. In the circumstances, the coming into force of the Purchase Tax is to be welcomed as a means of preventing the increase in the volume of purchasing power from exerting its full effect upon the demand for goods.

The recent Bank of England statements show a continuation of the slow decline in the demand for notes. The Bank's holdings of government securities have been correspondingly reduced, but as Public Deposits have remained fairly low, Banker's Deposits have continued to stand at a very comfortable level.

Prices both of industrial and of fixed interest securities have continued to improve slowly, and the latter are now nearly back at the high levels reached in the spring. Industrial securities, on the other hand, have not yet recovered as much as half the ground lost in May and June.

## PRICES AND WAGES, TRADE AND EMPLOYMENT.

By A. L. Bowley.

WHOLESALE PRICES.-The Board of Trade Index of Wholesale Prices rose nearly uniformly from August, 1939 to February, 1940, the whole increase in six months being $31 \%$. Since February the increase has been regular and slower, only $10 \%$ in seven months. Over the thirteen months to September, 1940, the increase in food prices is given at $54 \%$; of materials, etc., $38 \%$; and for all commodities included, $44 \%$. There has been great variation of increases among the various commodities, e.g. cereals have increased in price $74 \%$, coal $20 \%$.

Since June the cereals index has increased $10 \%$, while the figures for coal and for " other textiles" are unchanged, and the non-ferrous metal group and wool have fallen.

The increase in wholesale prices has been more rapid than in the early months of the last war, for from July, 1914, to August, 1915, the Statist registered $+31 \%$ and the Economist $+29 \%$. Then, also, vegetable food rose most rapidly, but textile prices did not increase much till the second year of the war.

Since so many prices are stabilised or otherwise controlled, and there is no free market for many commodities, it is not easy to give any precise significance to the index numbers now computed, but there is no doubt some utility in the detailed records.

INDEX NUMBERS OF WHOLESALE PRICES
Averages for the Year $1930=100$.

| Group | $\begin{aligned} & \text { Aug. } \\ & 1939 \end{aligned}$ | $\begin{aligned} & \text { June } \\ & 1940 \end{aligned}$ | $\begin{aligned} & \text { Sept. } \\ & 1940 \end{aligned}$ | $\begin{aligned} & \text { \% age } \\ & \text { June } 1940 \\ & \text { to Sept '40 } \end{aligned}$ | ncreases <br> Aug. '39 to <br> Sept. 1940 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cereals | 84 | 133 | 146 | 10 | 74 |
| Meat, fish and eggs | 84 | 112 | 118 | 6 | 40 |
| Other food and tobacco ... | 100 | 143 | 151 | 5 | 51 |
| Total-food, etc. ... | 90 | 130 | 139 | 7 | 54 |
| Coal | 117 | 140 | 140 | 0 | 20 |
| Iron and steel ... | 129 | 153 | 163 | 7 | 27 |
| Non-ferrous metals | 101 | 124 | 123 | -1 | 22 |
| Cotton ... ... | 81 | 124 | 130 | 5 | 59 |
| Wool | 103 | 163 | 157 | -3 | 53 |
| Other textiles | 74 | 106 | 103 |  | 43 |
| Chemicals \& oils | 93 | 118 | 120 | 2 | 29 |
| Miscellaneous | 96 | 140 | 149 | 7 | 55 |
| Total-materials etc | . 102 | 137 | 142 | 4 | 38 |
| All articles | 98 | 135 | 141 | $\sigma$ | 44 |

Since July I, the changes in retail prices have been inconsiderable except for special commodities, and though the increase during June has been maintained, it has not gone further. Potatoes were specially dear on July I, and their price has fallen; but prices of sugar, eggs,

|  | $\begin{gathered} \text { Sept. } 1 \\ 1939 \end{gathered}$ | $\begin{gathered} \text { July } 1 \\ 1940 \end{gathered}$ | $\begin{gathered} \text { Oct. } 1 \\ 1940 \end{gathered}$ | \% age i <br> Sept. 1939 <br> to Oct, '40 | creases <br> July 1940 <br> to Oct, '40 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Beef : British | ... 129 | 152 | 152 | 18 | to Oct. |
| ,, Chilled | ... 116 | 149 | 150 | 28 | 1 |
| Mutton : British | ... 132 | 145 | 145 | 10 | 0 |
| , , Frozen | ... 124 | 136 | 136 | 7 | 0 |
| Bacon | ... 135 | 166 | 166 | 23 | 0 |
| Fish | ... 216 | 300 | 334 | 55 | 11 |
| Flour | ... 126 | 126 | 125 | -1 | -1 |
| Bread | - 142 | 147 | 146 | 3 | $-1$ |
| Tea .. | ... 192 | 163 | 163 | 7 | 0 |
| Sugar | . 146 | 215 | 241 | 64 | 12 |
| Milk | ... 192 | 219 | 225 | 17 | 3 |
| Butter | . 110 | 129 | 130 | 18 | 1 |
| Cheese ... | - 116 | 148 | 149 | 29 | 1 |
| Margarine ... | - 92 | 103 | 103 | 12 | 0 |
| Eggs | - 158 | 182 | 267 | 70 | 47 |
| Potatoes | 133 | 296 | 163 | 23 | -45 |
| All food ... | - 138 | 168 | 169 | 22 | 1 |
| Rent | ... 162 | 164 | 164 | 1 | 0 |
| Clothing | 207 $\frac{1}{2}$ | 290 | 300 | 44 | 2 |
| Fuel, gas, etc. | 182 $\frac{1}{2}$ | 212 | 216 | 11 | 2 |
| Miscellaneous | ... 180 | 210 | 219 | 22 | 4 |
| All commoditi | es 155 | 187 | 891 | 22 | 1 |

* Percentages, not percentage increases as usually quoted.
N.B.-The corresponding figures in the table on p. 79 are showing as at the end of May and June.
fish and milk have risen. It is specially difficult in present circumstances to measure the change in the cost of clothing. It is not improbable that families who are trying to purchase the same kinds, or with reasonable variations, as a year ago, find that the increase is considerably more than the official figure.

The effects of rationing, the fixing of prices, and the shortage of many kinds of commodities, have varied greatly between families with different incomes or different age and sex constitution. The poorest have in some cases no longer been able to obtain cheap lines of meat and other goods; the well-to-do may have substituted more expensive goods for those rationed or no longer obtainable. The range of incomes to which the index used to apply is narrowed. In normal times, when prices change unequally, it is possible to evade part of an increase by substitution of nearly equivalent goods or by a change of diet without loss of nourishment. But at present the reverse tends to be the case, for, if rationing or shortage forces substitution, it may be by dearer goods.

It was shown in our January bulletin that the ration of meat and bacon was near the average working class consumption, while that of sugar and butter was below. Working class budgets collected last March showed that the poorer classes used their complete rations of sugar and tea, but not of meat and bacon. Families in which there was a semi-skilled or skilled worker
used all their rations. Where there was any surplus income, there was probably increased expenditure on more expensive foods. There appeared to be a tendency to reduce slightly the standard of living in the lower incomes. Since, as is shown below, in very many industries where overtime is not prevalent earnings have increased less than the cost of living index, some reduction in standard must have taken place unless the earlier income had allowed a margin.

It follows that no general statement can be made on the relation of the Cost of Living Index to the cost of preserving an equivalent standard since August, 1939. It is highly probable that the index under-estimates the rise, but not seriously for the central body of the working class to which it has in the past most closely applied, and where the family has not been divided. If one had to make a guess, then, paying attention to the relative importance of different commodities in the budget, one might conjecture that for this group the rise was $25 \%$ instead of $20 \%$, when possible substitutions had been made and an equivalent standard reached.

As in the last war the time approaches when the constituents of the basic standard are no longer purchasable - already the case in sugar and butter-and the index ceases to have any practical meaning. Then, as in 1918, it will be necessary to measure the change in actual expenditure and the change in the resultant standard separately, and to give up the measurement of the cost of an unchanged standard which will be unrealisable.

WAGES.-Since July, 1940, there have been increases in the wages in the building trade, still apparently related to the Cost of Living Index number, of printers' compositors' basic

| WAGE RATES. |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

weekly time-rates (which had been unchanged since their considerable increase up to 1921), in several of the Trade Board minima, and a flat increase of 2 s . a shift for coal-miners.

The resultant changes up to October I5th, 1940, are shown in the table above.

Especially in engineering and in transport, earnings have risen more rapidly than wagerates, while in many other industries there have been no facilities for overtime or other causes of increased earnings, except through the reduction of unemployment.

In the Economic fournal, July, 1940, an account is given of earnings and rates for a considerable number of firms in many industries. The comparison of these results with our index (excluding agriculture) may be set out as follows :-

|  | Average per head <br> Earnings |  |  |
| :--- | :---: | :---: | :---: |
| Wage-Rates |  |  |  |

The general increase of earnings relative to rates thus appears to have been more rapid before September 1939 than after. But if we had comparable figures for October 1940, it would no doubt be found that owing to the munitions drive, with overtime and night work, the earnings index had again gained significantly; but again since several industries are unaffected, it seems unlikely that the resultant index for earnings would exceed 125 .

Except in agriculture the increase in rates has not kept pace with the Ministry of Labour's Cost of Living Index.

EXTERNAL TRADE. - Since April, Imports, or at least those Imports which are included in the Board of Trade's statement, have fallen. The declared value is still considerably greater than in the corresponding months in 1939 or 1938, but an unknown part of this increase is due to higher prices and greatly increased freights and insurance.

Exports have also diminished in recent months, as country after country has ceased to be a customer. The principal reduction has been in coal exports. The value of manufactures exported in the third quarter is not much less than in 1938, which is remarkable when we consider not only the closing of frontiers but also that some classes of goods formerly exported are urgently needed at home. When the increase of prices is allowed for, however, it is clear that there has been a great reduction in the volume of trade.

|  | 1938 | 1939 | 1939 | 1940 | 1939 | 0 | $\begin{gathered} 19391940 \\ \text { THIRD } \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Quarters | FOUR | RTH | FIP | RT | SEC | COND |  |  |
| Total Imports £.Mn. |  |  |  |  |  |  |  |  |
| Food, \&c. | 111.0 | $110 \cdot 2$ | $100 \cdot 6$ | $127 \cdot 3$ | 99.0 | 116.4 | 89.5 | $93 \cdot 8$ |
| Mater'ls, \&c. | 57.5 | $62 \cdot 5$ | $58 \cdot 1$ | 99.0 | $64^{\circ} 2$ | 99.8 | 56.8 | $78 \cdot 2$ |
| Manuf'ct'res | 57.3 | 56.0 | $57 \cdot 8$ | $80 \cdot 3$ | 64.2 | 86.5 | $59 \cdot 9$ | $87 \cdot 0$ |
| (incl.misc' | 228.5 | $230 \cdot 3$ | 218.5 | $308 \cdot 3$ | $229 \cdot 3$ | 304.2 | 207.8 | $260 \cdot 2$ |
| Exports of British Produce £Mn. |  |  |  |  |  |  |  |  |
| Food, \&c. | $10 \cdot 5$ | 9.6 | 8.7 | $9 \cdot 7$ | 9.0 | 10.1 | 8.4 | $8 \cdot 0$ |
| Mater'ls, \&c. | $15 \cdot 3$ | 13.4 | $13 \cdot 7$ | 13.0 | 14.7 | 13.0 | $12 \cdot 6$ | $5 \cdot 7$ |
| Manuf'ct'res | 93.7 | 76.6 | $93 \cdot 5$ | 95.0 | 90.5 | 105.5 | 76.8 | $78 \cdot 7$ |
| Total (incl.misc'l.) | $124 \cdot 1$ | $102 \cdot 1$ | $119 \cdot 1$ | 119.9 | 117.2 | 129.8 | 100 | 3.9 |

The adverse balance in the third quarter of 1940 at $£ 161.9 \mathrm{Mn}$. was slightly less than in the second quarter ( $£ 164.7 \mathrm{Mn}$.). It should be remembered that a significant part of the value of Imports consists of freight, much of which counts as "invisible exports."

UNEMPLOYMENT-In the future, unemployment statistics will be issued only once a quarter and will not be analysed among separate industries. The detailed Tables that we have usually given cannot be continued after the date August, 1940.

The statistics issued to the Press early in each month have excluded Northern Ireland and have related to all persons registered at the Labour Exchanges, whether insured or not.

In the Ministry of Labour Gazette for September, 1940 (and in earlier issues) we have the means of comparing the statistics that are issued in one form or another.

|  | Augus | , |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Registered Unemployed |  | bour Exc | R | O's |
|  |  | ued to | as exte | ed in the |
|  | Gres | Britain | Unite | Kingdom |
|  | Males | Females | Males | Females |
| Wholly unemployed (including casuals) | 362 | 284 | 397 |  |
| Temporarily stopped | 78 | 76 | 80 | 83 |
|  | 440 | 360 | 477 | 390 |

The relationship between these Statistics and those of the familiar 'insured unemployed' is shown (for Great Britain only) in the Gazette.


It is seen that on the one hand the Insurance figures are increased by the numbers in the 'two months' file', which contains persons who
have ceased to register but are not known to have passed out of the insurance scheme, and on the other hand the Register includes boys and girls under 16 years, and a large number (especially of women) who have registered for employment, but have not worked in insured industries, or who are applying for unemployment allowances.

The Register is inflated in certain months by the inclusion of children who have left school at the end of a term.

|  | UNEMPLOYED 000's, 小 |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Registered at Ex |  |  |  | ncluded in I |  |  |  |
|  | Great | Britain | U. K | gdom | Great | Britain | U. | gdom |
| 1939 | Male | emale | Male | 'emale | Male | Female | Male | emale |
| August | 947 | 285 | 992 | 303 | 929 | 282 | 974 | 302 |
| Sept. | 871 | 460 | 915 | 480 | 852 | 412 | 896 | 433 |
| Oct. . | 947 | 484 | 996 | 504 | 927 | 406 | 975 | 427 |
| Nov.... | 938 | 465 | 992 | 486 | 913 | 402 | 987 | 423 |
| Dec.... | 933 | 428 | 992 | 449 | 906 | 379 | 963 | 400 |
| 1940 |  |  |  |  |  |  |  |  |
| Jan. | 1079 | 440 | 1141 | 462 | 1053 | 398 | 1113 | 420 |
| Feb. | 1098 | 406 | 1159 | 427 | 1086 | 378 | 1146 | 399 |
| March | 768 | 353 | 821 | 372 | 759 | 329 | 812 | 348 |
| April | 657 | 316 | 706 | 335 | 643 | 289 | 692 | 308 |
| May. | 588 | 293 | 634 | 314 | 576 | 271 | 622 | 292 |
| June... | 472 | 295 | 514 | 320 | 459 | 253 | 501 | 279 |
| July ... | 470 | 357 | 509 | 389 | 461 | 303 | 501 | 335 |
| August | 440 | 360 | 477 | 391 | 430 | 311 | 469 | 342 |
| Sept. | 474 | 356 | 511 | 392 |  |  |  |  |

The columns for males show nearly parallel movements. For females there was a considerable addition at the outbreak of war due to registration for employment of uninsured women. In October the excess of the registered over the insured column was 78,000 ; this fell in November and subsequent months till it was only 22,000 in May. In recent months the discrepancy has increased, partly owing to an influx of girls from schools.

The long fall in unemployment was checked in July owing to the loss of foreign markets for coal, and an increase of unemployment (especially temporary unemployment) in the textile, clothing and leather trades. Owing no doubt to the calling up of men and replacement by women unemployment in distributive trades has diminished in the country as a whole. Otherwise there was a continuance of the diminution of the number of insured unemployed, especially of men.


TABLE III
INSURED PERSONS UNEMPLOYED．
UNITED KINGDOM．ooo＇s（nearest）．
Males and Females．Aged 16－65．Excluding Agriculture．
A Wholly Unemployed．
B Temporarily Stopped．
1939


1940

|  | $\begin{gathered} \text { April 15th, } \\ 1940 \end{gathered}$ |  |  | $\begin{aligned} & \text { May 20th, } \\ & 1940 \end{aligned}$ |  |  | June 17th， 1940 |  |  | July 15th， 1940 |  |  | $\underset{1940}{\text { August }} 17 \mathrm{th},$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total | A | B | Total | A | B | Total | A | B | Total | A | B | Total | A | B |
| Building ． | 105 | 102 | 3 | 87 | 85 | 2 | 66 | 65 | 1 | 59 | 57 | 2 | 56 | 55 | 1 |
| Public Works | 67 | 66 | 1 | 59 | 58 | 1 | 47 | 46 | 1 | 42 | 41 | 3 | 5 | 24 | 32 |
| Coal | 44 | 38 | 6 | 40 | 34 | 6 | 32 | 28 | 4 | 58 | 25 | 33 | 56 | 24 | 32 |
| Cotton | 19 | 15 | 4 | 23 | 14 | $\ni$ | 16 | 12 | 4 | 19 | 11 | 9 | 19 | 11 | 9 |
| Wool | 6 | 4 | 3 | 7 | 3 | 4 | 5 | 3 | 2 | 7 | 3 | 4 | 11 | 4 | 7 |
| Other Textiles | 37 | 27 | 9 | 43 | 29 | 14 | 45 | 31 | 13 | 62 | 35 | 25 | 64 | 36 | 27 |
| Clothing ．．． | 29 | 24 | 5 | 31 | 23 | 8 | 39 | 27 | 12 | 69 | 40 | 30 | 64 | 39 | 25 |
| Distribution | 129 | 122 | 8 | 113 | 106 | 7 | 98 | 92 | 6 | 92 | 86 | 6 | 87 | 81 | 6 |
| Other Industries | 327 | 283 | 43 | 308 | 262 | 46 | 255 | 221 | 35 | 256 | 212 | 33 | 248 | 203 | 45 |
| Hotels | 72 | 69 | 3 | 60 | 58 | 2 | 57 | 55 | 2 | 55 | 53 | 2 | 52 | 50 | 2 |
| Commerce，Pro－ fessions，\＆c． | 134 | 127 | 7 | 119 | 112 | 7 | 103 | 97 | 6 | 100 | 95 | 6 | 98 | 92 | 6 |
| Totals | 963 | 877 | 92 | 893 | 784 | 106 | 763 | 677 | 86 | 819 | 658 | 161 | 794 | 633 | 161 |
| Males | 669 | 612 | 57 | 603 | 544 | 58 | 487 | 446 | 41 | 487 | 405 | 82 | 456 | 376 | 79 |
| Females | 301 | 265 | 36 | 287 | 240 | 48 | 26 | 231 | 45 | 332 | 253 | 80 | 338 | 256 | 82 |

TABLE IV
UNEMPLOYMENT BY DISTRICTS（ex．Agriculture）． PERCENTAGE OF INSURED PERSONS UNEMPLOYED．－GREAT BRITAIN AND N．IRELAND．

|  |  | 离 |  | E | E |  | $\begin{aligned} & \text { In } \\ & \text { D } \\ & \text { IN } \\ & \text { On } \\ & \text { Un } \end{aligned}$ |  | $\begin{aligned} & \text { 害 } \\ & \text { cu } \\ & \text { 花 } \\ & \text { ct } \end{aligned}$ |  |  |  | 域 | \％ | － | 先 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1939 July 10 | 9.0 | $9 \cdot 7$ | $7 \cdot 4$ | 6.2 |  | 5.4 |  | 4.5 | $6 \cdot 9$ |  | 88 | 12.4 | $14 \cdot 1$ | 11.9 | $15 \cdot 7$ | $21 \cdot 7$ | 1.5 |
| Aug． 14 | $8 \cdot 7$ | $9 \cdot 3$ | $7 \cdot 6$ | $5 \cdot 8$ |  | 5．0 |  | 4.4 | $7 \cdot 7$ |  | 8.4 | $11 \cdot 9$ | $13 \cdot 3$ | $11 \cdot 7$ | 15.2 | $19 \cdot 9$ | 1.4 |
| Sept． 11 | $9 \cdot 1$ | 8.6 | 10.9 | 8.2 | $8 \cdot 3$ | $6 \cdot 3$ | 4.5 | 5．2 | 6.9 | 6.2 | $8 \cdot 1$ | 11.8 | 13.0 | 11.8 | $14 \cdot 3$ | 20•1 | 1.4 |
| Oct． 16 | $9 \cdot 6$ | $9 \cdot 3$ | $10 \cdot 7$ | 9.6 | 9.0 | $9 \cdot 2$ | 6.6 | 6.5 | 6.1 | $5 \cdot 6$ | 7.9 | 11.6 | 13.7 | 11.8 | $15 \cdot 3$ | 21.2 | 1.5 |
| Nov． 13 | $9 \cdot 5$ | $9 \cdot 1$ | $10 \cdot 3$ | $9 \cdot 7$ | 8.9 | $9 \cdot 2$ | 6.7 | 6.2 | $5 \cdot 6$ | $5 \cdot 4$ | 7.6 | 11.0 | 131 | 11.1 | 15.5 | 22.0 | 1.6 |
| Dec． 11 | $9 \cdot 1$ | 9.0 | $9 \cdot 5$ | $9 \cdot 1$ | 9.0 | 8.9 | $6 \cdot 1$ | $6 \cdot 2$ | $5 \cdot 3$ | $5 \cdot 5$ | $7 \cdot 4$ | $10 \cdot 3$ | 13.4 | 10.6 | 15.8 | 22.4 | 1.5 |
| 1940 Jan． 15 | 102 | $10 \cdot 1$ |  | $10 \cdot 0$ |  |  | $8 \cdot 9$ | $7 \cdot 3$ | 6.6 | $7 \cdot 3$ | $8 \cdot 9$ | $10 \cdot 9$ | $13 \cdot 8$ | 11.3 | 16.7 | $23 \cdot 8$ | 1.4 |
| Feb， 12 | 10.2 | 106 | $9 \cdot 3$ | $9 \cdot 3$ | $12 \cdot 3$ |  | $8 \cdot 7$ | $6 \cdot 3$ | $7 \cdot 2$ | 8.0 | $9 \cdot 2$ | 10.7 | 14.9 | $11 \cdot 3$ | 17.5 | 23.6 | 1.2 |
| Mar． 11 | $7 \cdot 8$ | 7.6 | 81 | $7 \cdot 9$ | $8 \cdot 3$ |  | $5 \cdot 9$ | 4.8 | $4 \cdot 2$ | $4 \cdot 6$ | $6 \cdot 1$ | 8.1 | 11.2 | 9.5 | 14.3 | 21.4 | 1.1 |
| Apr． 15 $M a y ~$ | 6.8 6.2 | 6.5 | 7.4 | 6.9 | $7 \cdot 1$ |  | $5 \cdot 0$ | $4 \cdot 2$ | $3 \cdot 3$ | 3.8 | $5 \cdot 2$ | 6.8 | 9.9 | 8.5 | 13.4 | $20 \cdot 3$ | 1.0 |
| May 20 | 6.2 5.3 | 5.9 4.7 | $7 \cdot 1$ | 6.5 | 6.0 |  | 4.5 | 37 | 2.7 | 3.4 | $5 \cdot 0$ | 6.6 | 9•1 | 7.6 | 11.4 | $20 \cdot 4$ | 0.8 |
| June 17 | $5 \cdot 3$ | $4 \cdot 7$ | 6.8 | $5 \cdot 9$ | $5 \cdot 2$ |  | $3 \cdot 9$ | 2.9 | $2 \cdot 1$ | $2 \cdot 8$ | 42 | $5 \cdot 1$ | 7.7 | 6.8 | $9 \cdot 3$ | $20 \cdot 7$ | 0.7 |
| July 15 | $5 \cdot 7$ | 4.7 | $8 \cdot 2$ | 6.6 | $5 \cdot 0$ |  | $4 \cdot 1$ | $2 \cdot 8$ | $2 \cdot 3$ | $3 \cdot 3$ | 4.2 | $5 \cdot 1$ | $8 \cdot 8$ | 6.8 | 11.3 | $22 \cdot 2$ | 0.5 |
| Aug． 12 | $5 \cdot 5$ | 4.4 | 8.4 | 6.1 | 4.8 |  | $3 \cdot 2$ | 2.7 | 2.6 | $3 \cdot 6$ | $4 \cdot 3$ | $4 \cdot 9$ | 8.6 | 6.3 | 10.5 | 21.6 | 0.5 |
| ＊Sept．16 | 6.9 |  |  | 6.8 | 5.8 |  | $4 \cdot 0$ | 3.4 | 2.8 | 4.2 | 4.4 | 5.8 | $10 \cdot 8$ | 6.4 | 10.6 | 21．6 | 0.6 0.5 |

Regioual Percentages prior to November，1939，based upon numbers insured in July， 1938 ；subsequently upon numbers insured in July， 1939. See Ministry of Labour Gazette，September，1939，p． 335 and February，1940，p．47，for details of changes in areas after August， 1939.
＊Approximate only

We have little knowledge now of the number of persons at work either as a whole or in separate industries. Even if we could compute the numbers who have joined the forces, we do not know the number of newcomers into the insurance scheme since July, 1939. The percentages have still been calculated for each industry on the basis of the number attached to the industry in July, I939, while presumably the unemployed are also classified on their industry at that date. It is stated that the results of the exchange of books in July, 1940, will not be made public.
LABOUR EXCHANGE REGISTER, INCLUDING AGRICULTURE.
All persons (000's). Great Britain.

| Males. |  |  |
| :---: | :---: | :---: |
| Wholly | Females. |  |
| Unemployed | Stopped. |  | 1939 Unemployed stopped. Unemployed stopped. June 12

July 10
Aug. 14
921
859
815
753
432
390
362
373

| 130 | 233 |
| ---: | ---: |
| 123 | 208 |
| 132 | 205 |
| 119 | 351 |
| 40 | 254 |
| 80 | 284 |
| 78 | 284 |
| 101 | 272 |



## SOURCES OF BRITISH TREASURY BORROWING.

By F. W. Paish.

WITH the elapse of the fourth complete quarter of the war it is possible to obtain a clearer view of the sources from which the war has hitherto been financed. During the twelve months ended September 30th, 1940, government expenditure totalled $£ 2,778 \mathrm{Mn}$. Of this $£ \mathrm{I}, 163 \mathrm{Mn}$. was met from taxation, leaving a deficit of $£_{1,615} \mathrm{Mn}$. The usual small sums required on capital account brought the total to be financed by borrowing up to $£ \mathrm{I}, 63 \mathrm{I} \mathrm{Mn}$.

| BRITISH <br> October | GOVERNMENT 1939-September, 1939 |  | VING. <br> Mn.) |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Oct.-Dec, Jan.-Mar. | Apl.-June | July-Sept | Total |
| Total Expenditure | 543625 | 695 | 915 | 2778 |
| Ordinary Revenue | 206505 | 188 | 264 | 1163 |
| Deficit | 337120 | 507 | 651 | 1615 |

( I) Long and Medium Term Borrowing.
(a) Large Lenders.

| $3 \%$ War Loan <br> $2 \%$ Conv. Loan <br> $2 \frac{1}{3} \%$ War Bonds <br> Other | - - | $\begin{array}{r}99 \\ - \\ \hline 2\end{array}$ | 201 <br> 43 <br> 5 | 248 184 15 | 300 248 227 22 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | - | 101 | 249 | 447 | 797 |
| Less Loans Repaid | - |  | 2 | 353 | 355 |
| (b) Small Lundris. - 101 |  |  |  |  |  |
|  |  |  |  |  |  |
| N.S. Certificates | 19 | 34 | 44 | 37 | 134 |
| 3\% Def'nce B'nds | 22 | 38 | 44 | 50 | 154 |
| Total, Long \& MediumTerm Borrowing ... 41 |  |  |  |  |  |
|  |  |  |  |  |  |
| (2) Short Term Borrowing. Treasury Bills |  |  |  |  |  |
|  |  |  |  |  |  |
| 'Tap' ... | 33 | -13 | 159 | 229 | 408 |
| Do., 'Tender' | 250 | -29 | 39 | 66 | 326 |
| Treas'y Dep'sits |  |  |  | 124 | 124 |
| Temp. Adv'nces | 16 | -4 | -24 | 55 | + 43 |
| Total Short Term |  |  |  |  |  |
| Borrowing | 299 | -46 | 174 | 474 | 901 |
| Total Borrowing ... | 340 | 127 | 509 | 655 | 1631 |

The foregoing table shows that long- and medium-termed borrowing during the year totalled $£ \mathrm{I}, 085 \mathrm{Mn}$., of which $£ 355 \mathrm{Mn}$. was
required for paying off maturing long-term loans, so that the net amount raised on longand medium-term was only $£ 730 \mathrm{Mn}$. Of this, $£ 288 \mathrm{Mn}$. was raised by National Savings Certificates and 3\% Defence Bonds, presumably mainly from small investors, leaving only $£ 442 \mathrm{Mn}$. as the amount borrowed on long- and medium-term from large investors.

The remainder of the year's borrowings, amounting to $£ 901 \mathrm{Mn}$., were raised on shortterm, thus increasing the Floating Debt from $£_{\mathrm{I}, 236 \mathrm{Mn} \text {. on September 30th, 1939, to }}$ $£_{2}, 137 \mathrm{Mn}$. on September 30th, 1940. The increase may be divided into two main partsthe loans raised "inside," from government departments and other official lenders, and those raised " outside," from the public, including the money market and the clearing banks. No exact information exists as to how the amount borrowed on short-term is divided between these two classes of lenders, but it seems likely that at present bills issued by tender are held mainly by non-official, and bills issued through the " tap " mainly by official, lenders. If this is so, the $£ 90$ I Mn . borrowed on short-term has been borrowed from official and unofficial sources in almost equal amounts, $£ 45 \mathrm{I} \mathrm{Mn}$. ( $£ 408 \mathrm{Mn}$. tap bills plus $£ 43 \mathrm{Mn}$. Ways and Means Advances) from the former, and $£ 450 \mathrm{Mn}$. ( $£ 326 \mathrm{Mn}$. tender bills plus $£ 124 \mathrm{Mn}$. Treasury Deposits) from the latter.

Unfortunately, the above information as to the methods of Treasury borrowing does not throw a great deal of light on the ultimate sources of the funds borrowed. It is true, of course, that there is some kind of rough correspondence between the three methods outlined and the three principal sources of finance(I) new savings (including the non-replacement of durable goods), (2) the sale of assets to and
borrowing from abroad and (3) credit expansion. It is probable that the bulk of genuine savings are invested on long- or medium-term ; that a large proportion of the official funds invested on short-term are derived from the sale of assets abroad and the accumulated sterling assets of overseas banks and governments; and that short-term borrowing from non-official sources is the type of borrowing most likely to give rise to credit expansion. But the exceptions to these rules are probably of little less importance than the rules themselves, and in most cases are not capable of quantitative measurement.
(i) New Savings.-To begin with, not all investments on long-term represent new savings. Some part of them are made with the proceeds of sales or repayment of overseas securities, and thus represent a shrinkage of our foreign assets. Again, some of the funds come directly or indirectly from the banks. The nine London clearing banks alone added nearly $£ 100 \mathrm{Mn}$. to their investments between August 1939 and September 1940, and some small fraction of the money invested by the public may have been borrowed from the banks. Perhaps even more important, it is probable that much investment has been made out of existing idle balances, and has therefore constituted a release and not a transfer of purchasing power. Long-term borrowing financed in either of these ways inevitably has an inflationary effect. On the other hand, there has certainly been a great deal of saving which has not been invested. In existing conditions both private individuals and institutions feel the need for increased supplies of ready money, whether in the form of cash, credit balances, or unused margins on sanctioned overdrafts. By this means it is probable that the effects of the release of idle funds through subscriptions to government loans and of the expansion in bank deposits have to a very considerable extent been prevented from showing themselves in increased demand and rising prices.
(2) Finance from Overseas.-Between 1932 and 1939 the chief factors influencing the movements in the total of Treasury bills issued through the "tap " were the requirements and operations of the Exchange Equalisation Account, though even in those years their effects were at times temporarily overshadowed by those of other factors. Since the war, though it is probable that the operations of the Exchange Account have remained the most important factor, the influence of others has probably increased. The arrangements with countries of the sterling block, and more recently with other countries, not to withdraw surplus funds from

London, together with this country's increased excess of imports from many parts of the world, has led to a very heavy accumulation of funds in London by overseas central banks and governments. These funds, which since the war have almost certainly increased by over $£ 100 \mathrm{Mn}$., have probably been invested largely on short term. An increase in the amount of sterling bills held either by the Exchange Account or by overseas central banks represents a corresponding amount of finance from overseas.

On the other hand, other official investors, including the Bank of England (which since the outbreak of war has increased its holdings of government securities by over $£ \mathrm{I} 00 \mathrm{Mn}$.), the Savings Banks, and the state insurance funds, may at times hold substantial amounts of treasury bills. In recent pre-war years it became the regular practice of these various " Departments" to increase their holdings of bills in preparation for the issue of a new government loan, subsequently exchanging them for as much of the loan as the market failed to absorb, and later gradually selling out their holdings of the new loan and again replenishing their bill portfolios. It is possible that the very sharp rise in "tap " bills during August may have been caused in part by the Departments' reinvestment of the proceeds of sales of longer-dated securities. If so, then the public's net purchase of government securities during the quarter was larger than appears from the table on page 100. Though over a longer period such movements tend to cancel out, it is highly probable that the holdings of bills by the " Departments," other than the Exchange Account, have been substantially increased since the outbreak of war. The increase in these holdings must be deducted from the increase in 'tap' bills plus Ways and Means Advances if we are to arrive at the amount of short-term debt which represents finance from overseas; for in so far as they are held by the Bank of England they come under the head of credit expansion, while any increase in the holdings of the Savings Banks, the state insurance funds, and possibly certain other departments represents in the main genuine savings.

To the total so reduced must however be added certain other items. Where the assets sold abroad are not gold but British-owned foreign securities, the sterling proceeds are paid over to their owners and are probably reinvested mainly in long-dated securities; while certain overseas countries have used part of their increase of sterling funds in London to pay off part of their long-term sterling debt, the former owners of which have presumably reinvested the pro-
ceeds on long-term. A substantial part, probably well over $£ 100 \mathrm{Mn}$., of the money received from overseas has therefore been invested on long term. Whether this is greater or less than the amount of officially held short-term debt which has not been paid for out of money from overseas it is impossible to say. The most that can be done is to hazard a guess that the two items may more or less offset one another. In that case the amount of finance received in one way or another from overseas would lie somewhere between $£ 400 \mathrm{Mn}$. and $£ 500 \mathrm{Mn}$.

This figure is not inconsistent with such estimates as can be made from another angle. For the year ending September, 1940, the British excess of total imports over total exports was about $£ 240 \mathrm{Mn}$. greater than in the year 1938, when the balance of payments on income account was believed to be slightly adverse. To this figure must be added the heavy invisible imports due to the expenditure abroad on and by our overseas forces, and probably some falling off in certain items of our invisible exports. There must also be added those withdrawals of foreign capital which necessitated, directly or indirectly, the sale by the Exchange account of foreign assets or gold in exchange for sterling; for these transactions, while not altering the net capital position of the country as a whole, have helped to deplete the available reserves of assets disposable abroad. On the other hand, some part of the high import totals are due to the great rise in transport costs, most of which are payable in this country. In so far, however, as this increase is due to the increased cost of insuring cargoes, it merely represents the value of cargoes which are lost in transit, and are therefore not recorded as imports, but which must nevertheless be paid for to the overseas exporter. In so far as it is due to the increased cost of using and insuring British ships, it involves little or no payment overseas, and is therefore balanced by a corresponding rise in our invisible exports. On balance, a figure of $£ 400 \mathrm{Mn}$. or more for the net adverse balance of payments plus such withdrawals of foreign capital as necessitate the realisation of assets abroad does not seem unreasonable.
(3) Credit Expansion.-The amount of the Treasury's deficit which has been covered by an increase in the loans and investments of the banking system, leading to corresponding increases in the note circulation and the volume of bank deposits, is capable of more exact measurement. Since the beginning of the war, the Bank of England's holding of government securities, in both departments, has risen by over $£ 100 \mathrm{Mn}$. The Investments of the eleven
clearing banks have risen by $£ 98 \mathrm{Mn}$., Discounts plus Call Money by $£ 124 \mathrm{Mn}$., and Deposits with the Treasury by $£ 91$ Mn., making a total of $£ 3 \mathrm{I} 3 \mathrm{Mn}$. From this must be deducted a fall of $£ 48 \mathrm{Mn}$. in Advances, leaving a net credit expansion for the Clearing Banks of $£ 265 \mathrm{Mn}$. In addition, there is no doubt that a substantial amount of finance has been obtained from the non-clearing banks, including the Scottish banks and the British branches of overseas banks. Since total deposits by the banks with the Treasury amounted to $£ 124 \mathrm{Mn}$. at the end of September, of which only $£ 91 \mathrm{Mn}$. came from the clearing banks, it is clear that over one quarter of the total amount deposited came from the non-clearing banks. If we assume a corresponding increase in their other assets, this would give a net expansion in the sterling assets of the non-clearing banks of something like $£$ roo Mn. Not all of this, however, constitutes a credit expansion in this country, for a part of the corresponding rise in their liabilities may have occurred abroad and thus come under the heading of finance from overseas. All that can be said is that some addition must be made to the amounts provided through expansion of credit by the Bank of England and the Clearing Banks, bringing the total perhaps above $£ 400 \mathrm{Mn}$.

To sum up, it is probably not far from the truth to say that credit expansion has provided something like a quarter and finance from overseas probably something over a quarter of the Treasury's deficit for the past year, leaving perhaps rather less than a half as the proportion subscribed out of British-owned balances. How far this is the same thing as saying that it has been provided out of current savings is doubtful. There is no doubt that there have been both large releases of idle funds from some hands and large accumulations in others. It is possible that the accumulations have exceeded the releases, so that part of the expansion of credit has been offset. In this case, the Treasury could claim that the banking system has merely provided the larger quantities of money that people now wish to hold. But even if this were true, the position would be one of some delicacy. The Treasury would have spent the savings of the people, even though they had not been invested. If they are now invested, they cannot be spent again without making effective their inflationary potentialities. In other words, if the great increase in the quantity of money is justified by the claim that it has merely offset a reduction in velocity of circulation, any future increase in velocity must at once be offset by a decrease in the quantity of money.

## WHOLESALE PRICES.

## COMPARATIVE INDEX NUMBERS FOR 11 COUNTRIES.

See Supplements for March, fune, September and December in 1938-39; before 1938 see Bulletins for these months.
The table below gives comparable index-numbers of wholesale prices, based upon a list of commodities as nearly identical as possible for all the countries, and the same method of calculation and weighting is applied in each case. The index-numbers were described in detail in Special Memorandum No. 24.

Provisional figures have been calculated for recent months based upon such data as could be obtained from reliable sources. Besides the exclusions indicated in the footnotes interpolation has occasionally been necessary for certain items.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { Base } \\ & 1913 \\ & =100 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1939 |  |  |  | 1940 |  |  |  |  |  |  |  |  |  |
|  | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | $\begin{aligned} & \text { Year } \\ & 1925 \end{aligned}$ |
| FOOD- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United K'gdont | 58 | 62 | 67 | 73 70 | 78 | 77 69 | 75 71 | 74 73 | 72 70 | 71 65 | 72 65 | 77 | 81 | 159 |
| Sweden . ......... | 68 | 65 85 | 66 86 | 88 | 88 | 69 |  |  |  |  |  |  |  | 151 |
| Holland* ...... | 63 | 64 | 65 | 67 | 69 | 70 | 71 |  |  |  |  |  |  | 147 |
| Germany ...... |  |  |  |  |  |  |  |  |  |  |  |  |  | 128 |
| Belgium........ | 121 | 122 | 121 | 128 | 134 | 136 | 143 |  |  |  |  |  |  | 649 |
| France ......... Italy | 118 | 119 | 139 | 155 | 168 | 166 |  |  |  |  |  |  |  | 504 |
| Canada .......... | 71 | 70 | 68 | 75 | 76 | 75 | 74 | 75 | 72 | 70 | 70 | 70 |  | 663 158 |
| New Zealand.. | 89 | 90 | 91 | 95 | 99 | 101 | 101 | 103 | 102 | 103 | 102 |  |  | 158 |
| S. Africa ...... |  | 92 | 91 | 91 | 91 | 90 | 90 | 90 | 90 | 90 | 90 | 90 |  | 122 |
| MATERIALS - |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| UnitedK'gdom** | 84 | 86 | 88 | 98 | 99 | 99 | 99 | 100 | 101 | 100 | 102 | 102 | 100 | 157 |
| U.S.A. ........ | 69 | 74 | 73 | 74 | 75 | 73 | 73 | 72 | 71 | 71 | 70 | 69 |  | 175 |
| Sweden ......... | 100 | 118 | 126 | 127 | 129 |  |  |  |  |  |  |  |  | 141 |
| Holland........ | 63 | 67 | 71 | 74 | 76 | 77 | 78 |  |  |  |  |  |  | 148 |
| Belgium......... | 125 | 131 | 137 | 144 | 151 | 157 | 160 |  |  |  |  |  |  | 151 584 |
| Prance §........ | 148 | 153 | 168 | 183 | 184 | 185 | 160 |  |  |  |  |  |  | 542 |
| Italy ........... |  |  |  |  |  |  |  |  |  |  |  |  |  | 713 |
| Canada ........ | 72 | 74 | 75 | 77 | 77 | 77 | 77 | 76 | 75 | 75 | 74 | 74 |  | 170 |
| New Zealand.. | 91 | 92 | 94 | 94 | 97 | 99 | 100 | 101 | 102 | 101 | 103 |  |  | 165 |
| S. Africa ...... |  | 80 | 84 | 90 | 93 | 95 | 96 | 98 | 99 | 99 | 99 | 98 |  | 161 |
| 'OOTAL- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United Kingdom | 74 | 76 | 78 | 88 | 91 | 90 | 89 | 90 | 89 | 88 |  | 92 | 92 | 158 |
| U.S.A. Sweden .......... | 69 | 70 105 | 70 110 | 72 111 | 73 113 | 71 | 72 | 72 | 71 | 69 | 68 | 67 |  | 165 |
| Holland......... | 63 | 66 | 69 | 171 | 173 | 74 |  |  |  |  |  |  |  | 149 |
| Germany ...... |  |  |  |  | 13 | 74 | 75 |  |  |  |  |  |  | 148 |
| Belgium......... $\{$ | 123 | 128 | 131 | 138 | 144 |  |  |  |  |  |  |  |  | 142 |
| Bebium......... | 53 136 | 54 | 55 | 58 | 61 | 63 | 66 |  |  |  |  |  |  | 610 |
| France ......... $\{$ | 136 39 | 139 | 156 | 172 | 179 | 177 |  |  |  |  |  |  |  | 527 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Canada |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| New Zealand.. | 90 | 91 | 93 | 76 94 | 98 | 76 100 | 76 100 | 76 102 | 74 102 | 73 102 | 72 103 | 72 |  | 164 |
| S. Africa ..... |  | 85 |  | 90 | 92 | 93 | 109 | 102 | 102 | 102 95 | 103 | 95 |  | 162 |

[^21]FINANCE.


STOCKS \& SHARES-
NEW CAPITAL ISSUESBANK CLEARINGS-

BANK OF ENGLAND-
PRINCIPAL BANKS-
Index Nos. of Prices and Yield as percentage of 1924 level; on 15th of month. For end of month figures see Supplements,
Sensitive Index.-Geometric Mean of monthly percentage changes.
Issues during month in Gt. Britain (a), for U.K. (b), for Abroad, excluding Government loans, etc.-As published by THE MMDLAND BANK, LTD (a), for U.K. (b), for Abroa
Total of Town Clearings (i.e., excluding Metropolitan) of London Bankers' Clearing House for 3 weeks covering 2 Stock Exchange settlement days, Consols settlement day, and 4th of following month. Country Clearings Deposits, 11th-17th of month. Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amsigamated, Norember $22 n \mathrm{ng}$, 1938.
Current Deposit and other accounts, etc. Before September, 1939, averages for the month of 9 clearing banks (1.e.-excluding the National Bank, Ltd., and the District Bank), afterwards, data for last making up day of the month.-As published by THE MIDLAND BANK, LTD. up to Jume, 1940 11th-17th of month, thereafter end
Issued by tender. Total of Bills issued by tender during 13 weeks preceding dato of Frchequer Return. Otherwlse issued. Total of Treasury Bills in existence less those issued by tender
TREASURY BILLS-
MONEY-

PRICES AND WAGES.


PRICE OF GOLD- Average (London) Drice pe: fine oz. for week ending 15th of month.-ECONOMIST,
PRICE OF SILVER- Arerage (cash) price of bar silver for week ending 15 th of month.-ECONOMIST.
BOARD OF TRADE INDEX—Geometric Mean of Wholesale Prices (averages for month) of 200 commodities as percentage of 1924 average. Based on new indez first published in Januars, 1935.-BOARD OF TRADE JOURNAL

STATIST (SAUERBECK) Average wholesale prices of 18 foodstuffs and 26 raw materials on last day of month, as percentage of average INDICES-ior 1924.-STATIST.
COST OF LIVING INDEX—Ministry of Labour's index showing movement since 1924 in cost of maintaining unchanged the standard of living prevalent in working-class households before Aug. 1914. For 1st of month, but placed against previous month-e.g., reading for March lst is shown against February-to faclitsto comparison with "Statist" inder

## OUTPUT AND INTERNAL ACTIVITY.




Total for 4 weeks ending approrimately at end of month-BOARD OF TRADE JOTRNAL Output for standard four-week month, based upon monthly figures issued by the BRITISH IRON AND STEEL FEDERATION.
Output of authorised undertakings, - ELECTRICITY COMPMSSIO
Revised yarn and waste, derived from Excise Statistics.-BOARD OF TRADE JOURNAL.
Revised index of value of sales in Departmental Stores, Co-operatives, multiple and independent shops. Daily averages, ex telegraph, telephone, savings bank and postal orders.-BOARD OF TRADE JOURNAI Imports entered for home consumption.-BOARD OF TRADE JOURNAI Cars taxed on H.P. in Great Britain. Ministry of Transport Returns.

Tonnage of goods carried on the Railways of Great Britain during the month, excluding free-hauled. Tonnage of goods carried on the Rallways of Great Britain during the month, excluding free-hauled. recelpts for collection and delivery.-MINISTR $\bar{Y}$ OF TRANSPORT.

## EXTERNAL TRADE.

|  | TOTAL IMPORTS (Values). |  |  |  |  |  |  |  |  | NET IMPORTS Total. $£ \mathrm{Mn}$. |  | EXPORTS OF U.K. GOODS (Values). |  |  |  |  |  |  |  | GOLD. |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Food, Drink and Tobacco. £Mn. |  | Raw Materials. $£ \mathrm{Mn}$. |  | Manufactures. £Mn. |  | Total including Miscellaneous) £ Mn. |  |  |  |  |  | $\text { od, } \mathrm{k} \text { and }$ acco. |  |  |  |  |  | ing <br> neous | £Mn. | xports sMn. |
| 1924 | 47.6 | * | $33 \cdot 3$ | * | 25.0 | * | $106 \cdot 4$ | * $\dagger$ | 11.7 | 94.8 | * $\dagger$ | $4 \cdot 7$ | $\star$ | 8.9 | $\star$ | 51.6 | $\star$ | 66.8 | $\star$ | 30 | 4.1 |
| 1929 | 44.8 | - | $28 \cdot 3$ |  | $27 \cdot 9$ |  | 101 |  | $9 \cdot 1$ | 92.8 | - | $4 \cdot 6$ | - | 6.6 | - | 47 | - | $60 \cdot 8$ | - | 5.2 | 6.5 |
| 1938 | 28.5 |  | $15 \%$ |  | 12.6 |  | 56 |  | $4 \cdot 1$ | 5 |  | $2 \cdot 3$ | - | 3. | - | 23 | - | 30 | - | 21.0 | 0 |
| 1934 | $29 \cdot 1$ |  | 17.5 |  | 14.3 |  | $61 \cdot 3$ |  | $4 \cdot 3$ | 571 |  | 2.5 | - | 4.0 |  | $25 \cdot 4$ |  | 33.0 35.5 |  | 203 | 107 14.5 |
| 1935 A | 29.9 |  | 17.8 |  | 15.4 |  | 63.5 |  | 4.6 | 58.9 66.0 |  | 2.5 |  | 4.4 4.3 | - | 27.4 28.4 | - | 36.8 |  | 26.2 | 7.2 |
| 1936 Av.. | 32.2 35.9 |  | 20.8 26.3 |  | 17.8 22.9 | - | 85.7 | - | 6.3 | 79-4 | - | $3 \cdot 2$ | - | $5 \cdot 4$ | - | 33.7 |  | $43 \cdot 4$ |  | 24.6 | 18.0 |
| 1937 Av ... | 35.9 36.2 | - | $20 \cdot 7$ |  | 12.9 19.5 | - | ${ }^{87} \cdot 1$ | - | 5.2 |  | - | 30 | _ | $4 \cdot 7$ | - | 30.5 | - | 39.3 |  | 20.0 | $25 \cdot 3$ |
| ${ }_{1938} 1987$ |  |  |  |  |  |  |  |  |  | $70 \cdot 6$ | $67 \cdot 7$ | 3.0 | $2 \cdot 9$ | $5 \cdot 1$ | 5.2 | $29 \cdot 9$ | 29.9 | 39.1 | 1 | 11.8 | 17.0 |
| JAN. | 32.0 |  | 22.1 | 22.9 | ${ }_{1} 176$ | 18.6 | 75.7 | 78.1 | $6 \cdot 9$ | 64.8 | $70 \cdot 2$ | $3 \cdot 1$ | 3.4 | 4.9 | 5.2 | 29.7 | 31.6 | 38.6 | 41.2 | 41.7 | 17.3 |
| FEB. | $35 \cdot 3$ | $35^{3.4}$ | 250 | 24.2 | $22 \cdot 1$ | $21 \cdot 1$ | $82 \cdot 9$ | $81 \cdot 6$ | 6.7 | 76.2 | 78.0 | $2 \cdot 9$ | 3.0 | $5 \cdot 3$ | $5 \cdot 3$ | 34.2 | 32.9 | 43.5 | 42.3 | 37.6 | 21.9 |
| MAR | $32 \cdot 9$ | 36.1 | $26^{\circ}$ | 26.4 | 23.6 | 24.0 | 83.0 | $87 \cdot 1$ | 7.3 | 75.7 | 85.0 | $3 \cdot 1$ | $3 \cdot 5$ | $5 \cdot 6$ | 5.9 | $33 \cdot 4$ 33 | 34.5 99.8 | 43.0 | 44.8 | 33.1 11.7 | 31.0 21.7 |
| MAY | 34.2 | 34.4 | $25 \cdot 6$ | $25^{6.6}$ | $22 \cdot 9$ | $22 \cdot 7$ | $83 \cdot 2$ | 88.8 | 7.4 | 75.8 | 77.0 85.4 | 3.1 | 3.3 3.4 | 5.5 5 | 5.2 5.9 | $33 \cdot 3$ 34 | 38.0 | 42.4 | 42. | 320 | 27.7 |
| JUNE | 35.8 | 36.9 | $27 \cdot 4$ | 28.7 | 24.4 | $25 \cdot 3$ | 88.2 | $1 \cdot 5$ | $7 \cdot 1$ | 81.1 | 80.4 | 3.0 | 3.4 |  | 59 | 34 |  | 44 |  |  |  |
| JULY | 34.0 | 35.4 | $26 \cdot 3$ | $8 \cdot 1$ | $24 \cdot 6$ | $25 \cdot 1$ | $85 \cdot 5$ |  | $6 \cdot 8$ | 78.7 | $82 \cdot 7$ | $3 \cdot 3$ | 3.5 | 6 | 5.5 | 37.4 | 36.0 | 476 | $46 \cdot 3$ | 44.1 | 9 |
| AUG | 34.8 | 36.6 | 26.7 | 28.6 | 24.7 | 24.1 | 86.6 | $89 \cdot 8$ | 6.9 | 80.0 | - | 30 | $3 \cdot 2$ | $5 \cdot 3$ |  |  |  | 42.5 |  |  |  |
| SEPT | 36.2 | 36.4 | 26.5 | 30.8 | 24.6 | 24.9 | 87.8 | 98.7 89.9 | $5 \cdot 2$ | 82.6 | 83.9 | 3.4 | 3.4 2.9 | 5.4 5.8 | 5.7 5.3 | $34 \cdot 5$ 36.7 | 3,5 34.4 | 44.3 | 45.8 | 15.4 12 | 14.6 |
| OCT | 434 | $37 \cdot 1$ | 27.9 | 29.9 | $24^{4} 4$ | 22.4 | 96.2 | $89 \cdot 9$ | 5.7 5.3 | 90.5 91.9 | 88.0 | 4.0 | 2.9 3.2 | $5 \cdot 8$ 5 | 5.0 | 34.7 | 34.9 | 45.2 | $43 \cdot 4$ | 129 | 90 |
| NOV | $43 \cdot 1$ | 38.4 | 28.3 27.3 | 27.4 | $25 \cdot 3$ 23 | $24 \cdot 3$ $23 \cdot 6$ | $97 \cdot 3$ $94 \cdot 3$ | $86 \cdot 3$ | 5.3 50 | 89.3 | $80 \cdot 6$ | 3.5 | $3 \cdot 3$ | 4.9 | $4 \cdot 9$ | 33:3 | 34.0 | 43.9 | 44.4 | $11 \cdot 3$ | 3 |
| DEC. | $42 \cdot 8$ | 38.7 |  |  |  | 286 | 94 | ¢03 | 50 |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN.. | 36.1 | 36.8 | 25.7 | :0 | 22.5 | 23.8 | $84 \cdot 9$ |  | $4 \cdot 8$ | $80 \cdot 1$ |  | 3.0 | 3.0 | 4.7 | 4.7 | $\begin{aligned} & 32 \cdot 6 \\ & 29 \cdot 7 \end{aligned}$ | $\begin{aligned} & 32 \cdot 6 \\ & 31 \cdot 5 \end{aligned}$ | $\begin{aligned} & 41 \cdot 2 \\ & 37 \cdot 5 \end{aligned}$ | $3{ }^{4} 1^{\circ} \cdot 8$ | 12.7 | 7.3 4.6 |
| FEB | 33.2 | 37.2 | $22 \cdot 5$ | 23.3 | 19.5 | 21.6 | $75 \cdot 7$ | 88.6 | 5.5 5.5 | $70 \cdot 2$ 79.4 | 86.1 | 288 | 3.0 2.9 |  | 4.9 |  | $32 \cdot 3$ | $42 \cdot 2$ | $41 \cdot 1$ | 28.8 | 13.0 |
| ${ }_{\text {MAR }}$ | 37.1 | 38.0 35.2 | $22^{2} \cdot 5$ | 23.3 | 23.2 | 22.1 20.0 | 84.9 73.7 | 87 | 5. 50 | 68.7 | ${ }_{75 \cdot 3}$ | 2.4 | $2 \cdot 7$ | 4.5 | 4.7 | 29.3 | $30 \cdot 4$ | 37.3 | 38.9 | 20.6 | 9.9 |
| ${ }_{\text {APR }}$ MAY |  | ${ }_{35}{ }^{3} \cdot 2$ | 21.5 20.4 | ${ }_{2}^{10.3}$ | 19.7 19.4 | 19.3 | 75.4 | 75.5 | 7.2 | 68.2 | 69.3 | $2 \cdot 8$ | 3.0 | $4 \cdot 9$ | 4.7 | 29.5 | 29.2 | 38.2 | 97.9 | 27.4 | 7.8 |
| MAY | 35.2 38.4 | $35^{\circ}$ 39 | 20.4 19.4 | 20.3 | 18.1 | 19.7 | $75 \cdot 4$ 76.5 | 79.4 | $5 \cdot 0$ | 71.5 | 75.7 | $2 \cdot 7$ | 3.0 | 4.5 | 4.7 | 28.8 | 30.7 | 36.9 | 39.3 | 29.6 | 11.5 |
| ULY | $36 \cdot 3$ | 37.8 | 19.2 | 20.5 | 17.7 | 18.0 | $73 \cdot 9$ | \% | 4.6 | $69 \cdot 3$ | 22.9 | $2 \cdot 9$ | 3.0 | 4.7 | 4.7 | 29 |  | 37 |  | 16.0 | $11 \cdot 1$ |
| AUG. | $35 \cdot 1$ | 37.0 | $20 \cdot 3$ | 21.8 | 18.0 | $17 \cdot 6$ | $74 \cdot 1$ | $\underset{\sim 8}{ } 1$ | $5 \cdot 0$ | 69.1 | 22.5 | 30 | $3 \cdot 1$ | 4.5 | $4 \cdot 9$ | 28.0 | 28.9 | $36 \cdot 3$ | 37.7 | $12 \cdot 9$ | 27 |
| SEPT | 37.7 | 88.0 | 18.0 | $20 \cdot 9$ | 18.7 | 18.9 | 75.0 | 78.4 | 4.0 | 71.0 | 22.1 | $3 \cdot 1$ | $3 \cdot 0$ | 4.8 | 4.9 | $31 \cdot 1$ | 38.0 | 39.8 | $40 \cdot 9$ | 36.4 | $90 \cdot 3$ |
| OCT. | 39-3 | S3 6 | 19.0 | 20.3 | 20.2 | $18 \cdot 6$ | 790 | 73.0 | $5 \cdot 4$ | 736 | 65.9 | 3.7 | 3.2 | 5:3 | 49 | $32 \cdot 3$ | 30.3 | 426 | $39 \cdot 7$ | 29.4 3 | 73.5 |
| NOV. | 39.1 | 34.8 | 18.7 | ${ }_{16.1} 18$ | 19.7 | 18.9 | 78.0 74.1 | 72.8 68.1 | $5 \cdot 1$ 4.8 | $72 \cdot 9$ 69.3 | 66.1 62.6 | 3.8 3.0 | 3.0 2.9 |  | 4.0 |  |  | $42 \cdot 9$ 39.1 | 410 396 | 3.9 7.5 | 24.4 21.7 |
| DEC. | 35.4 | $32 \cdot 1$ | 19.8 |  | 17.8 | 18.1 | 74.1 | 68.1 | 4.8 | 69.3 | 62. 6 |  |  |  | 46 | 294 |  |  |  |  |  |
| JAN... | 35.0 | $35 \cdot 2$ | 21.5 | 18.4 | 18.4 | 19.4 | $75 \cdot 6$ | 73.7 | 4.6 | 71.0 | 68.1 | 3.1 | 3.0 | 4.7 | 4.7 | 30.4 |  | 39.5 | $39 \cdot 5$ | 7 | 12.5 |
| FEB. | 30.2 | 33.9 | 17.2 | 17.7 | 17.6 | $19 \cdot 5$ | 65.5 | 71.6 | $4 \cdot 8$ | 60.7 | 65.9 | 2.5 | $2 \cdot 7$ | $4 \cdot 3$ | 4.5 | 30.4 | $32 \cdot 3$ | 38.1 | 40.4 | 3.5 | 68 |
| MAR. | 35.7 | 36.5 | $19 \cdot 6$ | 19.0 | 21.9 | $20 \cdot 9$ | 78.0 | 71.2 | 4.9 | 75.1 | 74.9 | 3.1 | 3.2 | 4.8 | 48 | 32.7 | 31.4 | 41.6 | 40.4 | 12.8 | 68 |
| APR. | $30 \cdot 3$ |  | 19.5 |  | 19.7 | 20.0 21.3 | 78.5 |  | 4.6 $5 \cdot 0$ | 73.5 | 71.9 74.7 | 2.4 | 2.7 8.4 | 4.2 5 | 4.3 5.1 | 27.4 | 28.4 32.3 | $42 \cdot 3$ | 36.5 | 62.0 31.9 | 87.9 94.7 |
| MAY | 33.1 36 | ${ }_{37}{ }^{38} 2$ | $22 \cdot 1$ | 28.2 | $23 \cdot 3$ | 24.2 | 82.2 | 85.3 | $4 \cdot 3$ | 77.9 | 82.4 | $3 \cdot 4$ | $3 \cdot 8$ | $5 \cdot 2$ | 5.4 | $30 \cdot 5$ | $3 \% \cdot 5$ | $39 \cdot 9$ | 42.5 | 17.6 | 28.7 |
| JULY | 32.9 | 3.78 | 21.5 | $22 \cdot 7$ | 23.5 | 23.9 | $78 \cdot 3$ | 81.5 | 3. | 74.6 |  | $3 \cdot 0$ | 3. | $5 \cdot 3$ | 5.3 | 31.0 |  | 40.4 | 4 | 11.9 | $43 \cdot 4$ |
| AUG. | 346 | 36.4 | $22 \cdot 2$ | 23.9 | 23.6 | $23 \cdot 1$ | $81 \cdot 1$ | 84.1 | $4 \cdot 5$ | $76 \cdot 6$ |  | $3 \cdot 3$ | 3.4 | 4.4 | 48 | 28.5 |  | $37 \cdot 1$ | 38.5 |  |  |
| SEPT | 23.0 | 28.2 | 13.5 | ${ }^{15 \cdot \%}$ | 13.0 | 18.2 | 49.9 | 5 | $2 \cdot 4$ | 47.6 | 483 | 2.1 | 2.1 | $2 \cdot 9$ | 30 | 17.4 |  | 23.1 | 4 |  |  |
| OCT. | 29.8 38 | 25.5 | 15.9 23.7 | 17.0 | $15 \cdot 7$ | 14.4 | $61 \cdot 8$ | 57 | $2 \cdot$ | 59.8 | ${ }_{18}^{18.6}$ | 2.2 | 1.9 <br> 8.8 <br> 8 | 3.8 | 3.5 | 18.0 | 16.9 | 34.6 | . 9 |  |  |
| NEC. | 386 42 | ${ }^{348}$ | 23.2 | 22.9 | 21.2 20.0 | 20.4 20.3 | 84.0 86.6 | 78.2 79.2 | 2.7 2.5 | $81 \cdot 2$ $84 \cdot 1$ | 78.7 76.0 | 3.8 | 2.8 3.7 | 5.0 4.6 | 46 46 | 28.0 30.6 |  | 37.4 40.2 | $40 \cdot 8$ |  |  |
| 1940 |  | 46.3 |  |  |  |  | 105 |  |  | 1013 |  |  |  |  | \% |  |  |  |  |  |  |
| FEB, | 37.9 | 41.0 | 33.0 | 32:9 | $24 \cdot 2$ | $25 \cdot 9$ | ${ }^{95} 6$ | 100: 8 | $2 \cdot 4$ | 93.2 | 97.6 | $2 \cdot 9$ | $8 \cdot 1$ | $4 \cdot 3$ | 44 | 29 | 30 | 37.4 | 48\% |  |  |
| MAR. | 43.7 | 448 | 34.7 | 33.7 | 29.6 | 28.3 | 108.5 | $107 \cdot 3$ | 3.6 | 104.9 | 107.4 | 2.9 | 8.0 | $4 \cdot 1$ | 41 | 33.5 | 32:2 | $41 \cdot 9$ | $40 \cdot 4$ |  |  |
| APR. | 42.1 | 46.2 | 35.3 | :6.0 | 32.0 | 32.5 | 110.0 | 1153 | $4 \cdot 4$ | $105 \cdot 6$ | $115 \cdot 8$ | 3.8 | 4.3 | $4 \cdot 6$ | 4.8 | 39.0 | $40 \cdot 3$ | 48.3 | 10.3 |  |  |
| MAY | 398 | $40 \cdot 1$ | 359 | 35.8 | 29.4 | 29.2 | 1056 | 105.6 | 3.2 | $102 \cdot 3$ | 1040 | 35 | 37 | $4 \cdot 6$ | 44 | 36.7 | 36.2 | 455 | 450 |  |  |
| E | $35 \cdot 5$ | 7 | 29.1 | 0.5 | $25 \cdot 8$ | 26.7 | $90 \cdot 8$ | 94.3 | $2 \cdot 0$ | 88.8 | 93.7 | 2.8 | $3 \cdot 1$ | 3.8 | 40 | 29.0 | $30 \cdot 9$ | 36.2 | 6 |  |  |
| JULY | 302 | 31.4 | 28.0 |  | 28.4 |  | 87.0 | 98 | 1.8 | 85.2 |  | $2 \cdot 6$ |  | $2 \cdot 5$ |  |  |  |  |  |  |  |
| AUG. ... | \| ${ }^{39} 2$ | $37 \cdot 1$ $29 \cdot 5$ | 287 22.1 | $30 \cdot 8$ 25.6 | $30 \times 8$ 28.8 | $30 \cdot 1$ 29.2 | 95.0 80.6 | $9 \% \cdot 8$ 84.7 | 1.4 | 93.6 79.4 | 98.2 80.8 | 2.7 2.6 | 2.9 2.6 | 1.7 1.9 | 1.8 2.0 | $27 \cdot 6$ 26.3 | 28.5 $2 \% \cdot 0$ | 32.6 31.2 | 38.8 8.0 |  |  |

* NORMAL SEASONAL CHANGE REMOVED

Declared ralues of imports (c.i.f.) into C. K .. re-exports of imported goods (f.o.b.) and exports (f.o.b.) of U.K. produce and manufacture. Net imports =Total imports less exports of imported goods. Value of mports and exports of gold bullion and coin.-MONTHLY ACCOUNTS OF TRADE \& NAVIGATION,
The seasonally adjusted series for total imports is deduced from those for the 3 component groups. For of Imports the sesson has been calculated directly from the totals

\$16-65 years. Ex. Agriculture and any disqualified for benefit by trade dispute. N.B.-Changes in method of enumeration in Sept., 1997 and July, 1938.

SHIPPING-ENTERED
SHIPPING FREIGHTS.
UNEMPLOYMENT-
INSURED PERSONS-

Tonnage of British and Forelgn vessels entering and leaving British ports with cargoes during month.-BOARI
OF TRADE MONTHLY ACCOUNTS OF TRADE \& NAVIGATION . For description see Journal of nSS, Part I
Number of books lodged at Labour Exchange on or about 25 th of month to Sedtember, 1937, thereafter one
number of books lodged at Labour Exchange on

AVERAGE OF DAILY RATES．

| Paris <br> f．to £ | Brus－ sels b，to $£$ | Milan <br> 1．to $£$ | Amster <br> dam <br> fl．to $£$ | Zurich <br> f．to £ | Stock－ holm kr ．to $£$ | Copen－ <br> hagen <br> kr．to $£$ | NewYork \＄to £ | Mon－ treal \＄to $£$ | Buenos Aires§ <br> p．to $£$ | Rio de Janeiro <br> d．per mil． | Bombay <br> d．perrup． | Hong． kong <br> d．per $\&$ | Kobe <br> d．peryen |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

Ske Earligr Bulletins For 1919 to 1935 Rates，also for Berlin，Prague and Warsaw．

| 1986 |  |  |  |  |  |  |  | $\begin{aligned} & \text { London } \\ & 4.960 \end{aligned}$ | York |  |  |  | $18 \cdot 152$ | 15.66 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| JAN． | 74.86 | 29．29 | 61.71 62.15 | 7.28 7.28 | $15 \cdot 19$ $15 \cdot 14$ | 19.40 19.40 | 22.40 22.40 | $\begin{aligned} & 4.960 \\ & 4.996 \end{aligned}$ |  | 4.963 4.993 | 18.24 18.07 | 2.68 2.74 | 18．122 | 15.66 15.74 | 14.04 14.08 |
| FEB， | 74.84 74.92 | 29.37 29.28 | $62 \cdot 15$ $62 \cdot 35$ | 7.27 | $15 \cdot 14$ | 19.40 | 22.40 | 4.971 |  | 4.977 | 18.04 | $2 \cdot 73$ | $18 \cdot 125$ | 15.93 | 13.98 |
| APR． | 75.00 | 29．22 | $62 \cdot 66$ | $7 \cdot 28$ | $15 \cdot 17$ | 19.40 | 22.40 | 4.944 |  | $4 \cdot 967$ | $17 \cdot 98$ | $2 \cdot 71$ | $18 \cdot 125$ | 15.80 | 14.03 |
| MAY | $75 \cdot 47$ | 29．35 | 63.03 | $7 \cdot 35$ | $15 \cdot 36$ | 19.40 | 22.40 | 4.971 |  | 4.979 | $18 \cdot 00$ | $2 \cdot 71$ | $18 \cdot 125$ | $15 \cdot 71$ | 14.06 |
| JUNE | 76.14 | 29．70 | $63 \cdot 84$ | $7 \cdot 42$ | $15 \cdot 48$ | 19.40 | $22 \cdot 40$ | 5．020 |  | 5．032 | $18 \cdot 13$ | $2 \cdot 72$ | $18 \cdot 125$ | 15.44 | 14.07 |
| JULY | 75.86 | 29.72 | 63.65 | $7 \cdot 38$ | $15 \cdot 35$ | 19.40 | 22.40 | 5.023 |  | 5．027 | 18.42 | $2 \cdot 77$ | $18 \cdot 125$ | 15.33 | 14.03 |
| AUG． | $76 \cdot 33$ | 29．81 | $63 \cdot 84$ | $7 \cdot 40$ | 15.42 | 19.40 | 22.40 | 5.028 |  | 5.026 | 18.02 | 2.80 | 18．125 | 14.90 | 14.05 |
| SEP． | $76 \cdot 74$ | 29.84 | 64．26 | $7 \cdot 58$ | 16.01 | 19.40 | 22.40 | 5.041 |  | 5.039 | 17．76 | $2 \cdot 81$ | $18 \cdot 125$ | 14.86 | 14.04 |
| OCT． | 105．08 | 29－10 | 92.96 | $9 \cdot 13$ | 21.31 | 19.40 | 22.40 | 4.900 |  | 4.898 | 17.56 | $2 \cdot 87$ | $18 \cdot 125$ | 14.88 | 14.03 |
| NOV． | 105．17 | 28.91 | 92.86 | 9.05 | 21.27 | $19 \cdot 40$ | $22 \cdot 40$ | 4.888 |  | 4.880 | 17.54 | $2 \cdot 89$ | 18.125 | 14.95 | 14.03 |
| DEC． | 105＊14 | 29.03 | 93－19 | 8.99 | 21.35 | 19.40 | 22.40 | 4.907 |  | 4.903 | 16.42 | $2 \cdot 93$ | $18 \cdot 144$ | 14.93 | $13 \cdot 96$ |
| 1987 |  |  |  | 8.96 | 21．39 | $19 \cdot 40$ | 22.40 | 4.908 |  | 4.909 | $16 \cdot 16$ | 2.95 | $18 \cdot 151$ | 14.95 | 13.95 |
| JAN． | $105 \cdot 14$ $105 \cdot 11$ | $29 \cdot 11$ 29.02 | 93.23 92.99 | 8.96 8.95 | 21.44 | $19 \cdot 40$ | $22 \cdot 40$ | 4.894 |  | 4.895 | 16.24 | 3.01 | $18 \cdot 142$ | 14.94 | 13.98 |
| MAR． | 108．31 | 28.99 | 82.81 | 8.93 | 21.43 | 19.40 | 22.40 | 4.885 |  | 4.882 | 16.23 | 3.01 | 18.125 | 14.94 | 14.00 |
| APR． | 109．31 | 29－15 | 93.40 | 8.98 | 21.54 | 19.40 | 22.40 | 4.916 |  | 4.909 | $16 \cdot 17$ | 3.07 | $18 \cdot 125$ | 14.94 | 14.00 |
| MAY | $110 \cdot 32$ | 29.28 | 93．85 | 8.99 | 21.60 | 19.40 | 22.40 | 4.939 |  | 4.931 | 16.24 | $3 \cdot 13$ | $18 \cdot 125$ | 14.91 | 14.00 |
| JUNE | 110.82 | 29．26 | 93.80 | 8.98 | 21.57 | 19.40 | $22 \cdot 40$ | 4.935 |  | 4.937 | 16.20 | $3 \cdot 22$ | $18 \cdot 125$ | 14.78 | 13.98 |
| JULY | $130 \cdot 34$ | 29．50 | $94 \cdot 34$ | 9.01 | 21.67 | 19.40 | 22.40 | 4.986 |  | 4.972 | 16.43 | $3 \cdot 22$ | 18.125 | 14.68 | 13.97 |
| AUG． | 132.85 | 29．59 | 94.67 | 9.03 | 21.70 | 19.40 | 22.40 | 4.983 |  | 4.983 | 16.49 | $3 \cdot 15$ | 18.125 | 14.92 | 14.00 |
| SEPT． | $140 \cdot 37$ | 29.42 | $94 \cdot 14$ | 8.98 | 21.57 | 19.40 | 22.40 | 4.961 |  | 4.954 | 16.50 | 318 | $18 \cdot 125$ | 15.00 | 14.00 |
| OCT． | 147.97 | 29．39 | $94 \cdot 18$ | 8.96 | 21.52 | 19.40 | 22.40 | 4.956 |  | 4.954 | 16.56 | 2.83 | $18 \cdot 125$ | 15.00 | 14.00 |
| NOV． | $147 \cdot 19$ | 29．37 | 94.91 | 9.01 | 21.58 | $19 \cdot 40$ | 22.40 | 4.994 |  | 4.990 | 16.86 | $2 \cdot 77$ | 18.125 | 15.00 | 14.00 |
| DEC． | $147 \cdot 16$ | 29.41 | 94．99 | 8.99 | 21.61 | 19.40 | 22.40 | 4．997 |  | 4.998 | 17.01 | $2 \cdot 64$ | $18 \cdot 125$ | $15 \cdot 00$ | 14.00 |
| 1938 |  | 29 | 95．00 | 8.97 | $21 \cdot 62$ | $19 \cdot 40$ | 22.40 | 5.000 |  | 5．001 | 17．04 | a2．83 $\dagger$ † | $18 \cdot 125$ | $15 \cdot 00$ | 14.00 |
| FEB． | 152.87 | 29.56 | 95．37 | 8.97 | 21.60 | 19.40 | 22.40 | 5.018 |  | $5 \cdot 016$ | 18.83 | $2 \cdot 82+$ | 18.125 | 15.00 | 14.00 |
| MAR． | 159.63 | 29．53 | 94．75 | 8.97 | 21.63 | 19.40 | 22.40 | 4.985 |  | 4.997 | 19.39 | $2.81+$ | 18.125 | 14.92 | 13.96 |
| APR． | $160 \cdot 90$ | 29.54 | 94.63 | 8.96 | 21.67 | 19.40 | 22.40 | 4.979 |  | 5.006 | $19 \cdot 46$ | $2.81+$ | 18.051 | 14.84 | 14.00 |
| MAY | 175．14 | 29.50 | 94.42 | 8.97 | 21.75 | 19.40 | 22.40 | 4.965 |  | 5.007 | $19 \cdot 00$ | 2.8171 | 17.910 | 14.91 | 14.00 |
| JUNE | $178 \cdot 17$ | 29.23 | $94 \cdot 22$ | 8.96 | 21.66 | 19.40 | 22.40 | 4.960 |  | $5 \cdot 012$ | $19 \cdot 02$ | 2．81才 $\downarrow$ | 17.795 | 14.94 | 14.00 |
| JULY | 178.15 | 29．14 | $93 \cdot 71$ | 8.95 | 21.54 | $19 \cdot 40$ | $22 \cdot 40$ | 4.931 |  | 4.959 | 18.94 | $2.83 \pm \dagger$ | 17.904 | 14.99 | 14.00 |
| AUG． | 178.55 | 28.92 | 92．75 | 8.94 | 21.32 | 19.40 | 22.40 | 4.881 |  | 4.897 | 18.87 | $2 \cdot 881+$ | 17.897 | 15.00 | 14.00 |
| SEPT． | 178.42 | 28.45 | $91 \cdot 27$ | 8.90 | 21.25 | 19.40 | 22.40 | 4.805 |  | 4.831 | 19.00 | $2.93+\dagger$ | 17.902 | 15.00 | 14.00 |
| OC＇T． | 178.71 | 28.20 | 90.64 | 8.77 | 20.99 | $19 \cdot 40$ | 22.40 | 4．769 |  | 4.812 | 18.99 | $2.981+$ | 17.933 | 14.97 | 14.00 |
| NOV． | 178.68 | 27.84 | 89．51 | 8.67 | 20.79 | 19.40 | 22.40 | 4．710 |  | 4.742 | 20.09 | $3.02 \pm+$ | 17.936 | 14.94 | 14.00 |
| DEC． 1939 | 177.48 | 27.72 | 88.75 | 8.59 | 20.65 | 19.40 | $22 \cdot 40$ | 4.671 |  | 4.706 | $20 \cdot 55$ | $3.06 \downarrow \dagger$ | 17.923 | $15 \cdot 00$ | 14.00 |
| JAN． | 177.49 | $27 \cdot 63$ | 88.73 | 8.61 | 20.67 | 19.40 | 22.40 | 4.669 |  | 4．705 | $20 \cdot 35$ | $3.06 \pm+$ | 17.937 | 15.00 | 14.00 |
| FEB． | 176.98 | $27 \cdot 79$ | 89.05 | $8 \cdot 74$ | 20.66 | $19 \cdot 40$ | 22.40 | 4.687 |  | 4.708 | $20 \cdot 35$ | $3.06{ }^{+} \dagger$ | 17.937 | 14.93 | 14.00 |
| MAR． | 176.86 | 27.85 | 89.08 | 8.82 | $20 \cdot 71$ | 19.40 | 22.40 | 4.686 |  | 4.704 | $20 \cdot 30$ | $3.06 \pm+$ | 17.966 | 14.91 | 14.00 |
| APR． | 176.73 | 27.80 | 89.00 | 8.81 | $20 \cdot 68$ | 19.40 | 22.40 | 4.681 |  | 4．704 | $20 \cdot 21$ | $2.84 \pm+$ | 17.937 | 14.74 | 14.00 |
| MAY | 176．74 | 27.51 | 89.01 | $8 \cdot 73$ | $20 \cdot 82$ | 19.40 | $22 \cdot 40$ | 4.682 |  | 4.698 | $20 \cdot 22$ | $2.77 \dagger$ | 17.910 | 14.81 | 14.00 |
| JUNE | 176.73 | 27．53 | 89.04 | 8.81 | 20.77 | $19 \cdot 40$ | 22.40 | 4.683 |  | 4.692 | $20 \cdot 22$ | $2 \cdot 71 \dagger$ | 17.911 | 14.86 | 14.00 |
| JULY | 176.72 | 27.55 | 89.03 | 8.79 | 20.76 | 19.40 | $22 \cdot 40$ | 4.682 |  | 4.690 | 20.21 | $2.62+$ | 17.905 | 1478 | 14.00 |
| AUG． | $176 \cdot 37$ | $27 \cdot 14$ | $89 \cdot 76$ | 8.62 | 20.42 | 19．20 | $22 \cdot 36$ | 4.609 | 4.623 | 4.620 | 19.92 | 2.63 † | 17.937 | 14.74 | 14.00 |
| SEPT． | $17607 \pm$ | 23．58 $\ddagger$ | 77.48 | 7．57£ | 17．82 $\ddagger$ | 16．77 $\ddagger$ | 22.23 | 4．049 $\ddagger$ | 4.041 | $4.419 \pm$ | 17 09£ | $3.26 \dagger$ | 17.939 | 1500 | 1399 |
| OCT． | $176.50 \ddagger$ | 23．987 | 78.89 | 7．57£ | 17．88才 | 16．81 | 20.66 | $4.030=$ | 4.012 | $4.450 \pm$ | 17.097 | $3.25 \dagger$ | 17.993 | 15.00 | 14.01 |
| NOV． | $17650 \ddagger$ | $24 \cdot 26 \pm$ | $77 \cdot 34$ | 7．55 | $17 \cdot 87 \pm$ | 16．80才 | $20 \cdot 37$ | $4.030=$ | 3.928 | 4.450 | $17.22 f$ | $3 \cdot 21$＋ | 18.000 | 15.00 | 14.35 |
| DEC． 1940 | $176.50 \ddagger$ | 24．22 $\ddagger$ | $77 \cdot 33$ | 7．55 $\ddagger$ | $17.87 \ddagger$ | 16．85 $\ddagger$ | 20.29 | 4.0307 | 3.933 | $4.450 \ddagger$ | $17.55 \ddagger$ | $3 \cdot 16 \dagger$ | 18.000 | 15.00 | 14.38 |
| JAN． | $176.61 \pm$ | $23.86 \ddagger$ | 78.11 | 7．54才 | 17．89† | 16．90ł | 20.52 | $4.030 \ddagger$ | 3.966 | $4.450 \pm$ | 17．71 $\ddagger$ | $3 \cdot 15+$ | 18.000 | 14.94 | 14.25 |
| FEB． | $176 \cdot 62 \pm$ | $23.82 \pm$ | 78.11 | 7.55 | $17.90 \ddagger$ | $15.90 \pm$ | 20.51 | $4.030 \ddagger$ | 3.964 | $4.450 \pm$ | $17.35 \ddagger$ | $3.14 \dagger$ | 18.000 | 14.92 | 14.24 |
| MAR． | $176.62 \pm$ | $23 \cdot 70 \pm$ | $74 \cdot 18$ | 7.55 | 17.90 | $16.90 \pm$ | 19.49 | 4.0307 | $3 \cdot 757$ | 4.450 | 17．10才 | $3 \cdot 30 \dagger$ | 18.000 | 14.91 | 14.96 |
| APR． | $176.62 \pm$ | $23.78 \ddagger$ | $69 \cdot 30$ | $7.55 \ddagger$ | $17.90 \pm$ | 16.907 | 18.46 b | $4.030 \pm$ | 3.527 | $4.450 \ddagger$ | $17.17 \ddagger$ | $3.53+$ | 18.000 | 14.87 | 16.00 |
| MAY | $176.62 \pm$ | $23 \cdot 92 \ddagger c$ | $64 \cdot 31$ | $7.55 \ddagger$ | $17.90 \pm$ | $16.90 \ddagger$ | － | $4.030 \ddagger$ | 3.275 | 4.450 | 17．17£ | $3.81 \dagger$ | 18.000 | 14.92 | $17 \cdot 22$ |
| JUNE | $176.62 \pm d$ | － | $65 \cdot 32 \mathrm{e}$ | － | $17 \cdot 86 \pm$ | $16.90 \ddagger$ | － | $4.030 \ddagger$ | 3.621 | $4.450 \ddagger$ | 17．10才 | $3.56 \dagger$ | 18.000 | 15.00 | 16.38 |
| JULY | － | － | － | － | 17．77 $\ddagger$ | 16．90ł | － | $4.030 \ddagger$ | 3.806 | $4.450 \ddagger$ | 17．04£ | $3 \cdot 31 * \mathrm{f}$ | 18.000 | $15 \cdot 00$ | 15．08 |
| AUG． | － | － | － | － | $17 \cdot 70^{+}$ | 16．90t | － | 4.0307 | 3.999 | 4.4501 | $1{ }^{\prime} .01 \ddagger$ | ＊ | 18.000 | 15.00 | 14.41 |
| SEPT． | ding | － | － | － | $17 \cdot 70^{+}$ | $16.90 \ddagger$ | － | $4.030 \mp$ | 4.036 | 4．450 $\ddagger$ | $17.01 \ddagger$ | ＊ | 18.000 | 15.00 | 14.25 |
| Week en Sept． 7 | ding |  | － | － | 17．70t | 16.904 |  |  |  |  |  |  |  |  |  |
| ，＂ 14 | － | － | － | － | $17 \cdot 70 \pm$ | $16.90 \pm$ | － | $4.030 \ddagger$ | 4.033 | 4.4507 | $17.01 \pm$ |  | 18.000 | 15.00 | 14.25 |
| ，， 21 | － | － | － | － | $17.70 \pm$ | $16.90 \pm$ | － | 4.0301 | 4.039 | $4 \cdot 450 \ddagger$ | $17.01 \ddagger$ | ＊ | 18.000 | 15.00 | 14.25 |
| ＂ 28 | － | － | － | － | 17.69 | $16.90 \pm$ | － | $4.030 \pm$ | 4.040 | 4.450 | 17．01 | O | 18.000 | 15.00 | 14.25 |
| Oct． 5 | －－ | － | － | － | $17.55 \pm$ | 16.90 | － | $4.030 \pm$ | 4.038 | $4450 \pm$ | 17．01 | o | 18.000 | 15.00 | 14.25 |
| ， 12 | － | － | － | － | $17.43 \pm$ | $16.90 \pm$ | － | 4.0307 | 4.038 | $4.450 \pm$ | 17．01 | o | 18.000 | 15.00 | 14．25 |
| 1719 <br> 126 | － | 二 | － | － | $17 \cdot 35{ }^{+}$ | $16.90 \ddagger$ | － | 4.0307 | 4.035 | $4.450 \pm$ | 17.01 | o | 18.000 | 15.00 | 14.25 |
| Nov． 26 | － | － | － | 二 | $17 \cdot 35{ }^{+}$ | $16.90 \ddagger$ | － | 4.030 t | 4.030 | 4.4507 | 17.01 | O | 18.000 | 15.00 | 14.25 |
| Nov． 2 | － | － | － | － | $17 \cdot 35 \pm$ | $16.90 \pm$ | － | $4.030 \pm$ | 4.038 | $4.450 \pm$ | 17．011 | o | 18.000 | 15.00 | 14.25 |

# RECENT MOVEMENTS IN UNITED STATES. 

Information communicated by Miss DOROTHY WESCOTT, Assistant Editor of the Review of Economic Statistics, Harvard University.

October 5th, 1940.
GENERAL SURVEY.-Industrial activity in the United States during the early months of 1940 declined from the levels attained in the sharp upturn of the second half of 1939. This downward movement was reflected in all the important indices of the physical volume of business, after making allowance for customary seasonal changes : in April electric power output was $3 \%$ under the index for December, 1939 ; industrial production dropped $12 \%$; the index for construction contracts awarded was $30 \%$ lower than the average for the final quarter of 1939 ; freight car loadings declined more than 10\% from December levels; and department store sales were $7 \%$ smaller than at the close of last year. Employment diminished as industrial activity declined, and income payments decreased each month from January through April. Wholesale commodity prices fell below the high point which had been reached in January, when the sharp upward movement that had developed in September, 1939, was halted; and stock prices fluctuated within a narrow range, around a level slightly under that of the final quarter of last year.

New orders received by manufacturers dropped very sharply from October, I939, through February of this year ; but in March some improvement appeared and the months immediately following brought pronounced increases, due largely to a heavy volume of orders for durable goods, although orders for nondurable goods likewise rose above those in the opening months of the year. Manufacturing output in May began to show a substantial increase, advanced further in June, and by August had regained the greater part of the decline from the December high point. While the major part of this advance was due to increased activity in the iron and steel industry, other important manufacturing industriessuch as textiles, non-ferrous metals, paper and printing-also rose above the levels to which they had fallen earlier in the year. In those industries directly affected by the war-such as machinery, aircraft, shipbuilding, chemicalsactivity in the first few months this year was either maintained at or increased above the high levels of the final quarter of 1939 ; and during recent months advances in these industries
also have contributed to the rise in total manufacturing activity. Freight car loadings likewise reflected the upturn in business in the second quarter of the year, and the index of electric power output began to improve in March and increased each month thereafter until in August it was the highest in several years. Undoubtedly preparations for requirements under the national defence programme influenced the fluctuations in business activity during the spring and summer months ; but as yet direct requirements of industry for defence preparations apparently have been limited in amount.

Intensification of the war in Europe during May immediately affected commodity and security markets in the United States. Stock prices, which had fluctuated within a narrow range for several months, fell sharply after May 9th, and bond prices also declined. While prices subsequently advanced they had not regained by the end of September the levels of the first quarter of the year. The immediate reaction of basic commodity prices to European developments in May was an upturn ; but declines followed shortly, the B. L. S. index of the prices of 28 basic commodities falling $7 \%$ between May 13th and May 3Ist, to the lowest level since early in September, 1939. The next two and one-half months brought further decreases ; improvement began to appear in the second half of August ; and by the close of September the basic-materials price index was approximately the same as at the end of May. The less sensitive " all commodities" index (based on 8I3 commodities) of the Bureau of Labor Statistics likewise reached a low point at the middle of August, advanced through the first week of September, and subsequently has declined.

BUSINESS VOLUMES.-The seasonally corrected index of bank debits at selected centres outside New York City-an index which reflects changes in both the physical volume of business and prices-moved within narrow limits during the first three quarters of 1940, around a level slightly above the average for 1939. The index of electric power production, another measure of general business activity, after declining in January and February, rose a little in March and April ; subsequent months
brought sharp advances until in August the adjusted index was the highest in several years.

Following declines in the first four months of the year, the volume of industrial output (measured by the seasonally corrected index of the Board of Governors of the Federal Reserve System) advanced substantially in May and June, levelled off in July, and then rose again in August. These fluctuations in the industrial production index reflected changes in the index for manufactures ; the minerals index throughout the year held close to the levels attained late in 1939. The May-June advance of the manufactures index was dominated by increases in the iron and steel industry, although production in most of the other durable goods industrieswith the notable exception of automobiles-and in the non-durable goods industries also rose during these two months. The slackening of the advance in manufactures that occurred in July was followed in August by further increases among the durable goods industries while the index for non-durable goods remained at the level attained in June. The rate of activity in the steel industry reached the low point of the year in April when operations averaged around $60 \%$ of capacity ; advance thereafter was rapid and by the close of September the operating rate had reached $93 \%$. A sharp drop in automobile output in the summer months reflected curtailment of factory operations as change-over to new car models was taking place. The low point in activity occurred in early August ; and September is reported to have brought substantial increases as companies began volume production on new model cars. Aircraft production in August was at record levels and shipbuilding activity was the highest since the last World War. While the June-August indices for most of the manufacturing industries showed marked improvement over the early months of the year, the levels of late 1939 for manufactures as a whole have not been regained.

The decline in factory employment and payrolls which had begun early in the year continued into the second quarter. In June, however, the decline was halted; and considerable increase occurred during the next two months. The seasonally adjusted index of income payments to individuals has advanced each month since April, regaining by July a large part of the loss noted in the earlier months of the year, although the July index remained below the January-February level. Department store sales, corrected for seasonal influences, began to show improvement in June, held steady in July, and rose substantially in August to the
highest level in several years. Other data for retail trade, though meagre, also indicate a considerable increase in August.

Freight car loadings which had declined fairly sharply in the first quarter of the year rose considerably in the next three months, even after allowance for the usual seasonal increase. While this upward movement reflected greater loadings for practically all classes of freight, the largest rise occurred in the important miscellaneous class, which is composed chiefly of industrial materials and products. In July and August, however, loadings of this class of freight failed to show the usual seasonal advance, and movements among the other classes were mixed. Seasonally adjusted total loadings rose in July to the highest figure since January, and then declined in August, although not to the levels of the greater part of the first and second quarters this year.

Construction contract awards in the first half of 1940 were lower than in the corresponding period of 1939, reflecting entirely a considerable decline in publicly financed projects. Most of this decrease from a year ago occurred in the first four months of the year ; improvement appeared in May ; and the three following months brought substantial increases. The value of contracts awarded in August was the largest since June, 1930. Construction undertaken under the national defence programme was responsible for a large portion of the increased volume shown in the three months, June through August, by both privately and publicly financed projects. In the first six months of the year, residential building was the only class of construction that was higher than in the first half of 1939 ; both non-residential building and public works projects were about $10 \%$ under those a year earlier, while utilities were close to $30 \%$ lower than in 1939. For the eightmonth period, January through August, residential building this year was $12 \%$ higher than in the corresponding months of 1939 ; non-residential building was $8 \%$ higher ; while public works were $1 \%$ and utilities $16 \%$ below the 1939 period.

COMMODITY PRICES. - The decline in commodity prices noted early in the year continued with little interruption through the second week of August, when the "all commodities" index of the Bureau of Labor Statistics was $76.9(1926=100 \%)$ compared with 79.5 for the first week of January. All of the major commodity groups shared in this downward movement : the index for farm prices for the week ending August ioth was $4 \%$ lower


INTERNAL ACTIVITY, TRADE, EMPLOYMENT.

than in the first week of January ; foods likewise had dropped $4 \%$; hide and leather products, $6 \%$; textile products, $8 \%$; while the decline for each of the other groups-metals and metal products, chemicals and drugs, house-furnishing goods, and miscellaneous products-was about $\mathrm{I} \%$ or less. All groups of prices were somewhat firmer in the second half of August ; but after the first week of September prices of farm products and foods again declined while industrial commodities advanced a little.

The general movement of sensitive commodity prices also was downward from the first of the year through the middle of August, although in May, as the European war spread further, prices of certain imported commodities and of some domestic agricultural commodities increased for a few days. In the sharp advance that occurred immediately after the outbreak of war in September 1939, prices of imported commodities in this country rose $35 \%$ above August 1939 levels and prices of domestic commodities rose about $20 \%$; but declines this year lowered prices of both groups to a level only $5 \%$ above pre-war averages. In the past month and a half these indices have risen slightly, from 105 to 110 (August $1939=100$ ).

MONEY AND CREDIT.-The country's available supply of bank credit continued to increase by substantial amounts during the first nine months of 1940. As in 1939, a large import of gold from abroad was the principal factor in the rise of member-bank reserves. From January through September gold imports averaged over 400 million dollars per month; and the country's gold stock rose from 17,600 million dollars at the close of 1939 to 21,200 millions at the end of September. Excess reserves of member banks on September 25th, amounting to 6,600 million dollars, constituted about half of the total reserves of member banks.

The demand for credit, as reflected by commercial, industrial, and agricultural loans of reporting member banks, showed little change throughout the first half of the year ; while the third quarter brought some increase, the net rise over the three-month period was only moderate. Further substantial additions to investments of reporting member banks have been made this year ; and total security holdings at the end of September were approximately one thousand million dollars greater than at the close of 1939. Larger holdings of U.S. government obligations accounted for about two-thirds of this increase. The distribution of total earning assets of reporting member banks in September, 1940, thus remains approximately the same as in December, 1939-64\% invest-
ments and 36\% loans in September compared with $62 \%$ investments and $38 \%$ loans in December. Adjusted demand deposits-excluding intermark and U.S. government items-have advanced to more than 21,000 million dollars.

Short-term money rates have remained unchanged throughout the year. Yields on government bonds and on both high and low grade corporate issues fluctuated very little until mid-May, when they advanced sharply ; but subsequent declines have carried yields to new low levels for the year.

SPECULATION AND FINANCE. - A sharp drop in stock prices in May, when the Netherlands, Belgium, and France were invaded, terminated an eight-months' period of exceptionally narrow fluctuations. Between May 9th and May 24th the Dow-Jones index of industrial stock prices fell $23 \%$; railroad and utilities prices also participated in the decline, the former falling $28 \%$ and the latter $27 \%$. This reaction in prices was accompanied by heavy trading; the daily average volume of shares traded on the New York Stock Exchange for May was the largest of any month since September, 1939. During the first half of June, stock prices regained part of the May losses; but from mid-June until late August narrow price changes persisted in a dull market. The closing days of August brought a moderate rise in prices ; and this upward movement continued during most of September, although at no time were the price levels of early May attained.

Bond prices likewise fell precipitately in the middle weeks of May, prices of U.S. government bonds dropping $3 \%$ and the Dow-Jones corporate bond average declining more than $7 \%$. June witnessed considerable strength in the bond market, with all classes showing substantial increases from the low May levels, and this price recovery continued into mid-July, when prices were only moderately lower than in early May. This advance was interrupted from the middle of July until the middle of August ; but the second half of August brought renewed recovery and by the close of September bond prices had risen close to the levels of early January.

Security flotations for the first eight months of 1940 amounted to 2,800 million dollars compared with 4,400 millions in the corresponding period last year ; both new and refunding issues were lower than a year ago. Issues to raise new capital represented $39 \%$ of this year's total ; and of this new capital total, $34 \%$ were flotations of private corporations while the remainder were those of states and municipalities and of government agencies.

# CANADA. 

Information communicated by B. A. and A. F. W. PLUMPTRE, of the University of Toronto.

October 7th, 1940.

WHEN the last report from Canada was published in this service, there was much uncertainty as to the part which Canadian industry should play in meeting the war needs of the Allied forces. Now all this uncertainty has passed. With the developments in the war zone during the summer months war orders began to flow to Canadian industry from both the British and Canadian governments. Canadian industry is now being geared to meet these demands. War orders placed with Canadian firms since July 1939 now total $\$ 445$ Mn . In addition, a plant construction programme of approximately $\$ 225 \mathrm{Mn}$., financed by both governments, is under way. Canadian war expenditure rose in August to $\$ 2 \mathrm{Mn}$. per day, and it is estimated that this expenditure will amount to $\$ 900 \mathrm{Mn}$. in the current fiscal year ending March 3Ist, 194I. There seems to be some doubt as to whether that sum will be reached by that date, as already Government expenditure is behind its schedule, but once plant construction is completed, there is no doubt that war expenditure will soon soar rapidly.

The chief change in Government administrative machinery since our last letter appeared is the transformation of the War Supply Board into the Department of Munitions and Supply. This new department is not only giving out orders to existing manufacturers, but is also collaborating with others in the extension of their plant, and in some cases erecting plant of its own. While there is no doubt that this department has been chiefly responsible for the acceleration of Canada's war production, there are questions being raised regarding the methods of its administration. Its staff includes a number of well-known industrialists from different fields, and their activities do not seem to be adequately co-ordinated. Moreover, the feeling is abroad in labour circles that the Department has not been sufficiently careful in preventing a few industrialists from using war-time demands as an excuse for policies inimical to organized labour.

During the twelve months ending August 1940, Canadian exports have risen in value to \$1,14I Mn., an increase of $\$ 260 \mathrm{Mn}$. over the same period ending August 1939. Much of this increase has been due to war demands from

Great Britain, but in recent months since war conditions have kept Scandinavian countries from world markets, Canada has become the chief source of supply for wood pulp and newsprint. Exports of these products, which in August 1939 totalled \$II Mn., rose in August I940 to $\$ 2$ I Mn. As a result of these movements Canada's balance of payments vis-a-vis Great Britain is gradually improving, but vis-a-vis the United States her position is deteriorating. Her recently increased exports to that country are not sufficient to offset her heavy purchases, and she is gradually drawing on her reserves of hard currency.

This expansion of exports together with the increased Government expenditures in this country are stimulating Canadian industry, and are producing conditions quickly approaching those of a boom. These are reflected in business indexes. Employment in the manufacturing industries has expanded rapidly to reach in August the highest point in any month for 20 years, and the seasonally corrected index for all employment rose by the beginning of September to 126.5 ( \% of 1926), a higher figure than that of any month for which statistics have been prepared. Other indexes tell the same story. The volume of industrial production rose in August to a level $26 \%$ higher than that in August of last year. Much of this increase was due to the rapid expansion in the manufacturing and construction industries, whose indexes moved from 117 and 60 (\% of 1926) in August 1939 to 152 and 91 respectively in August of this year. Construction industrialists report boom conditions in this industry. As one would expect ir present circumstances much of the manufacturing expansion took place in the iron and steel industries, though the production of newsprint and textiles also showed marked increases. The volume of mineral production has steadily expanded and now stands at the highest level ever reached in Canada.

These developments have brought a marked increase in imports, especially in imports of machinery and other iron and steel products, coal and textiles. Company profits have also risen ; according to the estimates of the Financial Times, dividend payments in October will be $27 \%$ higher than in the same month last year. Price increases, however, have been fairly small. The largest increase has been that of raw
material prices, which have risen about' $20 \%$ since the outbreak of war, but the general level of wholesale prices is only about $10 \%$ higher than last summer, and is now steady. Nor has the rapid industrial expansion caused any great increase in the cost of living. The Dominion Bureau of Statistics has just published a new and more accurate cost of living index. This index, based on the five years 1935-39 (making it comparable with that of the United States Bureau of Statistics), shows that the cost of living has risen $5.1 \%$ during the first year of the war. In relation to possible rises in the cost of living a novel scheme of wage regulation, based on a sliding scale, has been introduced in the coal mining areas of western Canada. Since this may well be copied in other industries it deserves attention. The objects are, on the one hand, to protect the very lowest wage-earners against much reduction in real wages, while providing, on the other, for reductions amongst other workers as war-time conditions dictate.*

Although much has already been achieved, it is not expected that Canadian war production will reach its full level of output until late in 194I. In the meantime, the sudden stimulus to industry is bringing many problems necessitating Government action. In the industrial sphere, bottle-necks are appearing. Some of these, for example that in the textile industry, seem to have been adjusted. But those in aeroplane engines, machine tools and skilled labour are causing much concern. The decision of the Government to manufacture aeroplane engines in Canada will probably relieve the first of these, especially if production goes to schedule, and the plant is in operation within two months. The Government, however, has not as yet evolved a satisfactory policy to remedy the shortage of skilled labour. With the aid of the educational authorities it is setting up vocational training classes for men with specific jobs in view, and some manufacturers are using their skilled workers to train new ones. But there is much dissatisfaction that no national policy has been initiated to deal with what must prove to be a most vital problem.

On the other hand, Canadians view with more satisfaction the Government's financial policy. In presenting the first war budget in September of last year, the Minister of Finance laid down " Pay-as-you-go " policy. He pointed

[^22]out that a policy of credit expansion would be used in the initial stages to stimulate the employment of unused resources and labour. But when " full employment" was reached, more orthodox methods would be used, and the Canadian Government would tax as much as possible and borrow as little as practicable. The second budget, presented in June, translated these principles into specific figures. With the Canadian economy nearing "full employment" and with expenditures in Canada of both the British and Canadian Governments rising to nearly three times the outlay of Canadian Governments in peace-time (probably to more than $40 \%$ of the national income), the promise of a "Pay-as-you-go" policy has become a reality for the Canadian citizen. According to the estimates, about half the expenditure during the current fiscal year will be met from revenue, increased taxation accounting for about $\$ 172$ Mn . The remaining half will be financed by borrowing.

It is estimated that the Canadian Government will borrow $\$ 600 \mathrm{Mn}$. during this year. Part of this sum, probably about $\$ 200 \mathrm{Mn}$., will be used to repatriate Canadian securities in London to provide Great Britain with funds for purchases in Canada. In September the Government appealed for $\$ 300 \mathrm{Mn}$. The response of the small investor to this Second War Loan was hesitant, and although it was oversubscribed by $\$ 42 \mathrm{Mn}$. its success can be attributed to a hurriedly organized, last-minute special appeal to investors. This experience has brought home to the Government several lessons for future loans. As yet the small investor does not understand the need of the Government for his savings, and if future loans are launched without any patriotic glamour and without a well-planned sales campaign, they are not likely to meet with better success. But perhaps even more important is the lack of understanding of the importance of saving. Very little attempt has been made in this country to encourage people to refrain from spending, and newspapers and periodicals are not likely to initiate an antispending campaign without official support. An anti-spending campaign now might do much towards a successful Third War Loan some time this winter.

To conserve foreign reserves to meet the payments for increased imports, the Foreign Exchange Control Board, on May Ist, took control of the gold and foreign exchange holdings of the Bank of Canada (some $\$ 175$ millions) and all U.S. funds held by Canadians in United States banks. This mobilization of reserves was

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| Average | 100 | 100 | 253 | 125 | 195 | 100 | 100 | 100 | 100 | 84 | 107 | 63 | 100 | 100 | 272 | 81 | 100 | 100 | 100 |
| 1933 Av． | 68 | 96 | 250 | 115.5 | 193 | 51 | 70 | 67 | 78 | 37 | 45 | 22 | 77 | 28 | 170 | 67 | 77 | 81 | 84 |
| 1934 Av． | 86 | 84 | 274 | 1115 | 195 | 59 | 73.5 | 71.5 | 79 | 43 | 55 | 26 | 94 | 36 | 193 | 70 | 109 | 91 | 96 |
| 1935 Av ． | 94 | 77 | 263 | 104 | 208 | 63 | 73 | 72 | 79 | 46 | 62 | 26 | 103 | 51.5 | 197 | 71 | 97 | 98 | 100 |
| 1986 Av． | 119 | 71 | 298 | 91.5 | 221 | 70 | 74 | 74 | 81 | 53 | 80 | 39 | 1154 | 46 | 208 | 74 | 87 | 104 | 104 |
| 1987 Av． | 127 | 73 | 293 | 96 | 235 | 87 | 80 | 85 | 83 | 67 | 84 | 32 | 127 | 58 | 220 | 80 | 101 | 115 | 115 |
| 1938 Av． | 104 | 69 | 258 | 98 | 242 | 74 | 78 | 78 | 84 | 56 | 71 | 26 | 115 | 52 | 202 | 78 | 107 | 111 | 111 |
| 1937 | 137 | 68 | 323 | 92 | 233 | 86 | 78 | 81 | 82 | 52 | 78 | 36 | 119 | 38 | 193 | 76 | 57 | 105 | 104 |
| JAN．．． | 142 | 71 | 273 | 92 | 237 | 86 | 79 | 83 | 82 | 49 | 65 | 26 | 118 | 46 | 186 | 76 | 53 | 108 | 103 |
| MAR．．． | 147 | 76 | 319 | 84 | 237 | 90 | 80 | 86 | 82 | 71 | 84 | 28 | 122 | 83 | 214 | 76 | 54 | 111 | 103 |
| APRIL | 136 | 76.5 | 338 | 96 | 238 | 91 | 81 | 86 | 82 | 57 | 60 | 20 | 129 | 86 | 208 | 79 | 71 | 114 | 106 |
| MAY．．． | 132 | 75 | 277 | 97 | 237 | 88 | 80 | 85 | 83 | 77 | 91 | 33 | 126 | 56 | 210 | 78 | 105 | 118 | 114 |
| JUNE | 129 | 74 | 289 | 97 | 238 | 84 | 80 | 85 | 83 | 76 | 95 | 37 | 131 | 64 | 214 | 81 | 128 | 119 | 119 |
| JULY | 133 | 73 | 272 | 97 | 232 | 93 | 82 | 88 | 83 | 72 | 92 | 34 | 131 | 49 | 219 | 80 | 140 | 118 | 120 |
| AUG．．． | 135 | 73 | 261 | 98 | 234 | 85 | 82 | 86 | 84 | 70 | 91 | 31 | 127 | 54 | 231 | 80 | 144 | 121 | 123 |
| SEPT． | 119 | 72.5 | 273 | 98 | 237 | 86 | 81 | 85 | 84 | 70 | 84 | 29 | 127 | 58 | 262 | 82 | 144 | 122 | 126 |
| OCT．．． | 106 | 74 | 291 | 99 | 233 | 86 | 81 | 85 | 84 | 82 | 94 | 39 | 133 | 54 | 260 | 81 | 132 | 119 | 125 |
| NOV．．． | 103 | 74 | 293 | 97 | 235 | 84 | 81 | 83 | 84 | 81 | 102 | 45 | 134 | 48 | 235 | 80 | 104 | 116 | 122 |
| DEC．．． | 104 | 72 | 308 | 94 | 233 | 84 | 80 | 83 | 84 | 53 | 76 | 29 | 125 | 64 | 204 | 86 | 82 | 109 | 113 |
| 1938 | 107 | 71.5 | 244 | 91 | 231 | 86 | 82 | 84 | 84 | 50 | 72 | 30 | 114 | 49 | 187 | 78 | 72 | 110 | 110 |
| FEB ．．． | 107 | 71 | 218 | 92 | 232 | 85 | 82 | 84 | 84 | 47 | 61 | 20 | 107 | 37 | 180 | 77 | 71 | 110 | 108 |
| MAR．．． | 99 | 70 | 237 | 93 | 234 | 83 | 82 | 83 | 84 | 65 | 74 | 23 | 110 | 53 | 199 | 78 | 72 | 111 | 105 |
| APRIL | 98 | 69 | 240 | 97 | 241 | 82 | 81 | 82 | 84 | 49 | 52 | 13 | 114 | 57 | 185 | 76 | 88 | 111 | 107 |
| MAY | 100 | 68 | 246 | 96.5 | 240 | 77＋ | 79 | 80 | 84 | 67 | 68 | 19 | 112 | 50 | 180 | 76 | 114 | 112 | 112 |
| JUNE | 100 | 69 | 273 | 99 | 246 | 77－ | 79 | 80 | 84 | 59 | 67 | 23 | 109 | 50 | 187 | 80 | 125 | 112 | 113 |
| JULY | 107 | 69 | 247 | 99 | 239 | 71 | 78 | 79 | 84 | 56 | 67 | 24 | 110 | 51 | 183 | 78 | 128 | 110 | 112 |
| AUG．．． | 105 | 69 | 237 | 98 | 242 | 64 | 77 | 76 | 85 | 57 | 70 | 22 | 111 | 53 | 213 | 77 | 134 | 114 | 115 |
| SEPT． | 99 | 71 | 266 | $102 \cdot 5$ | 245 | 64 | 76 | 74 | 84 | 56 | 73 | 29 | 121 | 53 | 250 | $79 \cdot 5$ | 143 | 112 | 117 |
| OCT．．． | 110 | 70 | 298 | 105 | 248 | 64 | 75 | 74 | 84 | 64 | 89 | 40 | 121 | 62 | 257 | 80 | 123 | 111 | 115 |
| NOV．．． | 110 | 68 | 297 | 103 | 250 | 65 | 74 | 73 | 84 | 63 | 87 | 38 | 128 | 48 | 219 | 79 | 113 | 110 | 114 |
| DEC．．． | 107 | 68 | 291 | 100 | 250 | 65 | 74 | 73 | 84 | 44 | 70 | 29 | 118 | 63 | 178 | 79 | 96 | 104 | 108 |
| 1939 ．．． | 103 | 67 | 251 | 98 | 246 | 65 | 74 | 73 | $101 \cdot 1$ | 44 | 71 | 27 | 114 | 40 | 171 | 78 | 89 | 106 | 106 |
| FEB ．．． | 104 | 67.5 | 205 | 98 | 247 | 65 | 74 | 73 | $100 \cdot 7$ | 40 | 58 | 19 | 114 | 56 | 160 | 76 | 94 | 107 | 106 |
| MAR．．． | 104 | 66 | 243 | 100 | 249 | 65 | 73 | 73 | $100 \cdot 6$ | 58 | 70 | 21 | 115 | 47 | 191 | 76 | 92 | 107 | 105 |
| APRIL | 96 | 67.5 | 5247 | 101 | 251 | 65.5 | 73 | 73 | 100.6 | 42 | 51 | 14 | 119 | 51 | 179 | 79 | 94 | 108 | 106 |
| MAY．．． | 99 | 68 | 284 | 102 | 252 | 65 | 73 | 74 | $100 \cdot 6$ | 73 | 81 | 28 | 123 | 49 | 215 | 81 | 115 | 111 | 113 |
| JUNE | 97 | 67 | 283 | 101 | 254 | 63 | 73 | 73 | $100 \cdot 5$ | 64 | 78 | 26 | 124 | 60 | 195 | 85 | 133 | 111 | 116 |
| JULY | 97 | 67 | 238 | 100 | 252 | 63 | 73 | 73 | $100 \cdot 8$ | 59 | 77 | 28 | 124 | 54 | 196 | 84 | 146 | 113 | 117 |
| AUG．．． | 94 | 68 | 239 | $100 \cdot 5$ | 252 | 58 | 73 | 72 | $100 \cdot 8$ | 63 | $76 \cdot 5$ | 24 | 127 | 60 | 229 | 82 | 152 | 115 | 120 |
| SEPT． | 100 | 78 | 5283 | 107 | 258 | 64 | 77.5 | 78 | 100.8 | 74 | $82 \cdot 5$ | 30 | 128 | 49 | 295 | 88 | 131 | 120 | 122 |
| OCT ．．． | 106 | $76 \cdot 5$ | 5290 | 114 | 284 | 64.5 | 79 | 79 | 103.5 | 79 | 91 | 38 | 140 | 43 | 270 | 89 | 118 | 122 | 124 |
| NOV．．． | 104 | 74 | 293 | 116 | 281 | 65 | 80 | 80 | $103 \cdot 8$ | 85 | 98.5 | 43 | 139 | 40 | 248 | 83 | 84 | 122 | 123 |
| DEC．．． | 101 | 75 | 306 | 114 | 277 | 69 | 81 | 82 | 103.8 | 72 | 102 | 53 | 138 | 62 | 199 | 87．5 | 69 | 118 | 116 |
| JAN．．． | 100 | 74 | 267 | 112 | 276 | 70 | 82 | 83 | 103.8 | 71 | 91 | 36 | 145 | 52 | 210 | 87 | 58 | 120 | 114 |
| FEB．．． | 99 | 73 | 295 | 116 | 277 | 70 | 82 | 83 | 103.8 | 71 | 72 | 26 | 136 | 62 | 199 | 88 | 55 | 123 | 113 |
| MAR．．． | 99 | 73 | 241 | 117 | 272 | 71 | 82 | 83 | 104.6 | 77 | 83.5 | 32 | 127 | 61 | 195 | 88 | 60 | 123 | 112 |
| APRIL | 97 80 | 73 | 294 | 112.5 | 274 | 72 | 82 | 83 | 104.6 | 86 | 85 | 27 | 160 | 97 | 219 | 86 | 68 | 126 | 114 |
| MUNE．．． | 80 72 | 72 | 334 268 | 111 | 278 | 68 | 81 | 82 | $104 \cdot 9$ | 100 | 111 | 43 | 147 | 76 | 237 | 89 | 90 | 129 | 121 |
| JUNE |  |  |  | 111 | 271 | 64 | 80 | 82 | $104 \cdot 9$ | 91 | 112 | 31 | 148 | 84 | 240 | 92 | 105 | 130 | 125 |
| JULY | 72 | 73 | 262 | 109 | 267 | 65 | 81 | 82 | 105.6 | 90 | 101.5 | 29 | 151 | 71 | 248 | $89 \cdot 5$ | 114 | 134 | 128 |
| AUG．．． |  | 72 | 239 |  |  | 63 | 82 | 83 | $105 \cdot 9$ | 97 | 111 | 32 | 162 | 91 |  |  | 121 | 138 | 132 |

Dates of Series ：Cols．4，5，16－18，end of month；1－2，6－9，averages
Notes on Series

Ool，1．－＂Investors＇Index．＂Index of current market valuation shareholders＇equity in about 100 companies．
2．－Weighted index of yield to maturity or call date（whichever gives lowest）of 6 taxable federal issues maturing in not less than 7 years．
3．－From 32 banking centres，comprising about $85 \%$ of total debits． Excludes debits to accounts of central bank since its founding in April，1935．Largely influenced by financial transactions．
4．－Refers to operations in Canada only．Includes loans to pro－ ancial and municipal governments．
5．－Includes governmental deposits．Excludes all deposits with provincial，postal and Quebec savings banks，and with 6－8．－Col companies．
6－8．－Col． 6 comprises 70 items；col．7， 322 items ；col．8， 567
9．－Comprises separate groups for food，fuel，rent，clothing， sundries（including services）．Includes home furnishing from 1939．See text．
11．－Excludes all exports of both monetary and non－monetary gold since 1937；includes gold in small quantities only shipped as dust，quartz，etc．，in earlier annual averages．
12．－Comprises＂animal products＂and＂vegetable products
groups ：includes partly and fully manufactured products in some cases made from imported raw materials，e．g．，rubber products
Adjusted for seasonal variation．Includes 41 weighted series largely representing foreign trade in raw materials．Tends to overstate amplitude of cyclical fluctuations，probably with an upward bias．
14．－Based on value of contracts awarded，deflated annually for changes in union rates of wages，and monthly for changes in prices of building materials
15．－Revenue freight only ；excludes cars received from U．S． connections
16．－Index of value，comprising 13 groups adjusted for number of business days and for seasonal variation，Refers to depart－ ment，＂variety，＂and chain stores only，representing chiefly urban sales．Base $-\mathrm{Av} .1930=100 \%$ ．Monthly series com－ menced January，1929．Annual estimates from 1923
17．－Includes workers on relief projects
19．－Establishments with over 15 employees only．Includes part－ time workers on same basis as full－time．Excludes farm labourers and civil servants，and underweights the service industries
followed by further restrictions during the summer, limiting the amount of U.S. currency which Canadians could obtain for travel in the United States. These restrictions are estimated to make a further $\$ 75 \mathrm{Mn}$. available for war purchases in that country.

Other Government controls have been extended and on the whole seem to be working satisfactorily. The powers of the administrators have been increased, and the export licensing system has been extended to include fish oils, hides and leather. The War-time Prices and Trade Board is functioning actively, and its powers now include control of rents and prices of housing accommodation. Control over rentals became necessary in certain localities where housing shortages occurred through a sudden influx of industrial, military or administrative population. In these areas, the Board has pegged rentals at the levels of January 2nd, 1940. This is the second " standstill" order issued by the Board, the first being a temporary one to prevent increased bread prices through the Wheat Processing Tax.

A problem which should soon receive more serious attention from the Government is that of the wheat industry. This year, Canadian wheat farmers have produced a bumper crop of some 561 million bushels. With a carry-over of 300 million from last season, and domestic consumption not likely to absorb more than 130 million, Canada offers a surplus of about 730 million bushels to the world market. Unfortunately for the wheat farmers, Canada's exports of wheat this year are not likely to exceed 200 million, most of which will go to

Great Britain. Canada is thus faced with the problem of storing her carry-over of approximately 530 million bushels. With commercial storage for only 430 million, the immediate problem facing farmers is provision of storage on the farms for the surplus, and with this problem comes that of obtaining credit against this wheat. Each farmer is allowed to deliver to the elevators 8 bushels (in some parts io bushels) of wheat per seeded acre, for which he obtains payment on delivery. These receipts will probably provide him with sufficient cash for immediate needs, but farmers are demanding assistance from the Government by which they will be able to receive some credit against the wheat still on the farm. Happily for many farmers their plight has been improved by the healthy condition of the market for other farm products, especially bacon. In addition to this problem, the Government is faced with the probable outlay of over $\$ 100 \mathrm{Mn}$. to fulfil its guarantee to the farmers of 70 cents per bushel for their wheat. But more serious than either of these problems is the long-range position of the wheat industry. With a carry-over of some 500 million bushels from this season, prospects for the sale of the I941 crop are practially nil. With the enormous industrial development now taking place in Canada while the wheat industry faces such a bleak future, it would seem that this industry will occupy a much less important place in Canada. The readjustment of the wheat farmer to his new place in the economy has been facing Canadians for some time, but war conditions are making it a vital problem calling for immediate attention.

## SOUTH AFRICA.

## Information communicated by Mr. G. F. THIRLBY, of the University of Cape Town

$$
\text { 19th September, } 1940 .
$$

The South African economy is being influenced by the following factors :-
(I) The persistent favourable balance of international payments in respect of commodities (including gold), and the consequent mounting of customers' deposits with the commercial banks, bankers' balances with the Reserve Banks, and reserves of international currency.
(2) The increase in the Government's War Expenses.
(3) The apparent intention of the Government to draw upon the accumulations under (I) for the purpose of financing (2).
(I) The external trade in commodities during 1939 suggested that there was room for an upward swing of import values (See Bulletin II, April, 1940). The figures for the first 7 months of 1940, instead of showing a narrower margin between exports and imports, show a still greater one: nearly $£ 30 \mathrm{Mn}$. compares with $£_{16.4} \mathrm{Mn}$. for the same period of last year-a difference which probably would still be considerable after

increased freight and insurance rates ${ }^{1}$ had been taken into account. In the same period, the reserves of foreign bills and gold in the Reserve Bank increased by some further $£_{7} \mathrm{Mn}$. at currency valuation, in spite of the Government's repayment in London of $£ 7.9 \mathrm{Mn}$. Union of South Africa 5\% Inscribed Stock 1940/60. Under peace conditions, the accumulating deposits might have been used, and advances by the commercial banks might have been made, for foreign purchases. ${ }^{2}$ Actually, advances fell gradually, while by the end of July deposits had risen by some $£ \mathrm{I} 3 \mathrm{Mn}$. above the level of last year end, and bankers' balances with the Reserve Bank had risen by $£ 16 \mathrm{Mn}$.
(2) Government finances having proved inadequate to meet the war requirements, Parliament reassembled toward the end of August to consider a Supplementary Budget. The Minister of Finance estimated that Defence expenditure for the first 19 months of the war (including $£ 46$ Mn .-of which some $£ 32 \mathrm{Mn}$. was still to be budgeted-for the current financial year) would amount to $£ 50.9 \mathrm{Mn}$. Of that amount, $£ 20.8$ Mn . was to be met by borrowing-a sum which he stated was approximately $£_{\mathrm{I}} \mathrm{Mn}$. more than that borrowed by the end of the first financial year of the war of 1914/I8.

In respect of Revenue Account, the Minister first revised his earlier estimates to show, instead of a deficit of $£ 0.8 \mathrm{Mn}$., a surplus of $£ 4.2 \mathrm{Mn}$. Against this he now set supplementary expenditure (including $£ 8.5 \mathrm{Mn}$. for Defence, and $£ 0.5$ Mn . for assistance to farmers) of $£ 9.3 \mathrm{Mn}$. The new deficit of $£ 5$.I he proposed to meet by additional customs and excise duties (on petrol, tyres and tubes, cigarettes, tobacco, spirits, beer and yeast) to yield $£_{2} .0 \mathrm{Mn}$. ; an increase in the Id. postage to $\mathrm{I}_{2} \mathrm{~d}$., to yield $£ 0.2 \mathrm{Mn}$.; and additions to inland revenue from a $20 \%$ increase in individuals' normal income tax and super tax, a 6 d . in the $£$ increase in non-gold-mining companies' income tax, and an increase in the gold mines' "special contribution" from $9 \%$ to II $\%$, to yield together $£ 2.7 \mathrm{Mn}$.

[^23]In respect of Loan Account also, the Minister reduced his earlier estimate of expenditure-from $£ 24.3 \mathrm{Mn}$. to $£ 16 \mathrm{Mn}$. He required, however, an additional vote of $£ 23.6 \mathrm{Mn}$., of which $£ 23.5$ Mn . was for Defence. Against the new total of $£ 39.6 \mathrm{Mn}$. was to be set Loan Account revenue of $£ 9.3 \mathrm{Mn}$. -of which $£_{2} .9 \mathrm{Mn}$. was earmarked for Defence. Of the balance of $£ 30.3 \mathrm{Mn}$. (including the $£ 20.8 \mathrm{Mn}$. to be borrowed for Defence) $£ 12 \mathrm{Mn}$. was to be obtained through the Public Debt Commissioners, who would, incidentally, be receiving the proceeds of a new issue of Union Loan Certificates (issued at $15 / 9$, to be worth $20 /-$ in 6 years) expected to realise $£ 4 \mathrm{Mn}$. by the end of the financial year. The remainder was to be raised by a public loan to be floated within a few months.
(3) (a) There is, then, an increased quantity of money within the country, and the Government requires to borrow for its war requirements. Given that the money were awaiting investment, the situation would seem to be favourable to the floating of a Government loan at a low rate of interest. It has, however, to be borne in mind that there are signs that the commercial banks' deposits are already being fairly freely used. The velocity of circulation of the increased quantity appears to have been maintained at least at last year's rate. The ratio of bank debits to deposits was on the average the same for the first 6 months of the year as for the first 6 months of last ${ }^{1}$; the average of monthly bank clearings in 7 towns was $£ 85 \mathrm{Mn}$. for the first 6 months as compared with $£_{\text {f }} 78.1 \mathrm{Mn}$. for the first 6 months of last yearfor 6 towns excluding Johannesburg the figures were $£ 36.3 \mathrm{Mn}$. and $£ 30.8 \mathrm{Mn}$. respectively.) At the same time the note issue is increasing. It would seem likely, therefore, that, for the Government's new demands to be met, some further increase in the quantity of money, by way of advances ${ }^{2}$, may occur. If this happens, the present tendency for prices to rise will be enhanced.

The movement in this direction is the more likely in that it is the Government's professed policy to aim at self-sufficiency in the production of war materials ${ }^{3}$. It was even claimed a few weeks ago that, thanks to the development of the

I It is true that this level of velocity is lower than that of 1936 and 1937; but it is also true that the rise in velocity in those years was accompanied by rising advances.

2 If private lending of deposits for business purposes is transferred into Government loan.

3 Costs of imports having risen, local costs and prices (of home-produced goods substituted for imports, and hence-because of increasing factor-prices - costs of exports) will rise anyway. The danger is that home production may be carried beyond that made profitable merely by the increased cost of import.
iron and steel and metal industries, practically the whole of the material used in the manufacture of munitions had been locally produced. That the Government has not been buying heavily directly from abroad is suggested by the fact that imports of Government stores for the first 7 months ( $£ .3 .5$ Mn .) were lower than for the same period of last year ( $£ 4.5 \mathrm{Mn}$.)
(b) The tendency towards an upswing of prices may be offset to the extent that increased saving occurs (i.e., in so far as ordinary spending on consumption is transferred to the Government for spending on war materials). The Government, being aware of this, and in furtherance of its policy of discouraging price-increases, is urging thrift. What may not be so obvious, however, is that, as a preventive of the upswing in question, the thrift might well be regarded as having two objects: (i) to provide the Government loan; (ii) to offset the apparent tendency to spend, within the country, the accumulations of money from abroad. ${ }^{\text {. }}$ To the extent that such accumulations are released, they will be available again either for purchasing imports, or for paying off loans from abroad.
(c) In its policy of encouraging home production, the Government sees long-run advantages accruing from the acquisition of new proficiency. While such advantages may mature in certain cases, there is in general a danger that acquired skill and specific instruments will encounter competition after the war. But the Government is discountenancing ideas of future further protection.

Whatever the coming difficulties of adjustment, the Union has so far had reason to regard her economic war-burden as a light one, her good fortune lying in the continued market not only for her gold but also for many of her other export products. In the first 7 months of the year, proceeds of exports of diamonds ( $£ 1.4 \mathrm{Mn}$.) and bunker coal and ships' stores ( $£$ I. 7 Mn .) were respectively $68 \%$ and $110 \%$ in advance of the previous year's realizations in the same period. The Department of Agriculture reports that in the 12 months ended June 30th, 1940, the total value of food, drink and other agricultural products exported amounted to $£ 27 \mathrm{Mn}$. compared with $£ 21 \mathrm{Mn}$. for the previous 12 months.

I i.e., the deposits in the commercial banks which represent gold entering the Reserve Bank in payment for goods exported. Failure to spend these deposits abroad involves loss to the Union as a whole. Government acquisition of such deposits, coupled with any measures calculated to secure that they should be used entirely for spending within the country, would appear to involve (a) loss to the country as a whole, and (b) veiled taxation.

It was the highest total since 1928/9 ( $£ 31.3$ Mn .). Increases, over the previous i2 months' level, in the yields of leading products were as follows :-

| Mealies | $\ldots$ | $\ldots$ | .. |
| :--- | :--- | :--- | :--- |
| Wool | $\ldots$ | $\ldots$ | $\ldots$ |
| Sugar | $\ldots$ | $\ldots$ | $\ldots$ |
| Wattle | $\ldots$ | $\ldots$ | .. |
| Hides and skins | $\ldots$ | $\ldots$ |  |
| Fresh citrus | $\ldots$ | $\ldots$ | $\ldots$ |
| Confectionery and jam | $\ldots$ |  |  |
| Mealie meal <br> Dried and preserved fruits |  |  |  |


| £Mn. | $\%$ |
| :---: | ---: |
| $2 \cdot 10$ | 147 |
| $\cdot 75$ | 9 |
| .67 | 33 |
| $\cdot 53$ | 48 |
| .46 | 29 |
| .42 | 33 |
| -28 | 279 |
| $\cdot 18$ | 31 |
| $\cdot 12$ | 25 |

The yield from grapes declined by $29 \%$ ( $£ 0.12 \mathrm{Mn}$.).

Events in Europe have more recently had some serious effects, witness the $£ 0.5 \mathrm{Mn}$. subsidy for maize referred to in the Supplementary Budget. In view of both the closing of the European markets and the heavy Argentine crop, the Union was fortunate in obtaining an agreement by the British Government to pay a fixed price for maize. The Government subsidy and the Maize Board's export arrangements were calculated to secure the farmer $8 /-\mathrm{a}$ bag, plus I/6 a bag in respect of the first 500 bags sold. The home consumer was to pay about io/6 a bag (less a rebate of $\mathrm{I} / 6$ for stockfeeding). The final estimate of the 1939/40 crop is 20.8 Mn . bags (against the previous season's 29.1 Mn.) of which presumably 5 to 6 Mn . bags will be exported. Wool farmers also are fortunate in having secured the British Government's agreement to purchase all export wool for the duration of the war and one season after, at the prices guaranteed as minima for last season's wool plus half of any profit made on re-sale of grease wool by the British Government. An agreement for the purchase of the whole of the 1940/4I sugar crop (estimated at 560,000 tons - compared with 595,556 for 1939/40) is also reported.

The closing of Belgium, Czecho-Slovakia, Finland, France, Germany, Netherlands, Italy, Norway, Poland and Sweden involved the loss of markets which in 1938 had taken $£_{\mathrm{II} .3} \mathrm{Mn}$. of the Union's exports. In the same year, the same ten countries supplied $£ 18.8 \mathrm{Mn}$. of the Union's imports. The shift in trade following the earlier losses is to some extent indicated by the following changes: In the first quarter of 1939 , of $£ 7 \mathrm{Mn}$. exports of South African (non-gold) produce overseas, Germany had taken about $22.2 \%$, the U.K. $31.7 \%$, the U.S.A. $3.2 \%$.

In the first quarter of 1940, of a total of £9.7 Mn., $45 \%$ went to the U.K., $12.3 \%$ to the U.S.A. Imports from the U.K. increased from $42.9 \%$ of $£ 24.4 \mathrm{Mn}$. to $44 \%$ of $£ 26.2 \mathrm{Mn}$.; those from the U.S.A. from $19.8 \%$ to $2 \mathrm{I} \%$.

The Union was thus taking from these two countries an additional amount equivalent to about four-fifths of the amount formerly taken from Germany-whence the Union obtained about $8.9 \%$ of the total in the first quarter of 1939. From India, Japan and Iran together purchases increased from $5.6 \%$ to $10.5 \%$.

Industrial activity appears to be largely concerned with war supplies. House-building and furniture-manufacture have been depressed. But clothing, boot and shoe, food and drink, and engineering factories, working under the direction of the Director-General of war supplies, have been increasing supplies for the forces. Munition production in particular has been increasing rapidly. Products not hitherto manufactured here, including special steels, precision tools and artillery sights, are emerging. A central Organization for Technical Training has been established, and a measure of labour "dilution" is being permitted. Steel-making plant is being extended. The Industrial and Agricultural Requirements Commission stated that the Union's recent consumption of various kinds of steel products had been the equivalent of about I. 2 Mn . ingot tons p.a.; and that local production ( 0.44 Mn .)
was to be enhanced by additional capacity of about o.r Mn. at "Iscore" in 1941, and by further additional capacity, upon which construction had already begun, of 0.26 Mn . It urged expedition. The extension of steel-making was, however, disclosing an inadequacy of coke, which was restricting production of pig-iron. The purchase of aeroplanes to replace civil aeroplanes transferred to the military, the withdrawal of dumping duties on certain steel products from U.S.A., the necessity to import chassis and engines for military transport lorries and wagons, and the sending of an armaments buying commission to America, are further indications that the area of self-sufficiency referred to by the Goverment may not be very broad. ${ }^{\text {r }}$

Meanwhile, outside the sway of the Government control of prices affecting the retail price index, prices have been rising. Farmers were complaining several months ago of $50 \%$ to $60 \%$ and even greater increases in prices of farming requisites such as barbed wire, ploughs and jute bags.

[^24]
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## Calendar of Chief Events of Economic Importance

## (with special reference to Great Britain)

## 1940

JAN. 4. U.K
8. U.K
16. U.K
17. U.K.
31. U.K

Minister of Shipping announces requisitioning of British cargo liners.
Increased restrictions announced on transfer of sterling to accounts of nonresidents.
Franco-British credit of $£ 4312 \mathrm{Mn}$. to Turkey announced
Conversion announced of $£ 350 \mathrm{Mn} .4 \frac{1}{2} \%$ Conversion Loan (due July 1st, 1940) into $2 \% 3-5$ year stock
Chancellor reveals that basic food prices are being subsidised at cost of $£ 1 \mathrm{Mn}$. per week.

FEB. 1. U.K
2. U.K
6. U.K
7. U.K.
18. U.K
28. S. Africa
29. France

Export Council constituted
Admiralty takes control of merchant ship-building.
Paper rationed
Terms of financial agreement between Government and Railways announced.
Treasury announces requisitioning of 60 dollar securities.
Gold Mines to be allowed to sell gold at market price, but to be subject to additional taxation.
Decrees issued governing rationing, price control, and labour conditions. Bank of France's gold reserve to be revalued and 30 Md . francs to be placed at disposal of Treasury

MAR. 6. Russia
9. U.K.
12. U.K
13. Finland
18. U.K.

20-21. France

Finno-Russian peace negotiations begin in Moscow.
Announced that as from March 26th empire exports of whisky, furs, tin, rubber and jute to be paid for in approved foreign exchange or sterling bought in official market.
$£ 300 \mathrm{Mn} .3 \%$ War Loan, 1955-59 issued
Onerous Russian peace-terms accepted.
Higher minimum prices for gilt-edged securities fixed on London Stock Exchange
Daladier Government resigns, M. Reynaud forms new government.

APR. 4. U.K.
9. Denmark Norway
12. U.K
15. U.K.
17. U.K.
23. U.K.

Chancellor announces setting up of English Commercial Corporation, Ltd.
German occupation.
German invasion
Board of Trade cancels all export licences to Baltic countries. Paper ration to be reduced
Treasury to requisition 117 more dollar securities for payment April 29th. Minister of Transport announces $10 \%$ rise in rail charges from May 1st.
Budget introduced. Additional direct and indirect taxation, purchase tax on wholesale sales, and limitation of dividends of public companies.

## 1940

| MAY 3. | Norway | British troops evacuate South Norway. |
| ---: | :--- | :--- |
| 10. | Holland, | Belgium | German invasion. $\quad$ Churchill succeeds Chamberlain as Prime Minister.

JUNE 4. U.K.
France
5. France U.K.
7. U.K.
10. Italy
11. U.K.
14. France
16. France
17. France
20. U.S.A.
21. U.K.
25. France
27. Roumania

Dividend Limitation Bill withdrawn.
Last allied troops leave Dunkirk.
New German offensive starts on Somme.
Minister of Labour announces new labour regulations in Coal, Building and Engineering trades.
Exchange control extended. All exports to be paid for in foreign exchange or sterling bought at official rates. Foreign sales of sterling securities restricted. Extension envisaged of system of clearing agreements.
War declared on England and France.
Bank of England's fiduciary note issue increased from $£ 580 \mathrm{Mn}$. to $£ 630 \mathrm{Mn}$.
Germans occupy Paris.
Reynaud resigns premiership : replaced by Petain.
Petain asks for armistice.
President appoints Knox and Stimson, Republicans, as Secretaries for Navy and War.
Chancellor announces new unlimited issue of $2 \frac{1}{2} \%$ National War Bonds, 1945-7, for sale on tap.
Fighting ceases after French acceptance of German and Italian Armistice terms.
Russian ultimatium demands surrender of Bessarabia and North Bukovina.

JULY 1. Roumania Russians complete occupation of Bessarabia and North Bukovina.
4. Mediterranean
U.K
5. France
9. U.K.
12. China
17. U.K.
22. U.S.A.
23. U.K.
30. America
U.K.
31. U.S.A.

British fleet sinks French warships at Oran.
Chancellor announces Treasury will accept six months' deposits from banks.
Cabinet breaks off diplomatic relations with U.K.
Announced tea to be rationed immediately and margarine from July 22nd.
House of Commons grants new war credit of $£ 1,000 \mathrm{Mn}$.
Britain agrees to close Burma road for three months.
New measures announced for regulation of Sterling-Dollar exchange.
President introduces measure for purchase of S. American surplus stocks.
Supplementary Budget introduced. Increases in Income Tax and Surtax, Estate and Excise duties. Purchase Tax imposed.
N. and S. American Countries represented at Havana Conference sign Act of Havana.
Minister of Economic Warfare announces extension of Navicert system to all trade with European and N. African ports.
Government prohibits export of aviation petrol to countries outside Western Hemisphere.

## 1940

AUG.11. U.K.
20. U.K.
21. Roumania
U.K.

27-29. Central
Africa
29. South Africa
30. Roumania

Mass air-raids on Britain begin.
Premier announces agreement to lease to U.S.A. bases in West Indies, etc., and creation of relief stores of commodities for Europe.
Agreement to cede S. Dobrudja to Bulgaria
Importation of British bank-notes prohibited.
French Equatorial Africa rebels from Vichy Government and joins de Gaulle. Supplementary budget. Extra gold-mining taxes smaller than expected.
Axis powers at Vienna Conference award two-thirds of Transylvania to Hungary.

SEPT. 3. U.S.A.
6. Roumania
7. U.K.
13. Egypt
21. Australia
23. W. Africa Indo-China
26. U.S.A.
27. Japan

President announces transfer of 50 destroyers to Britain in exchange for lease of naval and air bases.
Abdication of King Carol. Antonescu becomes Iron Guard dictator.
Intensive air-bombardment of London begins.
Italians invade Western Desert.
General election, resulting in Government's loss of almost all majority.
Abortive attempt by de Gaulle and British fleet to occupy Dakar.
French agree to allow entry of Japanese troops.
Embargo imposed on export of Iron and Steel scrap to Japan.
Pact signed with Axis powers.

OCT. 8. Roumania U.K.
15. U.S.A.
16. U.K.
18. China
21. U.K.
23. U.K.
25. India
28. U.K. Greece
31. Argentina

German troops enter with consent of Roumanian Government.
Premier announces compulsory air-raid insurance of real property.
Conscription Act comes into force.
Parliament grants new war credit of $£ 1,000 \mathrm{Mn}$.
Britain re-opens Burma Road.
Purchase Tax comes into force.
Further increase of $6 \%$ announced on ordinary railway fares and charges.
Representatives of Empire countries in Eastern Hemisphere meet at New Delhi to co-ordinate war production.
New list of Canadian securities requisitioned.
Italian invasion begins.
Railways approach Government for permission to increase charges by $5 \%$.

NOV. 5. U.S.A
7. U.S.A
10. Roumania Greece
12. Italy
14. U.K.
16. U.K.
22. U.K.
23. U.S.A.
26. U.K.
27. Mediterranean
30. U.S.A.

Roosevelt re-elected President for third term by large majority.
Announced Treasury to ask Congress for increase in limit of statutory debt from $\$ 45,000 \mathrm{Mn}$. to $\$ 65,000 \mathrm{Mn}$.
Severe earthquake. Oil fields reported damaged.
Greek victory over Italians in Pindus Mountains.
British air attack at Taranto inflicts severe damage on Italian fleet.
Massed German night air attacks on provincial towns begin with heavy attack on Coventry.
Treasury requisitions more U.S. securities.
New Treasury orders institute blocked sterling accounts for capital transactions and require notification of foreign exchange holdings of Britishcontrolled foreign companies.
British Ambassador states British reserves of gold and dollars approaching exhaustion.
Minister of Agriculture guarantees fixed prices for farm products for duration of war and one year after.
Italian fleet further damaged in action off Sardinia.
President announces $\$ 100 \mathrm{Mn}$. loan to China.

DEC. 1. U.K.
2. U.K

Canada.
3. Spain
4. Turkey U.S.A.
6. Albania
9. Egypt
10. U.K.
11. U.K.
14. France
16. Egypt U.K.
17. U.S.A.
23. India
27. U.K.
29. U.S.A.

Severe further restrictions on supplies of many articles for home consumption.
Premiums for compulsory war-risk insurance of stocks of commodities increased from 5 /- to $7 / 6$ per $£ 100$ per month.
Imports of non-essentials from non-sterling countries restricted; duties on many U.K. exports reduced.
New trade and payments agreement signed with U.K.
New trade and financial agreement signed with U.K.
British Treasury official, Sir Frederick Phillips, arrives for financial conversations.
Greeks take Santi Quaranta. Marshal Badoglio resigns.
British attack commences in Western Desert.
Loan of $£ 10 \mathrm{Mn}$. to China announced.
War Damage Bill introduced, for compulsory war-risk insurance for real property, and voluntary insurance for personal effects.
Petain dismisses Laval.
British re-take Sollum and enter Libya.
Treasury requisition further 67 U.S. Securities.
Roosevelt proposes to supply U.K. with arms on loan, to be returned in kind after the war.
Government to reduce silver content of Rupee to $50 \%$.
Chancellor announces new issue of $3 \%$ Savings Bonds, 1955-65, to be on sale from January 2nd. Also replacement of 1st series of $2 \frac{1}{2} \%$ National War Bonds, 1945-47 by 2nd series, 1946-48.
President broadcasts strong speech in favour of all possible help to U.K.
?

## LONDON \& CAMBRIDGE ECONOMIC SERVICE



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## EVENTS OF ECONOMIC IMPORTANCE.

1940. 



3rd-4th Spain .. ..
9th N. Africa . .
Ioth U.K.
inth U.K.
23rd India
29th U.K.
194I
Jan. 2nd U.K.

Roosevelt re-elected President for third term by large majority. Announced Treasury to ask Congress to raise limit of statutory debt from $\$ 45 \mathrm{Md}$. to $\$ 65 \mathrm{Md}$.
Italian invasion defeated in Pindus Mountains.
British air attack at Taranto severely damages Italian fleet.
German massed night air attacks on provincial towns inaugurated with heavy attack on Coventry.
New Treasury order institutes blocked sterling accounts for certain capital transactions.
Joins Axis.
British ambassador states British dollar reserves approaching exhaustion.
Further sharp reductions announced in supplies of many articles for civilian consumption.
Premiums for compulsory war insurance of commodity stocks increased from $5 /-$ to $7 / 6 \%$ per month.
Imports of non-essentials from non-sterling countries severely restricted.

New trade and financial agreements signed with U.K.
British offensive begins.
£ro Mn. loan to China announced.
War Damage bill introduced.
Silver content of Rupee to be reduced to $50 \%$.
Heavy incendiary raid on City of London.

Issue of new 3\% Savings Bonds, 1955-65, on tap, and second series of $2 \frac{1}{2} \%$ National War Bonds 1946-48.
.. British take Bardia.
.. New cabinet Executives set up for Production and Imports.
.. President's budget message indicates defence expenditure for I94I-42 of $\$$ Io. 8 Md ., and deficit of $\$ 9.2 \mathrm{Md}$.
.. 'Lease and Lend ' bill introduced into Congress.
.. New trade agreement with Germany announced.
.. Morgenthau estimates remaining British dollar assets at $£ 444 \mathrm{Mn}$., and British orders in U.S.A. for 1941 at $£ 750 \mathrm{Mn}$.
.. New defence regulations provide for compulsory part-time firewatching duties for male civilians.
.. Minister of Labour announces industrial registration.
.. Unsuccessful Iron Guard rebellion begins.
.. British take Benghazi.
.. Vesting order issued for Indian Government sterling securities.

# UNITED KINGDOM. <br> THE ECONOMIC POSITION. 

February 3rd, 194I.

THE rate of British war expenditure showed a renewed rise during the last quarter of the year, and the average total weekly expenditure, which had stood at about $£_{70} \mathrm{Mn}$. in the third quarter, rose above $£ 87 \mathrm{Mn}$. in December and $£ 88 \frac{1}{2} \mathrm{Mn}$. in January. The average weekly deficit rose steadily to a peak of $£ 66 \mathrm{Mn}$. in December, before dropping to $£ 30 \mathrm{Mn}$. in January as a result of the seasonal increase in revenue. Subscriptions to long- and medium-term loans showed a welcome increase during the last quarter of 1940 , but there has necessarily been a further large increase in the floating debt. Nearly half this increase has been in the form of loans from the banks to the Treasury, and clearing bank deposits show a further sharp rise. At the end of December total deposits were nearly $25 \%$ above the pre-war level, while current account deposits, in which almost the whole of the increase has taken place, have increased by over $40 \%$ since before the war. The recently published figures of bank clearings for 1940 suggest that this expansion in the quantity of money has been at least partially offset by a fall in the velocity of circulation, but a continuance of the expansion of bank deposits at this rate would inevitably give rise to some uneasiness. For the next few weeks, at any rate, the expansion in the floating debt and in bank deposits will be checked by the seasonal inflow of revenue.

There were further increases in some wholesale prices in the autumn, but little general
movement. Retail prices, where not affected by the purchase-tax, showed only a seasonal rise for those commodities included in the Cost of Living Index, but for others there were some spasmodic increases due to scarcity. Rationing has been extended and tightened up, with the result, no doubt, of checking unnecessary consumption. There have been few changes in wage-rates prior to the flat increase to engineers that took effect in this February ; including this, the increase in wage-rates has not kept pace with the official measurement of the increase in the Cost of Living, though in many industries earnings have more than made up the deficiency. If it may be presumed that the accepted policy is not to restrict consumption of commodities necessary for the preservation of the standard of living of the lower-paid workers (after allowance for change of diet necessitated by scarcity of some foods), some further increases of the wages of those labourers who have not facilities for overtime may be expected.

Exports were at a low level in October, November and December. The value of imports has been lower since May than in the earlier months of 1940. The value of retained imports in the period July to December, 1940, was $15 \%$ higher than in the same months of 1938, but wholesale prices rose about $50 \%$ in the same period. The visible adverse balance of trade averaged $£ 56 \mathrm{Mn}$. per mensem during the year 1940.

## FINANCE \& BANKING IN THE FOURTH QUARTER OF 1940.

By F. W. Paish.

GOVERNMENT FINANCE. - The rate of expenditure on Supply Services, which during the third quarter had remained fairly steady at the increased level of rather over $£ 65 \mathrm{Mn}$. per week, showed a renewed rise in the fourth quarter. During October the increase was relatively small, to just under $£ 70 \mathrm{Mn}$. a week, but in November Supply expenditure averaged over $£ 80$ Mn ., and in December hardly less. As a result of the incidence of interest payments, total expenditure rose steadily from $£ 68 \mathrm{Mn}$. per week in September to $£ 77 \mathrm{Mn}$. in October, $£ 85 \mathrm{Mn}$.
in November and over $£ 87 \mathrm{Mn}$. in December. The average weekly deficit, which had reached over $£ 52 \mathrm{Mn}$. in September, also rose steadily in the succeeding months, to $£ 55 \mathrm{Mn}$. in October, $£ 60 \mathrm{Mn}$. in November and $£ 66 \mathrm{Mn}$. in December.

Total expenditure for the fourth quarter was $£_{1}, 098 \mathrm{Mn}$., as compared with $£ 915 \mathrm{Mn}$. in the third, and despite a rise in the revenue to nearly $£ 300 \mathrm{Mn}$., the deficit increased from $£ 65 \mathrm{I} \mathrm{Mn}$. to $£ 798 \mathrm{Mn}$. The rise in expenditure and in the deficit since the outbreak of war is shown in the following table:-

Weekly Averages

|  | Revenue <br> Total. | Expenditure. <br> Supply <br> Services. | Total. | Deficit |
| :---: | :---: | :---: | :---: | :---: |
| 1939-Oct.-Dec. | $15 \cdot 9$ | $35 \cdot 6$ | $41 \cdot 8$ | $25 \cdot 9$ |
| 1940-Jan.-Mar. | $38 \cdot 8$ | $45 \cdot 1$ | $48 \cdot 0$ | $9 \cdot 2$ |
| April-June | $14 \cdot 5$ | $47 \cdot 1$ | $53 \cdot 4$ | $38 \cdot 9$ |
| July 1-27 | $24 \cdot 4$ | $66 \cdot 5$ | $70 \cdot 8$ | $46 \cdot 4$ |
| July 28-Aug.31 | $20 \cdot 7$ | $67 \cdot 6$ | $69 \cdot 8$ | $49 \cdot 1$ |
| Sept. 1-30 | 15.7 | $65 \cdot 5$ | $68 \cdot 3$ | $52 \cdot 6$ |
| Oct. 1-26 | $22 \cdot 4$ | $69 \cdot 6$ | $77 \cdot 2$ | $54 \cdot 9$ |
| Oct. 27-Nov. 30 | $24 \cdot 4$ | 80.8 | $84 \cdot 7$ | 60.3 |
| Dec. 1-31 | $21 \cdot 3$ | $78 \cdot 9$ | $87 \cdot 5$ | $66 \cdot 2$ |

The quarter's deficit of $£ 798 \mathrm{Mn}$., together with small expenditures on capital account, was financed as follows:-

GOVERNMENT BORROWING. FOURTH QUARTER, 1940.

|  | Oct. (26days) | $\begin{gathered} \text { Nov. } \\ \text { (35days) } \end{gathered}$ | Dec. (31 days) | Total for 4 th Qr. |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates | 11.0 | $18 \cdot 1$ | 14.5 | $43 \cdot 6$ |
| $3 \%$ Defence Bonds ... | $10 \cdot 4$ | $20 \cdot 3$ | 17.3 | 48.0 |
| $2 \frac{1}{2} \%$ Nat. War Bonds | $56 \cdot 3$ | 86.5 | $70 \cdot 5$ | $213 \cdot 3$ |
| Other Debt $\quad .$. | 3.7 | $0 \cdot 9$ | 3.1 | 7.7 |
| Total long \& medium term debt ... | 81.4 | 125.8 | $105 \cdot 4$ | 312.6 |
| Treasury Deposits ... | 75.5 | 70.0 | 68.5 | 214.0 |
| Treasury Bills, Tender | 4.0 | 5.0 \} | $68 \cdot 1$ | $230 \cdot 6$ |
| W \& M'Adv Govt Depts. | $60 \cdot 8$ | 92.7 \} | 68.1 | 230.6 |
| W. \& M. Adv. Govt. Depts. ,, Bank of England | -22.5 7.8 | 18.5 | -1.5 | $-5 \cdot 5$ |
| , Bank of Eng |  |  | 50 | 50 |
| Total | 207:0 | 304.2 | 291.0 | 802.2 |

The Floating Debt.-The Floating Debt figures for December are confused by the fact that, as December 3Ist fell in mid-week, the market was able to postpone its payments for new Treasury bills until January, while the bulk of the maturing bills were fixed to mature in December. The Treasury was thus obliged to borrow $£_{50} \mathrm{Mn}$. from the Bank of England and to provide the market (and the banks) with their year-end 'window-dressing' funds. The actual year-end bill figures probably showed a fall of over $£ .50 \mathrm{Mn}$. in 'tender' bills and a rise of some $£ 120 \mathrm{Mn}$. in 'tap' bills. As, however, the fall in tender bills and the rise in Ways and Means Advances from the Bank were purely artificial and temporary, a closer picture would be obtained by assuming no change during December in tender bills and a rise of some $£_{120 \mathrm{Mn} \text {. in ' tap' bills. When this adjustment }}$ is made, it is seen that the total of 'tap' bills plus Ways and Means Advances from Departments increased by $£ 38.3 \mathrm{Mn}$. in October, $£_{\mathrm{IIII}} 2 \mathrm{Mn}$. in November and about $£_{\mathrm{II} 7} \mathrm{Mn}$. in December, making about $£ 266 \mathrm{Mn}$. in all, as compared with $£ 284 \mathrm{Mn}$. in the previous quarter. It appears, therefore, that at present funds are being obtained from public departments and from other official and semi-official sources at the rate of over $£ \mathrm{r}, 000 \mathrm{Mn}$. per annum. A considerable part of this is no doubt derived from the sale of assets by the Exchange Equalisation Account and from the investment of
official sterling area funds accumulating in London. As the Exchange Account's assets become exhausted, receipts under these heads will probably show a decline, though this should be compensated by a corresponding fall in expenditure when American supplies are made available under the United States 'Lease and Lend' plan.

Bank of England.-The Christmas expansion in the note circulation, which this year was rather less than usual, was more than offset by a rise in the Bank's security holdings, and Government Deposits have remained moderate. Bankers' Deposits have therefore continued to stand generally at a comfortable level of well over $£ 100$ Mn ., while the effect of the year-end 'windowdressing' arrangements, mentioned above, was seen in their rise to the phenomenal figure of of $£_{1}$ I8I Mn. on January ist. Clearly no shortage in the cash reserves of the banks is to be allowed to restrict their ability to provide the Treasury with whatever funds it needs to supplement those raised in other ways.

Clearing Banks.-The rapid expansion in clearing bank deposits continued during the last quarter of 1940, though the monthly movements were, as usual, somewhat confused by changes in Balances with Other Banks and Items in Transit, which need to be deducted from Deposits if the combined balance sheet is to show a true picture:-

| 194 |  | $\begin{aligned} & \text { ring B } \\ & \text { s Dep } \\ & \text { £Mn. } \end{aligned}$ |  | Net Deposits. £Mn. |
| :---: | :---: | :---: | :---: | :---: |
| June | $\ldots$ | 2341 |  | 2222 |
| September | ... | 2466 | ....... | 2360 |
| October |  | 2527 | ... | 2415 |
| November |  | 2566 |  | 2472 |
| December | $\ldots$ | 2658 | ..... | 2527 |

The continued rapid rise in Deposits, of which little more than one third can be considered a normal seasonal movement, was due mainly to the banks' heavy loans to the Government on Treasury Deposit. For nine clearing banks, the total of these loans increased from
 December. This was partially offset by a fall in their Discounts from $£ 387.3 \mathrm{Mn}$. to about $£ 300 \mathrm{Mn}$. (the published December figure of $£_{2} 254.3 \mathrm{Mn}$. is, of course, fictitiously low in consequence of year-end window-dressing arrangements, which inflated Cash by about $£ 30 \mathrm{Mn}$. and Call Money by some $£ 20 \mathrm{Mn}$. at the expense of Discounts). This fall in Discounts is clearly due to a continued demand for short-dated securities by non-banking institutions, which are at present not invited to lend money to the Treasury on deposit. The decline in

Advances has been resumed after their temporary rise in September, and at $£ 856.9 \mathrm{Mn}$. in December they reached their lowest point since the beginning of 1937. The quarter's fall of $£_{3} 31.7 \mathrm{Mn}$. in Advances was, however, considerably more than offset by a further rise of $£_{62.7 \mathrm{Mn} \text {. in Investments to } £ 724.2 \mathrm{Mn} \text {. Cash }}$ reserves remained ample up to the end of the year, apart from a short-lived decline at the end of October caused by a temporary rise in Public Deposits with the Bank of England.

Bank Clearings.-The recently-published report of the Bankers' Clearing House provides some long-waited and most useful indications of the changes which have taken place in the velocity of circulation of the rising total of bank deposits. The combined total of Town, Metropolitan and Country Clearings (which can no longer be separated) showed an increase of $9.2 \%$ over the total for 1939, but the increase is stated to be "due to the fact that a large number of articles now being sent through the Clearing House formerly passed through other channels." Thus, but for these special causes, the total of London Clearings would have shown no increase, in spite of the much higher total of current account deposits.

The total Provincial Clearings for the year show a rise of $10.8 \%$ over 1939, and in this case there is no indication of special causes for the increase. The falling quarterly figures of the London Clearings, and in a smaller degree those of the Provincial Clearings, afford a striking contrast to the rapidly rising totals of current account deposits :-

|  | London Clearings |  | Provincial Clearings |  | Av. Current Account Deposits of Clearing Bank |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1940 | £Mn. | \% of | £Mn. | \% of | £Mn. | \% of |
| 1st Quarter | 11,261 | 119.5 | 368 | 111.5 | 1358 | 111 |
| 2nd Quarter | 10,559 | 122.0 | 351 | 115.2 | 1392 | 116 |
| 3rd Quarter | 9,211 | $102 \cdot 4$ | 344 | 111.6 | 1507 | 120 |
| 4th Quarter | 8,989 | 93.8 | 345 | $105 \cdot 4$ | (1670) | (125) |

The provincial Clearings show remarkable variations between the figures for the different centres, which range from increases of $87 \%$ in Bradford and $35 \%$ in Bristol to decreases of $30 \%$ in Sheffield, $15 \%$ in Newcastle and $10 \%$ in Nottingham. In all, five centres show increases over 1939 and six show decreases.

Security Prices.-The recovery in prices of industrial securities from the low level reached in June has continued during the past quarter, apart from a slight reaction in December. By the middle of January our index had risen to its highest point since April, and had recovered the greater part of the fall which occurred between

March and June. Our index of prices of fixed interest securities has also continued its steady rise, and in mid-January stood at its highest point of the war-higher indeed than any figure recorded since Munich. Short - term rates of interest remain extremely low, and show only the barest margin above the banks' call rate of $\mathrm{I} \%$.

## RECENT MOVEMENTS.

During the first twenty-five days of January, government expenditure showed a further increase. Supply expenditure was at the rate of $£ 84.4 \mathrm{Mn}$. per week, as against $£ 78.9 \mathrm{Mn}$. in December, and total expenditure $£ 88.5 \mathrm{Mn}$., as against $£ 87.5 \mathrm{Mn}$. The seasonal rise in tax revenue, however, more than halved the weekly deficit, which averaged $£ 30^{\circ} \mathrm{I} \mathrm{Mn}$., as compared with $£ 66^{\circ} \mathrm{IMn}$. in December. Of the total deficit of $\AA_{107} 5 \mathrm{Mn}$. for the twenty-five days, over $\AA 87 \mathrm{Mn}$. was raised by sales of long- and medium-term securities, and $£ 28 \mathrm{Mn}$. by borrowing from the Banks on Treasury Deposit. The rise in Treasury Deposits was greater than the total rise in the Floating Debt, the other items of which fell by over $£ 6 \mathrm{Mn}$. If we eliminate the purely temporary year-end movements in Ways and Means Advances from the Bank and in tender Treasury bills, we find that this fall was due to a decline of about $£ 16 \mathrm{Mn}$. in 'tap' bills and a rise of $£$ Io Mn. in Ways and Means Advances from Departments, or, in other words, a fall of $£ 6 \mathrm{Mn}$. in the net total of finance from official sources. As there is no doubt that funds continued to accumulate in official hands, the rise in Public Deposits at the Bank of England, in spite of official purchases of bills in the market, is fully explained.

Ordinary revenue for the period April ist to January 25 th totalled $£ 960.9 \mathrm{Mn}$., or $30 \%$ more than during the corresponding period of last year. To complete the estimate of $£ \mathrm{I}, 360.2 \mathrm{Mn}$. a further $£ 399.3 \mathrm{Mn}$. would need to be received before the end of March, or $27 \%$ more than last year. It therefore seems likely that the estimated revenue will be fully reached, and may be exceeded, though of course any excess would be a small fraction of the $£ 400 \mathrm{Mn}$. or more, by which expenditure for the year may be expected to exceed the revised estimate of $£ 3,467 \mathrm{Mn}$.

The Bank of England statement for January 22nd showed that the seasonal Christmas rise in the note circulation had almost disappeared, along with the offsetting increase in the Bank's holdings of government securities. The most interesting feature of the statement was a jump of over $£ 20 \mathrm{Mn}$. in Public Deposits to $£ 35.3 \mathrm{Mn}$.,
probably for the reasons indicated above. As a result, Bankers' Deposits fell to the relatively low level of $£ 95.1 \mathrm{Mn}$. The experience of last July is thus repeated, and it would seem that
even the new technique of Treasury borrowing from the banks on deposit does not altogether prevent the occasional occurrence of adventitious fluctuations in the banks' cash reserves.

# PRICES AND WAGES, TRADE AND EMPLOYMENT. 

By A. L. Bowley.

PRICES.-The Board of Trade Index of Wholesale Prices rose 5\% from September to December, 1940, and the whole increase since August, 1939, is $51 \%$. The index for food rose $2 \frac{1}{2} \%$ from September to October, 1940 and was then stationary to December; over the whole period since August, 1939, the increase is $58 \%$. Of materials the principal recent increase has been in coal and iron and steel from October to November; from September to December the rise was $6 \%$, and since August, 1939, $47 \%$.

It is interesting to compare the general movements of the index-numbers of prices in the first fifteen months of this and of the previous war:-

|  |  | Board of Trade 中 Wholesale | Cost of * Living |  | "Economist" Wholesale | Cost of * Living. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Aug., | 1939 | 100 | 100 | July, 1914 | 100 | 100 |
| Feb., | 1940 | 131 | 113 | Jan., 1915 | 128 | 110 to 115 |
| May, | ," | 136 | 116 | Apl., | 126 | 115 to 120 |
| Aug., | ," | 143 | 119 | July, ,", | 129 | 125 |
| Nov., | ", | 150 | 124 | Oct., , , | 140 | 130 |
| Dec., | ," | 151 | 126 | Nov., ," | 148 | 135 |

While wholesale prices show nearly the same increase in the two periods as wholes, though their movements were different in the interim, retail prices in 1939-40 started on a similar course to those in 1914-15, but the movement is damped down during the last six months.

When seasonable changes are allowed for the increase in the Cost of Living in the autumn of 1940 appears less than in the Table above.


Our usual table of wholesale price indexnumbers for other countries based upon a comparable list of items, and calculated by the same method in each case, will be found on p. I3. Data for these calculations are becoming increasingly scarce and their continuity uncertain.

The League of Nations continues to publish summaries of the official and other recognised
index-numbers for foreign countries in its monthly Bulletin, from which the following tables have been compiled. The comparability of these series is, of course, affected by differences in content and method of calculation, and recent figures must be treated with more than the usual caution.

## HOUSEHOLD BUDGETS IN 1937-8.

The results of the collection of some 9,000 budgets in 1937-8 are published in the December Ministry of Labour Gazette. They form an adequate sample of workers (other than agricultural) that come within the Unemployment Insurance regulations. As they include a proportion of non-manual workers they are not strictly comparable with the budgets (of 1904) on which the existing Cost of Living Index is based, but the collection was primarily intended for the establishment of a new index.

In the adjoining Table, Column I shows the weights applied in the Cost of Living Index to the percentage changes since 1914. Column 4 shows these changes as price-relatives, not percentage increases. As prices have not risen equally the distribution of expenditure was modified (the quantities purchased being constant) in 24 years, and the resulting proportionate expenditures are shown in Column 2. Column 3 gives the proportionate expenditure in the new budgets. It is noticeable that the relative importance of bread, and to a less extent of butchers' meat, ${ }^{\star}$ has diminished, while that of milk and eggs has increased. When all commodities are included, it is seen that other items (household goods and services) bulk much more in the later weights. If these are excluded from both accounts it is found that the relative importance of food, rent, clothing and fuel is nearly unchanged.

Column 5 shows the changes from 1937-8 to November 30, 1940. The totals are weighted

[^25]
## INDEX NUMBERS OF PRICES IN I3 COUNTRIES.

As quoted in the Monthly Bulletin of the League of Nations.

I. WHOLESALE, \% OF 1929

| 1938 Average |  | 89 | 92 | 82 | 105 | 90 | 109 | 77 | 123 | 114 | 99 | 111 | 76 | 82 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1939-July | - | 86 | 89 | 76 | 108 | 86 | 107 | 78 | 118 | 123 | 95 | 110 | 75 | 79 |
| 1359 Aug. | $\ldots$ | 86 | 89 | 76 | 110 | - | 107 | 78 | 119 | 124 | 95 | 111 | 76 | 79 |
| Sept. | $\ldots$ | 92 | 92 | 82 | 109 | - | 118 | 78 | 123 | 131 | 100 | 118 | 83 | 83 |
| Oct. |  | 97 | 94 | 83 | 110 | 90 | 123 | 78 | 124 | 133 | 106 | 124 | 85 | 83 |
| Nov. |  | 104 | 93 | 84 | 112 | 91 | 125 | 78 | 128 | 136 | 109 | 128 | 87 | 83 |
| Dec. | ... | 107 | 93 | 85 | 113 | 93 | 126 | 78 | 133 | 143 | 112 | 132 | 89 | 83 |
| 1940-Jan. |  | 110 | 91 | 86 | 113 | 94 | 129 | 79 | 135 | 146 | 114 | 136 | 90 |  |
| 19 Feb. |  | 112 | 91 | 87 | 115 | 95 | 128 | 79 | 136 | 144 | 115 | 138 | 92 | 82 |
| Mar. |  | 113 | 93 | 87 | 117 | 96 | 129 | 80 | 138 | 142 | 116 | 140 | 94 | 82 |
| Apr. |  | 116 | 94 | 87 | 118 | 96 | 128 | 80 | 141 | 143 | 117 | 141 | 95 | 82 |
| May . | ... | 117 | 96 | 86 |  | 97 | 129 | 80 | 143 | 142 | 125 | 142 | 96 | 82 |
| June . | $\ldots$ | 118 | 96 | 85 |  | 97 | 128 | 80 | 143 | 140 | 128 | 143 | 98 | 81 |
| July . |  | 122 | 97 | 86 |  | 97 | 129 | 81 | 144 | 139 | 127 | 146 | 100 | 82 |
| Aug. . |  | 123 |  | 87 |  | 98 | 127 | 81 | 147 | 139 | 127 | 146 | 103 | 81 |
| Sept. . |  | 123 |  | 87 |  | 99 | 127 | 81 | 148 | 140 |  | 148 | 108 | 82 |
| Oct. . |  | 125 |  |  |  |  | 126 | 81 |  |  |  | 154 | 110 |  |
| Nov. ... |  | 129 |  |  |  |  |  | 81 |  |  |  |  | 114 |  |
| Dec. . | $\ldots$ | 130 |  |  |  |  |  |  |  |  |  |  |  |  |


|  |  |  |  |  |  |  |  |  | (b) | (c) | (d) | (f) |  | (e) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1938 Average | ... | 95 | 87 | 84 | 95 | 94 | 92 | 82 | 130 | 110 | 86 | 106 | 85 | 86 |
| 1939-July ... | $\cdots$ | 95 |  | 83 | 98 | 94 | 94 | 83 | 128 | 122 | 81 | 107 | 85 | 85 |
| 1930 Aug. ... | ... | 95 | \} 89 | 83 | 99 | 93 | 93 | 83 | 128 | 123 | 81 | 107 | 85 | 84 |
| Sept. ... | ... | 101 | \} | 85 | 99 | 93 | 93 | 82 | 129 | 128 | 81 | 108 | 86 | 86 |
| Oct. ... | ... | 103 | ) | 85 | 99 | 93 | 94 | 82 | 131 | 129 | 82 | 110 | 87 | 86 |
| Nov. ... | ... | 105 | ¢ 90 | 86 | 102 | 94 | 94 | 82 | 132 | 130 | 82 | 112 | 88 | 86 |
| Dec. ... | ... | 106 |  | 85 | 101 | 94 | 98 | 82 | 133 | 132 | 83 | 113 | 88 | 85 |
| 1940-Jan. |  | 108 | ) | 85 | 100 | 95 | 98 | 82 | 134 | 136 | 83 | 115 | 90 | 85 |
| Feb. ... | $\ldots$ | 109 | \} 90 | 86 | 101 | 96 | 95 | 83 | 134 | 138 | 83 | 117 | 90 | 86 |
| Mar. | ... | 109 | \} | 86 | 101 | 96 | 96 | 84 | 135 | 140 | 82 | 118 | 90 | 85 |
| Apr. ... | ... | 110 | ) | 86 | 101 | 97 | 97 | 84 | 138 | 143 | 83 | 120 | 91 | 86 |
| May ... | ... | 110 | \} 93 | 86 |  | 97 | 97 | 85 | 140 | 145 | 84 | 121 | 92 | 86 |
| June ... | ... | 114 | , | 87 |  | 97 | 97 | 85 | 144 | 145 | 84 | 123 | 93 | 86 |
| July ... | ... | 113 |  | 87 |  | 97 | 97 | 86 | 144 | 147 | 84 | 124 | 94 | 86 |
| Aug. ... | $\ldots$ | 114 |  | 87 |  | 97 | 95 | 86 | 145 | 146 | 85 | 125 | 94 | 86 |
| Sept. ... | ... | 115 |  |  |  | 98 | 95 | 85 | 147 | 146 | 87 | 126 | 95 | 86 |
| Oct. ... | ... | 117 |  |  |  |  |  | 84 |  | 144 |  | 128 | 97 | 85 |
| Nov. ... | $\ldots$ | 119 |  |  |  |  |  | 84 |  |  |  | 130 | 99 |  |
| Dec. ... | ... |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | II | RET | , F | ON | \% | 1929 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | (b) |  |  | (f) |  | (e) |
| 1938 Average | ... | 92 | 85 | 77 | 98 | 93 | 91 | 78 | 138 | 103 |  | 114 | 83 | 98 |
| 1939-July ... | ... | 89 | 88 | 74 | 103 | 92 | - | 80 | 134 | 114 |  | 118 | 85 |  |
| Aug. .. | ... | 90 | 88 | 74 | 104 | 91 | - | 80 | 135 | 116 |  | 118 | 84 | 94 |
| Sept. ... | ... | 97 | 88 | 79 | 105 | 91 | 92 | 78 | 136 | 124 |  | 119 | 85 | 98 |
| Oct. ... | ... | 100 | 90 | 80 | 105 | 92 | 93 | 78 | 139 | 126 |  | 120 | 87 | 98 |
| Nov. . | ... | 102 | 89 | 79 | 111 | 92 | 94 | 78 | 139 | 126 |  | 122 | 88 | 97 |
| Dec .. | ... | 102 | 88 | 78 | 109 | 93 | 98 | 79 | 140 | 130 |  | 125 | 89 | 95 |
| 1940-Jan. . | $\ldots$ | 105 | 87 | 78 | 106 | 93 | 96 | 79 | 141 | 137 |  | 127 | 89 | 95 |
| Feb. .. | ... | 105 | 88 | 78 | 105 | 94 | 93 | 79 | 141 | 137 |  | 128 | 89 | 97 |
| Mar. ... | ... | 103 | 89 | 78 | 105 | 95 | 93 | 81 | 141 | 137 |  | 130 | 89 | 96 |
| Apr. ... | ... | 103 | 91 | 78 | 106 | 96 | 95 | 82 | 145 | 138 |  | 131 | 91 | 96 |
| May ... | ... | 103 | 90 | $\overline{78}$ |  | 97 | 95 | 83 | 150 | 139 |  | 133 | 92 | 97 |
| June ... | ... | 109 | 90 | 78 |  | 96 | 95 | 83 | 157 | 138 |  | 136 | 93 | 96 |
| July ... | ... | 107 | 90 | 78 |  | 96 | 95 | 84 | 158 | 143 |  | 138 | 93 | 97 |
| Aug. ... | ... | 108 |  | 78 |  | 95 | 93 | 85 | 160 | 141 |  | 139 | 93 | 98 |
| Sept. ... | $\cdots$ | 110 |  |  |  | 96 | 92 | 83 | 162 | 139 |  | 141 | 96 |  |
| Oct. . . |  | 112 |  |  |  |  |  | 81 |  | 137 |  | 144 | 98 |  |
| Nov. ... Dec. | $\cdots$ | 112 |  |  |  |  |  | 81 |  |  |  | 147 | 100 |  |

II. RETAIL, COST OF LIVING, \% OF 1929
(a) \% of 1935. (b) \% of 1931. (c) Excl. rent. (d) Excl. rent and clothes. (e) \% of 1935-9. (f) \% of Sept., 1931.
by Column 2, while the results of weighting by Column 3 are asterisked.

The Period 1914 to 1937-8.-It is of considerable interest to find out how the index would have been affected over those 24 years, if the new material had been available. This can only be done by computing, so far as the information allows, what would have been the cost at an earlier date of the goods and services purchased in 1937-8. Only an approximate result can be given, since in some cases there are no available earlier records of prices, and, indeed, some of the goods and other objects of expenditure are insufficiently defined.

As regards food alone, two-thirds of the new expenditure is on kinds that are included in the existing index. There is some indication that the additional foods increased in price rather less on the whole than those included, since they are predominantly in categories (such as meat) where the price has risen less than the average. But the difference is slight, and it is simpler and sufficient to assume that the change of price in the unknown is on the average the same as in the known. Working on the data in the adjoining Table we find that the new weights give an increase of $44 \%$ from 1914 to 1937-8, as compared with $42 \%$ in the existing index. When, however, we combine rent, clothing and fuel with food, the increases are $58 \%$ by the new index and $57 \%$ by the old, a difference completely negligible.

The miscellaneous items are intractable. Less than half are included in the existing index: the remainder refer to insurances, subscriptions, entertainments and services whose price changes cannot be easily estimated. Now the former miscellaneous group shows an increase of $75 \%$ in price as compared with the $57 \%$ for the others combined. If we assume that the cost of insurances and services, etc., have also increased $75 \%$, the new weights would result in an increase of the whole Index of $62 \%$, while the existing index gives $57 \frac{1}{2} \%$; but the assumption of so great an increase in the cost of unchanged services, etc., is hardly justified.

The general result is that the new system of weights would not have affected the index by more than 8 d . in a $£$ 's expenditure, and the difference is less than the error inherent in the calculation. This is not surprising to those who have studied the general changes in consumption and prices. The expectation in some circles that the Index underestimated the change was due to a confusion between the risen standard of living and the increased cost on the same standard.

The Period 1937-8 to December, 1940.-With the same assumptions as before that the prices of the unknown had changed on the average in the same proportion as the known, it is found that in these $2 \frac{1}{2}$ years the price of food increased $26 \%$ by the new weights, as compared with $21 \%$ by the old. This is due to the greater importance given in the new budgets to some foods whose prices have increased more than the average (e.g., eggs) and less importance to bread and other foods whose prices have increased less. When all commodities are included, an index revised by the new weights, on the assumption made, would show an increase of $26 \%$, while the existing index gives $23 \%$ in that period. The difference is 6 d . in the $£$.

Since it is not possible now to purchase the commodities included in the 1937-8 budgets, an index number based on them would not in present circumstances afford a realistic measurement of the increase in the Cost of Living, which can no longer be disentangled from considerations of the Standard of Living.

| Columns. | 1 2 <br> Ministry of Labour Old Budgets. |  | 3 | 4 | 5 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | New Budgets. | Price | Relatives. <br> Nov. 30 , |
|  | 1914. | 1937-8. | 1937-8. | 1937-8. | 1940. |
|  | Weights | Adjusted. | Weights. | $1914=100$ | . $1937-8=100$ |
| Beef \& Mutton | 216 | 193 | 178 | 128 | 115 |
| Bacon ... | 57 | 55 | 82 | 138 | 121 |
| Fish | 27 | 39 | 60 | 205 | 173 |
| Bread \& Flour | 210 | 233 | 152 | 158 | 89 |
| Tea | 66 | 69 | 71 | 148 | 110 |
| Sugar | 57 | 50 | 45 | 124 | 193 |
| Milk | 75 | 103 | 132 | 195 | 116 |
| Butter... | 122 | 99 | 106 | 115 | 113 |
| Cheese | 30 | 27 | 29 | 126 | 119 |
| Margarine | 30 | 20 | 17 | 93 | 111 |
| Eggs ... | 56 | 61 | 81 | 154 | 204 |
| Potatoes | 54 | 51 | 47 | 136 | 127 |
| Total Food | 1000 | 1000 | 1000 | 142 | 121 |
| All Commodities :- or $144^{*}$ or $126^{*}$ |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | 60 | 54 | 392 | 142 | 121 |
| Rent ... | 16 |  |  | or 144* | or 126* |
| Clothing | 12 | 16 | 12 | $159{ }^{\frac{1}{2}}$ | 103 |
| Fuel, etc.Sundries | 8 | 9 | 11 | 210 | 152 |
|  | 4 | 4 | $7 \frac{1}{2}$ | 181 | 121 |
|  |  | 42 | 292 | 175 | 126 |
|  | 100 | 100 | 100 | 157.5 | 123 |
|  |  |  |  |  | or $126^{*}$ |

* These numbers are based on the weights in Column 3. The others are based on Columns 1 or 2 .

WAGES.-There have been some increases in wage-rates since September, especially in the cotton industry and mining, but most rates have remained unchanged.

The award of an increase of 3s. 6d. weekly on the (last) war bonus all round in engineering and shipbuilding, to take effect in the first week in February, will bring the wage-rate index up from $12 I_{4}^{\frac{1}{4}}$ in January to 124 . This increase is closely related (though this is not
stated in the award) to the change in the Cost of Living since the spring of 1939.

|  | Wage-Rate Index. |  |  | Cost of Living. |
| :---: | :---: | :---: | :---: | :---: |
| Fitters. | Labourers. | Shipbuilding. | Index. |  |
| May, 1939 | 100 | 100 | 100 | 100 |
| Mar., 1940 | 111 | 114 | 115 | 115 |
| Feb., 1941 | 116 | 121 | 120 | 123 (Jan. 1) |

The Cost of Living Index is here adjusted for seasonal variation. The wage-rate of fitters had lagged behind the index, and this lee-way is not made up by the award. In fact (as is shown by the Table in the next column) engineers' earnings have, owing to overtime and other causes, increased much more rapidly than rates.

It should be remembered that our index assumes no change that is not proportional to the agreed wage-rates and no change in the relative numbers in various occupations. It does not attempt to measure changes in earnings, which have in many industries increased more rapidly than have rates.

Earnings in 1938 and 1940. The Ministry of Labour Gazette published in November and December reports on average earnings in principal industries. In order to obtain an estimate of the general movement, the average earnings for all persons in each industry distinguished have been weighted by the number of insured persons in July, 1938. The averages are assembled in industrial groups and for the aggregate on this basis in the accompanying Table, and the percentage increases shown. Actually there is great variation among the rates of increase in the industries, nearly 100 of which are shown separately, from over $50 \%$ (vehicles) to a reduction of $9 \%$ (fur dressing). As railways, coal-mining and agriculture are not included, no precise statement is possible for the total of all industries, but their inclusion would only modify the average change slightly. In the same period, October, 1938, to July, 1940, our index-number of wage-rates (excluding coal, railways and agriculture) shows an increase of only $11 \%$, or $14 \%$ if these three industries are included. On this basis earnings in general appear to have increased at least twice as fast as rates. We cannot use these figures safely for estimating the change in the National Wage Bill, for the implied assumption that the relative numbers in the 100 different industries have not changed in such a way as to modify the result is hardly valid, since there has probably been some transfer to the better-paid occupations and some substitution of female and juvenile labour. Nor indeed do we know the aggregate numbers engaged in industry in 1940.


Metal Production
Engineering
Vehicles
Ships
Metal Industries
Textiles
Clothing
Food, Tobacco, \&c. Wood
Paper, Printing
Building, Contracting Brick, Pottery, Glass Chemicals
Transport*
Public Utilities $\uparrow$
Other manufactures
All

| Shillings |  |  |
| :--- | ---: | ---: |
| $69 \cdot 1$ | $90 \cdot 5$ | 31 |
| $59 \cdot 3$ | $83 \cdot 2$ | 40 |
| $69 \cdot 8$ | $103 \cdot 1$ | 48 |
| $59 \cdot 9$ | $90 \cdot 7$ | 51 |
| $49 \cdot 1$ | $66 \cdot 7$ | 36 |
| $37 \cdot 6$ | $48 \cdot 7$ | 30 |
| $34 \cdot 6$ | $39 \cdot 2$ | 13 |
| $46 \cdot 7$ | $53 \cdot 7$ | 15 |
| $52 \cdot 5$ | $60 \cdot 4$ | 15 |
| $58 \cdot 1$ | $60 \cdot 5$ | 4 |
| $61 \cdot 2$ | $80 \cdot 7$ | 32 |
| $47 \cdot 8$ | $58 \cdot 0$ | 22 |
| $55 \cdot 0$ | $68 \cdot 9$ | 25 |
| $67 \cdot 5$ | $80 \cdot 8$ | 20 |
| $58 \cdot 3$ | $69 \cdot 3$ | 19 |
| $49 \cdot 4$ | $62 \cdot 2$ | 26 |
| $53 \cdot 3$ | $-68 \cdot 0$ | $27 \frac{1}{2}$ |

* Excluding railways
- The figures in this line are uncertain


## UNEMPLOYMENT.- In the October

 Bulletin we reported that Unemployment statistics were no longer issued in the familiar form and that no detail was given for separate industries. The figures now available are not confined to the insured population but relate to all registered at the Employment Exchanges. Their course since August, 1939, is shown in the Table below :-EMPLOYMENT EXCHANGES REGISTERS. 000's. GREAT BRITAIN.


* Figures in line (a) and previously include men at Government Training Centres, who are excluded from line (b) and subsequently. See Ministry of Labour Gazette, August, 1940.

There was no significant change between August and November, but the decline in unemployment was resumed with a substantial fall in December and a slight contra-seasonal fall in January.

A Table is given in the Gazette of the duration of unemployment, from which the following is an extract:-


EXTERNAL TRADE.- Summary figures for the last quarter of 1940 are as follows :IMPORTS, £Mn.


Thus the total value of imports is almost up to the level of 1938, above it if re-exports are sub-
tracted, food being reduced and manufactured goods increased; but if the increase in price is taken into account it is seen that the quantity imported must have diminished.

There has been a great falling off in exports as our customers have become hostile or under hostile influence. The course month by month over longer periods is best seen in the detailed Table, p. 17.

It is to be remembered that part of the excess of imports is attributable to increased freight and insurance, largely accruing to this country.

According to revised official figures, the losses of mercantile tonnage, other than merchant vessels commissioned for Naval Service, by enemy action since the outbreak of war are as follows (4-weekly totals) :-

| 4 Weeks Ending. 1939-Oct. | 1 | No. <br> 35 | British. (000 Tons). 155.2 | No. | Total. (000 Tons) |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 29 | 21 | 95.5 | 37 | 170.2 |
| Nov. | 26 | 26 | 60.4 | 46 | 162.0 |
| Dec. | 24 | 31 | 103.1 | 70 | 206.8 |
| 1940-Jan. | 21 | 22 | 76.3 | 45 | 139.4 |
| Feb. | 18 | 22 | 107.6 | 66 | 233.8 |
| Mar. | 17 | 16 | 49.0 | 30 | 95.5 |
| Apl. | 14 | 9 | 38.1 | 37 | 115.3 |
| May | 12 | 20 | 71.7 | 35 | 142.2 |
| June | 9 | 51 | 139.4 | 88 | 297.2 |
| July | 7 | 51 | 257.6 | 109 | 515.8 |
| Aug. | 4 | 57 | 229.6 | 87 | 313.3 |
| Sept. | 1 | 51 | 244.8 | 72 | 316.6 |
|  | 29 | 59 | 304.9 | 87 | 404.0 |
| Oct. | 27 | 59 | 252.8 | 89 | 369.5 |
| Nov. | 24 | 60 | 274.8 | 77 | 337.1 |
| Dec. | 22 | 57 | 243.0 | 74 | 317.4 |
| 1941-Jan. | 19 | 21 | 97.9 | 31 | 140.7 |

The sharp fall in sinkings during the latest four-week period, coming after the gradual decline from the September peak, is encouraging, but account should be taken of the less favourable weather conditions ruling recently, especially for air attack.

## CREDIT EXPANSION.

By F. W. Paish.

SINCE the great German inflation of 1923, there can be few people who are not aware of the dangers of unlimited expansion of credit, whether in the crude form of note printing, or by the more sophisticated method of borrowing from the banks, while supplying them with sufficient additional cash reserves to enable them to carry the increased total of deposits. If the public spends freely the new money put into its possession, it will compete with the Government for the limited resources available; and though the Government, by means of its power of creating ever larger amounts of new money, can always make sure of getting what it wants, it can only do this at the cost of an ever-steepening rise in the level of prices, which constitutes an extremely heavy, arbitrary and unjust system of taxation upon all capital and incomes fixed in terms of money. The undesirable effects of such a method of finance, whether measured in individual suffering or in social and political disturbance, need no emphasis.

While, however, unlimited credit expansion must have the most lamentable of results, it is possible, in certain circumstances, to make a case for a limited expansion as an aid to the rapid mobilisation of the national war effort. If, for instance, there are large unemployed resources in all fields of production, it is possible that an increase in the Government's demand, without a corresponding decrease in that of the public, may lead to an almost equivalent increase in output accompanied by only a slight rise in prices. Again, if the circumstances of the war cause the public to wish to hold increased quantities of cash so that, in the absence of an increase in the quantity of money, part of the existing supply would be hoarded, it will be possible, and probably desirable, for the Government to increase the quantity of money. In this way the use of resources forgone by the public in order to increase its cash reserves is transferred to the Government, and a possible check to production is avoided. Thirdly, the Government may be able to persuade the public not to spend the additional money placed at its disposal, but to lend it back to the Government. In this case subscriptions to Government loans should rapidly increase, and the need for further credit expansion should disappear. And, finally, the Government may be able, by extensive rationing or other means, to prevent the public
from spending a large part of its income. Whether the public hoards what it is thus compelled to save or invests it in Government securities is of minor importance. If the former, the Government can create additional money without injurious effects; if the latter, the increased subscriptions to Government loans should decrease or remove the need for further credit expansion. It is, however, on the whole preferable that the public should invest rather than hoard its unspent income, for the existence of a great mass of idle money might be a cause of embarrassment should conditions change and the public begin to spend it; and in any case it might complicate the process of postwar adjustment.

There can be little doubt that all the foregoing causes have been at work in this country during the past year to mitigate the effects of the substantial increases which have taken place in the total of Bank Deposits and of notes in circulation. There has been a great fall in the un-employed and under-employed resources of the country ; the demand for Government loans, and especially for loans designed for small investors, has been very substantial, and subscriptions during the past year have been equivalent to at least twice the pre-war rate of annual saving; and the falling bank clearing figures for 1940, which show a remarkable contrast to the rising level of deposits, are some indication of how the public's demand to hold cash increased during the second half of the year. But even if we can accept with comparative equanimity, at least while present conditions last, the expansion of credit which has already occurred, it is impossible to regard with complacency the prospect of its continued expansion at the present rate ; for if this is continued indefinitely, it must lead either to an undesirable rise in prices, or to so great an extension of the restrictions placed on the use of money that money would lose the greater part of its function, and might cease to provide an adequate incentive for economic activity. If the financing of a proportion of its expenditure in this way has hitherto been a deliberate act of policy on the part of the Government, it is a policy which, however justified at the time, has now served its turn and should be discontinued; whereas if, on the other hand, the Government has been driven to use this method of finance because it could not otherwise meet its rising expenditure, the
urgency of its replacement by other methods is still greater.

This should not prove an insuperable task. During the past year $38 \%$ of the total expenditure of $£ 3,333 \mathrm{Mn}$. has been met out of taxation; 30\% from long-and medium-term loans, $20 \%$ from issues of Floating Debt to official holders, and only about $12 \frac{1}{2} \%$ by an expansion of the Floating Debt issued to the market and other non-official holders. Not all, even of this relatively small proportion, was taken by the banks. The total increase in Bank Deposits (almost entirely in current account Deposits) in both clearing and non-clearing
banks cannot have been much more than $£ 360$ Mn ., or barely $\mathbf{I I} \%$ of the Government's expenditure. Even in the last quarter of the year, when expenditure had risen to a rate of $£ 4,400 \mathrm{Mn}$. per annum, only about $18 \%$ of it was obtained by an expansion of bank deposits, and of this about a third can probably be regarded as due to seasonal causes. A rise of $20 \%$ in the amount obtained from taxation plus long-term loans would have sufficed to render unnecessary all but a normal seasonal expansion of credit. Such an increase in tax receipts and loans should not prove outside the bounds of practicability.

GOVERNMENT EXPENDITURE AND RECEIPTS.

(I) After deducting Balances with other Banks and Items in transit, and adding $10 \%$ to cover non-clearing banks.

## WHOLESALE PRICES.

## COMPARATIVE INDEX NUMBERS FOR 9 COUNTRIES.

See Supplements for March, fune, September and December in 1938-39; before 1938 see Bulletins for these months.
The table below gives comparable index-numbers of wholesale prices, based upon a list of commodities as nearly identical as possible for all the countries, and the same method of calculation and weighting is applied in each case. The index-numbers were described in detail in Special Memorandum No. 24. Provisional figures have been calculated for recent months based upon such data as could be obtained from reliable sources. Besides the exclusions indicated in the footnotes interpolation has occasionally been necessary for certain items.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { Base } \\ & 1913 \\ & =100 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1939 | 1940 |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | $\begin{aligned} & \text { Year } \\ & 1925 \end{aligned}$ |
| FOOD- |  |  |  |  |  |  |  | 72 | 77 | 81 | 81 | 81 | 81 | 159 |
| United K'gdonif U.S.A. | 73 70 | 78 71 | 77 69 | 75 71 | 73 | 70 | 65 | 65 | 64 | 66 | 81 | 70 |  | 151 |
| Sweden ........ | 88 | 88 |  |  |  |  |  |  |  |  |  |  |  | 160 |
| Holland * ...... | 67 | 69 | 70 | 71 |  |  |  |  |  |  |  |  |  | 147 |
| Germany ...... |  |  |  |  |  |  |  |  |  |  |  |  |  | 649 |
| Belgium......... | 128 155 | 134 | 136 | 143 |  |  |  |  |  |  |  |  |  | 504 |
| France Italy .......... | 155 | 168 |  |  |  |  |  |  |  |  |  |  |  | 663 |
| Canada ......... | 75 | 76 | 75 | 74 | 75 | 72 | 70 | 70 | 70 | 71 | 72 | 72 |  | 158 |
| New Zealand.. | 95 | 99 | 101 | 101 | 103 | 102 | 103 | 102 | 100 |  | 101 | 101 |  | 158 |
| S. Africa ...... | 91 | 91 | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 91 | 91 |  | 122 |
| MATERIALS- UnitedK'gdom** | 98 | 99 | 99 | 99 | 100 | 101 | 100 | 102 | 102 | 100 | 100 | 102 | 105 | 157 |
| U.S.A. ........ | 74 | 75 | 73 | 73 | 72 | 71 | 71 | 70 | 69 | 70 |  | 73 |  | 175 |
| Sweden ......... | 127 | 129 |  |  |  |  |  |  |  |  |  |  |  | 141 |
| Holland ......... | 74 | 76 | 77 | 78 |  |  |  |  |  |  |  |  |  | 148 |
| Germany ...... | 144 | 151 |  | 160 |  |  |  |  |  |  |  |  |  | 584 |
| Belgium....... France S....... | 183 | 184 | 185 | 160 |  |  |  |  |  |  |  |  |  | 542 |
| Italy ............ | 18 | 18 | 18 |  |  |  |  |  |  |  |  |  |  | 713 170 |
| Canada ........ | 77 | 77 | 77 | 77 | 76 | 75 | 75 | 74 103 | 74 106 | 75 | 76 105 | 76 106 |  | 170 165 |
| New Zealand.. | 94 | 97 | 99 | 100 | 101 | 102 | 101 | 103 | 106 98 |  | 105 99 | 106 |  | 165 |
| S. Africa ..... | 90 | 93 | 95 | 96 | 98 | 99 | 99 | 99 | 98 | 99 | 99 | 100 |  | 161 |
| 'O'TAL- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United Kingdom U.S.A. | 88 72 | 91 73 | 90 71 | 89 72 | 90 72 | 89 71 | $\begin{aligned} & 88 \\ & 69 \end{aligned}$ | $\begin{aligned} & 90 \\ & 68 \end{aligned}$ | $\begin{aligned} & 92 \\ & 67 \end{aligned}$ | $\begin{aligned} & 92 \\ & 68 \end{aligned}$ | 92 | $\begin{aligned} & 94 \\ & 72 \end{aligned}$ | 95 | 158 165 |
| Sweden .......... | 111 | 113 |  |  |  |  |  |  |  |  |  |  |  | 149 |
| Holland......... | 71 | 73 | 74 | 75 |  |  |  |  |  |  |  |  |  | 148 |
| Germany ...... |  |  |  |  |  |  |  |  |  |  |  |  |  | 142 |
| Belgium......... $\{$ | 138 58 | 144 61 | 147 63 | $\begin{array}{r} 153 \\ 66 \end{array}$ |  |  |  |  |  |  |  |  |  | 610 |
| France ....... | 172 | 179 | 177 |  |  |  |  |  |  |  |  |  |  | 527 |
| Italy ........... | 49 | 51 | 51 |  |  |  |  |  |  |  |  |  |  | 693 |
| Canada ......... | 76 | 77 | 76 | 76 | 76 | 74 | 73 | 72 | 72 | 73 | 74 | 74 |  | 164 |
| New Zealand.. | 94 | 98 | 100 | 100 | 102 | 102 | 102 | 103 | 104 |  | 103 | 104 |  | 162 |
| S. Africa ...... | 90 | 92 | 93 | 94 | 95 | 95 | 95 | 95 | 95 | 95 | 96 | 96 |  | 145 |

Italics show movements of gold prices.

FINANCE.


STOCKS \& SHARES-
NEW CAPITAL ISSUESBANK CLEARINGS-

BANK OF ENGLANDPRINCIPAL BANKS-

TREASURY BILLS-

[^26]

PRICE OF GOLD- Average (London) price De: fine oz. for week ending 15th of month.-ECONOMIST
PRICE OF SILVER- Arerage (cash) price of bar silver for week ending isth of month.-ECONOMIST.
BOARD OF TRADE INDEX-Geometric Mean of Wholesale Prices (averages for month) of 200 commodities as jercentage of 1924 arerage Based on new indez first published in Januars, $1935 .-\mathrm{BOARD}$ OF TRADE JOURNAL
BTATIST (SAUERBECK)
Average wholesale prices of 19 foodstuffs and 26 raw materials on last day of month, as percentage of average INDICES-for 1924.-STATIST
COST OF LIVING INDEX—Ministry of Labour's indez showing movement since 1924 in cost of maintaining unchanged the standard of llving prevalent in working-class households before Aug. 1914. For 1st of month, but placed against previous month-e.g., reading for March lst is shown against February-to facilitate comparison with "Statist" index.
RETAIL FOOD PRICE8-
As above, for food only.

OUTPUT AND INTERNAL ACTIVITY.


```
OUTPUT-COAL....##.i.
    PIG IRON: STEEEL゙........
ELECTRICITY-
ELECTRICITY-
ARTIFICIAL SILK-
POST OFFICE RECEIPTS-
MOTOR SPIRIT-
NEW REGISTRATIONS-
AAILWAYY TRAFFIC
    WEIGHT
    RECEIPTS
```

Total for 4 weeks ending appraximatels at end of month-BOARD OF TRADE JOURNAL
Output for standard four-week month, based upon monthly flgures issued by the BRITISH IRON AND STEEL
FEDERATION.
Output of authorised undertakings. - ELECTRICITY COMMISSION
Rayon, yarn and waste, derived from Excise Statistics, -BOARD OF TRADE JOURNAL
Revised inder of value of sales in Departmental Stores, Co-operatires, multiple and independent shops. For
scussion see Borr or
Daily averages, ex telegraph, telephone, sarines bank and postal orders.-BOARD OF TRADE JOURNAL
Imports entered for home consumption.-BOARD OF TRADE JOURNAL
Cars taxed on H.P. in Great Britain. Ministry of Transport Returns.
Tonnage of goods carried on the Railways of Great Britain during the month, excluding free-hauled.
Monthly receipts for goods traftic, excluding cost of collection and delivery until 1934, in other years excluding
receipts for collection and dellvers.-MINISTR $\overline{\mathbf{Y}}$ OF TRANSPORT.

|  | Total imports（Values）． |  |  |  |  | $\begin{array}{\|c\|} \substack{\text { MET } \\ \text { MMPorTS } \\ \text { TMOTL. } \\ \text { EMn. }} \\ \hline \end{array}$ | EXPORTS OF U．K．Goods（Values）． |  |  |  | $\int_{\text {TMIPorss Exponts }}^{\text {GoLD. }}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | $\left\|\begin{array}{c} \text { Hotalal } \\ \left.\begin{array}{c} \text { Mincoliann } \\ \text { emn.lineous } \end{array} \right\rvert\, \end{array}\right\|$ |  |  |  | $\begin{gathered} \text { Raw } \\ \text { Materials. } \\ E \mathrm{Mn} . \end{gathered}$ | $\begin{gathered} \text { Manu. } \\ \text { tacturs. } \\ \text { sMn. } \end{gathered}$ |  |  |  |
| 1924 Av ． | 476 | 33.3 | 25.0 ＊ | $106 \cdot 4$ | 11.7 |  | 4.7 ＊ | $8 \cdot 9$＊ | ${ }^{516}$＊ | 668 ＊ | 30 | 4.1 |
| 1929 AV | 448 － | $28 \cdot 3$－ | 27.9 － | 1019 | ${ }^{9} 1$ | 928－ |  | 6.6 － | 478 － | 60.8 － | 5.2 | ${ }^{6} 5$ |
| 1938 | ${ }_{2915}^{28.5}$＝ | 15.0 | ${ }_{143}^{12 \cdot 6}$ | ${ }^{56 \cdot 5}$ | $4 \cdot 3$ | 52．4 |  | 3：8 | ${ }^{2354}$ | 30.6 33 | 21.0 21.9 | 5.0 5．7 0.7 |
|  | ${ }_{\substack{29.9 \\ 20.2 \\ 30}}^{2}$ | ${ }^{1778}$ | ${ }^{154.4}{ }^{154}$－ | ${ }^{6675}$ | ${ }_{4}^{4} 5$ | ${ }_{\text {cke }}^{58} 5$ |  | 4.4 | 27．4 | ${ }_{\substack{35.5 \\ 35 \\ 36 \\ \hline}}$ | ${ }^{20.3}$ | ${ }_{7} 4.5$ |
|  |  |  |  | ${ }_{8} 8.7$ | 66：3 | ${ }_{\substack{\text { cos } \\ 79.4 \\ 71: 9}}$ |  | ${ }_{5} 9.4$ |  |  |  | 18.0 $\left.\begin{aligned} & 18.0 \\ & 253\end{aligned} \right\rvert\,$ |
|  | ${ }^{36 \cdot 2}$ \％ | ${ }_{20.1}^{20.7}$ | ${ }_{19}^{19.5}$ | ${ }_{73 \cdot 8}$ | $5 \cdot 8$ | ${ }_{700} 71.9$ |  | 4.7 | ${ }_{281}$ | ${ }_{36}^{39} 6$ |  |  |
| ${ }^{\text {JANT．}}$ | 32.088 | 25．7 92：0 | 17.618 | 75．7 78 78：2 | 5. | 70．6 67 |  | 5：1 $6: 9$ | 29．9 29.9 | 39．1 $39 \cdot 1$ | 11.7 | \％ |
|  |  |  |  |  | 6.9 6.7 7 7 |  |  |  |  |  | 41.7 376 37.6 | 17.3 |
| ${ }_{\substack{\text { APR } \\ \text { MAY } \\ \text { ，}}}$ |  |  | ${ }_{22}^{23.9} 9$ | $\begin{array}{ll}83.0 & 8.7 \\ 88.2 \\ 83.2\end{array}$ | ${ }_{7} 7$ | 75．7 758.8 $7 \% 0$ |  | $\begin{array}{llll}5 \cdot 6 \\ 5 \cdot 5 & 6 \cdot 9 \\ 5\end{array}$ | 33 <br> 33 <br> 37 | 43.0  <br> 42.7 4.8 <br> 0.7  | 331 117 | 1.7 |
| jun |  |  | $24.425 \cdot 3$ |  | 7.1 | $81.185^{\circ} 4$ |  | 5.76 .9 | 34.737 .0 | 44.4 | 32.0 | 27.7 |
| July | ${ }^{340} \begin{aligned} & 35 \\ & 34.8 \\ & 56.6\end{aligned}$ | ${ }^{266 \cdot 3} 8$ | ${ }_{24 \cdot 7}^{24.6} 8.85$ |  | 6：9 | 78.788 .7 $80 \cdot 0$ 880 | $\begin{array}{lll}3 \cdot 3 & 3: 6 \\ 3 & 3\end{array}$ |  | $37 \cdot 4$ 37.4 36.0 34.4 | 42：5 44.1 | $\frac{44.1}{}$ | －18．9 |
| A |  |  |  | 8778 <br> $96 \cdot 2$ <br> 99.7 <br> $89 \cdot 9$ <br> 8.9 | 5．2 |  | 3－4，3.4 <br> 3.4 |  |  |  | （15．7 | 21.6 <br> 14.6 <br> 1 |
| Nov． | 43.138 .4 | 2833924 | ${ }_{25}^{25} 3248$ | ${ }^{97.3} 8$ | ${ }_{5}^{5} 3$ | ${ }_{91} 9.98{ }_{8 \%}$ |  | 5.36 | ${ }_{34} 3.784 .7$ | ${ }_{45}^{4} 2{ }^{4} 8384$ | 129 | ${ }^{\circ}$ |
| ${ }_{\substack{\text { DEC，} \\ 1938}}^{\text {deg }}$ |  |  |  | 94， 868 | 5.0 |  |  | 4.949 | $33 \cdot 3$ 340 | 43.9 44．4 |  | $8 \cdot 3$ |
| ${ }_{\text {FE }} \mathrm{JA}$ |  |  | ${ }_{19}^{22.5}$ | $\begin{array}{ll}84 \cdot 9 & 88 \cdot 2 \\ 75.7 & 88.6\end{array}$ | 4.8 | 80.1 70.26 .7 $76 \cdot 1$ | 3.0 2.8 8.0 8.0 | ${ }_{4}^{4.7} 4.78$ | ${ }^{32} 32 \cdot 689.6$ | $41 \cdot 2$ $41 \cdot 2$ <br> $37 \cdot 5$  <br> 898  | 12.7 14.8 | 7：6 |
| M MAR |  |  | 23．292．1 | ${ }^{84.9} 8$ | $5 \cdot 5$ |  | 2， 2.8 2.9 8.7 | 4．99 4.9 |  | 34， | 14.8 28.6 20.6 | $\begin{array}{r}13.0 \\ 13.9 \\ \hline 9\end{array}$ |
| NAM |  | 20．420．3 | ${ }_{19}^{19.4} 19.3$ | ${ }_{7564}^{75 \cdot 5}$ | ${ }_{7}^{72}$ | 68：2， 69.3 | ${ }_{2}^{2: 8}$ | ${ }_{4}^{49} 5$ | ${ }_{295}^{295}$ | 38：2\％ | ${ }^{27.4}$ | 78 |
| ju | 36．3 37\％ | 19：20．5 |  |  |  |  |  |  |  |  |  |  |
|  | ${ }^{3517}$ 37\％0 | 20．3 29.18 | 18.0176 | ${ }^{74} 1$ | 5.0 | ${ }^{69.1}$ |  |  | ${ }^{2980} 8288.9$ | ${ }_{36} 37$ | \％0 |  |
|  |  | 18．0 18.03 | － | ${ }_{790}^{750} 8$ | ${ }_{5}^{4.4}$ |  |  |  |  | ${ }^{42 \cdot 6} 899$ | －36．4． | P |
| NOV | （39．134．8． | $18 \cdot 718.7$ 198 16.8 16.8 | $19 \cdot 7$ <br> $17 \cdot 818 \cdot 9$ <br> $18 \cdot 1$ | $\begin{array}{ll}78.0 \\ 74.1 & 78 \cdot 3 \\ 68.1\end{array}$ | ${ }_{4}^{5 \cdot 1}$ | $72 \cdot 96.1$ 69.3 $68 \cdot 6$ | 3：8 | 5.4 4.6 4.0 4.6 |  |  | 3 | 24．7 |
| ${ }^{1339}$ |  |  |  |  |  |  |  |  |  |  |  |  |
| ， S SEB |  | （17．518．4 | 18．419．4 |  |  | 71.0 68.1 60.7 $6 \times 59$ |  |  | 退30：4 $30 \cdot 5$ | $39 \cdot 5$ $39 \cdot 5$ <br> $38 \cdot 1$ $40 \cdot 4$ <br> 1  | 4.7 | 12.5 <br> 35 <br> 5.1 |
| MAR |  | 196：19．0 | 21.920 .9 19720.0 20.0 20.0 |  | ${ }_{4}^{4 \cdot 9}$ | 73．1． 74.9 |  | $4: 8$ 4.2 4 4 48 | 30， 31.7 |  | 12：8 | ${ }^{687.9}$ |
| ${ }_{\text {MAY }}^{\text {MUNE }}$ |  |  |  |  | $5{ }^{5} 5$ | $\begin{array}{lll}73 \cdot 5 & 74 \\ 77 \cdot 9 \\ 88: 4\end{array}$ | $\begin{array}{lll}3.2 & 3.4 \\ 3.4 \\ 3\end{array}$ |  |  |  | $\begin{aligned} & 31.9 \\ & 37.9 \\ & \hline 176 \end{aligned}$ | 4．7 |
| JULY |  | 21.59 .7 20.2 20.9 | ${ }_{23}^{23.5} 823.9$ |  |  | ${ }_{7} 74 \cdot 6788$ |  | i：3 |  | $40 \cdot 4$ | 119 | 45.4 |
| Ster | 230． 23.4 | 1355 | ${ }_{130}^{138: 2}$ |  | 2．4 |  | ${ }_{2}$ | 4.4 <br> 2.9 <br> 8.0 <br> 80 | $28 \cdot 5$ <br> $17 \cdot 4$ <br> 29.4 <br> 18 | ${ }^{37.1}$ |  |  |
| Nov． |  | ${ }^{159} 9$ |  | $\begin{array}{ll}61.8 \\ 84.8 & 57.3 \\ 78.2\end{array}$ | 2.7 |  |  |  |  |  |  |  |
| $\underset{\substack{\text { DEC，} \\ 1940}}{\mathrm{Na}}$ | 42：8 88. | $23.219 \cdot 6$ | 20．0 20.3 | $\begin{array}{ll}86.6 & 79 \\ 89 \\ 89\end{array}$ | $2 \cdot 5$ | ${ }^{81} 81{ }^{81} 86$ | （1） | 5.0 <br> 4.6 <br> 6.6 |  | 37.4 35.7 <br> 40.2 40.8 <br> 18  |  |  |
| ${ }_{\text {den }}^{\text {JAN．}}$ ． |  | 31．5 8.0 |  |  |  |  |  |  |  |  |  |  |
| ${ }_{\text {M }}^{\text {M }}$ ARR ． |  | 34．73．7 |  |  | 3,4 3 4.6 4 |  |  | 4．1． | 32． |  |  |  |
|  | ${ }^{39,8}$ | 359 $35 \cdot 8$ | 为 | $1056{ }^{1005}$ | 3.2 | 102\％ | $\begin{array}{lll}3.8 \\ 3 & 4.5 \\ 3 / 8\end{array}$ | ${ }_{4}^{4 \cdot 6}$ |  | 为 |  |  |
|  |  |  |  |  |  |  |  |  |  | $36 \cdot 2$ 88.6 |  |  |
| ${ }_{\text {Al }}$ | （1） |  |  |  |  |  |  |  |  |  |  |  |
| OC |  |  | 28：626．3 | ${ }_{8851}^{80} 8$ | 1.0 | ${ }_{84}{ }^{79}$ | ${ }^{2}$ | $\begin{array}{ll}1.9 & 2.0 \\ 1.8 \\ 1.6\end{array}$ | 19.0 17\％8 | $31 \cdot 2$ $32: 0$ <br> $23 \cdot 4$ $21 \cdot 7$ <br> 1  |  |  |
| ${ }_{\text {DEC }} \mathrm{NO}$ | ${ }^{250}$ | ${ }_{18}^{19 \cdot 1} \frac{18}{1575}$ | 26．7． 29.7 |  | 0.7 |  | $\begin{array}{ll}1.5 & 1: 2 \\ 1.9 \\ 1: 8\end{array}$ | 1.4  <br> 1.2  <br> 1.3  <br> 1 1.3 | $\begin{aligned} & 1989.9 \\ & 206 \\ & 20 \end{aligned}$ |  |  |  |

## ＊NORMAL SEASONAL CHANGE REMOVED

Declared values of imports
of U．K．produce and manufacture into U．K．，re－exports of imported goods（f．o．b．）and exports（f．o．b．） imports and exports of mand bullion and coin．－MONTHLY Tmports less exports of imported goods．Value of
t The not imports the sesson has been calculated directy is deduced from those for the 3 component groups．For


Number of books lodged at Labour Exchange on or about 25 th of month to September, 1937, thereafter one week earlier.-MINISTRY OF LABOUR GAZETTE.

|  | AVERAGE OF DAILY RATES． |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Paris f. to £ | Brus－ sels b．to £ | Milan <br> 1．to £ | Amster－ <br> dam <br> fl．to £ | Zurich <br> f．to £ | Stock－ holm kr ．to £ | Copen－ hagen kr ．to £ | New York $\$$ to £ | Mon－ treal \＄to £ | Buenos Aires§ p．to $£$ | Rio de Janeiro d．per mil． | Bombay <br> d．per rup． | Hong． kong <br> d．per 8 | Kobe <br> d．peryen |
| Sek Earlier Bulletins For 1919 to 1935 Ratre，also for Berlin，Prague and Warsaw． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN． | 74.86 | 29.29 | 61.71 | 7.28 | 15．19 | 19.40 | 22.40 | $\begin{aligned} & 4.960 \\ & 4.996 \end{aligned}$ | $4 \cdot 963$ | 18.24 | 2.68 2.74 | $18 \cdot 152$ | 15.66 15.74 | 14.04 14.08 |
| FEB． | 74.84 | 29．34 | $62 \cdot 15$ | $7 \cdot 28$ | $15 \cdot 14$ | 19.40 | 22．40 | 4.996 | $4 \cdot 993$ | 18.07 | $2 \cdot 74$ | 18．125 | 15.74 15.93 | 14.08 13.98 |
| MAR． | 74.92 | 29.28 | $62 \cdot 35$ | $7 \cdot 27$ | $15 \cdot 14$ | 19.40 | 22.40 | 4．971 | 4.977 | 18.04 | $2 \cdot 73$ | $18 \cdot 125$ 18.125 | $15 \cdot 93$ $15 \cdot 80$ | 13.98 14.03 |
| APR． | 75.00 | 29.22 29.35 | 62.66 63.03 | $7 \cdot 28$ 7.35 | 15.17 15.36 | 19.40 19.40 | $22 \cdot 40$ 22.40 | 4.944 4.971 | 4.967 4.979 | 17.98 18.00 | $2 \cdot 71$ 2.71 | $18 \cdot 125$ $18 \cdot 125$ | $15 \cdot 80$ 15.71 | 14.03 14.06 |
| MAY | 75.47 76.14 | $29 \cdot 35$ 29.70 | 63.03 63.84 | 7.35 7.42 | $15 \cdot 36$ 15.48 | 19.40 19.40 | 22.40 22.40 | 4．971 5.020 | 4.979 5.032 | 18.00 18.13 | 2.71 2.72 | $18 \cdot 125$ $18 \cdot 125$ | $15 \cdot 71$ 15.44 | 14.07 |
| JULY | $75 \cdot 86$ | $29 \cdot 72$ | 63.65 | $7 \cdot 38$ | $15 \cdot 35$ | 19.40 | $22 \cdot 40$ | 5.023 | 5．027 | 18.42 | $2 \cdot 77$ | $18 \cdot 125$ | $15 \cdot 33$ | 14.03 |
| AUG． | $76 \cdot 33$ | $29 \cdot 81$ | $63 \cdot 84$ | $7 \cdot 40$ | $15 \cdot 42$ | 19.40 | 22.40 | 5.028 | 5．026 | 18.02 | $2 \cdot 80$ | $18 \cdot 125$ | 14.90 | 14.05 |
| SEP． | 76.74 | 29.84 | 64．26 | 7.58 | 16.01 | 19.40 | $22 \cdot 40$ | 5.041 | 5.039 | 17.76 | $2 \cdot 81$ | $18 \cdot 125$ | 14.86 | 14.04 |
| OCT． | 105.09 | 29＊10 | 92.96 | $9 \cdot 13$ | 21．31 | 19.40 | 22.40 | 4.900 | 4.898 | 17.56 | 2.87 | $18 \cdot 125$ | 14.88 | 14.03 |
| NOV． | 105•17 | 28.91 | 92.86 | 9.05 | 21.27 | $19 \cdot 40$ | 22.40 | 4.888 | 4.880 | 17.54 | $2 \cdot 89$ | $18 \cdot 125$ | 14.95 | 14.03 |
| DEC． | 105＊14 | 29.03 | $93 \cdot 19$ | 8.99 | 21.35 | 19.40 | $22 \cdot 40$ | 4.907 |  |  |  |  |  |  |
| JAN． | 105•14 | 29．11 | $93 \cdot 23$ | 8.96 | 21.39 | 19.40 | $22 \cdot 40$ | 4.908 | 4.909 | $16 \cdot 16$ | $2 \cdot 95$ | $18 \cdot 151$ | 14.95 | 13.95 |
| FEB． | 105－11 | 29.02 | 92.99 | 8.95 | 21.44 | 19.40 | $22 \cdot 40$ | 4.894 | 4.895 | 16.24 | 3.01 | $18 \cdot 142$ | 14.94 | 13.98 |
| MAR． | 106－31 | 28.99 | 92.81 | 8.93 | 21.43 | 19.40 | $22 \cdot 40$ | 4.885 | 4.882 | 16.23 | 3.01 | $18 \cdot 125$ | 14.94 | 14.00 |
| APR． | 109．31 | $29 \cdot 15$ | 93.40 | 8.98 | 21.54 | 19.40 | $22 \cdot 40$ | $4 \cdot 916$ | 4.909 | $16 \cdot 17$ | 3.07 | $18 \cdot 125$ | 14.94 | 14.00 |
| MAY | $110 \cdot 32$ | 29－28 | 93.85 | 8.99 | 21.60 | $19 \cdot 40$ | $22 \cdot 40$ | 4.939 | 4.931 | 16.24 | $3 \cdot 13$ | $18 \cdot 125$ | 14.91 | 14.00 |
| JUNE | 110.82 | 29－26 | 93.80 | 8.98 | 21.57 | 19.40 | $22 \cdot 40$ | 4.935 | 4.937 | 16.20 | $3 \cdot 22$ | $18 \cdot 125$ | 14.78 | 13.98 |
| JULY | 130.34 | 29．50 | 94.34 | 9.01 | 21.67 | 19.40 | 22.40 | 4.966 | 4.972 | 16.43 | 3.22 | $18 \cdot 125$ | 14.68 | 13.97 |
| AUG． | 132.85 | 29.59 | 94.67 | 9.03 | 21.70 | 19.40 | $22 \cdot 40$ | $4 \cdot 983$ | 4.983 | 16.49 | $3 \cdot 15$ | $18 \cdot 125$ | 14.92 | 14.00 |
| SEPT． | $140 \cdot 37$ | 29.42 | $94 \cdot 14$ | 8.98 | 21.57 | 19.40 | 22.40 | 4.961 | 4.954 | 16.50 | $3 \cdot 12$ | $18 \cdot 125$ | 15.00 | 14.00 |
| OCT． | 147.97 | 29．39 | 94－18 | 8.96 | 21.52 | 19.40 | 22.40 | 4.956 | 4.954 | 16.56 | $2 \cdot 83$ | $18 \cdot 125$ | 15.00 | 14.00 |
| NOV． | $147 \cdot 19$ | $29 \cdot 37$ | 94.91 | 9.01 | 21.58 | 19.40 | $22: 40$ | 4.994 | 4.990 | 16.86 | $2 \cdot 77$ | $18 \cdot 125$ | 15.00 | 14.00 |
| 1938 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN． | 149.89 | 29.53 | 95．00 | 8.97 | 21.62 | 19.40 | 22.40 | 5.000 | 5．001 | 17．04 | a2．83t $\dagger$ | 18.125 | 15.00 | 14.00 |
| FEB． | 152.87 | 29.56 | 95.37 | 8.97 | 21.60 | 19.40 | $22 \cdot 40$ | 5.018 | 5．016 | 18.83 | $2.82{ }^{\dagger}+$ | $18 \cdot 125$ | 15.00 | 14.00 |
| MAR． | 159.63 | 29.53 | 94.75 | 8.97 | 21.63 | 19.40 | 22.40 | 4.985 | 4.997 | $19 \cdot 39$ | $2.81+\dagger$ | $18 \cdot 125$ | 14.92 | 13.96 |
| APR． | 160.90 | 29.54 | 94.63 | 8.96 | 21.67 | $19 \cdot 40$ | 22.40 | 4.979 | 5．006 | 19.46 | $2.81 . \dagger$ | 18.051 | 14.84 | 14.00 |
| MAY | 175＊14 | 29．50 | 94.42 | 8.97 | 21.75 | 19.40 | $22 \cdot 40$ | 4.965 | 5.007 | 19.00 | $2.81 \pm+$ | 17.910 | 14.91 | 14.00 |
| JUNE | $178 \cdot 17$ | 29.23 | 94.22 | 8.96 | 21.66 | 19.40 | $22 \cdot 40$ | $4 \cdot 960$ | $5 \cdot 012$ | 19.02 | $2 \cdot 81+1$ | 17.795 | 14.94 | 14.00 |
| JULY | $178 \cdot 15$ | $29 \cdot 14$ | 93.71 | 8.95 | 21.54 | 19.40 | 22.40 | 4.931 | 4.959 | 18.94 | $2.83 \mathrm{t}+$ | 17.904 | 14.99 | 14.00 |
| AUG． | 178．55 | 28.92 | 92.75 | 8.94 | 21.32 | 1940 | $22 \cdot 40$ | 4.881 | 4.897 | 18.87 | $2.885+$ | 17.897 | 15.00 | 14.00 |
| SEPT | 178.42 | 28.45 | 91.27 90.64 | 8.90 | 21.25 | 19.40 | 22.40 | 4.805 | 4.831 | 19.00 | $2.93+1$ | 17.902 | 15.00 | 14.00 |
| NOV． | 178.71 | 28.20 | 90.64 | 8.77 | 20.99 | 19.40 | 22.40 | 4.769 | $4 \cdot 812$ | 18.99 | $2.981+$ | 17.933 | 14.97 | 14.00 |
| DEC． | 178.68 177.48 | 27.84 27.72 | 89.51 88.75 | 8.67 8.59 | 2079 20.65 | 19.40 | 22.40 | 4.710 | 4.742 | 20.09 | $3.02 t+$ | 17.936 | 14.94 | 14.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| FEB． | 176.98 | 27.79 | 89.05 | 8.74 | 20.66 | 19.40 | 22.40 | 4.687 | $4 \cdot 708$ | $20 \cdot 35$ | $3.06{ }_{+}^{\ddagger}+$ | 17.937 | 14.93 | 14.00 |
| MAR． | 176.86 | 27.85 | 89.08 | 8.82 | 20.71 | $19 \cdot 40$ | 22.40 | 4.686 | 4.704 | $20 \cdot 30$ | $3.06 \pm+$ | 17.966 | 14.91 | 14.00 |
| MPR． | 176.73 176.74 | 27.80 27.51 | 89.00 | 8.81 8.73 | 20.68 | 19．40 | 22.40 | 4.681 | 4.704 | 20.21 | $284 \pm+$ | 17.937 | 14.74 | 14.00 |
| JUNE | 176.74 176.73 | 27.51 27.53 | 89.01 89.04 | 8.73 8.81 | 20.82 20.77 | $19 \cdot 40$ 19.40 | 22.40 22.40 | 4.682 | 4.698 | 20.22 | $2 \cdot 77+$ | 17.910 | 14.81 | 14.00 |
| JULY |  |  | 89 | 881 | 2077 | 19.40 | $22 \cdot 40$ | 4.683 | 4692 | $20 \cdot 22$ | $2 \cdot 71 \dagger$ | $17 \cdot 911$ | 14.86 | 14.00 |
|  | 176.72 176.37 | $27 \cdot 55$ $27 \cdot 14$ | 89.03 89.76 | 8.79 | 20.76 | 19.40 | 22.40 | 7.682 | 4.690 | 20.21 | $2 \cdot 62 \dagger$ | $17 \cdot 905$ | 14.78 | 14.00 |
| AUG． | $176.07 \pm$ | 27.14 $23.58 \pm$ | 89.76 77.48 | 8.62 $7.57 \pm$ | 20.42 $17.82 t$ | 19.20 $16.77+$ | $22 \cdot 36$ | $4.609 \quad 4.623$ | 4620 | 19.92 | $2.63 \dagger$ | 17.937 | $14 \cdot 74$ | 14.00 |
| OCT． | $176.50 \ddagger$ | 23.98 | 78.89 | $7.57 \pm$ | $17.88 \ddagger$ | $16.81 \ddagger$ | 22.23 20.66 | $\begin{array}{ll}4.049 \ddagger & 4.041 \\ 4.030 \ddagger & 4.012\end{array}$ | $4.419 \pm$ | $1709 \pm$ | $3.26 \dagger$ | 17.939 | 1500 | 1399 |
| NOV． DEC． | $17650 \ddagger$ | $24.26=$ | 77.34 | $7.55 \ddagger$ | $17.87 \ddagger$ | $16.80 \ddagger$ | $20 \cdot 37$ | $4.030 \pm 3.928$ | $4.450 \ddagger$ | 17．09 | 3．251 | 17.993 | 15．00 | 14.01 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN． | $176.61 \pm$ | $23.86 \pm$ | $78 \cdot 11$ | 7．54 | 17．89\＃ | 16．90亡 | $20 \cdot 52$ | $4.030 \ddagger$ 3．966 | $4.450 \pm$ | 17．71 | 3．151 | 18.000 | 14.94 | $14 \cdot 25$ |
| FEB． | $176.62 \pm$ | $23 \cdot 82 \pm$ | 78.11 | 7.557 | 17.90 | $16.90 \pm$ | 20.51 | $4.030 \ddagger 3.964$ | $4.450 \ddagger$ | $17.35=$ | $3 \cdot 14+$ | 18.000 | 14.92 | 14.24 |
| MAR． | $176.62 \pm$ $176.62 \pm$ | $23.70 \ddagger$ $23.78 \ddagger$ | $74 \cdot 18$ $69 \cdot 30$ | $7.55 \pm$ | 17.901 | $16.90 \ddagger$ | 19.49 | $4.0307 \quad 3.757$ | $4.450 \ddagger$ | $17 \cdot 10 \pm$ | $3 \cdot 30 \dagger$ | 18.000 | 14.91 | 14.96 |
| APR． | $176.62 \ddagger$ $176.62 \pm$ | $23.78 \pm$ | $69 \cdot 30$ | $7.55 \pm$ | 17.90 | 16.90 | 18.46 b | $4.030 \pm 3.527$ | $4.450 \pm$ | 17．17 | 3．531 | 18.000 | 14.87 | 16.00 |
| ｜MAY | $176.62 \pm$ d | 23＇92† | 64．31 | $7.55 \ddagger$ | $17.90 \pm$ | $16.90 \ddagger$ | － | $4.030 \ddagger$ 3．275 | $4.450=$ | 17．17£ | $3.81+$ | $18 \cdot 000$ | 14.92 | $17 \cdot 22$ |
|  | 17662 d | － | 65.32 e | － | $17.86 \ddagger$ | $16.90 \ddagger$ | － | $4.030 \ddagger 3.621$ | $4.450 \ddagger$ | 17．10ఫ | $3.56 \dagger$ | 18.000 | 15.00 | 16.38 |
| JULY | － | － | 二 | － | $17.77 \ddagger$ | $16.90 \pm$ | － | $4.030 \ddagger \quad 3.806$ | $4.450 \ddagger$ | $17.04 \pm$ | $3 \cdot 31$＊f | 18.000 | 15.00 | 15.08 |
| AUG． | 二 | － | 二 | － | 17．70 | 16．90t | 二 | $\begin{array}{ll}4.0307 & 3.999\end{array}$ | 4.4501 | $1 \% .01 \ddagger$ | 3， | 18.000 | 15.00 | 14.41 |
| SEPT． | － |  | － |  | $17.41 \ddagger$ | 16．90才 | 二 | $\begin{array}{ll}4.030 \\ 4.030 & 4.036 \\ 4.035\end{array}$ | $4.450 \ddagger$ | $17.01 \ddagger$ | ＊ | 18.000 | 15.00 | 14.25 |
| OCT， NOV | － | － | － | － | $17 \cdot 35 \pm$ | 16．90才 | 二 | $\begin{array}{ll}4.0307 & 4.035 \\ 4.0307 & 4.039\end{array}$ | $4.450 \ddagger$ | $17.01 \ddagger$ | ＊ | 18.000 | 15.00 | 14.25 |
|  | － | － | － | － | $17 \cdot 35{ }^{\ddagger}$ | $16.90_{+}^{\ddagger}$ | － | $4.030 \ddagger$ 4.038 | $4.450 \ddagger$ | $17.01 \ddagger$ | o | 18.000 18.000 | 15.00 15.00 | 14．25 |
|  |  |  |  |  |  |  |  |  |  |  | o | 1800 | 1500 | 14.25 |
| $\left\|\begin{array}{cc} 1941 \\ \text { Week } & \\ \text { Jan } & 4 \end{array}\right\|$ |  | － | － | － | 17．35 | 16．90ł | － |  |  |  |  |  |  |  |
| ＂， 11 | －－ | － | － | － | $17.35 \pm$ | 16.90 | － | $\begin{array}{ll}4.0307 \\ 4.0307 & 4.037\end{array}$ | $4.450 \ddagger$ $4.450 \ddagger$ | $17.01 \ddagger$ $17.01 \pm$ | 0 | 18.000 | 15.00 | 14.25 |
| 1 18 <br> , 25 |  | 二 | － | － | 17．35t | $16.90 \ddagger$ | 二 | $4.030 \ddagger \quad 4.035$ | $4.450 \ddagger$ | $17.01 \ddagger$ | o | 18.000 18.000 | 15.00 15.00 | $14 \cdot 25$ 14.25 |
| Féb， 1 | 二 | － | － | － | $17 \cdot 35 \ddagger$ | $16.90 \ddagger$ | － | $4.030-4.034$ | 4.450 | 17.037 | o | 18.000 | 15.00 | 14.25 |
|  |  |  | － | － | $17 \cdot 35$ | 16.90 | － | $4.030 \quad 4.035$ | 4.450 | 17．04 | － | 18.000 | 15.00 | $14 \cdot 25$ |

# RECENT MOVEMENTS IN UNITED STATES. 

# Information communicated by Miss DOROTHY WESCOTT, Assistant Editor of the Review of Economic Statistics, Harvard University. 

Fanuary 6th, 1941.
GENERAL SURVEY.-General business activity in the United States increased considerably during the second half of 1940, influenced at least in part by the European war and the national defence programme. Expanding industrial activity was accompanied by marked increases in employment and in income payments. For industrial production, the low point of the year fell in April; the subsequent rise was rapid and widespread until in November the general level of output, as measured by the seasonally corrected index of the Board of Governors of the Federal Reserve System, was $32 \%$ above the 1935-39 average. Manufacturers' inventories rose substantially, in both the durable and nondurable goods industries, with the largest increases being reported for transportation industries, excluding automobiles, electrical machinery, and textiles. Undoubtedly the rising level of production, particularly in defence industries, was an important factor in the inventory increase. In many industries, shipments failed to keep pace with new orders, and unfilled orders accumulated in large volume.

While commodity prices advanced after the summer months, the increase did not reach substantial proportions. The wholesale price index of the Bureau of Labor Statistics rose gradually from its low point of the year, at mid-August, until in December it had regained the level of the early weeks of 1940. Indices of retail prices and of the cost of living were a little higher towards the year-end than a year earlier. Stock prices throughout the second half-year fluctuated around a level about half-way between the low point reached in early June and the levels prevailing during the opening months of the year, while bond prices rose sharply. Corporate bond prices were the highest since 1937, and prices of government bonds reached new high levels. Short-term money rates remained at previous low levels.

BUSINESS VOLUMES.-The Federal Reserve Board adjusted index of manufacturing output rose $23 \%$ between April, the low month of 1940, and November, the latest month for which reports are available. From a level of 110 (\% of 1935-39) in April, the index
advanced to 122 in June, held steady through July and August, rose to 127 in September, 131 in October, and 135 in November. The most pronounced changes occurred among the dur-able-goods industries. Between April and November, indices for the several industries in this group showed percentage increases as follows : iron and steel, 68; machinery, 23 ; aircraft, 85 ; automobiles, 30 ; locomotives, 54 ; shipbuilding, 44 ; non-ferrous metals and products, 35 ; lumber and products, 15 ; stone, clay, and glass products, io. Among the non-durable goods industries, the index for textiles advanced 33 per cent ; leather and products, 2 I per cent ; while advances for other industries in this group varied between I per cent. (for petroleum and coal) and 9 per cent. (for rubber products). Although industrial production as a whole showed a contra-seasonal advance in November, the rate of increase in the actual volume of output is reported to have slowed down as limits of operating capacity were reached in some durable goods industries. A recent report by the Department of Commerce shows that the largest part of defence contracts awarded up to November I was for the direct production of durable goods.

Substantial increases in factory employment and payrolls have accompanied the rising industrial activity. While employment is greater than a year ago in most manufacturing industries, the rise has been most pronounced amongst the heavy industries. The payrolls index has advanced more sharply than employment, reflecting in part higher wage rates and increased hours of work in those industries where a shortage of skilled labour exists. In November, the employment index was the highest since mid-1937, and the payrolls index was above any other month in ten years. Income payments for the first eleven months of 1940 were $6 \%$ greater than in the corresponding period of 1939; and the seasonally adjusted index in November, at 93.4 (\% of 1929), was the highest since 1930.

Electric power output, a measure responsive to general business activity, has risen steadily from the levels to which it had fallen in the opening months of the year. The November adjusted index was $8 \%$ above the first-quarter
average, and the highest for any month in many years. Freight car loadings in November, with allowance made for seasonal influences, were the largest since mid-1937. Among the various classes of freight, the most pronounced increases have occurred in loadings of ore and of miscellaneous freight, which includes chiefly industrial materials.

The value of contracts awarded for all types of construction in the first eleven months of I940 was II \% greater than in the corresponding period of 1939. As the year closed, contracts for defence construction were forming an increasingly larger proportion of total awards. Most of the 1940 increase came in the second half of the year, and may be traced largely to a substantial rise in non-residential contracts, particularly those for manufacturing buildings. For the first half-year, non-residential contracts were about $10 \%$ lower than a year earlier; while in the next five months, contracts for this class of construction were $65 \%$ above those in the corresponding five months of 1939. Thus, for the entire period such contracts exceeded those of the preceding year by more than $22 \%$. Contracts for manufacturing buildings alone amounted to nearly one-third of the non-residential contracts awarded for the entire II months. Except in the first quarter, residential building each month exceeded that of the corresponding month a year earlier, and the January-November total was more than $15 \%$ greater than in 1939. Contracts for both public works and public utilities declined. Private ownership accounted for some $56 \%$ of the total awards for all classes of buildings in 1940, and more than half ( $59 \%$ ) of this private investment was for residential building.

COMMODITY PRICES.-The downward movement of wholesale commodity prices which characterised the first half of 1940 came to an end in August. During the latter part of that month, prices began to rise, and they continued to rise, although irregularly, through the rest of the year. In late December, the "all commodities" index of the Bureau of Labor Statistics was 79.7 (\% of 1926) compared with 76.9 for the second week of August. Thus, as 1940 closed, prices in general were again at the level to which they had risen in the sharp advance immediately following the declaration of war in Europe in 1939. Comparison of the indices for various commodity groups reveals that only two group indices-(I) metals and metal products, and (2) building materialsexceeded the high points attained in the price rise of the final months of 1939. While basic
commodity prices, measured by the Bureau of Labor daily price index, have risen sharply since last August, these prices-both import and domestic commodities-remain well below the levels of a year ago.

MONEY AND CREDIT.-Gold imports in 1940, as in 1939, were the major source of increased bank credit, the net import for the year amounting to between $\$ 4,500$ and $5,000 \mathrm{Mn}$. Although offsetting factors, such as large increases in currency circulation and non-member bank deposits were evident, the huge addition to the gold stock resulted in a rise of more than $\$ 2,500 \mathrm{Mn}$. in member bank reserve balances. At the close of 1940, these reserve balances amounted to $\$ 14,000 \mathrm{Mn}$. of which $\$ 6,600 \mathrm{Mn}$. were excess reserves.

Government security holdings have continued to represent the major proportion of earning assets of the twelve central reserve banks. During the first three quarters of the year, only minor fluctuations occurred in these security holdings, but in the last three months, when prices of government bonds rose sharply, the banks' holdings of securities were reduced by about $\$ 2,500 \mathrm{Mn}$.

Reporting member banks increased their security holdings by $\$ 773 \mathrm{Mn}$. in the final quarter of the year, following an increase of \$975 Mn. in the first nine months. Banks' investments at the year-end were at new high levels, with more than $77 \%$ of the total investments in Government securities. Member-bank loans to business showed a pronounced upturn in October, following a generally sidewise movement during the preceding months of the year at the levels attained in the final quarter of 1939. Increases occurred week-by-week from early October through December, so that as the year ended such loans were at the highest level in several years. As a result of the advances in both loans and investments, total earning assets of the reporting member banks amounted to more than $\$ 25,000 \mathrm{Mn}$. at the close of 1940$63 \%$ investments and $37 \%$ loans. Adjusted demand deposits exceeded $\$ 22,000 \mathrm{Mn}$.

SPECULATION AND FINANCE.-Stock prices in the second half of 1940 advanced from the levels to which they had dropped during the brief period of sharp decline in May. For all classes of stocks, however, the improvement was only moderate, and the volume of shares traded on the New York Stock Exchange was small. The Dow-Jones index of Industrial stocks reveals a slow but definite upward tendency between June 5, the low point of the year, and

|  | Basic Series |  |  |  | Bank |  |  | F.R. Banks | F.R. Member Banks |  |  |  | Gold Movements | $\begin{gathered} \text { INTEREST } \\ \text { RATES } \end{gathered}$ |  |  |  | PRICES |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  <br> \% of <br> Dec.' 2 |  | \& Prime Commercial |  | $\begin{aligned} & \text { N } \\ & \text { B } \\ & \text { 合 } \\ & 0 \\ & \text { B } \\ & \text { z } \\ & 10 \end{aligned}$ |  |  |  |  |  |  |  |  |  | Call Loan Renewals <br> \% |  |  |  | Who <br>  <br> \% of |  |  <br> \% of 1935-9 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1929 Av . | 1490 | 386 | 5.85 | $7 \cdot 69$ | 5021 | 2768 | 950 | 449 | 2260 |  | 569 | 1117 | $+14.6$ | 5.2 | $7 \cdot 61$ | 283 | 966 | 97 |  | 92 | 132.5 |  |
| 1933 Av. | $45 \cdot 8$ | *** | 1.62 | $1 \cdot 11$ | 13449 | 1221 | 282 | 2133 | 1753 |  | 838 | 1101 | $-14.5$ | 2.5 | 114 | 76 | 87 | 67 |  | 5 | $\cdot 1$ | 5 |
| 1934 Av. | 52.5 | 207 | 1.00 | 0.91 | 1383 | 1383 | 36 | 2457 | 1869 |  | 1033 |  | + 94.6 | 1.5 | 1.0 | 90 | 183 | 76.5 | 65 | 78.5 | 93.7 | 78 |
| 1935 Av. | 57.8 | 234 | 0.76 | 0.57 | 1533 | 1594 | $7 \cdot 5$ | 2435 | 1999 |  | 1196 | 1272 | +144.9 | 1.5 | -56 | 110 | 396 | 81.5 | 78. | 77.9 | $100 \cdot 4$ | 82 |
| 1936 Av. | 79.8 | 265 | 0.75 | 1.16 | 1741 | 1831 | 6 | 2434 | 2204 |  | 1358 | 1460 | $+93.3$ | $1 \cdot 5$ | -92 | 148 | 521 | 82.5 | 80 | 79.6 | 101.3 | 84 |
| 1937 Av . | $77 \cdot 0$ | 291 | 0.94 | 1.35 | 1649 | 1959 | 14 | 2507 | 2220 | 460 | 1266 | 1510 | $+132 \cdot 1$ | 1.3 | 1.0 | 152 | 333 | 88 | 86 | 85.5 | 105.3 | 87 |
| 1938 Av. | 59.6 | 258 | $0 \cdot 92$ | $1 \cdot 38$ | 1406 | 1706 | 9 | 2565 | 2103 | 374 | 1252 | 1503 | +164.4 | 1.0 | 10 | 121 | 361 | 80 | 68 | 82 | 97.8 | 85 |
| 1939 Av 1937 | 61.4 | 274 | $0 \cdot 69$ | 1.38 | 1428 | 1819 | 5 | 2584 | 2214 | 399 | 1384 | 1733 | +297.8 |  | 1.0 | 113 | 486 | 79 | 65 | 81.5 | 952 | 84 |
| JAN .... | $90 \cdot 4$ | 283 | 0.75 | $1 \cdot 25$ | 1910 | 2038 | 2 | 2433 | 2273 |  | 1374 | 1552 | +121.3 |  |  | 167 | 618 | 87-5 | 91 | $83 \cdot 5$ | $103 \cdot 1$ | 5 |
| FEB | $90 \cdot 8$ | 287 | $0 \cdot 75$ | 1.25 | 1691 | $1 / 62$ | 3 | 2433 | 2260 |  | 1362 | 1557 | $+120.3$ |  | 1.0 | 171 | 562 | 88 | 91.5 | 84.5 | 103.6 | 86 |
| MARCH | $90 \cdot 2$ | 293 | 0.82 | 1.25 | 2040 | 2162 | 7 | 2433 | 2261 |  | 1332 | 1543 | $+154.3$ |  | 1.0 | 172 | 384 | 89.5 | 94 | 85.5 | $105 \%$ | 86.5 |
| APRIL | 83.4 | 296 | 1.00 | 1.35 | 1708 | 2005 | 10 | 2494 | 2228 |  | 1288 | 1528 | $+215.8$ |  | 1.0 | 163 | 320 | 89.5 | 92 | 86.5 | 1051 | 87 |
| MAY | $82 \cdot 4$ | 301 | 1.00 | $1 \cdot 38$ | 1511 | 1929 | 16 | 2531 | 2220 | 3 | 1268 | 1542 | $+155.4$ |  | 1.0 | 162 | 271 | 89 | 90 | 86.5 | 1061 | 87.5 |
| JUNE | 78.4 | 301 | 1.00 | $1 \cdot 38$ | 1643 | 2002 | 14 | 2531 | 2233 | 430 | 1263 | 1530 | $+262.0$ | 1.5 | 1.0 | 155 | 574 | 89 | 88.5 | $86 \cdot 5$ | 106.0 | 87.5 |
| JULY | 84.6 | 302 | 1.00 | 1.38 | 1675 | 2015 | 14 | 2530 | 2222 | 440 | 1248 | 1498 | +175.4 |  |  | 164 | 342 | 89.5 | 89 | 86.5 | $106 \cdot 3$ | 87.5 |
| AUGUST. | $80 \cdot 3$ | 302 | 1.00 | $1 \cdot 38$ | 1348 | 1840 | 17 | 2529 | 2233 | 456 | 1240 | 1492 | +104.8 |  |  | 168 | 188 | 89 | 86.5 | 86.5 | 106.9 | 87.5 |
| SEP'...... | 69.4 | 293 | 1.00 | $1 \cdot 38$ | 1472 | 1864 | 24 | 2529 | 2219 | 473 | 1216 | 1484 | +145.5 |  |  | 146 | 225 | 89 | 86 | 86 | $107 \cdot 9$ | 88 |
| OCT. | 62.8 | 286 | 1.00 | 1.38 | 1615 | 1992 | 22 | 2529 | 2189 | 483 | 1200 | 1476 | + 905 | 1.0 | 1.0 | 126 | 206 | 87 | 80.5 | 85.5 | 106.5 | 88 |
| NOV. | $57 \cdot 3$ | 268 | 1.00 | $1 \cdot 38$ | 1343 | 1816 | 20 | 2549 | 2156 | 474 | 1200 | 1464 | $+22.1$ |  | 1.0 | 114 | 136 | 85 | $75 \cdot 5$ | 84.5 | $104 \cdot 1$ | 87.5 |
| I) EC. 1938 | 54.6 | 283 | 1.00 | $1 \cdot 38$ | 1828 | 2083 | 16 | 2567 | 2148 | 463 | 1203 | 1457 | $+180$ |  |  | 114 | 176 | 83.5 | 73 | 84 | $102 \cdot 7$ | 87 |
| JAN. ..... | 54.6 | 260 | 1.00 | $1 \cdot 38$ | 1448 | 1760 | 11 | 2565 | 2128 | 446 | 1215 | 1444 | + 21 |  |  | 117 | 122 | 82.5 | $71 \cdot 5$ | 83.5 | 99.7 | 86 |
| FEB | $57 \cdot 3$ | 250 | 1.00 | 1.38 | 1091 | 1462 | 10 | 2565 | 2121 | 439 | 1228 | 1451 | + 80 |  |  | 115 | 200 | 81.5 | 70 | $83 \cdot 5$ | $97 \cdot 3$ | 85 |
| MARCH | 44.2 | 252 | 1.00 | $1 \cdot 38$ | 1475 | 1736 | 10 | 2565 | 2107 | 433 | 1219 | 1436 | + 52.9 | 1.0 | 10 | 109 | 246 | 81.5 | $70 \cdot 5$ | 83 | 97.5 | 85 |
| APRIL | 49.8 | 254 | 1.00 | $1 \cdot 38$ | 1457 | 1660 | 10 | 2565 | 2082 | 423 | 1222 | 1444 | + 71.1 |  | 1.0 | 103 | 352 | 80 | 68.5 | 82 | 98.4 | 85 |
| MAY | 48.1 | 254 | 1.00 | 1.38 | 1283 | 1601 | 8 | 2565 | 2073 | 408 | 1230 | 1458 | + 52.8 |  | 1.0 | 104 | 220 | 795 | 67.5 | 82 | $97 \cdot 5$ | 85 |
| JUNE | $58 \cdot 3$ | 254 | 1.00 | 1.38 | 1564 | 1716 | 9 | 2565 | 2070 | 395 | 1231 | 1493 | + 55.3 | 1.0 |  | 108 | 513 | 80 | 68.5 | 81.5 | 98.2 | 85 |
| JULY | 62.2 | 260 | 1.00 | $1 \cdot 38$ | 1383 | 1668 | 8 | 2565 | 2053 | 388 | 1232 | 1502 | $+63.8$ |  | 1.0 | 127 | 470 | $80 \cdot 5$ | 69. | 81.5 | 98.5 | 85 |
| AUG. | 60.6 | 262 | 1.00 | $1 \cdot 38$ | 1225 | 1602 | 7 | 2565 | 2068 | 389 | 1246 | 1512 | $+166.0$ | 1.0 | 1.0 | 128 | 419 | 79.5 | $67 \cdot 5$ | 81.5 | 97.5 | $84 \cdot 5$ |
| SEPT | $60 \cdot 6$ | 257 | $\cdot 94$ | 1.38 | 1308 | 1644 | 8 | 2565 | 2108 | 389 | 1281 | 1538 | $+520.9$ |  | 10 | 125 | 238 | 80 | 68 | 81.5 | $98 \cdot 1$ | $84 \cdot 5$ |
| OCT. | $65 \cdot 4$ | 257 | . 69 | 1.38 | 1514 | 1810 | 7 | 2565 | 2132 | 390 | 1304 | 1569 | +562.4 |  |  | 137 | 766 | 79 | 67 | 81.5 | 97.1 | 84.5 |
| NOV. | $64 \cdot 1$ | 257 | -69 | 1.38 | 1242 | 1704 | 7 | 2565 | 2135 | 388 | 1303 | 1582 | +177.8 |  | 1.0 | 143 | 396 | 79 | 68 | 81 | 96.2 | $84 \cdot 5$ |
| $\begin{gathered} \text { DEC. } \\ 1939 \end{gathered}$ | 66.2 | 280 | 69 | 1.38 | 1888 | 2109 | 7 | 2565 | 2159 | 386 | 1312 | 1609 | $+240.5$ |  |  | 137 | 516 | 78.5 | $67 \cdot 5$ | 80.5 | 97.2 | $84 \cdot 5$ |
| JAN. | 62.6 | 262 | 69 | 1.38 | 1453 | 1786 | 4 | 2565 | 2147 | 380 | 1313 | 1605 | $+156.3$ |  |  | 134 | 278 | 78.5 | 67 | 80.5 | 95.8 | 84 |
| FEB.... | 64.4 | 257 | . 69 | 1.38 | 1238 | 1520 | 5 | 2565 | $2153 b$ | 376 | 1333 | 1604 | + 23.3 |  | 1.0 | 132 | 541 | 78.5 | 67 | 80.5 | 94.8 | 84 |
| MARCH | 57.0 | 260 | -69 | 1.38 | 1627 | 1821 |  | 2565 | 2170 | 379 | 1346 | 1603 | $+365.4$ | 1.0 | 1.0 | 132 | 241 | 78 | ¢6 | $80 \cdot 5$ | 94.6 | 83.5 |
| APRIL... | 56.6 | 265 | -69 | $1 \cdot 38$ | 1331 | 1683 | 3 | 2565 | 2173 | 385 | 1560 | 1646 | +605.8 | 1.0 | 1.0 | 116 | 358 | 77.5 | 63.5 | 80.5 | 94.2 | 83.5 |
| MAY | $60 \cdot 2$ | 271 | 69 | 1.38 | 1417 | 1776 | 4 | 2565 | 2169 | 384 | 1360 | 1680 | $+429.4$ | 1.0 | 1.0 | 121 | 1313 | 77.5 | 63.5 | 81 | 84.0 | 83.5 |
| JUNE | 57.0 | 271 | 69 | 1.38 | 1531 | 1868 | 4 | 2562 | 2189 | 383 | 1379 | 1718 | $+240 \cdot 4$ | 1.0 | 1.0 | 124 | 587 | 77 | $62 \cdot 5$ | $80 \cdot 5$ | $93 \cdot 6$ | $83 \cdot 5$ |
| JULY | 62.2 | 280 | 69 | 1.38 | 1279 | 1768 | 5 | 2523 | 2205 | 389 | 1390 | 1737 | +278.6 | 1.0 | 1.0 | 127 | 590 | 77 | $62 \cdot 5$ | $80 \cdot 5$ | $94 \cdot 3$ | 84 |
| AUGUS | 57.9 | 275 | 69 | 1.38 | 1312 | 1750 | 5 | 2435 | 2233 | 393 | 1415 | 1772 | +259.9 | 1.0 | 1.0 | 126 | 461 | 76.5 |  | 80 | 93.5 | 83.5 |
| SEPT. | 65.9 | 284 | . 69 | 1.38 | 1514 | 1853 | 6 | 2763 | 2238 | 417 | 1406 | 1821 | $+3261$ | 1.0 | 1.0 | 138 | 180 | 80.5 | 68.5 | 82 | 98.4 | 85 |
| OCT | 65.8 | 278 | -69 | 1.38 | 1368 | 1903 | 6 | 2759 | 2257 | 428 | 1415 | 1851 | $\begin{array}{r}\text { + } \\ + \\ \hline\end{array}$ | 10 | 1.0 | 139 | 743 | 81 | 67 | 84 | 97.6 $C 6.7$ | 84.5 84.5 |
| NOV. | 63.2 | 281 | -69 | 1.38 | 1304 | 1864 | 7 | 2640 | 2297 | 435 | 1439 | 1874 | $+168.0$ | 10 | 1.0 | 137 | 218 | 81 | 67.5 | 84 | $〔 6.7$ 94.9 | $84 \cdot 5$ 81 |
| $\begin{array}{r} \text { DEC... } \\ 1940 \end{array}$ | 64.4 | 309 | -69 | 1.38 | 1763 | 2239 | 8 | 2502 | 2335 | 440 | 1455 | 1886 | +451.2 | 1.0 |  | 135 | 329 | 81 | 67.5 | $84$ | 94.9 | 81 |
| JAN. | 63.0 | 281 | -69 | $1 \cdot 38$ | 1474 | 1998 | 7 | 2478 | 2316 | 433 | 1457 | 1895 | $+2364$ | 1.0 |  | 135 | 280 | 81 |  |  | 94.8 | 84. 5 |
| FEB. | 63.6 | 283 | -69 | 1.38 | 1214 | 1734 | 7 | 2477 | 2322 | 432 | 1470 | 1921 | $+201.4$ | 1.0 | 1.0 | 134 | 451 | $80 \cdot 5$ | 68.5 | 83.5 | ¢6.6 | 84.5 |
| MARCH | $64 \cdot 3$ | 291 | -69 | $1 \cdot 38$ | 1520 | 1954 |  | 2476 | 2338 | 437 | 1478 | 1934 | +459.8 | 1.0 | 1.0 | 134 | 241 | 80 |  |  | 956 | 84-5 |
| APRIL | $64 \cdot 3$ | 292 | -69 | 1.38 | 1552 | 1925 |  | 2467 | 2349 | 441 | 1484 | 1952 | $+249.8$ | 1.0 | $1.0$ | $136$ | 345 | 80 | 69.5 | 82.5 | 962 97.0 | 85 |
| MAY | $50 \cdot 2$ | 305 | -69 | $1 \cdot 38$ | 1454 | 1966 |  | 2472 | 2356 | 440 | 1496 | 1997 | $+435.1$ | 10 |  | 119 | 190 | 80 | 68 | 82.5 | $97 \cdot 0$ 98.3 | 85 |
| JUNE | $53 \cdot 1$ | 299 | 69 | 1.38 | 1311 | 1885 | 22 | 2475 | 2359 | 43 | 1514 | 2052 | +1163.0 | 1.0 | 1 | 109 | 226 |  |  |  | 98 |  |
| JULY ..... | 54.6 | 300 | -69 | 1.38 | 1361 | 1923 | 32 | 2450 | 2379 | 445 | 1529 | 2085 | $+520.3$ | 1.01 | 1.0 | 111 | 690 | 79 | 66.5 | $82 \cdot 5$ | 97.4 |  |
| AUGUST. | 55.6 | 295 | . 69 | 1.38 | 1160 | 1831 |  | 2445 | 2414 | 446 | 1564 | 2088 | + 351.6 | 1.01 | 1.0 | 114 | 281 |  |  | 82 | 963 | 84.5 |
| SEPT...... | 56.7 | 296 | 69 | 1.38 | 1259 | 2122 | 52 | 2434 | 2423 | 455 | 1558 | 2101 | $+334.1$ | 1.01 | 1.0 | 120 | 225 | 79.5 |  | 82.5 | 97.2 | 85 |
| OCT. | 58.4 | 291 | -69 | $1 \cdot 38$ | 1495 | 2474 |  | 2378 | 2443 | 471 | 1558 | 2144 | + 326.0 | 1.0 |  | 12 |  |  |  |  | $95 \cdot 9$ |  |
| NOV. ...... | 57.0 | 311 | -58 | 1.38 | 1495 | 2414 | 42 | 2254 | 2486 | 488 | 1578 | 2189 | $+330 \cdot 1$ | 1.0 |  | 122 |  |  |  |  |  |  |
| $\begin{aligned} & \text { DEC. } \\ & 194] \\ & \text { JAN. } \end{aligned}$ |  |  |  |  |  |  | 42 | 2186 |  |  |  |  |  | 1.01 |  | $\begin{aligned} & 119 \\ & 119 \end{aligned}$ |  |  |  |  |  |  |
| * End of month. |  | $\dagger 241$ Cities outside New York adjusted for season.$\ddagger \ddagger$ Dept. of Labor Statistics.**Ex March. $\quad \ddagger+$§ Comparable figures not available prior to June, 1987 |  |  |  |  |  |  |  | $\ddagger$ National Industrial Conference Board; mid-month recent figures provisional. a New index, \% of 1923-25 mid-month. \|| New Series. $b$ Subsequently excluding certain "other assets." |  |  |  |  |  |  |  |  |  |  |  |  |

INTERNAL ACTIVITY，TRADE，EMPLOYMENT．

|  | Freight Car Loadings． |  |  |  |  | Building Contracts Awarded |  | 浐菏 <br>  \％of 1923－5 | Production． |  |  | Industrial Production． F．R．Bd．Indices． |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Average per day adjusted for season． |  |  |  |  |  |  |  |  |  |  | tal |  | Manu | actures |  | Miner als． |  |  |  |
|  |  |  |  |  |  |  |  |  | 岂 | $\begin{aligned} & \stackrel{\Phi}{\Phi} \\ & \stackrel{\Delta}{\omega} \end{aligned}$ |  |  |  |  | $\begin{aligned} & \mathrm{a} \\ & \cline { 1 - 2 } \end{aligned}$ | $\stackrel{\rightharpoonup}{\Phi}$ |  | 菏 营 |  |  |  |
|  |  | 000 cars． |  |  |  | $\underset{\mathrm{s}}{\mathrm{Mn} .}$ | $\begin{gathered} \% \text { of } \\ 1924-9 \end{gathered}$ |  | 0000 met．tons． |  | 000 | \％ot 1935－9． |  | \％of 1935－9． |  |  |  |  | Mn．s |  |  |
| 1924 Av ． | 407 | 159 | 42\％ | 56.6 | $95 \cdot 8$ | － | － | 99 | 290 | 341 | 300 | 8282 |  | 81 | 1 | 90 | 93 | 89 | 375 | 301 | 96 |
| 1929 | 441 | 172 | 43.2 | $66 \cdot 3$ | $110 \cdot 8$ | 480 | 96 | 111 | 395 | 507 | 438 | 110 | 110 | 110 | 153 | 133 | 139 | 107 | 430 | 366 | 106 |
| 1933 Av ． | 241 | 94 | 27.6 | 33.5 | 78.6 | $\begin{aligned} & 105 \\ & 129 \end{aligned}$ | $\begin{aligned} & 22 \\ & 27 \end{aligned}$ | 67 |  |  | $\begin{aligned} & 161 \\ & 229 \end{aligned}$ | $69$ | $\begin{aligned} & 69 \\ & 75 \end{aligned}$ | $68$ | $48$ | $56$ | $50$ | $76$ | $\begin{aligned} & 137 \\ & 175 \end{aligned}$ | $\begin{aligned} & 121 \\ & 138 \end{aligned}$ | 73 86 |
| 1934 Av | 256 <br> 264 | 101 | 27.0 26.6 | $37 \cdot 6$ $40 \cdot 1$ | $79 \cdot 8$ $83 \cdot 1$ | $\begin{aligned} & 129 \\ & 154 \end{aligned}$ | $\begin{aligned} & 27 \\ & 32 \end{aligned}$ | 75 78 | $\begin{aligned} & 148 \\ & 196 \end{aligned}$ | $\begin{aligned} & 239 \\ & 312 \end{aligned}$ | $\begin{aligned} & 229 \\ & 330 \end{aligned}$ | 75 87 | $\begin{aligned} & 75 \\ & 87 \end{aligned}$ | $\begin{aligned} & 74 \\ & 87 \end{aligned}$ | $\begin{aligned} & 57 \\ & 76 \end{aligned}$ | 63 82 | $\begin{array}{r} 71 \\ 102 \end{array}$ | $\begin{aligned} & 80 \\ & 86 \end{aligned}$ | $\begin{aligned} & 175 \\ & 187 \end{aligned}$ | $\begin{aligned} & 138 \\ & 171 \end{aligned}$ | 86 91 |
| 1935 Av 1936． | 303 | 118 | 27.0 | 47.4 | $90 \cdot 7$ | 222 | 42 | 87 | 286 | 437 | 371 | 103 | 103 | 104 | 110 | 115 | 116 | 99 | 201 | 186 | 99 |
| 1937 Av． | 317 | 124 | 27.7 | $50 \cdot 3$ | 951 | 243 | 49 | 93 | 342 | 462 | 401 | 113 | 113 | 113 | 132 | 122 | 125 | 112 | 274 | 257 | 109 |
| 1938 Av． | 254 | 99 | 25.1 | 39．3 | 88.5 | 266 | 55 | 85 | 175 | 259 | 208 | 88 | 88 | 87 | 68 | 68 | 65 | 97 | 255 | 163 | 87 |
| 1939 Av． | 284 | 111 | $25 \cdot 6$ | 50.0 | 95.7 | 296 | 61 | 89 | 294 | 430 | 298 | 108 | 108 | 108 | 114 | 114 | 93 | 105 | 260 | 176 | 97 |
| 1937 | 285 | 125 | $28 \cdot 3$ | 55.0 | 92.7 | 243 | 68 | 93 | 360 | 528 | 380 | 112 | 116 | 118 | 144 | 142 | 124 | 105 | 219 | 240 | 107 |
| FEB． | 278 | 127 | 28.0 | 54.7 | 92.6 | 188 | 51 | 95 | 336 | 494 | 364 | 115 | 117 | 119 | 143 | 136 | 122 | 109 | 230 | 278 | 108 |
| MAR | 337 | 133 | 28.2 | 55.1 | 94.5 | 231 | 40 | 93 | 388 | 584 | 494 | 120 | 120 | 120 | 140 | 138 | 126 | 120 | 252 | 307 | 110 |
| APRIL | 324 | 133 | 28.4 | $55 \cdot 1$ | 96.1 | 270 | 43 | 93 | 380 | 568 | 536 | 122 | 120 | 122 | 142 | 139 | 127 | 112 | 265 | 287 | 111 |
| MAY | 331 | 130 | 28.2 | 53＊8 | 97．0 | 244 | 42 | 93 | 396 | 577 | 517 | 125 | 121 | 123 | 143 | 146 | 138 139 | 112 | 285 | 285 | 112 |
| JUNE | 332 | 126 | 27.9 | 51.4 | 98.5 | 318 | 54 | 93 | 348 | 469 | 497 | 120 | 119 | 120 | 135 | 126 | 139 | 114 | 256 | 286 | 111 |
| JULY | 341 | 128 | 28.0 | 50.2 | 99.5 | 322 | 59 | 92 | 392 | 510 | 439 | 118 | 120 | 121 | 152 | 142 | 144 | 113 | 265 | 265 | 112 |
| AUG | 338 | 123 | 28.0 | 48.5 | $101 \cdot 4$ | 281 | 54 | 93 | 404 | 546 | 394 | 120 | 120 | 121 | 155 | 148 | 165 | 115 | 274 | 246 | 112 |
| SEPT | 348 | 123 | 27.6 | 47.9 | 97.3 | 207 | 42 | 94 | 382 | 480 | 171 | 115 | 115 | 115 | 153 | 129 | 142 | 115 | 293 | 233 | 110 |
| OCT． | 345 | 118 | 27.4 | $45 \cdot 3$ | $94 \cdot 6$ | 202 | 43 | 93 | 324 | 380 | 330 | 110 | 107 | 106 | 123 | 101 | 124 | 112 | 330 | 224 | 108 |
| NOV． | 284 | 110 | 26.5 | 43.4 | 89.6 | 198 | 47 | 91 | 225 | 241 | 360 | 97 | 95 | 93 | 88 | 63 | 98 | 109 | 311 | 223 | 104 |
| DEC． | 256 | 109 | 25.7 | $42 \cdot 7$ | $87 \cdot 5$ | 209 | 50 | 89 | 167 | 165 | 326 | 86 | 87 | 84 | 67 | 46 | 78 | 107 | 319 | 209 | 98 |
| ${ }_{\text {JAN }} 1938$ | 235 | 103 | 25.6 | $41 \cdot 8$ | $85 \cdot 3$ | 192 | 53 | 90 | 160 | 194 | 209 | 82 | 86 | 82 | 64 | 52 | 65 | 103 | 286 | 171 | 93 |
| FEB． | 215 | 99 | $25 \cdot 4$ | 39.7 | 84.7 | 119 | 32 | 88 | 145 | 190 | 187 | 82 | 84 | 82 | 62 | 52 | 63 | 98 | 259 | 163 | 92 |
| MAR． | 248 | 98 | 25.1 | $39 \cdot 5$ | $85 \cdot 1$ | 227 | 40 | 86 | 163 | 224 | 222 | 84 | 84 | 82 | 59 | 53 | 57 | 97 | 270 | 173 | 90 |
| APR． | 230 | 94 | 24.8 | 36.7 | $84 \cdot 8$ | 222 | 36 | 83 | 154 | 215 | 219 | 82 | 82 | 79 | 58 | 53 | 54 | 95 | 272 | 160 | 88 |
| MAY | 232 | 91 | $24 \cdot 6$ | 36.6 | 86.2 | 283 | 48 | 78 | 141 | 202 | 192 | 81 | 80 | 79 | 51 | 51 | 51 | 90 | 254 | 148 | 86 |
| JUNE． | 243 | 92 | 24.3 | 36.5 | 87.9 | 251 | 43 | 82 | 119 | 183 | 175 | 81 | 81 | 79 | 46 | 49 | 49 | 92 | 230 | 146 | 85 |
| JULY | 247 | 97 | 24.7 | 36.7 | 91.1 | 240 | 46 | 83 | 135 | 221 | 141 | 85 | 86 | 84 | 52 | 64 | 50 | 94 | 225 | 141 | 86 |
| AUG．． | 272 | 95 | 25.0 | $36 \cdot 9$ | 93.0 | 313 | 57 | 83 | 167 | 284 | 90 | 90 | 90 | 89 | 64 | 74 | 52 | 97 | 228 | 166 | 88 |
| SEPT． | 281 | 100 | 25.0 | $38 \cdot 6$ | 91.0 | 301 | 60 | 86 | 188 | 296 | 84 | 95 | 92 | 91 | 75 | 79 | 54 | 98 | 244 | 168 | 89 |
| OCT． | 307 | 105 | 25.6 | 40.2 | $90 \cdot 1$ | 358 | 76 | 84 | 230 | 348 | 210 | 99 | 95 | 95 | 87 | 92 | 69 | 98 | 274 | 178 | 90 |
| NOV．．．． | 274 | 106 | $25 \cdot 3$ | $42 \cdot 3$ <br> 45 | ${ }_{92} 912$ | 302 | 71 | 89 | 254 | 399 | 372 | 102 | 100 | 100 | 100 | 105 | 96 | 102 | 250 | 176 | 93 |
| ${ }_{1939}{ }^{\text {DEC．}}$ ． | 262 | 112 | 25.6 | 45.8 | 92.2 | 389 | 96 | 89 | 248 | 351 | 388 | 100 | 101 | 101 | 99 | 97 | 99 | 102 | 266 | 171 | 94 |
| JAN． | 249 | 110 | 26.2 | $46 \cdot 3$ | $90 \cdot 6$ | 252 | 70 | 88 | 244 | 358 | 342 | 98 | 102 | 101 | 97 | 96 | 107 | 103 | 210 | 178 | 95 |
| FEB．．． | 230 | 106 | $25 \cdot 4$ | $42 \cdot 9$ | $90 \cdot 3$ | 220 | 60 | 87 | 231 | 337 | 303 | 99 | 101 | 101 | 98 | 93 | 102 | 102 | 216 | 158 | 94 |
| MAR． | 269 | 106 | 25.4 | $43 \cdot 1$ | 91.0 | 301 | 52 | 88 | 268 | 384 | 372 | 100 | 101 | 100 | 97 | 91 | 96 | 103 | 264 | 190 | 94 |
| APR． | 233 | 99 | 25．4 | $42 \cdot 3$ | ${ }_{92}^{92.1}$ | 330 | 56 | 88 | 230 | 335 | 337 | 98 | 97 | 98 | 86 | 86 | 88 | 92 | 228 | 186 | 94 |
| JUNE． | 278 | 106 | 25.3 | 42.0 | ${ }_{96} 92$ | 308 288 | 51 49 | 85 86 | ${ }_{2}^{192}$ | 330 352 | 298 310 | 99 102 | 97 102 | 98 102 | 70 92 | 80 94 | 77 86 | －96 | 246 233 | 202 179 | 93 |
| JULY． | 277 | 109 | 25.7 | 41.1 | 97.4 | 300 | 58 | 86 | 264 | 356 |  |  |  |  | 102 | 104 | 77 | 107 | 227 | 169 | 95 |
| SEPT．．． | 306 336 | 107 | 25.7 25 | $40 \cdot 9$ <br> 45 | 98.2 | 312 | 57 | 89 | 298 | 424 | 100 | $103$ | 104 | 107 | 114 | 111 | 84 | 92 | 247 | 176 | 96 |
| OCT．．．． | 364 | 119 | 25.7 | $45^{6} 6$ | 100．7 | 323 | 66 55 | 91 | 32.2 | 477 | 189 | 116 | 113 | 113 | 129 | 128 | 92 | 114 | 284 | 182 | 98 |
| NOV． | 322 | 125 | $25 \cdot 9$ | 50.8 | 199 | 300 | 71 | 90 95 | 406 | 608 | 313 352 | 126 | 121 | 122 | 154 | 161 | 96 | 119 | 323 | 215 | 101 |
| DEC．．．． | 281 | 125 | 26.0 | $55 \cdot 5$ | $100 \cdot 9$ | 354 | 92 | 96 | 422 | 582 | 452 | 124 | 126 | 128 | 163 | 161 | 91 | 120 | 287 | 235 | 103 |
| 1940 |  |  |  |  |  |  |  |  |  | ） | 452 | 124 | 126 | 128 | 169 | 167 | 121 | 115 | 357 | 247 | 104 |
| JAN，．：． | 288 | 122 | 25.9 | 52.3 | 99.2 | 196 | 52 | 92 | 403 | 565 | 432 | 117 | 122 | 123 | 161 | 146 | 129 | 118 | 361 | 242 | 104 |
| MAR | 270 | 110 |  |  | ${ }_{9}^{96.6}$ | 272 | 5 | 89 | 331 | 441 | 404 | 113 | 116 | 116 | 136 | 117 | 129 | 114 | 339 | 200 | 102 |
| APRIL | 272 | 111 | $24 \cdot 6$ | $44 \cdot 9$ | $97 \cdot 9$ | 300 | 48 | 89 89 | 327 | 398 | 424 | 112 | 111 | 112 | 118 | 105 | 120 | 117 | 344 | 217 | 101 |
| MAY | $3{ }^{3} 1$ | 114 | $24 \cdot 5$ | $46 \cdot 1$ | 99.7 | 329 | 54 | 87 | 351 | 484 | 391 | 116 | 115 | 114 | 117 | 118 | 103 | 119 | 316 | 211 | 99 |
| JUNE．． | 301 | 119 | 24.8 | 48.4 | 102＇8 | 325 | 59 | 91 | 382 | 553 | 345 | 121 | 121 | 122 | 148 | 154 | 106 | 118 | 345 | 211 | 100 |
| JULY |  |  |  |  | 104． |  |  | 91 | 405 | 560 | 232 | 118 | 121 | 121 |  |  |  |  |  |  |  |
| SEPT．．． | 336 327 | 117 | 25.2 | 45 | $104 \cdot 4$ | 415 | 77 | 99 | 424 | 603 | 76 | 120 | 121 | 122 | 162 | 157 | 76 | 114 | 343 | 221 | 102 104 |
| OCr．．．． | 366 | ${ }_{120}^{120}$ | ${ }^{25} 5 \cdot 2$ | 46.9 49 | 104．2 | 348 383 |  | 99 91 | 418 | 590 | 269 | 129 | 125 | 127 | 166 | 164 | 109 | 116 | 288 | 195 | 105 |
| NOV．．． | 325 |  | $25 \cdot 4$ |  | 105．2＊ |  |  | 91 |  |  | 489 |  | 129 ${ }_{13}$ | ${ }^{131}$ | 169 | 165 | 130 | 113 | 336 | 207 | 108 |
| DEC． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 134＊ | 118＊＊ | 321 | 223 | 110 |
|  |  |  |  |  |  |  | Provi | nal． |  |  |  |  | evised | Series． |  |  |  |  |  |  |  |

November 9; between these two dates an advance of $22 \%$ occurred. About one-fourth of this increase, however, was lost in the decline that took place during the remainder of November (the most severe decline of any month since May), and December failed to bring definite improvement over the November low levels although the index at the close of December was no lower than a month earlier. Prices of railroad and utility stocks showed movements generally similar to those of industrial stocks: a gradual upward movement from early June through the first week or two of November, and thereafter some decline, although not to previous low levels of the year. For the half-year as a whole, quotations averaged well below those of the second half of 1939. At the end of December the industrial index was $13 \%$ below the figure for a year earlier; railroads were $12 \%$ and utilities $22 \%$ lower respectively.

Bond prices, which had shared in the security price decline of May, advanced with very little interruption throughout the second half of the year. By the year-end prices of medium grade corporate bonds were the highest since 1937 and first-grade corporate bonds were at newhigh levels.

Security flotations for the eleven months ending November, 1940 (tabulations for the complete year are not yet available) were 1,400 Mn . or $25 \%$ smaller than in the corresponding period of 1939 ; but they were higher than in either 1937 or 1938. All the decline from 1939 was in flotations of government agencies and of foreign governments; corporate issues, both for raising new capital and for refunding purposes, were substantially greater than a year ago. The increase in new corporate issues reflected larger offerings by railroads and public utilities; flotations of manufacturing and mining companies, as a group, declined. On a monthly basis new corporate issues averaged about $\$ 55$ Mn . in 1940 compared with about $\$ 30 \mathrm{Mn}$. in 1939; among the various groups, railroads averaged approximately \$II Mn., public utilities $\$ 22 \mathrm{Mn}$., and manufacturing and mining $\$ 10 \mathrm{Mn}$. in 1940, against $\$ 7$, 5 , and 15 Mn ., respectively in 1939. Yet while new corporate issues were greater in 1940 than in 1939, they amounted to only $16 \%$ of total flotations. Refunding corporate issues were $40 \%$ of the total; new public issues, $26 \%$; and refunding public issues, $18 \%$.

|  | FINANCE． |  |  |  |  | PRICES． |  |  |  | TRADE AND PRODUCTION |  |  |  |  |  |  | EMPLOYMENT． |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | \| ష్ర゙ |  | 畀官 | $\infty$ | Wholesale． |  |  |  |  <br> 8 Mn ． |  |  | $\square$ |  |  |  |  | $\begin{aligned} & \text { 椦 } \\ & \text { 号 } \\ & \text { O } \\ & \text { 品 } \\ & \text { 剈 } \\ & \% \end{aligned}$ |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | \％ | \％ | 10 Mn | 0 M | 10 Mn ． | \％ | \％ | \％ |  |  |  |  |  |  | 000 |  |  |  |  |
| 1926 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | $\delta$ | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| Average | 100 | 100 | 253 | 125 | 195 | 100 | 100 | 100 | 100 | 84 | 107 | 63 | 100 | 100 | 272 | 81 | 100 | 100 | 100 |
| 1933 Av． | 68 | 96 | 250 | 115.5 | 193 | 51 | 70 | 67 | 78 | 37 | 45 | 22 | 77 | 28 | 170 | 67 | 77 | 81 | 84 |
| 1934 Av． | 86 | 84 | 274 | 111.5 | 195 | 59 | 73.5 | 71.5 | 79 | 43 | 55 | 26 | 94 | 38 | 193 | 70 | 109 | 91 | 96 |
| 1935 Av． | 94 | 77 | 263 | 104 | 208 | 63 | 73 | 72 | 79 | 48 | 62 | 26 | 103 | 51.5 | 197 | 71 | 97 | 88 | 100 |
| 1986 Av． | 119 | 71 | 299 | 91.5 | 221 | 70 | 74 | 74 | 81 | 53 | 80 | 39 | $\overline{1154}$ | 46 | 208 | 74 | 87 | 104 | 104 |
| 1937 Av． | 127 | 73 | 293 | 96 | 235 | 87 | 80 | 85 | 83 | 67 | 84 | 32 | 127 | 58 | 220 | 80 | 101 | 115 | 115 |
| 1938 Av ． | 104 | 69 | 258 | 98 | 242 | 74 | 78 | 78 | 84 | 56 | 71 | 26 | 115 | 52 | 202 | 78 | 107 | 111 | 111 |
| 1939 Av ． | 100 | 70 | 264 | 104 | 258 | 64 | 75 | 75 | $\overline{101.8}$ | 63 | 78 | 29 | 125 | 51 | 212 | 82 | 111 | 113 | 114 |
| 1937 JULY | 133 | 73 | 272 | 97 | 232 | 93 | 82 | 88 | 83 | 72 | 92 | 34 | 131 | 49 | 219 | 80 | 140 | 118 | 120 |
| AUG．．． | 135 | 73 | 261 | 98 | 234 | 85 | 82 | 86 | 84 | 70 | 91 | 31 | 127 | 54 | 231 | 80 | 144 | 121 | 123 |
| SEPT． | 119 | 72.5 | 273 | 98 | 237 | 86 | 81 | 85 | 84 | 70 | 84 | 29 | 127 | 58 | 262 | 82 | 144 | 122 | 126 |
| OCT．．． | 106 | 74 | 291 | 99 | 233 | 86 | 81 | 85 | 84 | 82 | 94 | 39 | 133 | 54 | 260 | 81 | 132 | 119 | 125 |
| NOV．．． | 103 | 74 | 293 | 97 | 235 | 84 | 81 | 83 | 84 | 81 | 102 | 45 | 134 | 48 | 235 | 80 | 104 | 116 | 122 |
| DEC．．． | 104 | 72 | 308 | 94 | 233 | 84 | 80 | 83 | 84 | 53 | 76 | 29 | 125 | 64 | 204 | 86 | 82 | 109 | 113 |
| 1938 | 107 | 71.5 | 244 | 91 | 231 | 86 | 82 | 84 | 84 | 50 | 72 | 30 | 114 | 49 | 187 | 78 | 72 | 110 | 110 |
| FEB ．．． | 107 | 71 | 218 | 92 | 232 | 85 | 82 | 84 | 84 | 47 | 61 | 20 | 107 | 37 | 180 | 77 | 71 | 110 | 108 |
| MAR．．． | 99 | 70 | 237 | 93 | 234 | 83 | 82 | 83 | 84 | 65 | 74 | 23 | 110 | 53 | 199 | 78 | 72 | 111 | 105 |
| APRIL | 98 | 69 | 240 | 97 | 241 | 82 | 81 | 82 | 84 | 49 | 52 | 13 | 114 | 57 | 185 | 76 | 88 | 111 | 107 |
| MAY | 100 | 68 | 246 | 96.5 | 240 | $77+$ | 79 | 80 | 84 | 67 | 68 | 19 | 112 | 50 | 190 | 76 | 114 | 112 | 112 |
| JUNE | 100 | 69 | 273 | 99 | 246 | 77－ | 79 | 80 | 84 | 59 | 67 | 23 | 109 | 50 | 187 | 80 | 125 | 112 | 113 |
| JULY | 107 | 69 | 247 | 99 | 239 | 71 | 78 | 79 | 84 | 56 | 67 | 24 | 110 | 51 | 183 | 78 | 128 | 110 | 112 |
| AUG．．． | 105 | 69 | 237 | 98 | 242 | 64 | 77 | 76 | 85 | 57 | 70 | 22 | 111 | 53 | 213 | 77 | 134 | 114 | 115 |
| SEPT． | 99 | 71 | 266 | 102.5 | 245 | 64 | 76 | 74 | 84 | 56 | 73 | 29 | 121 | 53 | 250 | $79 \cdot 5$ | 143 | 112 | 117 |
| OCT．．． | 110 | 70 | 298 | 105 | 248 | 64 | 75 | 74 | 84 | 64 | 89 | 40 | 121 | 62 | 257 | 80 | 123 | 111 | 115 |
| NOV．．． | 110 | 68 | 297 | 103 | 250 | 65 | 74 | 73 | 84 | 63 | 87 | 38 | 128 | 48 | 219 | 79 | 113 | 110 | 114 |
| DEC．．． | 107 | 68 | 291 | 100 | 250 | 65 | 74 | 73 | 84 | 44 | 70 | 29 | 118 | 63 | 178 | 79 | 96 | 104 | 108 |
| 1939 | 103 | 67 | 251 | 98 | 246 | 65 | 74 | 73 | 101＇1 | 44 | 71 | 27 | 114 | 40 | 171 | 78 | 89 | 106 | 106 |
| FEB ．．． | 104 | 67.5 | 205 | 98 | 247 | 65 | 74 | 73 | $100 \cdot 7$ | 40 | 58 | 19 | 114 | 56 | 160 | 76 | 94 | 107 | 106 |
| MAR．．． | 104 | 66 | 243 | 100 | 249 | 65 | 73 | 73 | $100 \cdot 6$ | 58 | 70 | 21 | 115 | 47 | 191 | 76 | 92 | 107 | 105 |
| APRIL | 96 | 67.5 | 247 | 101 | 251 | $65 \cdot 5$ | 73 | 73 | $100 \cdot 6$ | 42 | 51 | 14 | 119 | 51 | 179 | 79 | 94 | 108 | 106 |
| MAY．．． | 99 | 68 | 284 | 102 | 252 | 65 | 73 | 74 | $100 \cdot 6$ | 73 | 81 | 28 | 123 | 49 | 215 | 81 | 115 | 111 | 113 |
| JUNE | 97 | 67 | 283 | 101 | 254 | 63 | 73 | 73 | $100 \cdot 5$ | 64 | 78 | 26 | 124 | 60 | 195 | 85 | 133 | 111 | 116 |
| JULY | 97 | 67 | 238 | 103 | 252 | 63 | 73 | 73 | $100 \cdot 8$ | 59 | 77 | 28 | 124 | 54 | 196 | 84 | 146 | 113 | 117 |
| AUG．．． | 97 | 68 | 239 | $100 \cdot 5$ | 252 | 58 | 73 | 72 | $100 \cdot 8$ | 63 | 76.5 | 24 | 127 | 60 | 229 | 82 | 152 | 115 | 120 |
| SEPT． | 100 | 78 | 283 | 107 | 258 | 64 | 77.5 | 78 | $100 \cdot 8$ | 74 | $82 \cdot 5$ | 30 | 128 | 49 | 295 | 88 | 131 | 120 | 122 |
| OCT $\ldots$ | 106 | 76.5 | 290 | 114 | 284 | 64.5 | 79 | 79 | 103.5 | 79 | 91 | 38 | 140 | 43 | 270 | 89 | 118 | 122 | 124 |
| NOV．．． | 104 | 74 | 293 | 116 | 281 | 65 | 80 | 80 | 103.8 | 85 | 98.5 | 43 | 139 | 40 | 248 | 83 | 84 | 122 | 123 |
| DEC．．． | 101 | 75 | 306 | 114 | 277 | 69 | 81 | 82 | 103.8 | 72 | 102 | 53 | 138 | 62 | 199 | $87 \cdot 5$ | 69 | 118 | 116 |
| JAN．．． | 100 | 74 | 267 | 112 | 276 | 70 | 82 | 83 | 103.8 | 71 | 91 | 36 | 145 | 52 | 210 |  | 58 | 120 | 114 |
| FEB．．． | 99 | 73 | 295 | 116 | 277 | 70 | 82 | 83 | 103.8 | 71 | 72 | 26 | 136 | 62 | 199 | 88 | 55 | 123 | 118 |
| MAR．．． | 99 | 73 | 241 | 117 | 272 | 71 | 82 | 83 | $104 \cdot 6$ | 77 | 83.5 | 32 | 127 | 61 | 195 | 88 | 60 | 123 | 112 |
| APRIL | 97 80 | 73 | 294 334 | 112.5 | 274 | 73 | 82 | 83 | 104.6 | 86 | 85 | 27 | 160 | 97 | 219 | 86 | 68 | 126 | 124 |
| MAY．． | 80 | 72 73 | 334 | 111 | 278 | 68 | 81 | 82 | $104 \cdot 9$ | 100 | 111 | 43 | 147 | 76 | 237 | 89 | 90 | 129 | 121 |
| JUNE | 72 | 73 | 268 | 111 | 271 | 64 | 80 | 82 | 104.9 | 91 | 112 | 31 | 148 | 84 | 240 | 92 | 105 | 130 | 185 |
| JULY AUG．． | 72 76 |  | 262 246 | 109 | 267 | 65 |  |  | 105.6 |  | $101 \cdot 5$ | 29 | 151 | 71 | 248 | 89.5 | 114 | 134 | 128 |
| AUG．．． | 76 83 | 72 | 246 |  |  | 63 | 82 | 83 | 105.9 | 97 | 113 | 32 | 162 | 91 | 256 |  | 121 | 138 | 132 |
| OCT．．． | 81 | 71 | 353 |  |  | 65 | 82 | 83 83 | 106．4 | 86 | 103 | 31 30 | 167 168 | 127 81 | 252 |  | 121 | 144 | 136 |

Dates of Series ：Cols．4，5，16－18，end of month；1－2，6－9，averages．Source ：Dominion Bureau of Statistics．
Notes on Series

Ool．1．－＂Investors＇Index．＂Index of current market valuation of shareholders＇equity in about 100 companies．
2．－Weighted index of yield to maturity or call date（whichever gives lowest）of 6 taxable federal issues maturing in not less than 7 years．
3．－From 32 banking centres，comprising about $85 \%$ of total debits Excludes debits to accounts of central bank since its founding in April，1935．Largely influenced by financial transactions
4．－Refers to operations in Canada only．Includes loans to pro－ vincial and municipal governments．
5．－Includes governmental deposits．Excludes all deposits with provincial，postal and Quebec savings banks，and with trust companies
6－8．－Col． 6 comprises 70 items ；col．7， 322 items ；col．8， 567 ivems．
9．－Comprises separate groups for food，fuel，rent，clothing， sundries（including services）．Includes home furnishing from 1939，See text．
，11．－Excludes all exports of both monetary and non－monetary gold since 1937；includes gold in small quantities only， shipped as dust，quartz，etc．，in earlier annual averages．
，12．－Comprises＂animal products＂and＂vegetable products
groups：includes partly and fully manufactured products in some cases made from imported raw materials，e．g．，rubber products
Col．13．－Adjusted for seasonal variation．Includes 41 weighted series largely representing foreign trade in raw materials．＇Tends to overstate amplitude of cyclical fluctuations，probably with an upward bias．
14．－Based on value of contracts awarded，deflated annually for changes in union rates of wages，and monthly for changes in prices of building materials
15．－Revenue freight only ；excludes cars received from U．S． connections．
16．－Index of value，comprising 13 groups adjusted for number of business days and for seasonal variation．Refers to depart－ ment，＂variety，＂and chain stores only，representing chiefly urbansales．Base－Av． $1930=100 \%$ ．Monthly series com－ menced January，1929．Annual estimates from 1923.
17．－Includes workers on relief projects．
19．－Establishments with over 15 employees only．Includes part－ time workers on same basis as full－time．Excludes farm labourers and civil servants，and underweights the service industries．

# THE DEVELOPMENT OF AGRICULTURAL PRODUCTION IN THE U.S.S.R.** 

By Alexander Baykov.

## 13th fanuary, 194 I .

IN the past year the Soviet Government has introduced a whole series of decrees with the aim of regulating the production and marketing of agricultural products. These decrees, the effect of which can already be noticed, will have a very important influence on the development of agricultural production in the U.S.S.R.

The processes of development of agricultural production since the introduction of general collectivisation of peasant holdings are as follows :
(I). In spite of all the measures of the Soviet Government which aimed at increasing agricultural production and in spite of an important increase in the supply of agricultural machinery, up to 1933 the production of grain and the quantity of livestock did not increase, but on the contrary declined.
(2). From 1933 a slow rise began to take place in the production of grain and from 1934 in the quantity of livestock. (See figures in Appendix 1.) This rise in production after 1933 developed in a two-fold course :
(a). The production of grain and industrial crops was concentrated in Kolkhoz and Sovkhoz (state farms) and relatively only a very small quantity of grain was produced in private-owned so-called " farmsteads" $\star$ and in the remaining not collectivised individual peasant holdings.
(b). The production of livestock, dairy produce, vegetables, fruit, etc., increased mostly in private "farmsteads" and in the remaining individual peasant holdings. $\dagger$

This change in the development of agricultural production since 1933 and the two-fold course of this development were due chiefly to the following causes :

Legal free markets for agricultural products did not exist in the U.S.S.R. from the begin-

[^27]ning of general collectivisation (from 1929) up to 1933 and nearly all marketable agricultural products were delivered for purchase by the State at a low price fixed by the State. The methods of calculating the amounts of these deliveries varied from year to year so that for the Kolkhoz there was no stability regarding obligatory deliveries of agricultural products to the State.

In 1933 ( I ) there was introduced stability of calculation of deliveries of grain to the State, a certain percentage from each hectare of the planned sown area; (2) the so-called "Kolkhoz trade" in agricultural products was legalised. $\ddagger$ This legal sanction for Kolkhoz trade was very important for the course of the development of agricultural production, as the difference between the State fixed price for the obligatory deliveries and the market price for the same products was enormous§ ; (3) the Kolkhoznik was permitted to rear a certain quantity of privately-owned livestock.

As a result of these changes the Kolkhoznik was more interested than before in the increase of agricultural production. In his "farmstead" he was able to rear livestock, to produce dairy produce, vegetables, etc., and when he had fulfilled the obligatory deliveries to the State, he was able to sell the remaining net production at a high price on the Kolkhoz market. It was also possible for the Kolkhoznik to convert in his "farmstead" the grain, hay and other products received as payment for his work in the Kolkhoz, into meat, dairy produce, etc., and either to increase his own consumption or to sell these products on the Kolkhoz market. Many of the Kolkhoznik succeeded in circumventing the Kolkhoz Statute which limited the size of their "farmsteads" and used the land

[^28]belonging to the Kolkhoz together with the advantages of membership of the Kolkhoz for the purpose of developing production in their "farmstead." Many of the Kolkhoz farmers also devoted more labour to their own " farmsteads" than to the Kolkhoz.

The reason why many Kolkhoznik preferred to work in their own "farmstead" rather than in the Kolkhoz may be found in the manner in which the harvest is distributed in the Kolkhoz. In 1938, for example, the distribution of the gross harvest of grain was as follows: obligatory deliveries to the State took up $15 \%$ of the gross harvest, payment in kind for work done by the Machine Tractor Station absorbed $16 \%$ of the gross harvest; restitution to the State Sowing Fund from the previous year- $2 \%$ (thus, $33 \%$ of the gross harvest was delivered to the State); $18.6 \%$ was allotted to a sowing fund; $13.1 \%$ was reserved for a forage fund; $10.8 \%$ was allotted to the fund for assistance of invalids and kindergartens; $5.1 \%$ was sold at free prices to co-operatives and on the "Kolkhoz market", other expenses absorbed $2.5 \%$ and only $26.9 \%$ of the gross harvest was allotted for the distribution among the Kolkhoznik as payment in kind for their working days. In 1938 only 38,98I Kolkhoz, i.e. $16.3 \%$ of them, distributed more than 3 Kg . of grain for one working day. The monetary income of the Kolkhoz was distributed in 1938 as follows: $9 \%$ was absorbed by tax and duty; $0.5 \%$ reckoned as payment for sowing advanced from the State; $14.0 \%$ reckoned in the Kolkhoz capital fund; $19.6 \%$ production expenses; $1.5 \%$ administrative expenses; $3 \%$ reckoned for the cultural expenses and only $52.4 \%$ was distributed among the Kolkhoznik as payment for working days. In 1938, the Kolkhoznik received on an average 461 roubles as payment for his working days while the average yearly wage for non-agricultural workers and employees was 3,467 roubles.

When, in 1933, the Soviet Government made concessions to the private interest of the Kolkhoznik, its aim was to permit the Kolkhoznik to develop agricultural production in his "farmstead" for the provision of his family, and also to increase by individual enterprise, the production of livestock, dairy produce, vegetables, etc., the production of which it had not been successful in developing at this time in the Kolkhoz and Sovkhoz. But the Soviet Government supposed, and still supposes, that only by intensification of production in the Kolkhoz is it possible to raise the agricultural production of the country. For this intensification, however, it is necessary to have not only a one-sided development of production in the Kolkhoz (producton of grain or industrial crops as has been usual in the majority of Kolkhoz
up to date) but a simultaneous development of livestock, dairy produce, vegetables, etc., and it is also necessary that the Kolkhoznik should participate more in the large-scale field work as well as in the daily work of the Kolkhoz.

The Soviet Government has therefore ordered (I) that all "farmsteads" should be measured and that all surplus land, i.e. that above the size permitted by the Kolkhoz Statute, should be taken away from the "farmstead" and included in the land of the Kolkhoz. The decree also introduced severe punishment for any circumventing of the Kolkhoz Statute. As a result of this decree about I9million Kolkhoz"farmsteads" in 1940 were measured and the surplus land from them included in the Kolkhoz land. (2) that Kolkhoznik should be transferred from those overpopulated regions where it is not possible to allot them the quantity of land permitted by the Kolkhoz Statute for their private use, to regions richer in land. According to data published on I5th June, 1940, already 40,000 families have been transferred to the Eastern region. (3) that there should be an obligatory minimum of "working days" " which every Kolkhoznik capable of work is obliged to work in the Kolkhoz. If he does not work the minimum of working days he is considered as having left the Kolkhoz and loses all the rights appropriate to the Kolkhoznik. (4) that the previous system of calculating meat, hides and skins, wool and goat hair deliveries on the basis of the number of livestock should be changed, and that, as from Ist January, 1940, the calculation of obligatory deliveries of these goods should be based on the area of land assigned to the Kolkhoz. It was "recommended" to the Kolkhoz that every Kolkhoz should organise three livestock farms (for cattle, pigs and sheep) or at least two farms with a certain minimum of livestock. If the Kolkhoz fulfils this "recommendation" it gets a $10 \%$ exemption from the fixed delivery of meat to the State. A Kolkhoznik who transfers a heifer from his "farmstead" to the Kolkhoz livestock farm, receives, in addition to the payment for the heifer at the State delivery price, $10-20$ working days credited to him. Also, the norm of delivery for the Kolkhoz is calculated on a much lower basis than for the Kolkhoz "farmstead" and noncollectivised peasants. As a result of this decree all Kolkhoz should be forced to increase the rearing of livestock since they are obliged to deliver a fixed quantity of meat and other pro-

[^29]ducts of rearing for every hectare of land owned by the Kolkhoz. Before this decree it was only those Kolkhoz which owned live stock farms which were obliged to deliver meat and other products to the State. This decree has already resulted in a rise in the quantity of live stock in the Kolkhoz. (5) The Soviet Government has changed the previous methods of calculation of deliveries of all products of husbandry. Starting with the harvest of 1940, the Kolkhoz must deliver to the State a fixed amount of grain, potatoes, vegetables, oil seeds and grass seeds, milk, eggs, etc., from every hectare of arable land. In the quantity of land on which is calculated the deliveries of all these products is also included new land which according to the State plan must be ploughed up, marshes which must be drained and forests which must be cleared. This new land is included in the calculation of deliveries in the second year after ploughing, draining, clearing, etc. Every Kolkhoz, without exception, must breed an obligatory minimum of horses fit for army purposes and the obligatory minimum is also calculated on the basis of the land assigned to the Kolkhoz. The norm of delivery is also lower for the Kolkhoz than that for the Kolkhoz " farmstead" and non-collectivised peasants.

As a result of these decrees it is evident that every Kolkhoz must endeavour to increase the production of every kind of product since the obligation to deliver all products to the State is based on the quantity of land assigned to them, irrespective of whether they utilise all the land or not. Only after fulfilment of the obligatory delivery of all products, after reckoning the seed and forage fund, seed insurance fund, provision insurance fund and assistance fund, etc., are the Kolkhoz permitted to distribute the remaining agricultural products to the Kolkhoznik in accordance with the number of working days worked by them in the Kolkhoz. It is thus only by means of complex, intensive utilisation of all the land assigned to the Kolkhoz, that fulfilment of the obligatory deliveries to the State and diminution of the burden can be realised. The Kolkhoznik will also be forced to work more in the Kolkhoz since the possibility of developing his "farmstead" is more limited than before.

Since these new decrees increase the burden for the Kolkhoz and limit the possibility of developing production in the "farmstead," it is a natural question to ask whether these decrees may not result in decreasing rather than increasing production. It is not probable that this will happen and the results of the development
of agricultural production in 1940 do not indicate this.

The Soviet Government during the past years has gained experience in the regulation of the principles underlying the processes of production in the Kolkhoz, and has made the Kolkhoz dependent for their large-scale agricultural work on the so-called "Machine Tractor Stations" belonging to the State. In these Machine Tractor Stations are concentrated nearly all the agricultural machinery, and all large-scale work in the fields of the Kolkhoz is now done chiefly by the M.T.S. (See Appendix II). Consequently the Kolkhoz depend almost entirely on their work. When the Kolkhoz employ the machinery of the M.T.S. they are forced at the same time to introduce certain technical methods, and it is through the M.T.S. that the State organs can control all large-scale work in the Kolkhoz. Besides this, during the past period experience in intensification of agricultural production has been gained in thousands of Kolkhoz. These Kolkhoz afford an example of the possibility of development of production by rationalisation and intensification. The Soviet Government, taking these facts into consideration, has now decided that the time has come to demand that the Kolkhoz should utilise their land more intensively.

The potential possibilities of an increase in the intensiveness of agricultural production in the U.S.S.R. are very considerable, as output per hectare is still very much lower than that of most other European countries. ${ }^{\star}$

The principal developments during 1940 were as follows:

The Spring sowing in 1940 took place under unfavourable meteorological conditions. Consequently, at the beginning the sowing was late as compared with the Spring of 1939, but at the end of the sowing campaign, the sowing plan was more than fulfilled (IOI. $5 \%$ ) and the total sown area of principal crops was $1,165,000$ hectares more than in the Spring of 1939. ( 85,293 thousand hectares instead of 84,128 thousand hectares). The People's Commissar of Agriculture considers that: "sowing was accomplished in a more organised way and was of a higher quality than that of

[^30]1939." $\dagger$ The President of the Supreme Council of the U.S.S.R. declared that: " In 1940 we have had a good harvest. The gross harvest of grain approaches 7 milliard poods ", $\ddagger$ i.e. the harvest of grain in 1940 was around 1,000 million metric quintals. These figures are probably exaggerated, perhaps by about $10 \%$, owing to insufficient consideration of the loss during harvesting. \& The Autumn sowing campaign was carried out more successfully than in 1939; on 3Ist October, 1940, 35,992 hectares were sown as compared with 35,43 I in 1939.

Summarised data concerning the increase of livestock in 1940 has not been published, but separate data indicate an increase in the quantity of livestock in the Kolkhoz. It is not possible to estimate whether this increase in the Kolkhoz is due to the purchase of livestock from " farmsteads," or whether this increase has also been accompanied by an increase in the quantity of livestock in the "farmsteads" belonging to the Kolkhoznik.

On the whole, according to the preliminary data, the production of principal agricultural products in 1940 was not lower, but possibly higher, than in 1939.

APPENDIX I.
HARVES'T IN MILLION METRIC QUINTALS. $\downarrow$

|  |  | Grains | Cotton Seed | Flax Fibre | Sugar Beet |  |
| :--- | :--- | :--- | :---: | :---: | :---: | :---: |
| 1929 | $\ldots$ | 717 | $8 \cdot 6$ | $3 \cdot 6$ | 63 |  |
| 1930 | $\ldots$ | 835 | $11 \cdot 1$ | $4 \cdot 4$ | 140 |  |
| 1931 | $\ldots$ | 695 | $12 \cdot 9$ | $5 \cdot 5$ | 121 |  |
| 1932 | $\cdots$ | 699 |  | $12 \cdot 7$ | $5 \cdot 0$ | 66 |
| 1933 | $\cdots$ | 898 | $(808)^{*}$ | $13 \cdot 2$ | $5 \cdot 5$ | 90 |
| 1934 | $\cdots$ | 884 | $(808)$ | $11 \cdot 8$ | $5 \cdot 3$ | 114 |
| 1935 | $\cdots$ | 911 | $(811)$ | $17 \cdot 2$ | $5 \cdot 5$ | 162 |
| 1936 | $\cdots$ | 827 | $(745)$ | $23 \cdot 9$ | $5 \cdot 8$ | 168 |
| 1937 | $\cdots$ | 1,203 | $(1,083)$ | $25 \cdot 8$ | $5 \cdot 7$ | 219 |
| 1938 | $\cdots$ | 950 | $(855)$ | $26 \cdot 9$ | $5 \cdot 5$ | 167 |
| 1939 | $\cdots$ | 1,054 | $(949)$ | $28 \cdot 2$ | $6 \cdot 4$ | 210 |

* In 1938 the method of computing the harvests was changed, and we estimate that the official figures somewhat exceed the actual harvest (by approximately $10 \%$ ) and consequently we give in brackets figures for the harvest which we consider are more comparable with the previous period of 1929-33.
† Average Harvest 1926-32, 735.9; 1933-37, 944.7 Mn. Quintals. Average Yield 1926-32, 7.5 Qu. per hectare; 1933-37, 9.1; 1938, 9•3; 1939, 9•3.

[^31]MARKETABLE PRODUCTS (MILLION METRIC QUINTALS).


| LIVESTOCK <br> Horses | (MILLION <br> Cattle | HEAD). <br> Sheep \& Goats | Pigs |
| :---: | :---: | :---: | :---: |
| 34.6 | 67.1 | 147.0 | 20.7 |
| 30.2 | 52.5 | 108.8 | 13.6 |
| 26.2 | 47.9 | 77.7 | 14.4 |
| 19.6 | 40.7 | 52.1 | 11.6 |
| 16.6 | 38.3 | 50.2 | 12.1 |
| 15.7 | 42.4 | 51.9 | 17.4 |
| 15.9 | 59.2 | 61.1 | 22.5 |
| 16.6 | 56.7 | 73.7 | 30.5 |
| 16.7 | $67 \cdot 0$ | 81.3 | 22.8 |
| 17.5 | 63.2 | 102.5 | 30.0 |
| 18.3 | 64.6 | 111.6 | 32.5 |
|  | Estimate. |  |  |

APPENDIX II

$\ddagger$ Most of the tractors were on Kolkozes until 1929 when they were transferred to the M.T.S.

MECHANISATION OF AGRICULTURAL WORK IN 1938.
$\%$ of total

| Ploughing: | By Tractor Ploughs | $71 \cdot 5$ |
| :--- | :--- | :--- |
| Sowing : | By Tractor Seeders | $56 \cdot 7$ |
| Harvesting: | By Horse | 30.5 |
|  | By Combiners | $48 \cdot 4$ |
| Threshing: | By Horse Mowing Machine | 43.1 |
| By Mechanical Threshers | $95 \cdot 0$ |  |

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## LONDON \& CAMBRIDGE ECONOMIC SERVICE

## BULLETIN II.

VOL. XIX.
APRIL, 1941.

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## LONDON $\mathfrak{F}$ CAMBRIDGE ECONOMIC SERVICE

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## EVENTS OF ECONOMIC IMPORTANCE.

1941. 

February 14th U.K. . . . . Government to take over import of all cotton.

| ", | 27th | U.K. | . | . | Ministry of Transport assumes direct control of do ck labour. |
| :---: | ---: | :--- | :--- | :--- | :--- |
| March | Ist | Balkans . . | . | Entry of German troops into Bulgaria. |  |
| " | $4^{\text {th }}$ | U.K. | . | . | President of Board of Trade announces concentration scheme for |
| civilian industries. |  |  |  |  |  |

# UNITED KINGDOM. THE ECONOMIC POSITION. 

30th April, i941.

GOVERNMENT expenditure, after its sharp further rise in the autumn of 1940 to between $£ 80 \mathrm{Mn}$. and $£ 90 \mathrm{Mn}$. per week, remained at that level until March, 1941, when it shot up to nearly $£ \mathrm{IOO} \mathrm{Mn}$. per week, partly, perhaps, in consequence of the usual seasonal increase in payments before the close of the financial year. During April the published figures of expenditure have fallen fairly sharply to $£ 83 \mathrm{Mn}$. per week, partly seasonally and partly as a (presumable) result of the operation of the Lease and Lend Act. The seasonal fall in Revenue since the end of March has caused the average weekly deficit to rise to nearly $£ 60 \mathrm{Mn}$., of which only about $£_{2} \mathrm{I} \mathrm{Mn}$. has been covered by long-term loans, which have failed to maintain the high level reached in February and March. Despite an increase to $£ 75 \mathrm{Mn}$. per week in the issue of Treasury Bills by tender, an additional $£ 73 \mathrm{Mn}$. has had to be borrowed from the banks during April on Treasury Deposit. Clearing bank deposits, the rise in which was checked from December to March by the seasonal inflow of revenue, will no doubt show a further substantial increase during April.

The Index of Wholesale Prices of Food was stationary from December to March; that for materials, etc., continues to rise I or $2 \%$ monthly, so that in March, according to the Board of Trade's account, the increase since August, 1939 has been :-Food, $60 \%$; Materials, etc., $5 \mathrm{I} \%$; All, $54 \%$. Among the retail food prices included in the Ministry of Labour's
index there has been very little movement in recent months, most of the prices being controlled; but there may have been increases in other food prices. The cost of clothing has increased, and consequently the Index of the Cost of Living has risen slowly in the last six months ; from August, 1939, to March Ist, 194I, the index has risen about $28 \%$. No doubt the effective rise has been greater owing to the necessary substitution of dearer goods for kinds of food and other commodities no longer obtainable.

There was an increase in the wage-rates in the engineering industries in February, and in cotton and tramways in April; otherwise there has been no important change in rates since July last. The increase in our wage-rate index since August, 1939, has been $18 \%$. It may be presumed that when the Chancellor of the Exchequer expressed the hope of stabilising the cost of living and wagerates near their present level, these increases ( $28 \%$ Cost of Living, $18 \%$ Wage-rates) are of the kind he had in mind. Such rates form the basis on which overtime and other additional earnings are in many cases computed. From the results of the enquiry into earnings of last July, we may infer that average earnings of all wageearners are now 30 to $40 \%$ higher than before the war, in spite of some substitution of women for men in factories.

The number of registered unemployed has diminished steadily and by March must have nearly reached the minimum possible for the ordinary labour force. Hence the necessity for increasing that force in view of further expansion of work.

## FINANCE \& BANKING IN THE FIRST QUARTER OF 1941.

By F. W. Paish.

GOVERNMENT FINANCE.-The average weekly expenditure on the Supply Services, which had stood at $£ 80 \mathrm{Mn}$. during the last two months of 1940, remained at about the same level during January and February. During March there was a sharp further rise to nearly $£ 100 \mathrm{Mn}$., but this was probably due, in part at least, to the normal increase in payments which occurs just before the close of the financial year as mentioned above. The rise in expenditure and in the deficit since the outbreak of war is shown in the following table :-

GOVERNMENT REVENUE AND EXPENDITURE. (£Mn.)

|  | Weekly <br> Revenue | Averages. <br> Supply |  |
| :---: | :---: | :---: | :---: |
|  | Total. | Services. | Total. | Deficit

Total expenditure for the quarter was $£$ II 59 Mn ., or $£ 6 \mathrm{I} \mathrm{Mn}$. more than in the last quarter of 1940, but as Revenue was $£ 356 \mathrm{Mn}$. higher at $£ 656 \mathrm{Mn}$., the quarterly deficit fell from $£ 798$ Mn . to $£ 503 \mathrm{Mn}$. This deficit was financed as follows :-

| GOVERNMENT | BORROWING. <br> (£Mn.) | FIRST |
| :---: | :---: | :---: | :---: | :---: | QUARTER, 1941.

In addition to the finance of the deficit and of minor expenditures on capital account, nearly $£ 100 \mathrm{Mn}$. of $\mathrm{I} \%$ Treasury Bonds, of which the bulk was probably already in official hands, were repaid during February.

Floating Debt.-As the end of neither the December nor the March quarter fell during week-ends, it is not possible accurately to separate the tender Treasury bill from the tap bill totals. On the last day of December it is likely that the tender bill total was temporarily well below the normal week-end level of $£ 845$ Mn ., perhaps by as much as the $£ 50 \mathrm{Mn}$. borrowed from the Bank of England on Ways and Means Advances. While, therefore, the Treasury bill total shows a rise of $£ 60 \mathrm{Mn}$. on the quarter, from $£ 2152 \mathrm{Mn}$. to $£ 22 \mathrm{I} 2 \mathrm{Mn}$., it is probable that the increase was accounted for by purely temporary year-end movements in tender bills and that 'tap' bills showed little or no increase during the quarter despite the continued accumulation of funds in the hands of government departments and other official lenders. This may be attributed partly to the funding of bills in the hands of the Post Office Savings Bank by the issue of $£ 76 \mathrm{Mn}$. of a special $3 \%$ Defence Loan, and partly to the fact that $£ 86 \mathrm{Mn}$. of official funds were lent to the Treasury in the form of Ways and Means Advances instead of bills.

Bank of England.-The seasonal rise in the note circulation was rather more marked during the first quarter of 194I than in the corresponding quarter of 1940, and the note reserve in the Banking Department has fallen to a level which may necessitate a further increase in the fiduciary
issue. Bankers' Deposits were maintained at a comfortable level except on one or two occasions. An unusual feature in the return appeared on March 26th, when Discounts and Advances rose from $£ 6$.I Mn . to $£ 45.3 \mathrm{Mn}$., on account of the discounting of sterling bills for the Indian authorities, who required the cash to complete their payment for the Indian sterling securities which had been compulsorily acquired by the Treasury from their British holders. Since the bulk of these will presumably re-invest the proceeds in long-dated government securities, the transaction constitutes a sort of funding operation.

The Clearing Banks.-The seasonal check to the increase in the Treasury's borrowing on Deposit, and the continued absorption of Treasury bills by non-banking investors, has brought a temporary cessation in the upward movement in clearing bank deposits. After the elimination of movements due merely to the alterations in the total of items in transit, changes in the total of Deposits during recent months are as follows :-


Between December and March the banks' holdings of Treasury Deposits increased by $£ 58$ Mn . and their Investments by $£ 43 \mathrm{Mn}$., while Advances showed a small seasonal increase of $\mathrm{E}_{5} 5 \frac{1}{2} \mathrm{Mn}$., against their recent falling trend. These increases were more than offset by falls in Cash by $£ 25 \mathrm{Mn}$., in Call Money by $£ 24 \mathrm{Mn}$., and in Discounts by $£ 67 \mathrm{Mn}$. A truer picture would be obtained attributing all these declines to Discounts, for the falls in Cash and Call Money were due merely to the reversal of the December window-dressing operations. Since the total of Treasury bills issued by tender remained unchanged during the quarter at $£ 845 \mathrm{Mn}$., the fall in the banks' discounts was presumably due to the continued demand for bills by buyers outside the market. The banks' cash ratio, at $10.4 \%$ at the end of March, remains comfortable but not excessive.

Security Prices.-Prices of industrial securities, after six months of gradual recovery, reached their highest point in January, since when they have fallen back slightly. Prices of fixed interest securities, on the other hand, have continued to rise steadily and have reached their highest level since July, 1938. Short term interest
rates remain barely above the banks' call rate of $\mathrm{I} \%$, and on one occasion recently have fallen below it.

## RECENT MOVEMENTS.

The Budget was introduced on April 7th. The standard rate of Income Tax is raised to ios. in the pound, and the Personal and Earned Income Allowances are reduced, though for these reductions taxpayers will receive a credit with the Post Office Savings Bank after the war. Firms paying Excess Profits Tax will likewise receive a credit of $20 \%$ of the tax paid (less income tax) for the purpose of financing postwar reorganisation. The Budget and the accompanying Treasury White Paper are discussed in an article on page 40.

During the first twenty-six days of April the cost of the Supply Services has declined fairly sharply, owing partly to the cessation of the heavy payments which normally precede the end of the financial year and partly, no doubt, to the effect of the United States' Lease and Lend Act, which has had the effect of removing much of our expenditure in the United States from the scope of the Revenue Returns. At an average of $£^{6} 75.6 \mathrm{Mn}$. per week, Supply Expenditure in April is more than $£ 24 \mathrm{Mn}$. below the weekly average for March. As a result, however, of heavier interest payments and of the seasonal fall in Revenue, the average weekly Deficit has risen above $£ 60 \mathrm{Mn}$., and the total Deficit for the
month to $£ 218 \mathrm{Mn}$. Of this, $£ 124 \mathrm{Mn}$. has been met out of long- and medium-term borrowing (including a further $£ .46 \mathrm{Mn}$. of $3 \%$ Defence Loan issued to the Savings Banks), leaving $£ 94 \mathrm{Mn}$. to be covered by short-term borrowing. $£ 20 \mathrm{Mn}$. of this has been raised by an expansion of the issue of tender bills, the weekly offer of which has been increased from $£ 65 \mathrm{Mn}$. first to $£ 70 \mathrm{Mn}$. and then to $£ 75 \mathrm{Mn}$. This step was presumably taken in consequence of the continual demand for bills by the owners of overseas funds in London, which had reduced the clearing banks' discounts to an uncomfortably low level. Of the rest, $£ 73 \mathrm{Mn}$. has been borrowed from the banks on Treasury Deposit.

The Bank of England Return for April 30th showed the expected increase in the Fiduciary Issue, from $£_{6} 630 \mathrm{Mn}$. to $£_{680 \mathrm{Mn} \text {. The note }}$ reserve, which had fallen to the very low figure of $£ 7.8 \mathrm{Mn}$. on April 23 rd, was thus raised to $£ 56.9 \mathrm{Mn}$. The increase of $£_{5} 50 \mathrm{Mn}$. in the security holdings of the Issue Department was not fully offset by the reduction in the holdings of the Banking Department, and the combined holdings of both Departments rose by $£ 32.5 \mathrm{Mn}$. On the other hand, Discounts and Advances fell by a further $£$ Io Mn . to $£ 28.3 \mathrm{Mn}$., no doubt as a result of the maturing of part of the bills discounted by the Bank for the Indian authorities. As a result of these movements, Bankers' Deposits rose to the high level of $£ 131.8 \mathrm{Mn}$.

## PRICES AND WAGES, TRADE AND EMPLOYMENT.

By A. L. Bowley.

PRICES.-The movements of the Board of Trade Index of Wholesale Prices, read at intervals of three months, have been :-

|  | General. | Food, ete.* | Materials, etc. |
| :---: | :---: | :---: | :---: |
| 1939 隹 |  |  |  |
| August ... | ... 100 | 100 | 100 |
| November | ... 121 | 126 | 118 |
| 1940 |  |  |  |
| February ... | ... 131 | 139 | 126 |
| May | ... 136 | 142 | 131 |
| August | ... 143 | 150 | 137 |
| November | ... 150 | 158 | 144 |
| 1941 |  |  |  |
| February ... | ... 153 | 160 | 150 |
| March | ... 154 | 160 | 151 |

It will be seen that the rate of increase has slowed down, till recently it has been about $\mathrm{I} \%$ monthly. In fact, the relative increase since November, 1939, 16 months (general $27 \%$, food $25 \%$, materials $28 \%$ ), is little greater than in the first three months of the war.

Since December, 1940, there has been a reduction in the cereals group, no change in that of meat, but an increase in other food. Among materials, coal rose $2 \frac{1}{2} \%$ in the three months, cotton nearly $6 \%$, while in other groups there were smaller increases. Manufactured goods and intermediate products rose about $2 \%$, and basic materials $4 \%$.

The Cost of Living Index number has risen slowly since November, 1940, probably influenced by the purchases tax. The retail food index has varied very little since July of last year. But since the commodities which form the basis of the index can no longer be purchased in the same quantities as before, the index has now only a formal meaning. As some guide to the change in prices of the separate commodities included, a table is appended showing their percentage increases since September Ist, 1939. It is seen
that there has been great variation among the foods, partly due to subsidies, partly to scarcity, and that for the index number as a whole a good deal depends on what importance is assigned to clothing.

PERCENTAGE INCREASE AT 1st MARCH, 1941, COMPARED WITH 1st SEPTEMBER, 1939.


| Rent... <br> Clothing <br> Fuel and Light- | $\ldots$ | $\ldots$ |
| :---: | :---: | :---: |
| Coal $\ldots$ | $\ldots$ | $\ldots$ |
| Gas | $\ldots$ | $\ldots$ |
| Total $\ldots$ | $\ldots$ | $\ldots$ |
| Other items | $\ldots$ | $\ldots$ |
| ALL ITEMS <br> incl. Food | $\ldots$ | $\ldots$ |

A computation has been made by the University of Oxford Institute of Statistics by which the cost of a 1936 budget based on Mr. Rowntree's in "The Human Needs of Labour " is compared with that of a diet of as nearly as possible the same nutritive value, purchasable, within the rationing restriction in Oxford in March The increase was $41 \%$. In the same period the Ministry of Labour food index rose $27 \%$, of which $20 \%$ was subsequent to September, 1939. This addendum of $14 \%$ is, of course, due to the necessity of purchasing unrationed foods when the prices in many cases have risen considerably. Actually the Oxford budget calls for more skill in purchasing and cooking than that suggested for 1936, and the effective increase is probably rather greater.

WAGES.-Our wage-rates index rose three points in February owing to the increase in the wages of engineers and shipbuilders. There was no further increase in March, but an advance in the wages of cotton and tramway workers brought the index up to $124 \frac{3}{4}$ in April. It now stands 18\% higher than in August, 1939 ( $25 \%$ higher than December, 1924), and it is at this level presumably that the Chancellor of the Exchequer hopes that rates will be stabilised.

The percentage changes estimated for the compilation of our index since August, 1939, are as follows :-


Engineers had received an increase in June, 1939, and the percentage increases from May, 1939, to February, 194I, were fitters 16, labourers 2I (Cf. Bulletin, Jan., 194I, p.9).

Wage rates in the textile industries were relatively low in August, 1939.

In our January Bulletin we gave an account of the Ministry of Labour's report on earnings in October, 1938 and July, 1940. The publication has now been completed for industries; transport, mining and agriculture are not included. The changes in the averages of earnings in all the industries are computed on two bases :-(I) the numbers estimated to have been in employment in the various industries (which differ from the numbers concerning whom returns were received) in October, 1938, were applied to the averages at that date, and those employed in July, 1940, to the averages at the later date ; (2) both sets of averages were weighted by the numbers employed in October, 1938. The summary results are :-

|  | Average Earnings |  | Percentage Increase |  |
| :---: | :---: | :---: | :---: | :---: |
|  | October, | July, | Double | Weighting by |
|  | 1938 | 1940 | weighting | 1938 numbers |
| Men (over 21) | s. d, | s. ${ }_{89}{ }^{\text {d }}$ | 29.0 |  |
| Youths | 261 | 351 | 34.5 | 32 2 |
| Women(over 18) | 326 | 3811 | $19 \cdot 7$ |  |
| Girls | 186 | 224 | $20 \cdot 7$ | 18 |
| All | $53 \quad 3$ | 692 | $29 \cdot 9$ | 27 |

The difference in the percentages computed by the two methods is due to a shifting in the relative numbers by industry, age, and sex. If there had been no such shifting the increase over all would have been $27 \%$; actually it was $30 \%$.

For the same range of industries our wagerate index shows an increase of $11 \%$. The difference between this and the $27 \%$ is due to more regular work, overtime, night work and bonus payments. Since July, 1940, our wage-rates index has risen $5 \%$, so that if there has been no further change in other factors the whole increase in average earnings from October, 1938, to April, 1941, is about $35 \%$. In the same period the Cost of Living Index rose $27 \%$, but as argued above the effective increase in maintaining an equivalent standard was greater than this.

It is interesting to compare the movements of wages and prices in the Great War of 19141918 with those during the past 18 months.

| 1914-18 |  | Statist <br> Index <br> Numbers | Average of <br> 11 typical wage-rates | Cost of Living Index |
| :---: | :---: | :---: | :---: | :---: |
| 1914-July |  | 100 | 100 | 100 |
| 1915-July | ... | 129 | $107 \frac{1}{2}$ | 125 |
| 1916-Jan. |  | 150 | Not given | 135 |
| 1916-July |  | 158 | $117 \frac{1}{2}$ | 145 |
| 1917-July | ... | 214 | $177 \frac{1}{2}$ | 205 |
| 1918-July | ... | 233 | 177 |  |
| 1939-41 |  |  | Wage Index |  |
| 1939-August | $\ldots$ | 100 | 100 | 100 |
| 1940-August | ... | 145 | 113 | 120 |
| 1941-Feb. | ... | 151 | 117 | 7 |

In the first 18 months of the two wars the movements are very similar. From 1916 there were further considerable increases. After the war the Statist Index fell to 224 in March, 1919, and rose to a maximum 323 in April, 1920. The Cost of Living Index was at a maximum (276) in November, 1920. The old wage-rate index was 260 in July, 1920.

UNEMPLOYMENT.-The principal statistics of Unemployment now relate to all persons registered for employment at the Labour Exchanges, whether they come within the Insurance Schemes or not. The whole sequence since the outbreak of war is as follows :-


* Figures in line (a) and previously include men at Government 'Training Centres, who are excluded from line (b) and subsequently. See Ministry of Labour Gazette, August, 1940.

Since some of the applicants are not suitable for any available work, these totals must have nearly reached their minima. But the new drive for labour will naturally bring into occupation women and girls who have not so far been registered.

The figures so far given relate to Great

Britain only. In February the corresponding numbers for North Ireland were :-

|  |  | February <br> $000 ' s$. |  |  |
| :--- | :---: | :---: | :---: | :---: |
| Wholly unemployed | $\ldots$ | $\ldots$ | 53 |  |
| Temporarily stopped | $\ldots$ | $\ldots$ | 6 |  |
| Casuals | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ |
|  |  |  |  | 2 |
|  |  | Total | $\overline{61}$ |  |

The relation between the Register and Unemployment among insured persons may be illustrated by the statistics for February, 1941.

| GREAT BRITAIN. |  |  | Insured over |
| :---: | :---: | :---: | :---: |
|  |  |  | year |
|  | 000's. |  |  |
| Insured and registered | ... Over | 489 | 489 |
| Claimants and non-claima | nts $\} 16$ years |  |  |
| Two months' file ... | do. |  | 94 |
| Insured under 16 years | .. | 11 | - |
| Not insured ... ... | . ... ... | 81 |  |
|  |  | 581 | 583 |

The two months' file is the number of insurance books which have not been withdrawn from the exchanges, while their owners have not called at the exchange; after two months the books are transferred to a dead file. It may be supposed that in many cases the owners have joined the forces.

In our last Bulletin the former style of Unemployment statistics was continued till August, 1940, the last date for which these statistics were available. But part of the sequence can be preserved thus :-


The first column is as given in earlier bulletins. The second is obtained by adding in the numbers under the Agricultural Scheme. The last column is as described in the preceding paragraph.

EXTERNAL TRADE.-No statistics are published since December, 1940. On p. 17 of our Bulletin for January, 1941, details were given for each month of 1937-1940, with averages for earlier years. As this Table is already available for reference, it is not reprinted in the present Bulletin.

# WHOLESALE PRICES. COMPARATIVE INDEX NUMBERS FOR 6 COUNTRIES. 

See Supplements for March, fune, September and December in 1938-39; before 1938 see Bulletins for these months. The table below gives comparable index-numbers of wholesale prices, based upon a list of commodities as nearly identical as possible for all the countries, and the same method of calculation and weighting is applied in each case. The index-numbers were described in detail in Special Memorandum No. 24. Figures for recent months are based upon such data as could be obtained from reliable sources. The figures for 13 countries in the table on p. 39 which are derived from the League of Nations monthly bulletin, are affected by differences of content and method of calculation.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { Bave } \\ & 1913 \\ & =100 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1940 |  |  |  |  |  |  |  |  |  | 1941 |  |  |  |
|  | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | $\begin{aligned} & \text { Year } \\ & 1925 \end{aligned}$ |
| FOOD- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United K'gdom $\ddagger$ <br> U.S.A. | 75 | 74 73 | 72 | 71 | 72 | 77 | 81 | 81 | 81 | 81 |  |  |  |  |
| Sweden | $\begin{aligned} & 71 \\ & 91 \end{aligned}$ | 94 | 70 96 | 65 98 | 65 | 64 | 66 | 67 | 70 | 71 | 72 | 83 | 82 | 159 |
| Canada ......... | 74 | 75 | 72 | 98 70 | 98 | 101 | 103 | 107 | 108 | 112 | 113 |  |  | 151 |
| New Zealand.. | 101 | 103 | 102 | 103 | 102 | 70 100 | 71 | 72 101 | 72 | 72 | 73 | 73 |  | 160 158 |
| S. Africa ...... | 90 | 90 | 90 | 190 | + 90 | 100 90 | 90 | 101 | 101 91 | 102 91 | 98 92 |  |  | 158 |
| MATERIALS- |  |  |  |  |  |  |  |  |  |  |  | 93 |  | 122 |
| United K'gdom** U.S.A | 99 | 100 | 101 | 100 | 102 | 102 |  |  |  |  |  |  |  |  |
| U.S.A. <br> Sweden | 73 See | 72 | 71 | 71 | 70 | +69 | 100 70 | 100 72 | 102 73 | 105 72 | 109 | 109 | 110 | 157 |
| Sweden ......... | See $\dagger$ 77 | below | (100) | (99) | (101) | (103) | (103) | (106) | (110) | 72 $(110)$ | 73 $(110)$ |  |  | 175 141 |
| New Zealand.. | 100 | 101 | 75 102 | 75 101 | 74 103 | 74 | 75 | 76 | 76 | 76 | 77 | 76 |  | 141 |
| S. Africa ...... | 96 | 101 | 102 | 101 99 | 103 99 | 106 98 |  | 105 | 106 | 106 | 107 | 76 |  | 165 |
| 'IOTAL- |  |  | O | 99 | 99 | 98 | 99 | 99 | 100 | 100 | 100 | 101 |  | 161 |
| United Kingdom | 89 | 90 |  |  |  |  |  |  |  |  |  |  |  |  |
| U.S.A. ........ | 72 | 72 | 71 | $\begin{aligned} & 88 \\ & 69 \end{aligned}$ | $\begin{aligned} & 90 \\ & 68 \end{aligned}$ | 92 67 | 92 | 92 70 | 94 72 | 95 |  | 99 | 99 |  |
| Canada ........ | 76 100 | 76 | 74 | 73 | 72 7 | $\begin{array}{r}72 \\ \hline\end{array}$ | 73 | 70 74 | 72 74 | 71 74 | 73 75 |  |  | 165 |
| New Zealand.. S. Africa ..... | 100 94 | 102 95 | 102 | 102 | 103 | 104 | 7 | 103 | 104 | 74 104 | 75 103 | 75 |  | 164 |
|  | 94 | 95 | 95 | 95 | 95 | 95 | 95 | 96 | 96 | 96 | - 97 | 98 |  | 162 145 |

$\dagger$ Unweighted averages of price quotations for 10 materials compared with their levels in May, 1910 -Timber, Leather, Newsprint, Non-ferrous Metals Petroleum, Linseed Oil.
** Excluding Wood and Wood pulp.

## LOSSES OF MERCANTILE SHIPPING BY ENEMY ACTION.

According to the revised official figures, which are now issued for monthly periods only, the losses by enemy action of mercantile tonnage, other than merchant vessels commissioned for Naval Service, during the past thirteen months have been as follows :-


## INDEX NUMBERS OF PRICES IN I3 COUNTRIES．

As quoted in the Monthly Bulletin of the League of Nations．

|  |  | $\begin{aligned} & \text { g } \\ & \text { \$0 } \\ & \text { SE } \\ & \text { S. } \end{aligned}$ | $\begin{aligned} & \text { 忽 } \\ & \text { n} \\ & \frac{0}{4} \end{aligned}$ | 第 |  | $\frac{\text { 忽 }}{\text { H }}$ | 崖 |  | U U U U | ～ิ | W 粦 H 0 0 0 | $\begin{aligned} & \text { I } \\ & \frac{0}{0} \\ & 0 \\ & 0 \end{aligned}$ |  | 4 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | I．WHOLESALE，\％OF 1929 |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | （a） |  | $\begin{aligned} & 82 \\ & 81 \end{aligned}$ |
| 1938 Average | ． | 89 | 92 | 82 | 105 | 90 | 109 | 77 | 123 | 114 | 99 | 111 | $76$ |  |
| 1989 Average | ．．． | 90 | 92 | 79 | 108 | 89 | 112 | 78 | 122 | 126 | 100 | 115 | 79 |  |
| 1939－Oct．． | $\ldots$ | 97 | 94 | 83 | 110 | 90 | 123 | 78 | 124 | 133 | 106 | 124 | 85 | 83 |
| Nov．．． | $\ldots$ | 104 | 93 | 84 | 112 | 91 | 125 | 78 | 128 | 136 | 109 | 128 | 87 | 83 |
| Dec．．．． | ．．． | 107 |  |  |  |  | 126 | 78 | 133 | 143 | 112 | 132 | 89 | 83 |
| 1940－Jan． | ．．． | 110 | 91 | 86 | 113 | 94 | 129 | 79 | 135 | 146 | 114 | 136 | 90 | 8382828282818281828383 |
| Feb． | ．．． | 112 | 91 | 87 | 115 | 95 | 128 | 79 | 136 | 144 | 115 | 138 | 92 |  |
| Mar． | ．．． | 113 | 93 | 87 | 117 | 96 | 129 | 80 | 138 | 142 | 116 | 140 | 94 |  |
| Apr． | $\cdots$ | 116 | 94 | 87 | 118 | 96 | 128 | 80 | 141 | 143 | 117 | 141 | 95 |  |
| May ． | ．．． | 117 | 96 | 86 |  | 97 | 129 | 80 | 143 | 142 | 125 | 142 | 96 |  |
| June ．．． | ．．． | 118 | 96 | 85 |  | 97 | 128 | 80 | 143 | 140 | 128 | 143 | 98 |  |
| July ． | ．．． | 122 | 97 | 86 |  | 97 | 129 | 81 | 144 | 139 | 127 | 146 | 100 |  |
| Aug．．．． | $\ldots$ | 123 |  | 87 |  | 98 | 127 | 81 | 147 | 139 | 127 | 146 | 103 |  |
| Sept．．．． | $\ldots$ | 123 |  | 87 |  | 99 | 127 | 81 | 148 | 140 |  | 148 | 108 |  |
| Oct．．．． | $\ldots$ | 125 |  | 87 |  | 101 | 126 | 81 | 150 |  |  | 154 | 110 |  |
| Nov．．．． | $\ldots$ | 129 130 |  | 88 |  | 101 | 127 | 81 |  |  |  | 158 | 116 |  |
| Dec． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1941－Jan．．．． | $\cdots$ | 130 |  |  |  |  |  |  |  |  |  |  |  |  |
| Feb．．．． | ．．． | 130 |  |  |  |  |  |  |  |  |  |  |  |  |

II．RETAIL，COST OF LIVING，\％OF 1929

| 1938 Average 1939 Average |  | $\begin{aligned} & 95 \\ & 96 \end{aligned}$ | $\begin{aligned} & 87 \\ & 89 \end{aligned}$ | $\begin{aligned} & 84 \\ & 83 \end{aligned}$ | $\begin{aligned} & 95 \\ & 98 \end{aligned}$ | $\begin{aligned} & 94 \\ & 94 \end{aligned}$ | $\begin{aligned} & 92 \\ & 93 \end{aligned}$ | $\begin{aligned} & 82 \\ & 82 \end{aligned}$ | $\begin{aligned} & (b) \\ & 130 \\ & 130 \end{aligned}$ | $\begin{gathered} (c) \\ 110 \\ 123 \end{gathered}$ | $\begin{gathered} (d) \\ 86 \\ 81 \end{gathered}$ | （f） |  | （e）$86$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | ．．． |  |  |  |  |  |  |  |  |  |  | 106 | 85 |  |
|  | ．．． |  |  |  |  |  |  |  |  |  |  | 108 | 86 | 85 |
| 1939－Oct． | ．．． | 103 |  | 85 | 99 | 93 | 94 | 82 | 131 | 129 | 82 | 110 | 87 | 86 |
| Nov． | $\ldots$ | 105 | \} 90 | 86 | 102 | 94 | 94 | 82 | 132 | 130 | 82 | 112 | 88 | 86 |
| Dec．．．． | $\ldots$ | 106 |  | 85 | 101 | 94 | 98 | 82 | 133 | 132 | 83 | 113 | 88 | 85 |
| 1940－Jan．．．． | $\ldots$ | 108 |  | 85 | 100 | 95 | 98 | 82 | 134 | 136 | 83 | 115 | 90 | 85 |
| Feb．．．． | ．．． | 109 | \} 90 | 86 | 101 | 96 | 95 | 83 | 134 | 138 | 83 | 117 | 90 | 86 |
| Mar．．．． | ．．． | 109 | ） | 86 | 101 | 96 | 96 | 84 | 135 | 140 | 82 | 118 | 90 | 85 |
| Apr．． | ．．． | 110 | ） | 86 | 101 | 97 | 97 | 84 | 138 | 143 | 83 | 120 | 91 | 86 |
| May ．．． | ．．． | 110 | \} 93 | 86 | 102 | 97 | 97 | 85 | 140 | 145 | 84 | 121 | 92 | 86 |
| June ．．． | ．．． | 114 | \} | 87 | 102 | 97 | 97 | 85 | 144 | 145 | 84 | 123 | 93 | 86 |
| July ．．． | ．． | 113 |  | 87 | 102 | 97 | 97 | 86 | 144 | 147 | 84 | 124 | 94 | 86 |
| Aug．．．． | ．．． | 114 |  | 87 | 104 | 97 | 95 | 86 | 145 | 146 | 85 | 125 | 94 | 86 |
| Sept．．．． | ．．． | 115 |  | 88 | 104 | 98 | 95 | 85 | 147 | 146 | 87 | 126 | 95 | 86 |
| Oct．．．． | ．．． | 117 |  | 89 | 104 | 98 |  | 84 | 149 | 144 | 88 | 128 | 97 | 85 |
| Nov．．．． |  | 119 |  |  |  | 98 |  | 84 |  |  | 89 | 130 | 99 |  |
| Dec．．．． | ．．． | 119 |  |  |  | 98 |  | 85 |  |  |  | 132 | 99 |  |
| 1941－Jan．．．． |  | 120 |  |  |  |  |  |  |  |  |  |  |  |  |
| Feb．． | ．．． | 120 |  |  |  |  |  |  |  |  |  |  |  |  |


| 1938 Average <br> 1939 Average |  | $\begin{aligned} & 92 \\ & 92 \end{aligned}$ | $\begin{aligned} & 85 \\ & 89 \end{aligned}$ | $\begin{aligned} & 77 \\ & 75 \end{aligned}$ | $\begin{array}{r} 98 \\ 104 \end{array}$ | $\begin{aligned} & 93 \\ & 93 \end{aligned}$ | $\begin{aligned} & 91 \\ & 92 \end{aligned}$ | （b） |  |  | （f） |  | （6）98 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | ．．． |  |  |  |  |  |  | 78 | 138 | 103 | 114 | 83 |  |
|  | ．．． |  |  |  |  |  |  | 79 | 137 | 117 | 118 | 85 |  |
| $\begin{array}{r} 1939-\text { Oct. } \\ \text { Nov. } . . \\ \text { Dec } . . . \end{array}$ | $\ldots$ | 100 | 90 | 80 | 105 | 92 | 93 | 78 | 139 | 126 | 120 | 87 | 98 |
|  | ．．． | 102 | 89 | 79 | 111 | 92 | 94 | 78 | 139 | 126 | 122 | 88 | 97 |
|  | ．．． | 102 | 88 | 78 | 109 | 93 | 98 | 79 | 140 | 130 | 125 | 89 | 95 |
| 1940－Jan． | $\ldots$ | 105 | 87 | 78 | 106 | 93 | 96 | 79 | 141 | 137 | 127 | 89 | 95 |
| Feb． | ．．． | 105 | 88 | 78 | 105 | 94 | 93 | 79 | 141 | 137 | 128 | 89 | 97 |
| Mar．．．． | ．．． | 103 | 89 | 78 | 105 | 95 | 93 | 81 | 141 | 137 | 130 | 89 | 96 |
| Apr．．．． | ．．． | 103 | 91 | 78 | 106 | 96 | 95 | 82 | 145 | 138 | 131 | 91 | 96 |
| May ．．． | ．．． | 103 | 90 | 77 | 106 | 97 | 95 | 83 | 150 | 139 | 133 | 92 | 97 |
| June ．．． | $\ldots$ | 109 | 90 | 78 | 105 | 96 | 95 | 83 | 157 | 138 | 136 | 93 | 96 |
| July ．．． | ．．． | 107 | 89 | 78 | 105 | 96 | 95 | 84 | 158 | 143 | 138 | 93 | 97 |
| Aug．．．． | $\ldots$ | 108 |  | 78 | 105 | 95 | 93 | 85 | 160 | 141 | 139 | 93 | 98 |
| Sept．．．． | ．．． | 110 |  | 79 | 107 | 96 | 92 | 83 | 162 | 139 | 141 | 96 | 98 |
| Oct．．．． | ．．． | 112 |  | 81 | 107 | 98 |  | 81 | 165 | 137 | 144 | 98 |  |
| Nov．．．． | ．．． | 112 |  |  |  | 96 |  | 81 |  |  | 147 | 100 |  |
| Dec． | $\ldots$ | 112 |  |  |  |  |  | 81 |  |  | 150 | 101 |  |
| 1941－Jan．． | $\ldots$ | 110 |  |  |  |  |  |  |  |  |  |  |  |
| Feb．． | ．．． | 111 |  |  |  |  |  |  |  |  |  |  |  |

（a）\％of 1935
（b）\％of 1931 ．
（c）Excl．rent
（d）Excl rent and clothes．
（e）$\%$ of 1935－9
（f）\％of Sept．， 1931.

## THE BUDGET AND THE WHITE PAPER.

By F. W. Paish.

THE Financial Year 1940-41 closed with a total expenditure of $£ 3,867 \mathrm{Mn}$., as against an ordinary revenue of $£ \mathrm{I}, 409 \mathrm{Mn}$., leaving a deficit of $£^{2}, 458 \mathrm{Mn}$. This was financed as follows :-

TABLE I
BRITISH GOVERNMENT BORROWING April, 1940-March, 1941. (£Mn.

| Apr.-June Juls-Sept. | Oct.-Dec. Jan.-Mar. | Total |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 695 | 915 | 1098 | 1159 | 3867 |
| 188 | 264 | 300 | 656 | 1409 |
| 507 | 651 | 798 | 503 | 2458 |

(I) Long and Medium Term Borrowing.
(a) Large Lenders,

(2) Short Term Borrowing.

Treasury Bills-

| 'Tender' <br> 'Tap' | 39 159 | $\left.\begin{array}{r}66 \\ 229\end{array}\right\}$ | 231 | 60 | 784 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Treasury Deposits | - | 124 | 214 | 92 | 430 |
| W. \& M. Advances- 430 |  |  |  |  |  |
| Bank of England | - | $\overline{5}$ | 50 | -50 |  |
| Govt. Depts. | -24 | 55 | -5 | 86 | 112 |
| Total Short Term |  |  |  |  |  |
| Borrowing | 174 | 474 | 490 | 188 | 1326 |
| Total Borrowing | 509 | 655 | 803 | 506 | 2473 |

\footnotetext{

* Issued to P.O. Savings Bank

If an approximate correction is made tor the effects of temporary year-end window-dressing movements, the table of shortterm borrowing probably reads something as follows :-

| Treasury Bills |  |  |  | Jan.-Mar. | 1940-41 Total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 'Tender | Apl. 39 | Juy-Sept. | Oct.-Dec. 9 | Jan.-Mar. | Total |
| 'Tap' ... | ... 159 | 229 | 272 | 10 | 670 |
| Treasury Deposits |  | 124 | 214 | 92 | 430 |
| W. \& M. Advances 430 |  |  |  |  |  |
|  | 174 | 474 | 490 | 188 | 1326 |

Much light was thrown upon the sources of the funds subscribed to the above loans in a Treasury White Paper (Cmd. 626I) which was issued simultaneously with the presentation of the Budget on April 7th. These sources are analysed for the 12 months ending 3ist August, 1940, and for the six months ending February 28th, 194I.

To begin with, the White Paper gives an analysis of the immediate sources of Government borrowing, both from official and non-official lenders :-

TABLE II.


In subsequent tables the White Paper takes the analysis of the sources of British Government borrowing farther back. A large part of the money provided by non-official sources (including savings-bank deposits) was originally derived from overseas. This overseas money is derived in two principal ways. On the one hand many foreign securities, formerly British owned, have been sold abroad, and the proceeds presumably largely reinvested, directly or indirectly, in longdated British Government securities; and, on the other, a large volume of overseas balances has accumulated in London, where it is presumably invested largely in British short-dated securities. The White Paper estimates the combined total of these two items at $£ 275 \mathrm{Mn}$. for the six months ending February 28th, making, with the sale of the Exchange Accounts' pre-war assets, a total of $£ 479 \mathrm{Mn}$. provided from overseas. It does not attempt to separate the amounts provided by overseas balances in London from that produced by the sale of foreign securities. It is possible, however, that some basis for estimating how the $£ 275 \mathrm{Mn}$. is divided may be found in a comparison of the White Paper's figure for changes in the amount of Treasury bills held by the market with the movements in clearing bank discounts. Between the end of August and
the end of February the Discounts and Call Money of the eleven London clearing banks fell by $£^{2} 240 \mathrm{Mn}$., while the total amount of Treasury bills held by the market fell, according to the White Paper, by only $£ 29 \mathrm{Mn}$. It is clear, therefore, that holders outside the banks increased their holdings by something like $f, 200 \mathrm{Mn}$. By far the most important source of funds for this outside buying of bills is likely to have been the increasing overseas balances in London, of which $£_{1} 150 \mathrm{Mn}$. or more may have been invested in Treasury bills, in addition to whatever is held in the form of bank balances. The amount provided by the sale of foreign securities is therefore not likely to have been more than $£ 100 \mathrm{Mn}$., and was probably less.

After deducting from the six months' gross deficit of $£_{1,271 ~ M n . ~ t h e ~}^{£} 124 \mathrm{Mn}$. contributed by official sources (other than the Savings Bank and the Exchange Account) and the $£ 479 \mathrm{Mn}$. obtained from overseas, we are left with a balance of $£ 668 \mathrm{Mn}$. obtained from non-official internal sources. The White Paper estimates that this amount is made up as follows :-


The item 'Tax Accruals' shows the net amounts estimated to have been set aside by taxpayers to meet taxes incurred but not paid, presumably mainly provision by firms for Income Tax and E.P.T. As the six months covered by these figures included the season of heaviest tax payments, this item shows a small decrease, though the trend of such appropriations is in general sharply upward and the previous twelve months' figures show an increase of $£ 140 \mathrm{Mn}$. 'Reinvestment of Domestic Capital Assets' represents, not merely depreciation funds not used for replacements, but also the proceeds of capital assets sold to the Government.

It is possible to attempt a correlation between the figures of borrowing already known from the monthly Treasury returns and those now published in the White Paper. For reasons of space, the calculations will be confined to the six months ending 28th February, 194I. As the February Treasury return referred to the period ending February 22nd, it is not possible to give the exact figures for the six months covered by the White Paper, but with the weekly figures published of certain types of new borrowing a close estimate can be made.

TABLE III.
GOVERNMENT BORROWING FOR SIX MONTHS ENDING 28/2/41.


There are one minor and two major apparent discrepancies between these two sets of figures. That between the figure for the increase in the tender bill issue and the fall in bills held by the market is the easiest resolved. It is clear that the phrase ' held by the market' does not refer to the money market proper (otherwise the fall would have been far greater) but to all nonofficial holders. It would therefore seem that during the period official holders took up, in addition to the increase in the tap bill issue, $£_{6} 38 \mathrm{Mn}$. of bills which were in the possession of non-official holders at the end of August. These bills were probably the residue of the ' tap ' bills sold to the banks in June, 1940, before the inauguration of Treasury borrowing from the banks on deposit.

The second discrepancy seems at first sight more serious. According to the Treasury returns, the net increase in long-term securities was $£ 323 \mathrm{Mn}$., while the White Paper shows 'Other Public Issues (net)' at $£ 385 \mathrm{Mn}$. But it must be remembered that the White Paper figure is expressly stated to exclude holdings of securities by public departments. Since, therefore, the bulk of the recently redeemed $£ 100 \mathrm{Mn}$. of $\mathrm{I} \%$ Bonds are believed to have been already in official hands, the net amount of new securities which were sold to the public during the period was greater than the net amount issued. The difference of $£ 62 \mathrm{Mn}$. between net issues and net sales to the public therefore represents the difference between the value of long-dated securities bought by the departments during the period and the value of $1 \%$ bonds officially held on the date of their redemption.

The resolution of this discrepency helps us to account for the third difference, between the
increase in Departmental funds and the increase in the amount of 'tap' bills plus Ways and Means Advances, rendered wider by the necessity for allowing for transfer of $£ 38 \mathrm{Mn}$. of bills from the market. Part of the answer is implicit in the previous one. If the Departments had a net $£_{62} \mathrm{Mn}$. of long-dated securities redeemed, they had that amount extra to invest in bills and Ways and Means Advances. Most of the remaining discrepancy may perhaps be accounted for by the issue of $£ 76 \mathrm{Mn}$. of $3 \%$ Defence Loan to the Post Office Savings Bank, which we know took place between 22nd February and 31st March, presumably in repayment of 'tap' bills or Ways and Means Advances. If this transaction took place in the last week of February, it would follow that our figure of $£ 447 \mathrm{Mn}$. for 'Tap' Bills and Ways and Means Advances is $£ 76 \mathrm{Mn}$. too high. The reconciliation of the White Paper figures of official sources of income with the published figures of Treasury Bills and Ways and Means Advances is therefore something as follows :-

TABLE IV


The balance unaccounted for may be due, at least in part, to increased holdings of ' tap ' bills by the Bank of England, whose holdings of Government securities increased by about $£_{\text {Io }}$ Mn . during the period.

There is one important question to which the White Paper makes no direct reference, though the Chancellor in his budget speech dwelt upon it at some length. This is the question of the so-called 'inflationary gap' in the budget. The question of exactly what constitutes an inflationary gap is extremely difficult to answer. Broadly speaking, it involves finding the answers to at least four subsidiary questions :-(I) Has the financing of the budget deficit been accompanied by an increase in the quantity of money or bank deposits? (2) Do the people who own these increased balances wish to save as much, or are they intending to spend them on consumption goods at the first opportunity ? (3) If they do wish to save as much, do they wish to continue to hold their savings in this form ? (4) If they do spend them, are there sufficient resources available to enable the increased demand to be met without a serious rise in prices? In the present case the answers to the first and last questions are clear. There has been a very marked increase in the volume of bank deposits, and there are not the resources available to enable these increased deposits to be spent without a serious rise in prices.

The answers to the other two questions are less obvious, but the information given in the White Paper, taken in conjunction with the available Banking Statistics, may enable us to form some idea of the actual position :-

TABLE V
INVESTMENT OF NON-OFFICIAL FUNDS 1/9/40 - 28/2/41

Nature of Funds.
Foreigu Funds in London
Savings of Local Authorities and Institutions, and Undistributed Profits of Companies
Less decrease in Tax Accruals
Re-investment of Capital Assets.

| Domestic | $\ldots$ | $\ldots$ | 237 |
| :--- | :--- | :--- | :--- |
| Foreign | $\ldots$ | $\ldots$ | 100 |

Net Personal Savings ... 320
131

Invested via the Banks. * $£ M n$.


175 (\%)

| Bills taken over from the Banks | 206 |
| :---: | :---: |
| Bank Loans (Overdraft. and Short Loans) repaid | 35 |
| Increase in Deposits | 200 |
|  | 441 |

In endeavouring to interpret these figures, it is probably safe to say that the bulk of savings bank deposits and small investors' securities have been taken up out of personal savings, though some may have been due to the reinvestment of foreign or domestic assets. More personal savings will have gone into other long-dated securities. Of the short-term investments, the bulk of the bills withdrawn from the banks have probably been taken over by the foreign funds in London, though some part of these may be held in the form of Bank Balances. If these assumptions are justified it would follow that the greater part of the additional funds held in the form of bank balances has come from the savings of authorities, institutions and companies, and from the proceeds of domestic and foreign capital assets. Now these (and also such overseas funds as are held on deposit) are in the main funds of a capital nature, which are not normally regarded by their owners as available for financing additional consumption. The answer to the second question proposed above would therefore seem to be that the owners of most of these balances did wish to save them and do not wish to spend them on consumption.

There remains the third question, and here the answer is still more doubtful. It is quite clear that many of the owners of these balances do not need to hold them in this form. The intense demand for short-dated securities, and the firmness of the market in long-dated securities are alike evidence of the weight of money seeking investment. But inflation in the prices of government securities is a form of inflation which the Treasury can regard with equanimity, indeed with satisfaction, provided it can be prevented from spreading in less desirable directions. Here the facts of war have been reinforced by legislation. Industrial securities have been robbed of much of their attractiveness as inflation hedges, on the one hand by the risks of air-warfare and on the other by E.P.T., and though a small fraction of their equity has been restored by the promise to refund $20 \%$ of E.P.T. (less income tax) after the war, investors do not yet seem to have become more willing to buy them. Overseas investment is strictly limited by the Exchange Control.

Direct investment in new domestic durable goods is usually rendered impossible by the control of supplies, and in existing goods frequently unattractive by the risk of damage. There remain certain highly durable existing goods, such as some forms of land, and in these signs of rising prices are not wanting. But these price rises as yet cover so narrow a field that their results are not likely to be serious.

In his budget for 1941-2, the Chancellor,
after allowing for the increased yield of taxation at the present rates, for the effects of the Lease and Lend Bill, and for a surprisingly high estimate for receipts from overseas apart from the Lease and Lend Bill, placed the 'inflationary gap ' at about $£ 500 \mathrm{Mn}$.

TABLE VI
BUDGET ESTIMATES 1941-2.

Estimated Expenditure
(Excluding Amounts received under Lease and Lend Act)

| $\begin{array}{r} £ \mathrm{Mn}, \\ 500 \\ 3700 \end{array}$ | Overseas Sources |  | $\underset{500}{ }{ }_{5}^{\mathrm{Mn}}$ |
| :---: | :---: | :---: | :---: |
|  |  |  |  |
|  | Revenue basis | on existing | 1636 |
|  | Savings | do. do. | 1600 |
|  |  |  | 3736 |
|  | 'Gap ' | $\ldots$ | 464 |

This gap he proposes to fill, to the extent of $£_{\mathrm{I}} 125 \mathrm{Mn}$. in a full year and $£ 96 \mathrm{Mn}$. in the present year, by raising the standard rate of Income Tax to IOs.; and to the extent of a further $£ 125 \mathrm{Mn}$. in a full year and $£ 54 \mathrm{Mn}$. in the present year by reducing the Personal and Earned Income Allowances. These latter deductions are, by an ingenious adaptation of the ' Keynes' Plan,' to be re-credited after the war up to a maximum of $£ 65$ per annum for any one taxpayer. For the closing of the rest of the 'gap' the Chancellor relies on a still further increase in voluntary saving.

It should be emphasised that in existing conditions, the emergence of an implicitly inflationary situation will probably be seen, not in an obvious rise in prices, but in an increasingly wide extension of the system of rationing and other limitations on the use of money. It is just as possible to raise forced loans from the public by giving them money they cannot spend as by taking from them part of the money they would otherwise have received. Whether the offer of money which can be spent, if at all, only after the war, would continue to provide an adequate economic incentive for increased exertions, and whether it would have to be supplemented by more direct incentives, beneficial or penal, are questions which cannot be answered in advance. It is clear, however, that great limitations on the use of money may in some cases give rise to almost as great a redistribution of wealth (for instance, between debtor and creditor) as inflation itself, while at the same time not providing that additional incentive to personal exertion which rising prices often provides. It is therefore to be hoped that the proposals of the Chancellor will be adequate to close the 'gap' not only in appearance but also in fact.

FINANCE.


STOCKS \& SHARES-
NEW CAPITAL ISSUES-
BANK OF ENGLAND-
PRINCIPAL BANKS-

TREASURY BILLS-
MONEY-

Index Nos. of Prices and Yleld as percentage of 1924 level; on 15th of month. For end of month figures
Sensitive Index,-Geometric Mean of monthly percentage changes.
Issues during month in Gt. Britain (a), for U. K. (b). for Abroad, excluding Government loans, etc.-As published Deposits 11th-17th month
Deposits.
Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November 22 nd, 1928. Current Deposit and other accounts, etc. Before September, 1939, averages for the month of 9 clearing banks i.e.-excluding the National Bank, Ltd., and the District Bank), afterwards, data for last making up day of the month.-As published by THE MIDLAND BANK, LTD,
Issued by tender. Total of Bills issued by tender during 13 weeks preceding date of Exchequer Return Otherwise issued. Total of Treasury Bills in existence less those issued by tender Day-to-Day Rate and 3 Months' Rate. Averages for week ending 15th of month.


PRICE OF GOLD-
Average (London) Drice Dez the oz. for week ending 15 th of month.-ECONOMIST.
PRICE OF SILVER- Arerage (cash) drice of bar sllver fo: week ending 15th of month.-ECONOMIST,
BOARD OF TRADE INDEX-Geometric Mean of Wholesale Prices (averages for month) of 200 commodities as jercentage of 1924 arerage Based on new indez first published in Januars, $1935 .-B O A R D$ OF TRADE JOURNAL.

BTATIST (8AUERBECK)
average wholesale prices of 19 toodstufts and 26 ram materials on last day of month, as percentage of average INDICES-for 1924.-STATIST.
COST OF LIVING INDEX-Ministry of Labour's index showing movement since 1924 in cost of maintaining unchanged the standard of living prevalent in working-class households before Aug. 1914. For list of month, but placed against previous

RETAIL FOOD PRICES-

OUTPUT AND INTERNAL ACTIVITY.


|  | AVERAGE OF DAILY RATES． |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Paris <br> f．to £ | Brus－ sels b．to $£$ | Milan <br> 1．to $£$ | Amster－ dam fl．to $£$ | Zurich <br> f．to £ | $\begin{aligned} & \text { Stock- } \\ & \text { holm } \\ & \text { kr. to } £ \end{aligned}$ | Copen－ hagen kr．to £ | $\begin{gathered} \text { NewYork } \\ \$ \text { to } £ \end{gathered}$ | Mon－ treal \＄to $£$ | Buenos <br> Aires§ <br> p．to $£$ | Rio de Janeiro d．per mil． | Bombay <br> d．perrup． | Hong． kong <br> d．per \＄ | Kobe <br> d．peryon |
| 1936 Ske Earligr Bulletins for 1919 to 1935 Rates，also for Berlin，Prague and Warsaw． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN． | 74.86 | $29 \cdot 29$ | $61 \cdot 71$ 62.15 | 7.28 7.28 | $15 \cdot 19$ $15 \cdot 14$ | $19 \cdot 40$ 19.40 | 22.40 | 4.960 4.996 | 4.963 4.993 | 18.24 18.07 | 2.68 2.74 | 18.152 18.125 | 15.66 15.74 | 14.04 14.08 |
| FEB． | 74.84 74.92 | 29．34 | $62 \cdot 15$ 62.35 | 7.28 7.27 | $15 \cdot 14$ $15 \cdot 14$ | 19.40 19.40 | 22.40 | 4.996 4.971 | 4.977 | 18.04 | $2 \cdot 73$ | $18 \cdot 125$ | 15.93 | 13.98 |
| MAR． | 74.92 75.00 | 29．28 | 62.35 62.66 | 7.28 | $15 \cdot 17$ | 19.40 | $22 \cdot 40$ | 4.944 | 4.967 | 17.98 | 2.71 | $18 \cdot 125$ | 15.80 | 14.03 |
| MAY | 75．47 | $29 \cdot 35$ | 63.03 | $7 \cdot 35$ | $15 \cdot 36$ | $19 \cdot 40$ | 22．40 | 4.971 | 4.979 | 18.00 | $2 \cdot 71$ | $18 \cdot 125$ | 15.71 | 6 |
| JUNE | 76.14 | 29．70 | 63.84 | $7 \cdot 42$ | 15.48 | 19.40 | 22.40 | $5 \cdot 020$ | 5.032 | $18 \cdot 13$ | 2．72 | $18 \cdot 125$ | 15.44 |  |
| JULY | 75.86 | 29.72 | 63.65 | $7 \cdot 38$ | $15 \cdot 35$ | $19 \cdot 40$ | $22 \cdot 40$ | 5.023 | 5．027 | 18.42 | $2 \cdot 77$ | $18 \cdot 125$ | $15 \cdot 33$ | 14.03 |
| AUG． | 76.33 | 29.81 | 63.84 | $7 \cdot 40$ | 15.42 | 19.40 | 22.40 | 5.028 | 5．026 | 18.02 | 2.80 | $18 \cdot 125$ 18.125 | 14．90 | 14.04 |
| SEP． | 76.74 | 29.84 | 64.26 | 7．58 | 16.01 | 19．40 | 22.40 | 5.041 4.900 | 5.039 4.898 | 17.76 17.56 | 2.81 2.87 | 18.125 | 14．88 | 14.03 |
| OCT． 1 | 105.09 | $29 \cdot 10$ | 92.96 92.86 | 9.13 9.05 | 21.31 21 | 19.40 19.40 | 22.40 20.40 | 4.888 | 4.880 | 17.54 | $2 \cdot 89$ | 18.125 | 14.95 | 14.03 |
| NOV．  <br> DEC． 1 | $105 \cdot 17$ $105 \cdot 14$ | 28.91 29.03 | 92.86 93.19 | 9.05 8.99 | 21.35 | 19．40 | 22：40 | 4.907 | 4.903 | 16.42 | $2 \cdot 93$ | $18 \cdot 144$ | 14.93 | 13.96 |
| 1937 |  |  |  |  |  |  |  | 4.908 | 4.909 | $16 \cdot 16$ | $2 \cdot 95$ | $18 \cdot 151$ | 14.95 | 13.95 |
| JAN． 105 | 105．14 | $29 \cdot 11$ $29 \cdot 02$ | 93.23 92.99 | 8.96 8.95 | 21.39 21.44 | 19.40 19.40 | $22 \cdot 40$ 22.40 | 4.898 4.894 | 4.895 | 16.24 | 3.01 | $18 \cdot 142$ | 14.94 | 13.98 |
| FEB． MAR． l | 106．31 | 28.99 | 92.81 | 8.93 | 21.43 | 19.40 | $22 \cdot 40$ | 4.885 | 4.882 | 16.23 | 3.01 | 18.125 | 14.94 | 14.00 |
| APR． 10 | $109 \cdot 31$ | $29 \cdot 15$ | 93.40 | 8.98 | 21.54 | 19.40 | $22 \cdot 40$ | 4.916 | 4.909 | 16.17 | 3.07 | $18 \cdot 125$ | 14.94 | 0 |
| MAY | $110 \cdot 32$ | 29．28 | 93.85 | 8.99 | 21.60 | 19.40 | 22.40 | 4.939 | 4.931 4.937 | 16．24 | 3.13 3.22 | 8.125 8.125 | 14.91 14.78 | 14.00 |
| JUNE | 110.82 | 29－26 | $93 \cdot 80$ | 8.98 | 21.57 | 19.40 | $22 \cdot 40$ | 4.935 | 4.937 | 16.20 | $3 \cdot 22$ | 18．125 | 14.78 | 13.98 |
| JULY | $130 \cdot 34$ | 29．50 | 94．34 | 9.01 | 21.67 | 19.40 | 22.40 | 4.986 | 4.972 4.983 | 16.43 16.49 | 3.22 3.15 | 18.125 18.125 | 14.68 14.92 | 13.97 14.00 |
| AUG． | 132.85 | 29.59 | 94.67 | 9.03 | 21．70 | 19.40 | 22.40 | 4.983 | 4.983 4.954 | 16.49 16.50 | 3.12 | 18.125 18 | 14.00 | 14.00 |
| SEPT | 140.37 | 29.42 29.39 | 94．14 | 8.98 8.96 | 21.57 21.52 | 19.40 19.40 | 22.40 22.40 | 4.961 4.956 | 4.954 | 16.56 | 2.83 | 18.125 | 15.00 | 14.00 |
| OCT． | 147.97 $147 \cdot 19$ | 29.39 29.37 | 94.91 | 8.96 9.01 | 21.58 | 19.40 | 22.40 | 4.994 | 4.990 | 16.86 | $2 \cdot 77$ | 18.125 | 15.00 | 14.00 |
| DEC． | 147．16 | $29 \cdot 41$ | 94.99 | 8.99 | 21.61 | 19.40 | 22.40 | 4.997 | 4.998 | 17.01 | 2.64 | $18 \cdot 125$ | 15.00 | 14.00 |
| 1938 |  |  |  |  |  |  |  | 5.000 | 5．001 | 17.04 | a2．83 $\dagger$ † | $18 \cdot 125$ | 15.00 | 14.00 |
| JAN． | 149.89 | $29 \cdot 53$ 29 | 95.00 95.37 | 8.97 8.97 | 21.62 21.60 | 19.40 19.40 | 22.40 22.40 | 5.018 | $5 \cdot 016$ | 18.83 | $2 \cdot 82+$ | 18.125 | 15.00 | 14.00 |
| MEB． | 152．87 | 29.56 29.53 | 94．75 | 8.97 | 21.63 | 19.40 | $22 \cdot 40$ | 4.985 | 4.997 | 19.39 | $2 \cdot 81+\dagger$ | 18.125 | 14.92 | 13.98 |
| APR． | $160 \cdot 90$ | 29.54 | 94.63 | 8.96 | 21.67 | 19.40 | 22.40 | 4.979 | 5.006 | 19.46 | $2.81 \pm+$ | 18.051 | 14.84 | 14.00 |
| MAY | 175．14 | 29.50 | 94.42 | 8.97 | 21.75 | 19.40 | 22.40 | 4.965 | 5.007 | 19.00 | $2.81 t+$ | 17.910 | 14.91 | 14.00 |
| JUNE | $178 \cdot 17$ | $29 \cdot 23$ | 94．22 | 8.96 | 21.66 | 19.40 | 22.40 | 4.960 | 5．012 | $19 \cdot 02$ | $2.81+1$ | 17.795 | 14.94 | 14.00 |
| JULY | 178.15 | 29．14 | 93.71 | 8.95 | 21.54 | 19.40 | 22.40 | 4.931 | 4.959 | 18.94 | $2.83 \pm+$ | 17.904 17.897 | 14.99 | 14.00 14.00 |
| AUG． | 178.55 | 28.92 | 92.75 | 8.94 | 21.32 | 19.40 | 22.40 | 4.881 | 4.897 | 18.87 | $2.88 \pm+$ | 17.897 | 15.00 | 14.00 |
| SEPT | 178.42 | 28.45 | 91.27 | 8.90 | 21.25 | $19 \cdot 40$ | 22.40 | 4.805 | 4.831 4.812 | 19.00 | $2.93+$ | 17.902 17.933 | 15.00 14.97 | 14.00 |
| OCT． | 178.71 | 28.20 | 90.64 | 8.77 | 20.99 | 19.40 | 22.40 | 4.769 | 4.812 4.742 | 18.99 | 2．98t＋ | 17.933 17.96 | 14.97 14.94 | 14.00 |
| NOV． | 178.68 | 27.84 | 89.51 | 8.67 8.59 | 2079 | $19 \cdot 40$ | 22.40 | 4.710 4.671 | 4.742 4.706 | 20．09 | $3.06 \pm+$ | 17.923 | 15.00 | 14.00 |
| DEC． | 177.48 | 27.72 | 88.75 | 8.59 | 20.65 | 19.40 | 22.40 | 4.671 | 4706 | 20.55 | 3.061 | 17.923 | 1500 | 1400 |
| JAN． | 177.49 | $27 \cdot 63$ | 88.73 | 8.61 | 20.67 | 19.40 | 22.40 | 4.669 | 4．705 | $20 \cdot 35$ | $3.06 \pm+$ | 17.937 | 15.00 | 14.00 |
| FEB． | 176.98 | 27.79 | 89.05 | 8.74 | 20.66 | 19.40 | $22 \cdot 40$ | 4.687 | 4．708 | $20 \cdot 35$ | $3.06{ }^{+}+$ | 17.937 | 14.93 | 14.00 |
| MAR． | 176.86 | 27.85 | 89.08 | 8.82 | $20 \cdot 71$ | 19.40 | 22.40 | 4.686 | 4.704 | $20 \cdot 30$ | $3.06 \pm \dagger$ | 17.966 | 1491 | 14.00 |
| APR． | 17673 | 27.80 | 89.00 | 8.81 | 20.68 | 19.40 | 22.40 | 4.681 | 4.704 4.698 | $20 \cdot 21$ 20.22 |  | 17.937 17.910 | 14.74 14.81 | 14.00 |
| MAY | 176.74 | 27.51 27.53 | 89.01 89.04 | 8.73 8.81 | $20 \cdot 82$ 20.77 | $19 \cdot 40$ 19.40 | 22.40 22.40 | 4.682 4.683 | 4.698 4692 | $20 \cdot 22$ 20.22 | $2.77 \dagger$ $2.71 \dagger$ | 17.910 17.911 | 14.81 14.86 | 14.00 |
| JUNE | 176.73 | 27．53 | 89.04 | 8.81 | 20.77 | 19.40 | 22.40 | 4.683 | 4692 | 2022 | 271 | 1791 | 148 |  |
| JULY | 17672 | 27．55 | 89.03 89 | 8.79 | 20.76 20.42 | $19 \cdot 40$ $19 \cdot 20$ | 22.40 22.36 | 7.682 4.607 | 4.690 4.620 | $20 \cdot 21$ $19 \cdot 92$ | $2.62 \%$ $2.63 \%$ | 17.905 17.937 | 14.78 14.74 | 14.00 14.00 |
| AUG． | $176 \cdot 37$ 176074 | $27 \cdot 14$ 23.51 | $89 \cdot 76$ 7748 | 862 $757 \pm$ | 20.42 $17.82 \pm$ | $19 \cdot 20$ $16.77 \pm$ | $22 \cdot 36$ $22 \cdot 23$ | $\begin{array}{ll}4.603 & 4.623 \\ 4.049 \pm & 4.041\end{array}$ | 4．620 $4.419 \pm$ | $19 \cdot y 2$ $1709 \pm$ | $2.63 \downarrow$ $3.26 \dagger$ | 17.937 17.939 | 14.74 15.00 | 14.00 1399 |
| SEPT OCT． | $17607 \ddagger$ $17650 \ddagger$ | 23.5 $23.98 \pm$ | 7748 7889 | $757 \ddagger$ $7.57 \ddagger$ | $17.82 \pm$ 17.88 | 16.77 16.81 | 22.23 206 | $\begin{array}{ll}4.079 & 4.041 \\ 4.0307 & 4.012\end{array}$ | $4 \cdot 450 \pm$ | $17.09 \ddagger$ | 3.25 ＋ | 17.993 | 15.00 | 14.01 |
| NOV． | $17650 \pm$ | 21－26 $\ddagger$ | $77 \cdot 34$ | $7.55 \ddagger$ | 17.87 | $16.80 \pm$ | $20 \cdot 37$ | $4.030 \pm 3.928$ | 4.450 | $17.22 \ddagger$ | 3.21 中 | 18.000 | 15.00 | $14 \cdot 35$ |
| I）EC． | 176．507 | $24 \cdot 22 \ddagger$ | 77.33 | $7.55 \ddagger$ | 1787 | $1685 \ddagger$ | 20.29 | $4.030 \pm 3.933$ | 4.4507 | 17.657 | 3.161 | 18.000 | 15.00 | $14 \cdot 38$ |
| 1940 | 176.61 t | 23．86士 | $78 \cdot 11$ | 7－54士 | 17．89才 | $16.90 \pm$ | $20 \cdot 52$ | $4.030 \pm 3.966$ | 4．450t | $17 \cdot 7!$ | 3．15 + | 18.000 | 14.94 | $14 \cdot 25$ |
| FEB． | $176.62 \pm$ | 23.827 | 78.11 | $7 \cdot 55 \ddagger$ | 17.90 | $16.90 \pm$ | 20.51 | 4．03） 3.964 | $4 \cdot 4 \cdot 0 \pm$ | 17.357 | $3.14+$ | 18.000 | 14.92 | $14 \cdot 24$ |
| MAR． | $176.62 \ddagger$ | $23 \cdot 70 \pm$ | 74.18 | 7.55 | 17.901 | $16.90 \ddagger$ | 19.49 | $4.030 \pm 3.757$ | $4.450=$ | 17．10 | $3 \cdot 30 \dagger$ | 18.000 | 14.91 | 14.96 |
| APR． | $176.62 \ddagger$ | 2378 | $69 \cdot 30$ | 7.55 | $17.90=$ | 16.90 | 18．46b | $4.030 \pm 3.527$ | $4.450 \ddagger$ | $17 \cdot 17 \ddagger$ | $3.53+$ | 18.000 | 14.87 | 16.00 |
| MAY | $176.62 \ddagger$ | $23.92 \pm+$ | 64.31 | 7．55 | 17．90 $=$ | $16.90 \ddagger$ | － | 4．030 3.275 | $4.450=$ | $17 \cdot 17 \pm$ | $3.81 \dagger$ | 18.000 | 14.92 | 1722 |
| JUNE | $176.62 \ddagger \mathrm{~d}$ | － | $65 \cdot 32 \mathrm{e}$ | 7 ＋ | $17 \cdot 86$ | 16907 | － | $4.030 \ddagger$ 3．621 | 4.4507 | $17 \cdot 10 \ddagger$ | $3.56 \dagger$ | 18000 | 1500 | 16.38 |
| JULY | － | － | － | － | 17．77\＃ | 16．901 | － | $4.03 \pm 3.805$ | $4.450 \pm$ | 17．04 | 3．31＊f | 18.000 | 15.00 | 15.08 |
| AUG． | － | － | － | － | $17 \cdot 70$ | $16.90 \pm$ | － | $4.030=3.999$ | $4.450 \pm$ | $1 \% \cdot 01$ |  | 18.000 | 15.00 | 14.41 |
| SEPT． | － | － | － | － | $17 \cdot 70$ | $16.90 \pm$ | － | 4.03074 .036 | $4.450 \ddagger$ | 17．01 | ＊ | 18.000 | 15.00 | 14.25 |
| OCT． | － | － | －－ | － | 17.41 | 16.90 | － | $4.030 才 4.035$ | 4.4507 | $17.01 \ddagger$ | ＊ | 18.000 | 15.00 | 1425 |
| NoV． | － | － | － | － | $17 \cdot 35$ | $16.90 \ddagger$ | － | $4.030 \pm 4.039$ | $4.450 \ddagger$ | $17.01 \ddagger$ | O | 18.000 18.000 | 15．00 | 14.25 14.25 |
| DEC． | － | － | － | － | $17 \cdot 35_{+}^{+}$ | 16.90 | － | $4.030 \ddagger 4.038$ | $4450 \ddagger$ | $17 \cdot 01 \mp$ | o | 18.000 | 15.00 | 14.25 |
| JAN． |  | － | － | － | 17.35 | 16．90才 | － | $4030 \pm 4.036$ | $4.450 \pm$ | $17 \cdot 02 \ddagger$ | 0 | 18.000 | 15.00 | $14 \cdot 25$ |
| FEB． | － | － | － | － | $1735 \pm$ | $16.90{ }^{\text {t }}$ | － | $4.030 \pm 4.032$ | 4.4507 | $17.04 \ddagger$ | o | 18.000 | 15.00 | 14.25 |
| MAR． | － | － | － | － | 17．35 | $16.90 \ddagger$ | － | $4.030 \ddagger 4.034$ | $4.450 \downarrow$ | $17.04 \ddagger$ | o | $18 \cdot 000$ | 15.00 | 14.25 |
| Week en Apr． | ding |  |  |  | $17 \cdot 35+$ | 16．90t | － | 4．030t 4．032 | $4 \cdot 450$ ： | 17．04 | o | 17.984 | 15.00 | 14.25 |
| ，＂ 12 | － | － | － | － | $17 \cdot 35$ | $16.9) \pm$ | － | 4.03014 .031 | $4 \cdot 450 \pm$ | 17.04 | o | 17.984 | 15.00 | 14.25 |
| ，， 19 |  | － | － | － | 17.35 | 16.97 | － | $4.030 \pm 4.015$ | 4.450 | 17.04 | － | 17.984 | 1500 | 14.25 |
| अ 26 | － | － | － | － | $17 \cdot 35=$ | $16.9)=$ | － | $4.030 \pm 4.025$ | 4.450 | $17.04 \pm$ | － | $17 \cdot 984$ | 15.00 | 14.25 |
| Mav 3 | 3 － | － | － | － | $17.35{ }^{\text {t }}$ | 16.97 | － | 4.03014 .032 | $4.450 \pm$ | $17.04 \pm$ | 0 | 17.984 | 15：00 | 14.25 |

！Official Rate．
Averages ：－a， 15 th to 81 st sellers
b． 1 st to 8 th

## RECENT MOVEMENTS IN UNITED STATES.

## Information communicated by Miss DOROTHY WESCOTT, Assistant Editor of the Review of Economic Statistics, Harvard University.

March 8th, 194 I .
GENERAL SURVEY.-Stimulated by the increasing momentum of the national defence programme, general business activity in the United States this year has held at the high levels attained in the second half of 1940 ; the seasonal decline that customarily occurs in the winter months has failed to appear. Defence expenditures in January amounted to $\$ 570 \mathrm{Mn}$., compared with $\$_{200} \mathrm{Mn}$. in August; and if the total expenditures of $\$ 6,500 \mathrm{Mn}$. estimated for the fiscal year ending June 30th, 1941, are attained, the monthly spending for defence during the five months February to June will average over $\$ 800 \mathrm{Mn}$.

Those industries closely connected with the national defence programme have shown the widest expansion; and the predominance of defence measures in industrial activity becomes increasingly great. The first step taken by the government to assure priorities for defence orders, in preference to civilian requirements, was taken on February 24th when the Office of Production Management subjected machine-tool builders and aluminium producers to an industry-wide compulsory priority status. The expanding industrial activity has resulted in pronounced increases in employment and in consumer incomes, developments which have been reflected in higher retail sales throughout all sections of the country.

Wholesale commodity prices in general advanced a little in January, but in February a small net decline occurred. This decline was due to lower prices for agricultural products ; price movements among industrial products were mixed, with prices for the group as a whole showing practically no change over the month. Stock and bond prices declined in both January and February, stock prices falling to the lowest levels since last summer and bond prices dropping back to the levels of last October.

While industrial operations have continued at high rates in recent weeks, many lines of production may well fail to show the seasonal expansion customary in the late winter and spring months of the year. Such a development would not be unexpected, since some important industries have been operating close to capacity for many weeks, and further expansion would be contingent upon increased production facilities.

BUSINESS VOLUMES. - The adjusted index for bank debits in centres outside New York City (a measure of business activity in general) remained in January and February this year at the high level attained during the rapid advance of the final quarter of 1940. Electric power production, which also reflects changes in general business, likewise has held close to last year's high level, although some decline in the adjusted index has occurred since December. The volume of industrial production rose in January for the fifth consecutive month, the seasonally corrected index of the Board of Governors of the Federal Reserve System reaching I39 (\% of 1935-39). The greater part of this rise has been due to substantial increases in manufacturing output, particularly output of the durable-goods industries. Since mid-1940 the durable goods index has risen from I3I to 169. Increases have been especially marked in those industries manufacturing machinery, aircraft, ships, and similar products important in the defence programme, and the rate of output of industrial materials, such as steel and non-ferrous metals, has risen close to capacity. Lumber production also has been large, reflecting demand from the construction industry, partly as a result of greater activity under the defence programme and partly because of increased private building. Automobile production, which usually shows a seasonal decline during the winter, has been maintained in substantial volume, the January index rising to 149 ( $\%$ of 1935-39). The rapid increase of recent months has been due in part to a large volume of retail sales and in part to the industry's efforts to build up dealers' stocks of cars on hand, against the possibility that priorities on defence orders may necessitate curtailment of automobile output.

The January index for production of nondurable goods, while three points below the index for December, was higher than in any other month of i940. Output of cotton textile goods continued to increase, but the rise from December to January was less than usually occurs between these two months and therefore the seasonally corrected index declined. Production at wool-textile and silk mills dropped more than seasonally, while rayon output showed about the usual seasonal decrease. Despite the declines in the seasonally corrected indices for various
branches of the textile industry, activity-in the industry as a whole has been maintained at an extremely high rate ; the January index for the group dropped only five points, from 139 to 134 . Textile mills, particularly those manufacturing cotton and wool goods, are reported to have a substantial volume of orders on hand, reflecting both defence orders and considerable civilian demand. Shoe production in January showed less than the usual seasonal increase, following a high rate of output in the late months of 1940 ; and the data available for manufactured food industries indicate that declines, instead of the usual advances, occurred from December to January.

The rapid increase in manufacturing output has resulted in large increases in factory employment and payrolls ; the January indices for both these series were the highest of any January for which records are available (1919 to date). The Bureau of Labor Statistics reports that the number of workers employed in non-agricultural industries in January was $1,868,000$ greater than in January, 1940. The three groups that accounted for $86 \%$ of this increase were manufacturing industries ( $42 \%$ ), construction industries $(32 \%)$, and federal, state, and government services ( $\mathrm{I} 2 \%$ ).

Department of Commerce reports for December indicate that total new orders placed with manufacturers continued in large volume, with orders for durable goods showing a further sharp increase while those for non-durable goods dropped moderately. Despite increased shipments of durable goods, unfilled orders continued to rise substantially. Manufacturers' inventories increased in each month of the second half of 1940 ; and for the entire year, the value of stocks increased more than $\$_{1,250} \mathrm{Mn}$., compared with an increase of $\$ 750 \mathrm{Mn}$. in 1939. The Department of Commerce, commenting on these changes, states that "whereas the 1939 accumulation was largely the result of a speculative or protective movement, much of the increase in stocks during the last three months of 1940 is attributable to the need for increased working capital to expand production for the defence programme. None the less, a rise as large as that which occurred in the closing months of 1940 is hardly possible without substantial stock accumulation of a protective and speculative character."

Income payments in December were the largest of any month since October, 1929, chiefly because of year-end dividend and interest payments and a substantial increase in wages and salaries. Although seasonal decreases occurred in January, the decline in total payments was not
as large as usual and the seasonally adjusted index advanced further. The higher income payments have been reflected in retail trade. Department store sales, after seasonal corrections, in recent months have been the highest since 1930; the February index, at 102 (\% of 1923-25), was $13 \%$ above the index for February, 1940. Sales of chain stores and of mail-order companies also have been substantially greater than a year ago.

Increases in freight car loadings in recent months have been due to larger loadings of miscellaneous products (chiefly industrial materials), ore, coal, forest products, and small-lot shipments (mainly products ready for consumption) ; seasonally adjusted loadings of grain and of livestock have been smaller than they were last summer. Export trade of the United States in January was considerably less than in January a year ago, and it also was below the average for the entire year 1940. The value of agricultural exports was about one-fourth that of January, 1940 ; non-agricultural exports were $15 \%$ greater than a year ago, mainly because of sharp increases in exports of aircraft, machinery, and iron and steel products. Among imports, a drop in nonagricultural products was responsible for the decline of total imports in January this year compared with January, 1940 ; agricultural imports, particularly rubber, wool, coffee, and sugar, increased.

In the construction industry, both privately and publicly financed projects have contributed to the higher rate of activity this year. For January and February the value of total contracts awarded was $45 \%$ greater than in the corresponding period of 1940, with all classes of construction sharing in the advance. The largest percentage increase ( $69 \%$ ) occurred in nonresidential building, particularly construction of commercial and manufacturing buildings. The gain in residential building also was considerable ( $49 \%$ ), and public works and utilities likewise showed substantial, though less pronounced, gains ( $12 \%$ and $2 \mathrm{I} \%$ respectively).

COMMODITY PRICES.-Since the end of last year the movements of wholesale commodity prices have been mixed, the general price index of the Bureau of Labor Statistics rising a little, from $79.9 \%$ (of 1926) for the week ending December 28th to $80.5 \%$ for the week ending March Ist. The group index for textile products has advanced fairly steadily since December, but for most of the other groups the upward movement evident in the fourth quarter of last year was halted in January. By the middle of February indices for farm products, foods, hides and leather products, and building materials were


definitely lower than a month earlier ; other commodity group indices-metals and metal products, fuel and lighting materials, chemicals and allied products, house-furnishing goods, and miscellaneous products-were practically unchanged. The Bureau of Labor Statistics daily index of 28 basic commodities rose between four and five per cent. in the first two months of the year, primarily because of a sharp advance in prices of import commodities. Increased tension in the Far East in February was reflected in higher price quotations for shellac, tin, burlap, silk, and rubber. While price movements of domestic commodities included in this sensitive price index varied, the prevailing tendency was upward.

MONEY AND CREDIT.-Total loans and investments of reporting member banks of the federal reserve system rose $\$ 923 \mathrm{Mn}$. from the close of December to the last week of February, reaching a new high level ; and adjusted demand deposits in the same period also reached a new high figure. Commercial, agricultural, and industrial loans advanced week by week, the total increase over the period amounting to $\$ 209 \mathrm{Mn}$.; such loans on February 26th were $20 \%$ greater than a year earlier. Loans to brokers and dealers in securities declined after December, and for the last week of February were some $15 \%$ smaller than in the final week of February, 1940. Reporting bank holdings of securities increased by $\$ 8 \mathrm{I} 8 \mathrm{Mn}$. in the first two months of this year, most of the increase occurring in Treasury note holdings.

Member bank reserve balances have fluctuated rather widely, mainly because of variations in currency circulation, and Treasury deposits with the reserve banks. Immediately after the close of last year a substantial rise occurred in reserve balances as currency returned to the banks after the Christmas holidays, and Treasury deposits declined. The first week of February, however, brought a sharp increase in deposits,
representing receipts from the sale of the second issue of national defence notes (an issue of $\$ 635 \mathrm{Mn}$. of $\frac{33}{4} \%$ taxable notes), and reserve balances dropped to $\$ \mathrm{I}, 3842 \mathrm{Mn}$., approximately the level of mid-December. Since early February reserve balances have increased somewhat, amounting on March 5 th to $\$_{14,136 ~ M n}$; of this amount $\$ 6,440 \mathrm{Mn}$. were estimated to be excess reserves. Yields on government bonds and notes have risen fairly steadily since the first of the year, and yields of high grade corporate bonds also have advanced.

## SPECULATION AND FINANCE.-The

 renewed decline of stock prices which had begun last November has continued with only brief interruptions this year. At the middle of February the Dow-Jones indices for all classes of stocks-industrials, railroads, utilities-were the lowest since last summer ; and the rise that has occurred in these indices since mid-February has been small and irregular. The daily volume of shares traded has continued small, averaging 512,000 shares in January and 408,000 shares in February. In the corporation bond market, an irregular declining tendency developed in the latter part of January and continued until late in February (the first general reaction since last May). The subsequent advance for bonds as well as stocks has not carried prices back to the levels of early February. Security flotations, excluding federal government securities, in the first two months of this year were two per cent. greater than in January and February, I940, the increase being due entirely to larger issues of corporate securities. Corporate issues to raise new capital were $3 \frac{1}{2} \%$ above those of a year ago, while issues for refunding purposes rose about $44 \%$; both new and refunding issues of public securities declined. Among the new capital issues of corporate securities, the largest increases were shown by the railroads, which accounted for about $57 \%$ of the total new corporate issues for the first two months of 1941 .
## CANADA.

## Information communicated by B. A. and A. F. W. PLUMPTRE, of the University of Toronto.

March i5th, 194 I .

SINCE October, 1940, when the last report from Canada was written for this Service, war activities have greatly increased. Canadian government expenditures for war purposes are now running over $\$_{3} \mathrm{Mn}$. daily, whereas in October they were only $\$_{2} \mathrm{Mn}$. Total war orders placed with Canadian firms since the outbreak of war by Canadian and British Governments amounted to $\$_{1,106 ~ M n}$. by the end of 1940, while early in September they had only reached $\$ 445 \mathrm{Mn}$. At that time the plant construction programme was set at $\$ 225 \mathrm{Mn}$., but by the end of 1940 the programme had been raised to over $\$ 300 \mathrm{Mn}$. and probably about $\$_{200} \mathrm{Mn}$. had actually been paid out. More than half of these capital expenditures are on British account. The plant extension programme was responsible for about a quarter of total war expenditures (Canadian and British) up to the end of 1940. One-third of these outlays were on explosives plants, and the remainder on plants for the production of tanks, aeroplanes, guns, small arms, ships, motor vehicles, etc.

Moreover the expansion of the war programme is still continuing. The Minister of Finance has announced that governmental war expenditure in 194I-42 will be at least $\$ 1,300 \mathrm{Mn}$. to which $\$ 400 \mathrm{Mn}$. will be added for financing British purchases by means of repatriation of securities. All Governments-Dominion, Provincial and local-are expected to spend more than 50 per cent. of a national income amounting to $\$ 5,300 \mathrm{Mn}$. In the fiscal year 1940-41 war expenditure will be rather less than $\$ 900 \mathrm{Mn}$., repatriation rather more than $\$ 200 \mathrm{Mn}$., and all Governments will spend about $40 \%$ of the national income.

Increasing war outlays, increasing exports, and a bumper crop of wheat (much of which had to be bought by the Dominion Government), have produced rising levels of production, employment, purchasing power and consumption. The seasonally adjusted index of industrial production stood at 160 (\% of 1926) in December, 1940, as compared with 138 a year earlier and I28 in August, 1939. The index of employment, seasonally adjusted, has risen continuously since March, 1940, and in January reached a record of 140.5 (\% of 1926). In August, 1939, it stood at 115.0. The seasonally adjusted index of employment in manufacturing industries stood
at 153.0 (\% of 1926) in January, i941, also an all-time high. Retail sales are running $15 \%$ to $20 \%$ ahead of a year ago, and sales of motor vehicles, despite punitive taxes, are about the same as last year. Prices, both wholesale and retail, are fairly steady with a slight upward trend. The cost of living is $7 \%$ higher than before the war.

Five problems were mentioned in our Report for last October as particularly deserving of governmental attention. These were :- (I) Coordination of the war production programme; (2) Adoption of more concrete policies regarding wages and labour in war industries; (3) Restriction of wheat production; (4) Introduction of more vigorous policies regarding saving and war loans; (5) Conservation of foreign exchange, especially American dollars, for war purposes. Since last October some steps have been taken in regard to each problem.
(I) A War-time Requirements Board was established in November, 1940, to collect information regarding available resources and impending requirements of war industries. This Board consists almost entirely of senior civil servants from various departments, including representatives of the fighting services. The chairman, H. R. MacMillan, head of a successful timber exporting firm, had established a record for vigour and perspicacity in the post of Timber Controller which he occupied from August to November. The Board has only advisory powers. In February, 1941, however, a Director General of Priorities was appointed with executive powers to work in conjunction with the War-time Requirements Board. Thus there now exists an organization for general economic co-ordination additional to (but not formally allied with) the separate Controls that have been established in the fields of timber, oil, steel, other metals, electric power, machinery and machine tools, shipbuilding and repair, and motor vehicles.
(2) Labour problems, which were looming ominously last October, have been attacked on two fronts : wages and training. In November, 1940, the Government enunciated a positive programme regarding wages for the guidance of conciliation boards in war industries. The salient features of this programme were to stabilize wage rates at or very near existing levels and to grant a flat rate bonus to all workers alike sufficient to compensate the lower wage-groups
whenever the cost of living had risen $5 \%$. This policy has been received with mixed feelings amongst labour leaders, some of whom resent the elimination of wage increases except only after a rise in the cost of living. There exists (now as in October) a feeling in labour circles that, with business men largely in control of the Department of Munitions and Supply, the workers are not getting adequate protection or representation in Ottawa. In regard to labour training, a survey was made late in 1940 of the needs for skilled and semi-skilled workers in factories now under construction and in the armed forces. Accordingly a training scheme has been introduced which will turn out 100,000 semi-skilled workers in 1941. Half of them will be trained in the ordinary technical schools throughout the country, and half in schools attached to plants already producing war supplies.
(3) The Government has introduced into parliament its long-awaited proposals to restrict wheat production. Its programme aims to reduce wheat acreage by $35 \%$ and to encourage mixed farming in Western Canada on a scale never before attempted. Government purchases through the Wheat Board will be limited to 23 I Mn. bushels in the crop year 194I-42, and the price will be based, as in the past two years, on 70 cents per bushel at Fort William. The quota system of deliveries, introduced this year because of shortage of storage space, will be continued, together with payment for storage on the farms of wheat which comes under this year's quota. Bonuses will be paid for every acre taken out of wheat production, $\$_{4}$ for each acre put into summer fallow, and $\$ 2$ for each acre sown with coarse grains. If all the land taken out of wheat production by this $35 \%$ reduction were allowed to lie fallow, the cost to the government would be approximately $\$_{36} \mathrm{Mn}$.

The Government estimates that during the coming year, 1941-42, 307 Mn . bushels of wheat will be absorbed :- 180 Mn . bushels in export markets, 50 Mn . bushels by home consumption, and 77 Mn . bushels for seed and feed. These sales will come from the new crop-not from the carry-over. Actually this year's carry-over of 575 Mn . bushels will practically fill all available permanent storage space, excluding an allowance for handling space for the new crop.

This wheat policy is only applicable to farmers in Western Canada. The encouragement of mixed farming in the Prairies will gain little support from the Canadian farmers already producing these goods. Although war purchases by Great Britain have widened the market for these commodities, farmers will not welcome additional competition from the West.
(4) A vigorous campaign to encourage savings has been carried on in February and March, 194I. The objective is two million regular savers contributing 8 Io millions a month through purchase of War Savings Certificates. Sales of these certificates were introduced in May, 1940, and by November they were producing $\$ 2.5 \mathrm{Mn}$. per month. The emphasis of the present campaign has been on an employees' pay-deduction scheme, and on other devices to ensure regularity in savings. Certificates are sold at $\$ 4, \$ 8, \$ 20$, $\$ 40$ and $\$ 80$ to yield $3 \%$ over $7 \frac{1}{2}$ years, with maturity values of $\$_{5}, \$_{10}, \$_{25}, \$_{50}$ and $\$_{100}$.

No other approach to the public for loans will be undertaken until June, 1941. The slowness with which the Second War Loan sold in September, 1940, has been taken as a warning that a high pressure campaign, resembling those of the last war, must attend the next public issue. A loan had been expected early in 1941. It was postponed until June partly so that income-tax payments would be out of the way, partly to justify a much larger issue than has yet been undertaken, and partly, perhaps, to put it in a convenient season of the year in the anticipation that hereafter there will be an annual war loan at the same season. The issue will probably be for something between $\$ 600 \mathrm{Mn}$. and $\$_{\mathrm{I}, 000 \mathrm{Mn}}$. Meanwhile, in January and February, 1941, an issue of $2 \frac{1}{2}$ year notes for $\$ 250 \mathrm{Mn}$. has been placed with the banks to yield $\mathrm{I}_{8}^{5} \%$.
(5) The conservation of American dollars has been fostered by increasingly restrictive measures. The depreciation of the Canadian dollar by $10 \%$ soon after the outbreak of war may be regarded as the first measure. The budget of June, 1940, announced a War Exchange Tax of $10 \%$ on all imports from non-Empire sources. It also introduced special commodity taxes designed to reduce imports of automobiles and a few other manufactures. In July, restrictions were introduced on foreign travel for pleasure purposes. In December, an Exchange Conservation Act was passed, which put a wide range of manufactures on a list of prohibited imports, and which put another group of commodities under quota pending complete exclusion. (It may be added that the same Act reduced the tariff on many imports from Great Britain and abolished it on many others.)

The present and probable position of the resources of the Foreign Exchange Control Board is the subject of some difference of opinion. (The actual position is kept secret by the authorities.) On the basis of known and estimated items in the balance of payments it was possible to guess, late in 1940, that the Board was losing American funds quite rapidly; and the introduction of the

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| 1926 | 1 | 2 | $\stackrel{3}{3}$ | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| Average | 100 | 100 | 253 | 125 | 195 | 100 | 100 | 100 | 100 | 84 | 107 | 63 | 100 | 100 | 272 | 81 | 100 | 100 | 100 |
| 1933 Av． | 68 | 96 | 250 | 115.5 | 193 | 51 | 70 | 67 | 78 | 37 | 45 | 22 | 77 | 28 | 170 | 67 | 77 | 81 | 84 |
| 1934 Av． | 86 | 84 | 274 | 111.5 | 195 | 59 | $73 \cdot 5$ | 71.5 | 79 | 43 | 55 | 26 | 94 | 36 | 193 | 70 | 109 | 91 | 96 |
| 1935 Av． | 94 | 1078 | 263 | 104 | 208 | 63 | 73 | 72 | $96^{\circ \prime 2}$ | 46 | 62 | 26 | 103 | 51.5 | 197 | 71 | 97 | 98 | 100 |
| 1986 Av． | 119 | 98 | 299 | 91.5 | 221 | 70 | 74 | 74 | $98 \cdot 1$ | 53 | 80 | 39 | 115 | 46 | 208 | 74 | 87 | 104 | 104 |
| 1937 Av． | 127 | 102 | 293 | 96 | 235 | 87 | 80 | 85 | 101．2 | 67 | 84 | 32 | 127 | 58 | 220 | 80 | 101 | 115 | 115 |
| 1938 Av． | 104 | 96 | 258 | 98 | 242 | 74 | 78 | 78 | 102．2 | 56 | 71 | 26 | 115 | 52 | 202 | 78 | 107 | 111 | 111 |
| 1939 Av． | 100 | 98 | 264 | 104 | 258 | 64 | 75 | 75 | 101.5 | 63 | 78 | 29 | 125 | 51 | 212 | 82 | 111 | 113 | 114 |
| 1937 | 133 | 102 | 272 | 97 | 232 | 93 | 82 | 88 | 83 | 72 | 92 | 34 | 131 | 49 | 219 | 80 | 140 | 118 | 120 |
| AUG．．． | 135 | 101 | 261 | 98 | 234 | 85 | 82 | 86 | 84 | 70 | 91 | 31 | 127 | 54 | 231 | 80 | 144 | 121 | 123 |
| SEPT． | 119 | 101 | 273 | 98 | 237 | 86 | 81 | 85 | 84 | 70 | 84 | 29 | 127 | 56 | 262 | 82 | 144 | 122 | 126 |
| OCT．．． | 106 | 103 | 291 | 99 | 233 | 86 | 81 | 85 | 84 | 82 | 94 | 39 | 133 | 54 | 260 | 81 | 132 | 119 | 125 |
| NOV．．． | 103 | 102 | 293 | 97 | 235 | 84 | 81 | 83 | 84 | 81 | 102 | 45 | 134 | 48 | 235 | 80 | 104 | 116 | 122 |
| DEC．．． | 104 | 100 | 308 | 94 | 233 | 84 | 80 | 83 | 84 | 53 | 76 | 29 | 125 | 64 | 204 | 86 | 82 | 109 | 113 |
| 1938 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN．． | 107 | 99 | 244 | 91 | 231 | 85 | 82 | 84 | 84 | 47 | 72 | 30 | 114 | 49 | 187 | 78 | 72 | 110 | 110 |
| FEB．．． | 107 | 99 | 218 | 92 | 232 | 85 | 82 | 84 | 84 | 47 | 61 | 20 | 107 | 37 | 180 | 77 | 71 | 110 | 108 |
| MAR．．． | 99 | 98 | 237 | 93 | 234 | 83 | 82 | 83 | 84 | 65 | 74 | 23 | 110 | 53 | 199 | 78 | 72 | 111 | 105 |
| APRIL | 98 | 96 | 240 | 97 | 241 | 82 | 81 | 82 | 84 | 49 | 52 | 13 | 114 | 57 | $18 \overline{3}$ | 76 | 88 | 111 | 107 |
| MAY | 100 | 95 | 246 | 96.5 | 240 | $77+$ | 79 | 80 | 84 | 67 | 68 | 19 | 112 | 50 | 180 | 76 | 114 | 112 | 112 |
| JUNE | 91§ | 95 | 273 | 99 | 246 | 77－ | 79 | 80 | 84 | 59 | 67 | 23 | 109 | 50 | 187 | 80 | 125 | 112 | 113 |
| JULY | 97 | Y6 | 247 | 99 | 239 | 71 | 78 | 73 | 84 | 56 | 67 | 24 | 110 | 51 | 183 | 78 | 128 | 110 | 112 |
| AUG．．． | 96 | 96 | 237 | 98 | 242 | 64 | 77 | 76 | 85 | 57 | 70 | 22 | 111 | 53 | 213 | 77 | 134 | 114 | 115 |
| SEPT． | $9)$ | 98 | 266 | $102 \cdot 5$ | 245 | 67 | 76 | 74 | 84 | 56 | 73 | 29 | 121 | 53 | 250 | 79.5 | 143 | 112 | 117 |
| OCT．．． | 100 | 97 | 298 | 105 | 248 | 64 | 75 | 74 | 84 | 64 | 89 | 40 | 121 | 62 | 257 | 80 | 123 | 111 | 115 |
| NOV．．． | 101 | 95 | 297 | 103 | 250 | 65 | 74 | 73 | 84 | 63 | 87 | 38 | 128 | 48 | 219 | 79 | 113 | 110 | 114 |
| DEC．．． | 97 | 94 | 291 | 100 | 250 | 65 | 74 | 73 | 84 | 44 | 70 | 29 | 118 | 63 | 178 | 79 | 96 | 104 | 108 |
| 1939 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN ．．． | 94 | 94 | 251 | 98 | 246 | 65 | 74 | 73 | $101 \cdot 1$ | 4 | 71 | 27 | 114 | 50 | 176 | 78 | 89 | 106 | 106 |
| FEB．．． | 95 | 94 | 205 | 98 | 247 | 65 | 74 | 73 | $100 \cdot 7$ | 40 | 58 | 19 | 114 | 56 | 160 | 76 | 94 | 107 | 106 |
| MAR．．． | 94 | 92 | 243 | 100 | 249 | 65 | 73 | 73 | $100 \cdot 6$ | 58 | 70 | 21 | 115 | 47 | 191 | 76 | 92 | 107 | 105 |
| APRIL | 88 | 94 | 247 | 101 | 251 | 65.5 | 73 | 73 | $100 \cdot 6$ | 42 | 51 | 17 | 119 | 51 | 179 | 79 | 94 | 108 | 106 |
| MAY．．． | 90 | 95 | 284 | 102 | 252 | 65 | 73 | 74 | $100 \cdot 6$ | 73 | 81 | 28 | 123 | 49 | 215 | 81 | 115 | 111 | 113 |
| JUNE | 88 | 93 | 283 | 101 | 254 | 63 | 73 | 73 | $100 \cdot 5$ | 64 | 78 | 26 | 124 | 60 | 195 | 85 | 133 | 111 | 116 |
| JULY | 89 | 93 | 238 | $10)$ | 252 | 63 | 73 | 73 | $100 \cdot 8$ | 59 | 77 | 28 | 124 | 54 | 196 | 84 | 146 | 113 | 117 |
| AUG．．． | 86 | 95 | 239 | $100 \cdot 5$ | 252 | 58 | 73 | 72 | $100 \cdot 8$ | 63 | $76 \cdot 5$ | 24 | 127 | 60 | 229 | 82 | 152 | 115 | 120 |
| SEPT． | 91 | 109 | 283 | 107 | 258 | 64 | $77 \cdot 5$ | 78 | $100 \cdot 8$ | 74 | $82 \cdot 5$ | 30 | 128 | 49 | 295 | 83 | 131 | 120 | 122 |
| OC＇T．．． | 97 | 106 | 290 | 114 | 284 | 67.5 | 79 | 79 | $103 \cdot 5$ | 79 | 91 | 38 | 140 | 43 | 270 | 89 | 118 | 122 | 124 |
| NOV．．． | 94 | 103 | 293 | 116 | 281 | 65 | 80 | 80 | $103 \cdot 8$ | 85 | 98.5 | 43 | 139 | 40 | 248 | 83 | 84 | 122 | 123 |
| DEC．．． | 92 | 104 | 306 | 114 | 277 | 69 | 81 | 82 | $103 \cdot 8$ | 72 | 102 | 53 | 138 | 62 | 199 | $87 \cdot 5$ | 69 | 118 | 116 |
| 1940 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN．．． | 91 | 103 | 267 | 112 | 276 | 70 | 82 | 83 | $103 \cdot 8$ | 71 | 91 | 36 | 145 | 52 | 210 | 87 | 58 | 120 | 114 |
| FEB．．． | 90 | 102 | 295 | 116 | 277 | 70 | 82 | 83 | $103 \cdot 8$ | 71 | 72 | 26 | 136 | 62 | 199 | 88 | 55 | 123 | 113 |
| MAR．．． | 90 | 102 | 241 | 117 | 272 | 71 | 82 | 83 | 104.6 | 77 | $83 \cdot 5$ | 32 | 127 | 61 | 195 | 88 | 60 | 123 | 112 |
| APRIL | 88 | 100 | 294 | 112.5 | 274 | 72 | 82 | 83 | 107.6 | 86 | 85 | 27 | 160 | 97 | 219 | 86 | 68 | 126 | 114 |
| MAY．．． | 73 | 100 | 334 | 111 | 278 | 68 | 81 | 82 | 104．9 | 100 | 111 | 43 | 147 | 76 | 237 | 89 | 90 | 129 | 121 |
| JUNE | 66 | 101 | 268 | 111 | 271 | 64 | 80 | 82 | 104.9 | 91 | 112 | 31 | 148 | 84 | 240 | 92 | 105 | 130 | 125 |
| JULY | 66 | 101 | 262 | 109 | 267 | 65 | 81 | 82 | $105 \cdot 6$ | 90 | 101.5 | 29 | 151 | 71 | 248 | $\overline{114.5 §}$ | 114 | 134 | 128 |
| AUG．．． | 69 | 100 | 246 | 110 | 269 | 63 | 82 | 83 | $105^{\prime} 9$ | 97 | 113 | 32 | 162 | 91 | 256 | 119.8 | 121 | 138 | 132 |
| SEPT． | 76 | 99 | 257 | 114 | 280 | 64 | 82 | 83 | 106.4 | 86 | 103 | 31 | 167 | 127 | 252 | 116.5 | 121 | 144 | 136 |
| OCT ．． | 74 | 99 | 353 | 118 | 278 | 65 | 82 | 83 | 107.0 | 109 | 107 | 30 | 163 | 81 | 281 | $120 \cdot 0$ | 121 | 145 | 139 |
| NOV．．． | 74 | 98 | 305 | 117 | 276 | 67 | 83 | 84 | $107 \cdot 8$ | 102 | 118 | 40 | 169 | 151 | 259 | $123 \cdot 1$ | －106 | 145 | 139 |
| DEC．．． | 70 | 97 | 321 | 115 | 281 | 67 | 83 | 84 | 108.0 | 102 | 99 | 28 | 159 | 99 | 231 | $131^{\circ} 0$ | 83 | 143 | 134 |
| JAN1 ．．． | 71 | 96 | 294 |  |  |  | 83 |  | $108 \cdot 3$ |  | 89 | 21 |  |  |  | 124＊2 | 83 | 147 | 135 |
| FEB．．． | 1 | 96 | 294 |  |  | $68+$ | 83 | $\begin{aligned} & 85 \\ & 85 \dagger \end{aligned}$ | 1083 |  | 89 | 21 |  |  |  | 1242 | 83 | 147 | 135 |

## Dates of Series ：Cols．4，5，16－18，end of month；1－2，6－9，averages．Source ：Dominion Bureau of Statistics，

Ool．1．－＂Investors＇Index．＂Index of current market valuation of shareholders＇equity in about 100 companies
2．－Weighted index of yield to maturity or call date（whichever gives lowest）of 6 taxable federal issues maturing in not less than 7 years．
，3．－From 32 banking centres，comprising about $85 \%$ of total debits Excludes debits to accounts of central bank sinceits founding in April，1935．Largely influenced by financial transactions．
＂4．－Refers to operations in Canada only．Includes loans to pro－ vincial and municipal governments．
5．－Includes governmental deposits．Excludes all deposits with provincial，postal and Quebec savings banks，and with trust companies．
6－8．－Col． 6 comprises 70 items ；col，7， 322 items ；col．8， 567 items．
9．－Comprises separate groups for food，fuel，rent，clothing， sundries（including services）．Includes home furnishing from 1939．Base $1935-9=100^{\circ}$
11．－Excludes all exports of both monetary and non－monetary gold since 1937；includes gold in small quantities only， shipped as dust，quartz，etc．，in earlier annual averages．
12．－Comprises＂animal products＂and＂vegetable products＂
groups ：includes partly and fully manufactured products in some cases made from imported raw materials，e．g．，rubber products．
Col．13．－Adjusted for seasonal variation．Includes 41 weighted series largely representing foreign trade in raw materials．Tends to overstate amplitude of cyclical fluctuations，probably with an upward bias
14．－Based on value of contracts awarded，deflated annually for changes in union rates of wages，and monthly for changes in prices of building materials．
15．－Revenue freight only ；excludes cars received from U．S． connections．
16．－Index of value，comprising 13 groups adjusted for number of business days and for seasonal variation．Refers to depart－ ment，＂variety，＂and chain stores only，representing chiefly urbansales．Base－Av． $1930=100 \%$ ．Monthly series com－ menced January，1929．Annual estimates from 1923
17．－Includes workers on relief projects．
19．－Establishments with over 15 employees only．Includes part time workers on same basis as full－time．Excludes farm labourers and civil servants，and underweights the service industries．

Exchange Conservation Act seemed to support this conclusion. Then two pieces of information led to alterations of the estimates in opposite directions. First, figures released by the Secretary of the American Treasury before the Senate Foreign Relations Committee in January, showed that Canada had received about $\$ 225 \mathrm{Mn}$. in gold from Great Britain since the outbreak of war. This made it seem unlikely that Canada's foreign resources had been appreciably depleted. However, in March, 194I, the Dominion Bureau of Statistics released new estimates of net receipts of American funds from tourist expenditures. These estimates were far below previous ones, the figure for 1940 being reduced by $\$ 80 \mathrm{Mn}$. or $\$ 90 \mathrm{Mn}$. On balance it seems likely that, despite receipts of gold from Great Britain, Canadian resources of gold and American balances have been reduced by something between $\$ 50 \mathrm{Mn}$. and $\$_{100} \mathrm{Mn}$. since the outbreak of war. If the higher figure is nearly correct it would probably represent one-quarter of the gold and foreign balances acquired by the Board. The future outlook is uncertain, chiefly because no estimate can be made of the gold which will actually be forthcoming from Great Britain. The passage of the American Lease-Lend Bill may mean that Canada will get rather more gold-or rather that more gold from Britain will reach U.S.A. by way of Canada. However, with a war programme which entails total government expenditures exceeding $50 \%$ of the national income, and with a capital market that does not seem to be very receptive to government issues without expansion of bank credit, the authorities may well decide to seek some economic and financial relief from the United States.

Official figures for the 1940 balance of payments have not yet been released, but the trade figures tell much of the story. Canada's unfavourable trade balance with the United States increased in 1940 by $\$ 184 \mathrm{Mn}$. over 1939. Imports from U.S.A. increased by $\$_{247} \mathrm{Mn}$., chiefly as a result of purchases of machinery and other products associated with the war programme, while exports to U.S.A. increased by $\$ 63 \mathrm{Mn}$. Much of the increased exports was of wood pulp and newsprint which the United States could no longer obtain from the Scandinavian countries. The Canadian trade position vis-à-vis Great Britain and the rest of the sterling
area moved in the opposite direction. Exports to the United Kingdom increased by $\$ 180 \mathrm{Mn}$., chiefly war materials and foodstuffs, and exports to the rest of the Empire by $\$ 45 \mathrm{Mn}$. Imports from the United Kingdom rose by $\$_{47} \mathrm{Mn}$. and from the rest of the Empire by $\$ 32 \mathrm{Mn}$.

Total imports from all sources in 1940 were $\$_{1,082} \mathrm{Mn}$. and total exports were $\$_{1,193} \mathrm{Mn}$. For the previous year the figures were $\$ 75 \mathrm{I} \mathrm{Mn}$. and $\$ 936 \mathrm{Mn}$. Both import and export prices were $15 \%$ to $20 \%$ higher in 1940 than in 1939. Therefore most of the increased value of exports is to be explained in terms of prices; but there was a very large increase in the volume of imports.

During 1941 the Canadian war programme will involve greatly increased production of actual war supplies, and some tapering off of plant construction. As the newly constructed plants come into production, new and difficult administrative problems will have to be faced. In one department of production-aircraft-such problems have already emerged, and a government corporation (Federal Aircraft, Ltd.) has been charged by private producers with inefficiency in the task of organization and co-ordination which was assigned to it. This corporation is one of nine set up by the Government in 1940*. Another device used by the Department of Munitions and Supply for co-ordination and administration is the appointment of Con-trollers-men with virtually dictatorial powers in relationship to certain commodities or industries. It is significant of the new phase in the Canadian war programme that, while the original Controllers exercised authority over basic resources-timber, steel, metals, power, etc.the two most recently appointed regulate production of finished articles-ships and motor vehicles.

[^32]
## SOUTH AFRICA.

## Information communicated by Mr. G. F. THIRLBY, of the University of Cape Town

20th March, 194I.

Exports, 1940.-Including gold output and an allowance^ for the wool sales which have been omitted from the export list since October, 1940, export values at approximately $£_{1} 163 \mathrm{Mn}$. in 1940 were some $£ 30 \mathrm{Mn}$. above the 1939 level, nearly two-thirds of the increase being attributable to gold output.

Other noticeable increases in exports were shown in the following commodities :-

|  |  | $\begin{aligned} & 1940 \\ & \text { £Mn. } \end{aligned}$ | $\begin{aligned} & \% \text { of } \\ & 1939 \end{aligned}$ |
| :---: | :---: | :---: | :---: |
| Sugar | $\ldots$ | $2 \cdot 74$ | 155 |
| Cut Diamonds |  | $2 \cdot 22$ | 125 |
| "Other Merchandise" |  | $9 \cdot 30$ | 127 |
| Re-exports ... |  | $2 \cdot 23$ | 139 |
| Bunker Coal and Ship |  | 3.94 | 235 |

Less maize was exported than had been expected, owing apparently to a serious error in the estimates. External demand for diamonds for war industries (and possibly as a currency hedge) appears to have offset any decline in demand for adornment; and the decline in uncut diamond exports, due to the disturbance of the cutting industry in Europe, to have been outweighed by exports of cut stones. $\dagger$ The level of exports of miscellaneous merchandise and re-exports suggests little net loss of markets in this trade. The figure for bunker coal and ships' stores reflects the re-orientation of shipping.

Fruit export ( $£ 2.73 \mathrm{Mn}$.) achieved a level of $95 \%$ of that of 1939 . Citrus obtained very high prices, relatively to those of recent years, for the large proportion of the crop that was allowed to enter Great Britain. Deciduous has latterly met with greater marketing difficulties: in the 1939-40 season shipping space was less restricted than had been anticipated, but in the current season (affecting i94I exports more than 1940) producers have been faced with the British ban on imports. To meet the new situation, an effort is being made to divert the fruit into winemaking, canning, jam- and pulp-making, and drying, and into local fresh fruit markets. It is hoped that large quantities of canned and dried

[^33]products and jam will be sent to the United Kingdom. The Union army provides an additional outlet. The desire to make the most of the local market for the sale of "export" fruit has given rise to grading regulations following a newspaper campaign against the sale of inferior fruit. $\ddagger$

Imports.-Total imports at approximately £104 Mn. were in 1940 some $£ 13 \mathrm{Mn}$. greater than in I939, nearly $£ 3 \mathrm{Mn}$. of the increase being accounted for by the greater imports of Government stores.

The following figures from the trade returns suggest that the Union is turning more to America* and to the East for imports :-


Changes in the import list include a decline in the machinery group from $£ 12.9 \mathrm{Mn}$. to
$\ddagger$ The new fruit-marketing difficulties led to (or hastened) the setting-up of three new marketing boards : a Citrus Board intended to conduct single-channel export ; a Deciduous Board, with wide powers of control inside the country as well as over exports ; and a Canning Board intended to exercise close control over the production, pricing and distribution of canned products including fruit. By the Wine and Spirit Control Amendment Act, 1940, the Ko-operatieve Wijnbouwers Vereeniging obtained the power of direct control of the production, pricing and marketing of non-distilling wine as well as distilling wine. The measure is calculated to assist the K.W.V. in checking the embarrassing expansion of production which has accompanied its practice of fixing a high local price for distilling wine, thereby restricting the amount sold, and storing or exporting the " surplus" wine and spirits.

In last season's dried fruit market, the Dried Fruit Board acted as a price-fixing central selling agency between producers and packers, but appears not to have been entirely effective in preventing packers from over-bidding the Board's price and selling locally. The British apricot and raisin quotas were not fully supplied. Raisin export declined because of the withdrawal of an export subsidy formerly given by the K.W.V. to discourage the use of raisin-grapes for winemaking. In 1941, all raisins, sultanas and currants are to be sold to the Dried Fruit Board at prices determined by the Board with Government approval. The Board is to determine the quantities to be exported and the quantities to be sold to packers for local consumption, and to distribute its profits amongst producers. It is questioned, however, how far the Board, offering what are considered to be unsatisfactory prices, and possessing no processing plant, will be able to carry out the scheme if packers choose not to conform

* Trade with America will be facilitated by the new direct services which are emerging.
£II Mn.; a heavy decline in motor cars, but an increase from $£ \mathrm{I} .4 \mathrm{Mn}$. to $£ 4.9 \mathrm{Mn}$. in motor trucks and vans and their parts and chassis, and little change in the value of foodstuffs (excluding wheat) and manufactured iron and steel products.

Tonnage entered at Union ports in the overseas trade in 1940 was 12.9 Mn ., as compared with 9.7 Mn . in 1939 ; 5.2 Mn. tons of cargo landed compared with 4.8 Mn .

The Balance of Payments.-1939 had shown the extraordinarily large margin of exports over imports of some $£ 4$ I. 6 Mn ., accompanied by a large increase in banking reserves. I940 showed an increase in imports over 1939, but an increase in exports which exceeded it by some $£_{17} \mathrm{Mn}$. ; and, while a large portion of this difference was offset by increased freight and insurance rates $\dagger$ on imports, the Union still appeared to be left-after repaying a $£ 7.9 \mathrm{Mn}$. loan in London-with a further unspent balance of heavy dimensions. This is reflected in an increase of the Reserve Bank's gold at currency valuation, less the diminution of foreign bills, of some $f_{2} 2 \mathrm{IMn}$. $\ddagger$

Government Finance.-With revenue and loan votes for Defence approaching exhaustion at the end of 1940, the Finance Minister obtained a further loan vote of $£ 14 \mathrm{Mn}$.

On 12th March, the new Budget was presented. The latest estimate of $1940-41$ revenue, including $£ \mathrm{I} .4 \mathrm{Mn}$. surplus from the previous year, was $£ 64.4 \mathrm{Mn}$., against which was set a final estimate of expenditure of $£ 64.3 \mathrm{Mn}$., leaving a small surplus. For 1941-42, expenditure was estimated at $£ 73.6 \mathrm{Mn}$., and revenue, on the existing basis of taxation, and including the surplus from 1940-4I, was estimated at $£ 65.2 \mathrm{Mn}$. The deficit of $£ 8.5 \mathrm{Mn}$. was to be met by a raising of the gold mines' special contribution from $11 \%$ to $16 \%$ to yield $£ 2.2 \mathrm{Mn} . \star$, and by duties and measures which would affect petrol, cigarettes, beer, new motor-cars, income and super tax, excess profits duty, public and

[^34]private companies and absentee shareholders, and diamond mines. The estimated shortfall would then be $£ 0.1 \mathrm{Mn}$.

The latest estimate of expenditure on Loan Account for $1940-4 \mathrm{I}$ was $£ 55.7 \mathrm{Mn}$. An opening credit balance and estimated Loan Account revenue reduced this to $£ 44.4 \mathrm{Mn}$. In addition, external and local loans amounting to $£ 8.4 \mathrm{Mn}$. had been paid off during the year. After deducting $£ 36.2 \mathrm{Mn} . \dagger$ raised by new local issues, some $£ 17 \mathrm{Mn} \neq \ddagger$ was left to be borrowed on short term. For 1941-42, Loan Account expenditure was estimated at $£ 57.3 \mathrm{Mn}$., and Loan Account revenue at $\mathrm{f}^{8.1} \mathrm{Mn}$., leaving approximately £.49 Mn. to be met by new borrowing which it was hoped to effect in South Africa.

194I-42 Defence expenditure was estimated at $£ 72 \mathrm{Mn}$., of which $40 \%$ or $£ 28.8 \mathrm{Mn}$. had been included in the Revenue Account, and $£ 43.2$ Mn . in the Loan Account.

Banking and Currency.-The bulk of the great increase in customers' deposits during 1940 was fully covered by increased gold plus foreign bill reserves, only some $£ 5 \mathrm{Mn}$. being viewable as " money creation." But, before the fear of " inflationary" consequences is dismissed, two considerations should be noticed :-
(I) While the commercial banks' advances and investments together increased little, investments increased by $£ 14.5 \mathrm{Mn}$. while advances fell by $£ 1$ II. 7 Mn . Of the recently floated Government loans, banks took up $£ 4.9 \mathrm{Mn}$. of the $3 \frac{1}{2} \%$ and $£ 5.8 \mathrm{Mn}$. of the $2 \frac{1}{2} \%$ stock. ${ }^{\star}$ If the forthcoming Government loans are largely taken up by the banks, and, consequently, the further increase of investments exceeds any further decline of advances, deposits uncovered by reserves will emerge. Moreover, a future reversal of the exchange into securities would be accompanied by a tendency for the rate of interest to rise.
(2) Deposits represented by the increase in the Reserve Bank's reserves, in so far as they are not lying idle, will themselves affect local prices. Latterly, it appeared that the additional deposits were not being so freely used as they were in the

[^35]|  |  | RESERVE BANK |  |  |  | $\begin{aligned} & \text { COMMERCIAL } \\ & \text { BANKS } \end{aligned}$ |  |  | surduop <br> . <br>  <br> $£ \mathrm{Mn}$ |  |  |  |  | $\begin{aligned} & \text { Value of Exports } \\ & \text { (ex. Gold Bullion) } \end{aligned}$ <br> £ Mn. | £ Mn. | BUILDINGSCOMM'CED |  | Railway Revenue <br> $£ \mathrm{Mn}$ |  <br> 000 | INDUST'L <br> EMPL'M'T <br> INDEX |  |  <br> 000 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  <br> $£ \mathrm{Mn}$ |  <br> $£ \mathrm{Mn}$. | 5 0 0 0 0 0 0 5 5 0 0 0 3 <br> $£ \mathrm{Mn}$. |  |  |  |  |  | Retail Price Index <br> \% of <br> 1938 |  |  |  |  |  | Transv <br> $£ \mathrm{Mn}$. | $\begin{aligned} & \text { Wू } \\ & \text { 出 } \end{aligned}$ $£ \mathrm{Mn} .$ |  |  | IND |  |  |
| 1924 | 120* | $2.5+$ | $10 \cdot 7$ | 10.7 | $5 \cdot 2$ | $37 \cdot 0$ | 58.2 |  |  | 108 | 168 |  | $5 \cdot 5$ | $3 \cdot 1$ | $3 \cdot 7$ |  |  | 1.9 |  |  | - | 180 |
| 1929 A | 117* | 7.2 | $7 \cdot 9$ | 9.0 | 4.9 | $49 \cdot 3$ | 61 | 118 |  | 107 | 147 | 82 | 70 | $5 \cdot 2$ | 37 | $\cdot 47$ | 42 | 2.4 | 29 | 120 | 112 | 194 |
| 1983 Av. | 206 | 16.5 | 137 | 9.8 | 22.4 | 34.9 | $72 \cdot 6$ | 112 |  | 93 | 118 | 52 | $4 \cdot 1$ | $2 \cdot 2$ | 5 | 4 | 21 | 2.1 | 1.7 | 117 | 106 | 231 |
| 1984 Av. | 267 | 16.1 | 19.4 | 11.8 | $25 \cdot 1$ | 39.7 | $82 \cdot 8$ | 141 | 2.7 | 95 | 117 | 64 | $5 \cdot 5$ | $2 \cdot 2$ | 6.0 | 6 | 30 | 2.4 | $3 \cdot 3$ | 133 | 120 | 252 |
| 1935 Av. | 303 | 7.0 | 26.3 | 12.9 | 26.4 | $45 \cdot 7$ | 84.7 | 133 | 1.2 | 94 | 116 | 58 | $6 \cdot 3$ | 2.6 | 6.4 | 82 | 33 | $2 \cdot 7$ | 38 | 147 | 137 | 8 |
| 1936 | 304 | 7.8 | 24.4 | $14 \cdot 7$ | 23.7 | $48 \cdot 8$ | $87 \cdot 6$ | 166 | 2.8 | 97 | 113 | 70 | $7 \cdot 2$ | 2.7 | 6.6 | 1.02 | 36 | 2.9 | 4.7 | 160 | 152 | 301 |
| 1937 Av . | 272 | 6.0 | $24 \cdot 7$ | 16.4 | $19 \cdot 5$ | 56.4 | 92.8 | 179 | 2.6 | 97 | 121 | 77 | 8.6 | 3.5 | 6.9 | $1 \cdot 12$ | 39 | $3 \cdot 1$ | 50 | 172 | 161 | 305 |
| 1938 Av. | 272 | 6.7 | 24.2 | 17.2 | 20.5 | 56.8 | $94 \cdot 1$ | 169 | 1.0 | 100 | 123 | 63 | 8.0 | $2 \cdot 7$ | $7 \cdot 2$ | 90 | 46 | 3.0 | $4 \cdot 1$ | 175 | 167 | 324 |
| 1939 Av. | 257 | 7.0 | 27.7 | 19.0 | $22 \cdot 6$ | 53.5 | 96.5 | 158 | , | 100 | 122 | 62 | $7 \cdot 6$ | $2 \cdot 8$ | $8 \cdot 3$ | 71 | 41 | $3 \cdot 1$ | 3.5 | 177 | 168 | 327 |
| 1937 JULY | -240 | 4.9 | 22 | $17 \cdot 1$ | 16.2 | 57 | 92 | 178 | 16 | 96 | 124 |  | $9 \cdot 1$ | $3 \cdot 2$ | 7.0 | $1 \cdot 14$ | 33 | 3.2 | 5 | 172 | 160 | 298 |
| AUG. | 257 | $5 \cdot 5$ | $22 \cdot 9$ | $16 \cdot 1$ | 19.0 | 58.5 | $90 \cdot 4$ | 167 | . 8 | 97 |  | ¢73 | $9 \cdot 1$ | 3.2 | 6.9 | 1.26 | 31 | $3 \cdot 1$ | $5 \cdot 6$ | 173 | 161 | 301 |
| SEPT | 250 | $6 \cdot 4$ | $22 \cdot 9$ | $15^{\prime 2}$ | 18.4 | 58.8 | $91 \cdot 9$ | 147 | $3 \cdot 1$ | 97 |  |  | 8.9 | 3.7 | $6 \cdot 8$ | 87 | 29 | 32 | 45 | 174 | 161 | 301 |
| OCT. | 255 | 6.2 | $22 \cdot 9$ | 17.4 | $17 \cdot 3$ | $59 \cdot 3$ | 92.2 | 152 | $1 \cdot 3$ | 97 | 125 |  | $9 \cdot 2$ | 3.6 | 6.9 | 1.04 | 33 | 3.2 | $5 \cdot 4$ | 175 | 161 | 299 |
| NOV | 261 | $6 \cdot 1$ | $22 \cdot 9$ | 16.4 | 17.0 | 59.2 | $92 \cdot 5$ | 148 | 1.5 | 98 |  | $\} 69$ | $8 \cdot 8$ | 41 | 6.9 | 1.27 | 30 | 3.2 | 4.6 | 175 | 160 | 296 |
| DEC. | 267 | 6.9 | $22 \cdot 9$ | $18 \cdot 1$ | 16.9 | $58 \cdot 8$ | 93.9 | 171 | $2 \cdot 1$ | 100 |  |  | 9.0 | 3.4 | 6.9 | 71 | 22 | $3 \cdot 3$ | $4 \cdot 3$ | 174 | 159 | 293 |
| 1938 | 264 | 3.2 | 22.9 | 17.0 | $15 \cdot 9$ | 59.2 | $94 \cdot 1$ | 166 | 12 | 100 | 126 |  | 8 | 2 | 6 | 1.10 | , | 30 |  | 174 | 160 | 305 |
| FEB. | 265 | $5 \cdot 5$ | $22 \cdot 3$ | 16.9 | $19 \cdot 1$ | 57.7 | 89.2 | 156 | 6 | 100 |  | 64 | $8 \cdot 3$ | $2 \cdot 8$ | 6.5 | 95 | 32 | $2 \cdot 7$ | $4 \cdot 1$ | 176 | 166 | 316 |
| MAR. | 257 | 6.4 | 22.9 | 15.2 | 17.7 | 57.2 | 91.8 | 161 | 7 | 100 |  |  | 8.4 | 3.5 | $7 \cdot 1$ | 1.11 | 50 | 3.1 | $4 \cdot 2$ | 176 | 169 | 324 |
| APRIL | 256 | $5 \cdot 4$ | 22.6 | 17.7 | 16.8 | 56.7 | 91.1 | 150 | 5 | 100 | 123 |  | $7 \cdot 7$ | 2.4 | 6.8 | 70 | 45 | 2.8 | 37 | 175 | 170 | 327 |
| MAY. | 260 | 6.2 | $22 \cdot 9$ | 17.4 | $19 \cdot 0$ | $55 \cdot 9$ | $91 \cdot 3$ | 141 | - 5 | 101 |  | f62 | $7 \cdot 2$ | $2 \cdot 2^{\circ}$ | $7 \cdot 1$ | . 74 | 44 | 2.8 | 37 | 175 | 170 | 328 |
| JUNE.. | 270 | $8 \cdot 3$ | $22 \cdot 7$ | 15.9 | 17.8 | $57 \cdot 1$ | 94.4 | 172 | 1.0 | 100 |  |  | 7.6 | $2.3{ }^{\circ}$ | $7 \cdot 1$ | 1.07 | 52 | 3.0 | $3 \cdot 7$ | 175 | 171 | 331 |
| JULY | 271 | 6.5 | $23 \cdot 0$ | 181 | $18 \cdot 7$ | 560 | 94.6 | 172 | , | 100 | 122 |  | 7.8 | $2.1{ }^{\circ}$ | $7 \cdot 3$ | 78 | 36 | 3.0 | 4.4 | 175 | 170 | 330 |
| AUG. | 280 | $7 \cdot 3$ | $24 \cdot 5$ | 16.5 | 23.9 | 55.1 | 92.7 | 168 | 1.4 | 100 |  | \} | $7 \cdot 7$ | $2 \cdot 4$ | $7 \cdot 4$ | $1 \cdot 11$ | 52 | $3 \cdot 1$ | 3.8 | 174 | 168 | 329 |
| SEPT... | 277 | 7.0 | 26.7 | 18.4 | 23.2 | 55.0 | $94 \cdot 8$ | 151 | - 4 | 99 |  |  | 7.6 | 2.4 | 7.4 | - 84 | 64 | $3 \cdot 1$ | $3 \cdot 3$ | 174 | 167 | 329 |
| OCT. | 289 | $7 \cdot 2$ | 26.6 | $17 \cdot 8$ | 24.0 | 54.7 | 97.6 | 155 | $1 \cdot 1$ | 100 | 120 |  | 8.0 | 2.9 | $7 \cdot 6$ | 76 | 62 | 30 | $3 \cdot 9$ | 175 | 166 | 326 |
| NOV. | 290 | $9 \cdot 1$ | $26 \cdot 7$ | $16 \cdot 5$ | 26.0 | 53.9 | 98.7 | 152 | 11 | 100 |  | \} | 8.5 | 3.4 | 7.5 | -94 | 40 | 3.0 3.2 | 4.0 3.9 | 175 | 165 | 322 |
| DEC. | 284 | 8.1 | 26.7 | $19 \cdot 1$ | 24.4 | 53.0 | 99.5 | 174 | 2.0 | 100 |  |  | 8.0 | 3.6 | 7.6 | -76 | 32 | 3.2 | 3.9 | 175 | 164 | 319 |
| JAN. . | 267 | 5.9 | 26.7 | $17 \cdot 3$ | $23 \cdot 1$ | 53.9 | $100 \cdot 0$ | 165 | 1.0 | 99 | 119 |  | 8.5 | 2.7 | $7 \cdot 7$ | 91 | -39 | 3.0 | $4 \cdot 8$ | 174 | 163 | 328 |
| KEB. . | 265 | 6.8 | 26.6 | $17 \cdot 3$ | $25 \cdot 6$ | 53.2 | 92.9 | 155 | - 4 | 100 |  | 57 | 7.5 | 3.0 | $7 \cdot 3$ | 77 | - 36 | 2.7 | 3.6 | 177 | 168 | 334 |
| MAR. | 265 | 6.6 | 26.8 | 18.6 | 18.8 | $52 \cdot 9$ | $92 \cdot 3$ | 163 | 1.5 | 100 |  |  | 8.5 | $2 \cdot 8$ | $7 \cdot 9$ | 86 | -44 | $3 \cdot 3$ | 4.2 | 177 | 170 | 336 |
| APRIL | 253 | 7.5 | 26.4 | 18.7 | 18.8 | $53 \cdot 3$ | 93.6 | 147 | 1.0 | 101 | 119 |  | 77 | 2.2 | 7.5 | -76 | . 51 | 2.9 | 3.8 | 177 | 170 | 337 334 |
| MAY | 264 | 8.0 | 26.4 | $17 \cdot 7$ | $20 \cdot 3$ | $53 \cdot 6$ | $94 \cdot 7$ | 148 | 6 | 100 |  | \} 58 | 7.8 | 2.3 | 8.0 | . 82 | 34 | 3.0 3.2 | 3.6 3.5 | 177 | 170 | 334 332 |
| JUNE | 270 | $7 \cdot 7$ | 26.6 | $19 \cdot 2$ | $22 \cdot 3$ | 54.4 | 97.9 | 168 | 7 | 100 |  |  | 8.2 | 26 | 7.8 | 84 | 46 | 3.2 | 3.5 | 177 | 169 | 332 |
| JULY | 254 | 5.5 | 26.6 | 18.5 | 21.2 | 54.7 | $96 \cdot 3$ | 154 | 8 | 100 | 120 |  | 76 | 2.4 | 8.0 | 75 | 49 | 3.1 | 3.7 | 177 | 168 | 328 |
| AUG. | 262 | 6.4 | 26.9 | 16.7 | $22 \cdot 9$ | 53.6 | 94.7 | 176 | 3 | 99 |  | \}62 | $8.1 x$ | $3 \cdot 3 /$ | 8.1 | 87 | 42 | 3.2 | 37 | 177 | 168 | 326 |
| SEPT | 245 | $7 \cdot 1$ | 28.4 | $20 \cdot 5$ | $23 \cdot 3$ | $52 \cdot 8$ | 96.3 | 145 | 1.1 | 99 |  |  | 5.4 | 2.7 | $9 \cdot 1$ | 57 | 47 | $3 \cdot 3$ | $2 \cdot 7$ | 177 | 168 | 325 |
| OCT, | 237 | $7 \cdot 1$ | 29.5 | $19 \cdot 3$ | 24.6 | $52 \cdot 3$ | 98.4 | 154 | . 5 | 99 | 128 |  | 5.9 7.7 | 2.8 3.5 | $9 \cdot 2$ 9.3 | . 53 | . 38 | 3.1 | $3 \cdot 0$ | 178 | 167 | 320 |
| NOV. | 249 | $7 \cdot 1$ 8.0 | 30.8 30.2 | 17.8 | 26.1 24.1 | 52.5 | $100 \cdot 5$ | 153 | $\begin{array}{r}\cdot 7 \\ \hline 2.5\end{array}$ | 100 | 132 | 71 | $7 \cdot 7$ 8.3 | 3.5 3.4 | $9 \cdot 3$ $9 \cdot 2$ | . 47 | -34 | 3.0 3.2 | 3.1 2.9 | 178 | 165 | 315 316 |
| DEC. | < 25 | 8.0 | $30 \cdot 2$ | $20 \cdot 7$ | $24^{1}$ | $54 \cdot 3$ | $100 \cdot 9$ | 172 | 2.5 | 100 | 137 |  | 8.3 | 3.4 | $9 \cdot 2$ | 41 | 27 | 3.2 | 2.9 | 178 | 166 | 31. |
| JAN. | 254 | 8.0 | 30.7 | 18.3 | 25.0 | $55 \cdot 3$ | $103 \cdot 1$ | 164 | $-1$ | 101 | 141 |  | $9 \cdot 3$ | 4.5 | $9 \cdot 5$ | 34 | 32 | $3 \cdot 3$ | $3 \cdot 6$ | 178 | 166 | 337 |
| FEB. | 249 | 8.0 | 32.5 | $17 \cdot 7$ | $30 \cdot 9$ | 54.5 | $103 \cdot 3$ | 183 | 1 | 102 | 143 | ¢74 | 8.8 | 3.4 | $9 \cdot 3$ | -48 | 30 | 3.0 | 26 | 179 | 174 | 353 |
| MAR. | 254 | 8.2 | 33.0 | $20 \cdot 3$ | 24.1 | 52.4 | 98.9 | 172 | 5 | 102 | 144 |  | 8.2 | 3.5 | 9.6 | 50 | 41 | 3.1 | 26 | 179 | 178 | 363 |
| APRIL | 259 | 8.2 | 33.8 | 18.9 | 27.5 | 51.5 | $101 \cdot 4$ | 171 | 8 | 103 | 145 |  | 10.4 | 4.4 | 9.8 | 44 | . 42 | $3 \cdot 2$ | ) 5.9 | 180 | 180 | 367 |
| MAY . | 256 | 8.2 | 36.2 | $21 \cdot 3$ | $29 \cdot 1$ | 51.2 | $104 \cdot 1$ | 160 | $-1.0$ | 103 | 148 | \} 76 | 8.5 | 3.6 3.5 | 10.0 9.7 | 51 | .37 | 3.1 | 5*9 | 180 | 181 | 368 365 |
| JUNE. | 220 | 1.5 | 36.7 | 22.8 | $38 \cdot 3$ | 51.2 | $111 \cdot 3$ | 179 | 1.1 | 104 | 149 |  | 9•1 | $3 \cdot 5$ | $9 \cdot 7$ | 44 | 31 | 3.2 |  | 178 | 180 | 365 |
| JULY | 195 | 1.4 | 37.0 | 21.8 | $40 \cdot 0$ | $50 \cdot 9$ | 113.7 | 169 | -1 | 104 | 150 |  | 9.5 | 2.9 | $10 \cdot 1$ |  | 31 |  |  | 176 | 179 | 361 |
| AUG. | 211 | - 8 | $37 \cdot 3$ | 23.7 | 40.6 | $49 \cdot 1$ | $110 \cdot 5$ | 196 | . 3 | 103 | 150 | \} 71 | 10.0 | 2.7 | $10 \cdot 1$ | 32 | 16 | 3.4 |  | 177 | 179 | 366 |
| SEPT | 225 |  | 38.1 | $22 \cdot 8$ | 36.6 | 47.8 | 115.6 | 145 | 1.0 | 104 | 152 |  | 7.8 | 2.6 | $9 \cdot 8$ | 26 | 26 | $3 \cdot 3$ | $10 \cdot 8$ | 8177 | 180 | 368 |
| OCT. | 234 |  | 39.8 | 21.0 | 38.8 | $45 \cdot 7$ | $117 \cdot 2$ | 162 | $4 \cdot 8 a$ | a 105 | 152 |  | $9 \cdot 0$ | 2.5 | $10 \cdot 2$ | 32 | 51 | 3.4 | 10 | 177 | 180 | 366 |
| NOV.. | ... 244 |  | 42.6 | 23.5 | $40 \cdot 3$ | 43.5 | 120.5 | 165 | 1.4 | 105 | 155 |  | 8.2 | 3.2 | $10 \cdot 0$ | 36 | '23 | 3.5 |  | 178 | 179 | 363 |
| DEC. 1941 | ... 251 |  | 44.6 | 23.7 | 45.6 | 42.6 | -125.3 | 179 | -2 | 104 | 156 |  | $7 \cdot 0$ | 3.0 | $9 \cdot 9$ |  | $\cdot 16$ | 3.6 |  | 179 | 179 | 359 |
| JAN. FEB. . | .... 240 |  | $45 \cdot 6$ $47 \cdot 1$ | $\begin{aligned} & 23.7 \\ & 23 \cdot 8 \end{aligned}$ | $\begin{aligned} & 46 \cdot 2 \\ & 42 \cdot 5 \end{aligned}$ | 41.5 | 127.0 |  | 5 | 105 | 157 |  | 8.1 6.7 | 2.8 2.7 | 10.2§ |  |  |  |  |  |  | 377 |
| - Average of Jan, 1st and July 1st. $x$ Excl. Gold from this date. $\$$ Provisional. $\ddagger$ Ratio of current val |  |  |  |  |  | Including £1'5 Mn. British Excl. Gold Specie from this date. lue to revaluation at 1928 prices. |  |  |  |  | Treasury Bills. <br> ${ }^{\circ}$ Excl. extraordinary shipments of gold specie, May-July, £2 7 Mn . <br> a Incl. capital of Industrial Development Corporation of South Africa, Ltd. |  |  |  |  |  |  |  |  |  |  |  |

early part of i940. In the second six months of the year, the average ratio of bank debits to bank deposits was lower than both that of the same period of 1939 and that of the first six months of 1940. It remains to be seen how far deposits will, in the near future, be more freely spent internally, so tending to raise prices further, and how far they will be spent abroad, so tending to reduce the Reserve Bank's reserves. The eventual operations of the Industrial Development Corporation of South Africa Ltd., which came into being on Ist October, 1940, under the same chairman as the Iron and Steel Corporation of South Africa Ltd., will doubtless have some effect in the way of infusing local industry with the accumulation of money in the country.

It is possible that reserves will be reduced by the repayment of loans raised abroad ; but in so far as substituted local securities are taken up by the banks and not by the public, the reduction will occur without causing a net fall in the level of deposits in the banking system as a whole.

Internal Industrial Conditions.-Heavy orders following the disruption of pre-war lines of supply placed on local steel capacity a strain which was eased to some extent by arrangements for imports from Australia, ${ }^{\star}$ and additional imports from Canada and the U.S.A. Coke oven and blast furnace capacity is being extended to adjust supplies of pig-iron to the growing output and capacity of the converter plant and in an effort to increase the supply of scrap; and the export of metals and minerals is controlled. At the same time the necessity to re-line one of the Iscor blast furnaces appears to have restricted output of pig-iron and involved the importation of billets.

The engineering section of the local production of war supplies is founded upon the pre-war undertakings engaged in the erection of new plants (e.g., mining reduction plants) and upon repair-shops working upon mining, industrial and railway machinery. The virtual absence of repetition-machinery enterprises increased the difficulties of assembling and co-ordinating the output of machine tools involved in the changeover to munitions production. A census of machine tools and skilled operatives aimed at mobilising these resources, but it is probable

[^36]that further expansion of output on the basis of existing supplies of these factors is (at least under existing restrictive conditions) becoming difficult. 6 Under a recent proclamation, a Controller of Industrial Man-power is to have wide power (subject to consultation with a Labour Control Board, representing employers and employed, on matters of principle, and subject to arrangements under the Industrial Conciliation Act, 1937) over the distribution and conditions of employment of labour affecting industries declared by the Minister of Defence to be controlled industries. $\dagger$ The Industrial and Agricultural Requirements Commission has recommended that where the speed-up of the Union's output of war supplies demands it, regulations governing working hours should be suspended.

Army motor vehicles of various types, with bodies produced locally, are said to have been going to Egypt, Libya and Albania, as well as to East Africa. The early army-blanket shortage was overcome by expanding local output, and, later in 1940, the Union was said to be producing more military blankets, clothing, boots and tents than the army required, and was supplying the Rhodesian and British Governments. $\ddagger$ Repetition can-making appears to be working apacecf. note on Canning Board above.

The production of munitions and army equipment, involving the assembling of components produced at widely dispersed points of production, may be a contributory cause of the recent record levels of railway earnings. Other influences at work are the export of iron-ore (which has to be transported 700 miles to the coast) made possible by the high price of steel ; the transport of army personnel and visiting relatives; the re-orientation of transport as a consequence of the re-orientation of shipping ; and increased coal-bunkering.

Efforts to control prices,§ which appear to have concentrated largely upon low-priced and

[^37]locally produced goods, rather than upon the higher-priced imported goods which have relatively little effect upon the retail price index, have not succeeded in preventing applications for wage increases to meet increased " cost of living." Civil servants (including railway employees) in low wage groups began to receive increments at the beginning of 194I ; cost of living allowances are to be paid to military and naval personnel in corresponding income groups ; and certain sections of industrial employees have secured war bonuses. Bakers are seeking permission to raise the price of bread "to meet rising production costs" ; the price of milk has been raised in Cape Town.

With the rise in the level of gold output, employment of natives on the mines has extended
rapidly. A recent amendment of the Mozambique Convention to permit the recruitment of a further 20,000 East Coast natives has increased the supply. It is anticipated that the maximum of 15,000 natives allowed to be recruited from the northern British territories will also be raised. The mines' complaint to-day is that it is skilled rather than unskilled labour that is scarce.

The supply of unskilled labour for other purposes (e.g., road-making and possibly farming) will to some extent be increased by the advent of 20,000 Italian prisoners of war. Suggestions are being made that a further 30,000 may be brought in. It is unlikely, however, that the Government's policy being what it is, this will lead to any widely extended use of native labour in war industries.

# BRAZIL. 

By N. R. GILBERT.

## 17th April, 194I.

BRAZIL'S exports are mainly produced in the south eastern states along the Atlantic coast, which also contain the bulk of the country's manufacturing industry. This industry is mainly a development of the present century and is as yet at an early stage. It centres mainly around the preparation of food, meat packing, milling, etc., and the manufacture of articles of immediate consumption, such as textiles, shoes and rubber articles, which Brazil has recently started to export to its South American neighbours. There is a small iron and steel industry, and the building materials industry almost satisfies the country's requirements.

The Amazonian zone is almost in the state it was in when the first Portuguese landed on the coast. The rubber and oilseeds it produces are not plantation grown, but native forest products. Recent developments have been castor plantations and a rubber plantation started by Ford.

The country is extremely rich minerally. It has $22 \%$ of the world's known iron resources, but is deficient in coal, of which the quality is poor and the deposits inconveniently situated several hundred miles away from the main iron deposits. It has, however, great resources of hydraulic power within reach of its iron deposits. Brazil could be successfully developed if sufficient capital could be procured, especially to finance railway development. But the distances involved
are enormous. The coastline runs along two sides only. Costs of opening up the country efficiently would run into thousands of millions, and the country only possesses about $40,000,000$ inhabitants and a national income estimated at £I2 Ios. od. per head.

Brazil requires capital, and in the last decade this has been slow in coming from abroad, whilst at home, owing to the uncertainty of the industrial outlook and the difficulties of plantations due to falling prices of coffee and cotton, what investment there has been in recent years has tended to go into building.

Brazil's prosperity has been largely dependent for many years on its exports of coffee, which represented $7 \mathrm{I} \%$ of the total value of exports in 1928 but, owing to falling prices, only about $45 \%$ in 1938. Cotton was introduced on a large scale after 1919, the year in which the coffee crop failed badly owing to frost, but it developed mainly in the 1930's and soon gained second place after coffee. In 1938 cotton and its by-products were responsible for about $20 \%$ of Brazilian exports by value. Brazil's foreign trade is not very large, $£ 7 \frac{1}{2} \mathrm{Mn}$. gold $\dagger$ in 1938, but of its imports, amounting to $£ 35 \frac{1}{2} \mathrm{Mn}$. gold, about $30 \%$ consists of machinery, iron and steel, and another $25 \%$ of manufactured goods.
$\dagger$ " $£$ gold" throughout indicates $£$ sterling at pre-193I parity.

The country therefore constituted an attractive market for the great industrial countries, and competition was keen. Exports in 1938 amounted to $£ 36 \mathrm{Mn}$. gold. In 1938 Europe took $52.3 \%$ and the rest of America $41.1 \%$ of exports, whilst of imports $54.2 \%$ came from Europe and $42.9 \%$ from America.

The main markets were as follows :-
main markets for brazilian pre-war foreign TRADE. (\% of total in terms of $£$ gold)


In March, 1939, the U.S.A. Export-Import Bank, to improve the orientation of the market in favour of U.S.A. trade, granted Brazil two large credits totalling some $\$ 70 \mathrm{Mn}$. -one, on short term, to unfreeze and expedite the payments of the sums due to U.S.A. exporters and investors, the other to finance the sale of U.S.A. goods. Both these credits were guaranteed by the Brazilian Government, which drew on them heavily for imports of railway material, shipping, and for equipment to develop its iron and steel industry. This latter development elicited a certain degree of resistance in the U.S.A., but authority to use the credit for this purpose was none the less granted in October, 1940, although only after Brazil had itself found more than half the finance for the project. The effect of the American credits could already be noticed in the first nine months of 1939 in the enlarged share of imports coming from the U.S.A.

When the war came Brazil immediately lost the German and Central European markets, which had taken between them $20.5 \%$ of its exports and furnished $25.7 \%$ of its imports. Then in quick succession it lost the Baltic, Scandinavian, French and Mediterranean markets, and the position became serious. Europe had been taking rather more than half of the total exports of Brazil ( $52.5 \%$ by value) and
furnishing slightly more than this proportion of its imports ( $54.2 \%$ by value) in 1938. Now of this market the only parts remaining effective are Great Britain, Spain, Portugal and a few islands, including Iceland. In 1938 these sections had taken only $12.4 \%$ of imports and $9.5 \%$ of exports, so that the loss, judged on the basis of 1938 trade, was $41.9 \%$ of imports, or some $£_{I} 15,000,000$ gold, and $42.8 \%$ of exports, equivalent to about $£ 15,600,000$ gold.

Brazilian requirements of machinery, iron and steel, and manufactures were easily satisfied by the U.S.A., which increased its share of imports by value from $28.8 \%$ in January-September, I939, to $48.2 \%$ in October, I939-June, I940, and to $55.5 \%$ in July-December, 1940. But American prices were, even before the war, higher than German prices, and orders tended to be placed more slowly. Great Britain's share fell slightly in value, Japan's increased by $52 \%$ to about $£ 750,000$ gold. The latter country now furnishes a number of new products such as woollen yarn (at prices so low that even local producers cannot compete), textile machinery, tinplate, copper and iron wire. Despite these increases, if we compare the period October, 1939-June, 1940, with the corresponding period of $1938-39$ we find that although the total value of Brazilian imports was up by $1 \frac{1}{2} \%$, volume was down by $5 \frac{1}{2} \%$, whereas for July to December, 1940, compared with the same period of 1939 value was down by $14.3 \%$ and volume by $15.3 \%$. It would appear therefore that since the war the volume of Brazilian imports has been falling with increasing rapidity.

Exports moved differently. In the period from October, 1939, to June, 1940, they fell by $20 \%$ in volume, owing to loss of export markets in Europe, mainly for coffee, cotton, oranges and cocoa, but total value was only $2 \%$ lower owing to higher prices and proportionately higher sales of meat products and oil seeds. When, however, after March, 1940, most European markets were closed in quick succession, the fall in exports of $37 \%$ by value which appeared in the third quarter, was even greater than the fall of $30 \%$ in volume, and reflected the heavy fall in the price of coffee during this period as well as the further restriction of markets. Coffee and cotton which in the third quarter of 1939 had together produced $£ 6.5 \mathrm{Mn}$. gold, or about $65 \%$ of the total exports for the period, produced only $£ 3.2 \mathrm{Mn}$. gold in the third quarter of 1940, or about $45 \%$ of the total. In quantity the exports of these two products fell from 4.2 Mn. tons to 2.2. Mn. tons. Bananas and oranges, which had produced nearly $£ 800,000$ gold in January-September, 1939, produced only $£ 350,000$ in the same period of 1940 . The exceptions to the general fall in exports in the third
quarter are meat, castor seed, vegetable oils, manufactures and precious stones.

| MAIN MARKETS | FOR | BRAZILIAN FOREIGN | TRADE |
| :--- | ---: | ---: | ---: | ---: | ---: |
| AFTER | THE | FALL OF FRANCE. |  |

At the present time there are no hopes of finding a market for half the coffee crop or for an important part of the output of cotton, timber, cocoa, and oranges.

The loss of markets for these products has hit the planters and the population living in the interior very severely. Purchasing power fell low and affected the volume of retail sales in the interior, so that collection of payment by wholesalers became so difficult that the latter reduced their sales and in many cases stopped them. This unfortunate position was not peculiar to Brazil but existed also in neighbouring South American countries which were unable to dispose of their crops. The effect was that that section of the Brazilian manufacturing industry which at the beginning of the war had experienced a boom owing to fear of scarcity and high prices of European exports, now finds it is working mainly to complete orders and has gone back to the one shift a day system.

However, the fact remains that some products, mainly the products of light industry formerly imported from the Continent, are now scarce and expensive in South America, and Brazil, with its varied natural resources, its half-century of industrial experience, and (especially in Sao Paulo and Rio de Janeiro) its enterprising population, has turned its hand to the production of a more varied range of manufactured goods. The Government and the Bank of Brazil have assisted this movement by the grant of credits. The effect was visible in the imports for the first six months of 1940 which show the totally new category of rubber refining and manufacturing machinery ( $£ 138,000$ gold). Imports also included relatively important quantities of machinery for vegetable oil extraction and paper manufacturing.

Foreign enterprise has also contributed to the movement. Bata has started a boot and shoe factory and a ranch. An American firm has started a tyre factory.

Apart from this, there has been a more fundamental line of development. Under its five-year plan the Government is endeavouring to provide for an iron and steel industry large enough to satisfy the requirements of the country and even to provide a surplus for export, for railway development, including the completion of a transcontinental line from Santos in Brazil to Arica in Chile, for river dredging, and for the state purchase of ships. In connection with the problem of the disposal of the coffee crop, the Government has acquired a Belgian patent for the manufacture of plastics from coffee, and "cafelite" is now being produced on an industrial scale.

In the field of agriculture, financial aid has been granted on a generous scale, experimental stations and seed farms have been started, and wheat, cotton, castor, maize and other seeds have been distributed. By these means it is hoped both to supply the home demand (Brazil only produces one-tenth of its requirements in wheat) and to provide diversification of production for export. For instance, maize seed is being distributed, not because production is low (it already amounts of about 6 Mn . tons) but because the type of maize produced is not suitable for export. This type is slowly being replaced by another that will be exportable, even though the war has swept away any possibility of this being done at present. Cold storage accommodation is being provided to develop the Brazilian fisheries and eventually eliminate imports of salted cod, an important item in Brazil's balance of trade.

Over and above this trend due to the action of the Government there is the wider trend of Pan-American action, rendered more objective by the difficulties created by the war. The influence of this must not be minimized. The Pan-American coffee agreement of July, 1940, has probably saved Brazilian coffee from heavy loss of ground in the United States market ; for, if the other South American nations had not agreed to the limitation of their sales to the United States on the basis of their pre-war exports to that market, they would probably have displaced some of Brazil's exports with the coffee they could no longer place in Europe :-their coffees are milder and more appreciated than the Brazilian varieties and their prices had by mid1940 fallen dangerously near the price of Brazilian coffee. Other agreements have been entered into or are under discussion between South American nations. Brazil and Argentina have concluded an agreement giving Brazil very appreciable preferences over other countries in the Argentine market, and planning co-operation in the field of industrial development.

Brazil is definitely gravitating away from European economic influences. It is yet too early to see the effect of the British mission's efforts, except perhaps that the value of exports to Great Britain has increased considerably, by almost $55 \%$ (I940 compared with 1939), whilst the value of imports is about $11.5 \%$ down for the same period, so that a considerable favourable balance has been created by Brazil and is probably the forerunner of imports of machinery
and other goods from Great Britain. Perhaps this trend of trade had something to do with the revolving short term credit of $\$ 25 \mathrm{Mn}$. granted by the Export Import Bank to Brazil in October, 1940. In any case the magnitude and the use made of these American credits to finance long term industrial and railway projects will for many years to come have a major influence on Brazilian economy.

Acknowledgment is made to the Economic Research Division, London School of Economics, for permission to publish the foregoing article, which is the result of research undertaken under their direction.

## ERRATA

THE DEVELOPMENT OF AGRICULTURAL PRODUCTION IN THE U.S.S.R. By Alexander Baykov.

January, 194I, Bulletin
Page 26. Footnote $\dagger$ : For $35^{\circ} 3 \mathrm{Mn}$. hectares, read $\mathrm{I} 35^{\circ} 3$.
„ 16 " „ „ 116.
Page 29. Appendix I. Footnote *: For 1938, read 1933.
" $"$ Table of Livestock, 1935, Cattle: For 59'2, read $49^{\prime 2}$.

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## EVENTS OF ECONOMIC IMPORTANCE.



# UNITED KINGDOM. THE ECONOMIC POSITION. 

$$
\text { fuly } 26 t h, \text { I94r. }
$$

SINCE the end of March government expenditure has shown an apparent slight fall to an average of between $£ 80 \mathrm{Mn}$. and $£ 90 \mathrm{Mn}$. per week, which is about the level of last autumn. As purchases under the Lease and Lend Act are now excluded, this apparent fall probably conceals a further rise in expenditure. Revenue has shown a large increase over the receipts of a year ago, and the weekly deficit has been kept down to an average of about $£ 58 \mathrm{Mn}$. In the budget estimates nearly $£$ ro Mn. a week of this total was expected to be covered by receipts from abroad on account of loans and the sale of assets ; the extra-budgetary receipts of public departments may be expected to provide another $£_{3} 3 \mathrm{Mn}$., while $£ 8 \mathrm{Mn}$. or $£ 9 \mathrm{Mn}$. may be regarded as the normal seasonal deficit due to fluctuations in the inflow of revenue. There remained, therefore, a balance of $£ 36 \mathrm{Mn}$. or so to be covered out of local savings. Thanks largely to the success of London's War Weapons Week, the average amount borrowed on long and medium-term loans (including the increase in Savings Bank deposits) has exceeded this figure by a small margin since April ist. Further, of the increase from March to June of about $£ 60 \mathrm{Mn}$. in the investments of the clearing banks, nearly $£ 50 \mathrm{Mn}$. has been offset by a fall in Advances. It can therefore be said with some confidence that so far during the financial year the 'gap in the budget' has been filled. Even if this success continues, however, the danger of inflation will not have been altogether removed, for the bank deposits created during the past two years have not yet had their full effect on incomes and demand. In this connection, the steady and rapid rise in the note circulation since January, much in excess of the normal seasonal expansion
and apparently not due to any increase in hoarding, seems to be a warning sign.

Wholesale Prices have been nearly stationary since April, the Board of Trade index rising only I per cent. in three months. The movement in the Cost of Living Index was slowly upwards till the beginning of June; with the control of the prices of fish and of eggs it fell slightly by July Ist,* and usually rises in August as the new season's potatoes are included. The index has now only an indefinite relation to working-class expenditure, and the interest of its publication is mainly in the details shown; it appears that the prices of all the more important foods are effectively fixed, and if the ' coal and other fuel 'group does not rise further, at least temporary stability has been attained. It is not known how expenditure, of which much takes place on goods that do not enter into the index, has changed, nor what has been the increase in the cost of maintaining the pre-war standard of nourishment for any persons who are able to afford and obtain unrationed foods.

There is no further information published about earnings, but the index of wage-rates has risen very slowly, as increases have been made now and again in important industries. Actually this index has risen only $21 \%$ since August, 1939, while the Cost of Living Index has risen about $30 \%$ in two years. The relation of earnings to change of necessary expenditure has been so dependent on the fortune of separate industries and localities and so variable, that these general index numbers do not afford a sufficient picture of the economic position of the people ; but they have their use in framing wages and price policy, and in considering whether inflation is an imminent danger.

* Shown as June 30th in table, p.77.


# FINANCE \& BANKING IN THE SECOND QUARTER OF 1941. 

By F. W. Parsh.

GOVERNMENT FINANCE.-The effect of the American Lease and Lend Act, under which new purchases of war and other materials in the United States are no longer charged to the British budget, was seen during the second quarter of 1941 in a drop in the average weekly
expenditure on the Supply Services to about $£ 76 \mathrm{Mn}$., as compared with about $£ 80 \mathrm{Mn}$. from November to February and nearly $£ 100 \mathrm{Mn}$. in March. It seems likely that this apparent fall masks a further increase in expenditure over the average of the previous quarter, Movements in
average weekly revenue and expenditure since the beginning of the war are shown in the following table :-

| Weekly Averages. | Revenue. Total. | Expen Supply Services. | ture. Total. | Deficit |
| :---: | :---: | :---: | :---: | :---: |
| 1939-Oct.-Dec. | $15 \cdot 9$ | $35 \cdot 6$ | $41 \cdot 8$ | $25 \cdot 9$ |
| 1940-Jan.-Mar. | 38.8 | $45 \cdot 1$ | 48.0 | $9 \cdot 2$ |
| April-June | $14 \cdot 5$ | $47 \cdot 1$ | $53 \cdot 4$ | 38.9 |
| July -Sept. | $20 \cdot 1$ | 66.6 | $69 \cdot 6$ | 49.5 |
| Oct.-Dec. | $22 \cdot 8$ | $77 \cdot 0$ | 83.5 | $60 \cdot 7$ |
| 1941-Jan. 1-25 | 58.4 | $84 \cdot 4$ | $88 \cdot 5$ | $30 \cdot 1$ |
| Jan. 26-Feb. 22 | $55 \cdot 1$ | $77 \cdot 6$ | $80 \cdot 2$ | $25 \cdot 1$ |
| Feb. 23-Mar. 31 | $43 \cdot 0$ | 99.5 | 98.7 | $55 \cdot 7$ |
| April 1-26 | $24 \cdot 8$ | $75 \cdot 6$ | 83.5 | 58.7 |
| April 27-May 31 | $23 \cdot 6$ | $76 \cdot 3$ | $80 \cdot 7$ | $57 \cdot 1$ |
| June 1-30 | $25 \cdot 4$ | $75 \cdot 3$ | $84 \cdot 1$ | 58.7 |

Total expenditure for the quarter was $£ 1,074$ Mn ., or at the rate of about $£ 4,300 \mathrm{Mn}$. a year. It is probable that the quarter's expenditure was swelled by certain payments made in the United States for goods ordered before the passing of the Lease and Lend Act ; such payments will presumably gradually disappear from the recorded total of expenditure, which will, pro tanto, tend to fall. Any such decline will, however, in all probability be at least offset by increased expenditure in other directions, and it seems possible that the Chancellor's budget estimate of $£ 4,200 \mathrm{Mn}$. may prove to have been too low rather than too high.

Of the quarter's expenditure of $£ 1,074 \mathrm{Mn}$., $£_{2} 319 \mathrm{Mn}$., or $£_{\mathrm{I} 3 \mathrm{I}}^{\mathrm{Mn}}$. more than in the corresponding quarter of last year, was financed by taxation. The deficit of $£ 755 \mathrm{Mn}$. was financed as follows:-

GOVERNMENT BORROWING. SECOND QUARTER, 1941.

|  | (£Mn.) |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { April } \\ \text { (26days) } \end{gathered}$ | $\begin{gathered} \text { May } \\ \text { (35days) } \end{gathered}$ | $\begin{gathered} \text { June } \\ \text { (30 days) } \end{gathered}$ | Total for Quarter |
| Nat. Savings Certificates | $13 \cdot 4$ | 30.5 | 19.8 | $63 \cdot 7$ |
| $3 \%$ Defence Bonds | $15 \cdot 1$ | 26.5 | $15 \cdot 6$ | $57 \cdot 2$ |
| $3 \%$ Savings Bonds | $22 \cdot 1$ | 71.6 | $35 \cdot 9$ | 129.6 |
| 38 Defence Loan | $45 \cdot 7$ |  | - | $45 \cdot 7$ |
| 2, ${ }_{2}$. Nat. War Bonds | $27^{\circ} 6$ | 114.8 | $59 \cdot 1$ | 201.5 |
| Other Debt Total long \& mediun | - | 3.6 | $6 \cdot 7$ | $10 \cdot 3$ |
| term debt ... | $123 \cdot 9$ | 247.0 | $137 \cdot 1$ | 508.0 |
| Treasury Deposits ... | 73.0 | $-4.0$ | $20 \cdot 5$ | 89.5 |
| Treasury Bills, Tender | $23 \cdot 8$ | $\left\{\begin{array}{l}40.0 \\ 40\end{array}\right\}$ | $41 \cdot 6$ | $145 \cdot 4$ |
| W.\& M'. Adv. Govt. Depts. | $-8.7$ | + -27.5 | $22 \cdot 7$ |  |
| ,, Bank of England | $8 \cdot 0$ | $-8.0$ | $28 \cdot 3$ | $28 \cdot 3$ |
| Total | 220.0 | $287 \cdot 5$ | $250 \cdot 2$ | $757 \cdot 7$ |

Of the quarter's expenditure, $30 \%$ was financed out of taxation, $47 \%$ out of long term borrowing, and $23 \%$ out of short-term borrowing. The corresponding percentages for the second quarter of 1940, when the total of expenditure was only $£ 695 \mathrm{Mn}$., were $27 \%, 48 \%$ and $25 \%$. Of the expansion of $£ 250 \mathrm{Mn}$. in the Floating

Debt something like $f_{1} 100 \mathrm{Mn}$. can probably be ascribed to seasonal causes. The bulk, if not the whole, of the remainder is probably covered by the increase in the funds in official hands and in overseas-owned sterling assets. For this quarter at least, the tendency towards further credit expansion has probably been checked, thanks largely to the very large amount of money raised during May by London's War Weapons week.

Floating Debt.-Of the increase of $£ 250$ Mn . in the floating debt during the second quarter, $£ 145 \mathrm{Mn}$. was due to an increase in Treasury Bills, $£ 89.5 \mathrm{Mn}$. in Treasury Deposits, and over $£ 28 \mathrm{Mn}$. in Ways and Means Advances from the Bank of England. Ways and Means Advances from Public Departments fell by more than $£ 13 \mathrm{Mn}$. Since both March 3Ist and June 30th fell on week-days, the comparison is confused by the effects on both end-quarter figures of the half-yearly window-dressing operations. Apart from these, it would seem that bills issued by tender increased by $£ 100 \mathrm{Mn}$. (as a result of raising the weekly offer from $£ 65 \mathrm{Mn}$. to $£ 75 \mathrm{Mn}$.) and ' tap ' bills plus Ways and Means Advances from Departments by about $£ 60 \mathrm{Mn}$. The increase in short-term debt in official hands is much smaller than in previous quarters, and this no doubt reflects in part the depletion of the Exchange Account's gold reserve. But even so, the figure appears to be less than the estimated quarterly increase in departmental funds, some part of which may therefore have been invested in longer-dated securities in addition to the $£ 46 \mathrm{Mn}$. of $3 \%$ Loan taken up by the Savings Banks in April.

Bank of England.-The note circulation increased from $£ 614.6 \mathrm{Mn}$. on April 2nd to $£ 643.4 \mathrm{Mn}$. on July 2nd. This rate of expansion, though much less than the increase during the same quarter of 1940, is greatly in excess of the normal pre-war seasonal movement. The continued rise in the circulation necessitated at the end of April a further increase of $£, 50 \mathrm{Mn}$. in the Fiduciary Issue, which now stands at $£ 680$ Mn . The note reserve of the Banking Department at the beginning of July was still nearly £ 37 Mn ., so that a considerable further increase in the circulation will be possible before another rise in the fiduciary issue becomes necessary.

The Bank's security holdings have been increased pari-passu with the note circulation, and, except for a short period towards the end of May, when Public Deposits were temporarily inflated as a result of London's War Weapons' Week, Bankers' Deposits have been maintained
at the comfortable level of $£ 110-£ 120 \mathrm{Mn}$. At the beginning of July the window-dressing operations of the banks caused Bankers' Deposits to rise temporarily to the high figure of £i64.4 Mn., largely as a result of the Bank of England's Ways and Means Advances to the Government to enable it to meet Treasury bills maturing before the close of the half year.

Clearing Banks.-During the second quarter of I94I bank deposits resumed the rise temporarily interrupted in the first quarter. For nine London clearing banks the increase was from $£_{2}, 625 \mathrm{Mn}$. in March to $£ 2,794 \mathrm{Mn}$. in June, or nearly $6 \frac{1}{2} \%$, as compared with a normal pre-war seasonal rise of about $2 \%$. The increase, however, is reduced to $5 \frac{1}{2} \%$ if the rise of $£ 30 \mathrm{Mn}$. in Balances with Other Banks and Items in Transit is eliminated. Allowing for changes in these items, recent movements in net deposits are as follows :-


Further, it must be remembered that with the great rise in taxation, the amount by which average revenue between April and December falls short of the average for the year, and therefore the absolute seasonal fluctuation in the floating debt has probably increased. The rise in net deposits from March to June may be only some $£ 50 \mathrm{Mn}$. more than can be ascribed to seasonal causes.

The rise in assets which accompanied the increase in Deposits took place almost entirely in short-term assets, for the quarter's increase of $£_{5} 54 \mathrm{Mn}$. in Investments was largely offset by a fall of $£ 46 \mathrm{Mn}$. Advances, with the result that in June, for the first time, the total of Investments exceeded that of Advances. The largest increase was shown in Treasury Deposits, which rose from $£ 359 \mathrm{Mn}$. in March to $£ 444 \mathrm{Mn}$. in April and $£ 465 \mathrm{Mn}$. in June. Discounts fell further from $£_{1} 87 \mathrm{Mn}$. in March to $£_{1} 63 \mathrm{Mn}$. in May, but in June at last reflected the effects of the April increase to $£ 75 \mathrm{Mn}$. in the weekly issues of Treasury Bills by tender in a recovery to $£ 184 \mathrm{Mn}$. The rise in discounts would no doubt have been greater but for the effect of the end-June window dressing operations, which normally inflate the totals for Cash and Call

Money at the expense of discounts. Cash generally remained throughout the quarter at a comfortable level, though once or twice Bankers' Deposits at the Bank of England were temporarily reduced by an expansion of Government Deposits due to heavy receipts from loans.

Security Prices.-Prices of industrial securities resumed their recovery during the second quarter, especially in May and June, and continued it during the first half of July. By midJuly our index had recovered to its highest point since April, 1940. Prices of fixed interest securities also continued their gradual rise, and in mid-July reached their highest level since early in 1937. Short-term interest rates remain steady at a very low level.

## RECENT MOVEMENTS.

Government expenditure during July averaged about $£ 84^{\frac{1}{2}} \mathrm{Mn}$. per week, or about $£ 2 \mathrm{Mn}$. per week more than during the preceding quarter, but this rise was more than offset by an increase of nearly $£ 6 \mathrm{Mn}$. a week in revenue to an average of $£ .30 .2 \mathrm{Mn}$., and the average weekly deficit fell by nearly $£ 4 \mathrm{Mn}$. to $£ 54.3 \mathrm{Mn}$. The rise in revenue during July does not seem to have been wholly seasonal ; the July rise is probably proportionally smaller now that so much tax on earned income is collected monthly. For the financial year to date, aggregate government expenditure has been $£ \mathrm{I}, 388 \mathrm{Mn}$., or at the rate of about $£ 4,350 \mathrm{Mn}$. a year, while revenue has totalled $£ 43 \mathrm{I} \mathrm{Mn}$. Revenue has thus covered $3 \mathrm{I} \%$ of expenditure, whereas during the corresponding period of last year only $29 \%$ of a total expenditure of $£ 968 \mathrm{Mn}$. was met out of revenue.

Aggregate expenditure during the first 26 days of July totalled $£ 313.7 \mathrm{Mn}$., and aggregate Revenue $£ 112.0 \mathrm{Mn}$. The deficit of $£ 20 \mathrm{I} .7 \mathrm{Mn}$. was covered as follows :-

BRITISH GOVERNMENT BORROWING (July, 1941)
Long and Medium-Term Loans.
£Mn. £Mn.

| 10.6 |  |
| ---: | ---: |
| 11.3 |  |
| 40.8 |  |
| 38.0 |  |
| 2.8 |  |
|  |  |
| 94.7 |  |
| -3.5 |  |
| 15.6 |  |
| -16.3 | 90.5 |

War Damage Act.
Excess of receipts of premiums over disbursements

The volume of subscriptions to long-term loans fell below the levels of previous months, but the larger issues of bills enabled the Treasury
to dispense with further recourse to borrowing from the banks on Deposit. Owing to the fact that the figures for tender bills are not available for June 30th it is not possible to calculate how much of the bill issue during July consisted of tender bills and how much of tap bills. It can, however, be determined that between May 3Ist and July 26th the total of tender bills rose from $£ 905 \mathrm{Mn}$. to $£ 960 \mathrm{Mn}$., and that of tap bills from $£_{1}$ Io Mn. to $£_{1} 492 \mathrm{Mn}$. Of the rise in tap bills, it is probable that about two-thirds occurred during July. Taking this increase in conjunction with the rise in Ways and Means Advances from government departments, it seems likely that considerably larger sums were provided from official sources during July than in any previous month this year. The absence of a further
increase in Treasury Deposits during July gives some reason for hoping that the clearing bank figures, when published, will reveal that the rise in Deposits during the month has not been more than seasonal.

The Bank of England statements reveal a continuation of the steady rise in the note circulation which has been in progress since January, at a rate considerably in excess of the normal seasonal movement. By July 23rd the circulation had reached a total of $£ 652.7 \mathrm{Mn}$., as compared with $£ 639 \mathrm{Mn}$. on June 25th. The Bank's holdings of securities have been expanded pari passu with the note circulation, and Bankers' Deposits have been kept at a very comfortable level, except when temporarily depleted by occasional rises in Government Deposits.

## PRICES AND WAGES, TRADE AND EMPLOYMENT.

PRICES.-The movements of the Board of Trade Index of Wholesale Prices are shown below:

| 1939 | General. | Food. * | Materials, etc. |
| :---: | :---: | :---: | :---: |
| August ... | ... 100 | 100 | 100 |
| November | ... 121 | 126 | 118 |
| 1940 |  |  |  |
| February ... | ... 131 | 140 |  |
| May ... | ... 136 | 142 | 131 |
| August ... | ... 143 | 150 | 137 |
| November | ... 150 | 158 | 144 |
| 1941 |  |  |  |
| February ... | ... 153 | 160 | 150 |
| May ... | ... 154 | 160 | 151 |
| June | ... 155 | 161 | 153 |

The rate of increase has again slackened till it is only about $1 \%$ in three months. Since March there have been increases in most of the Board of Trade categories, slight except for coal and " other textiles" (due to jute and artificial silk). There has been a slight fall in the meat, fish and eggs group (attributable to the second item) which compensates an increase in cereals.

The Cost of Living Index Number is more important because of the price changes in its constituents than in the total. The most recent figures published in detail are for July Ist, and except for a rise in the price of bacon and a fall in that of fish and of eggs (since reduced with the maximum price fixed at $2 \frac{1}{2}$ d.) there is little change since March Ist, for which date details were shown in the last Bulletin, p. 36 .

Of the increase of $28 \%$ in the index since July Ist in 1939, about I \% is due to the tax on sugar, $1 \%$ to that on tobacco, etc. (which is given much less importance in the compilation than would be usually attributed to it), and 3\% to the Purchase Tax.

From May 3 Ist to July ist the food index
had fallen $\mathrm{I}_{\frac{1}{2}} \%$ (owing to reduced prices of fish and eggs), and the general index $\frac{1}{2} \%$, but in the two years since July Ist, 1939, the increase was $20 \%$. But the index in July and August is always disturbed by the change over from old to new potatoes.

In the Table, in which comparison is made with July Ist, I939, instead of with September Ist, to eliminate seasonal influence, it is noticeable that the increase in price is small for bread, flour, some classes of meat and of margarine. But the meat index does not include tinned or sausage meat or offals, or other kinds which are commonly purchased, especially by those families who before the war did not spend more than the existing ration for meat allows.


It is no doubt possible to construct a plausible ration in which bread and margarine would have a conspicuous place, which did not cost as much as $27 \%$ more than two years ago. But in fact housekeepers who have sufficient money have supplemented their rations by purchases of whatever was in the market, of more expensive kinds of food and of kinds that had risen more in price. The actual increase in expenditure on food has varied very greatly from family to family, and it would be only by a study of actual budgets, comparable with pre-war budgets, that real information could be obtained. It is not reasonable to suppose that families are purchasing the same quantities of the same kind of goods as two years ago, so that the basis of the index number is destroyed. Now information would be of a form showing the increase of expenditure and the change in calorie and protein content. No doubt rent should be treated separately, since such a considerable proportion of the population has changed residence. It is an open question how the increase of prices of tobacco and alcohol, which are mainly due to taxation, should be treated.

WAGES.-In the account given in the last Bulletin, p. 37, increases in the woollen industry and on railways were accidentally omitted. Revised figures for the general wage rate index number are given in the Table on page 78 .

The only changes of importance that affect this index since April are an increase in builders' rates, which are still bound to the Cost of Living Index Number, and the extra shilling per shift for coal miners. There is no exact information available about the changes in average rates or earnings of coal miners, which have been very complicated during the past two years, and the increase stated below may be over-estimated.

| Bricklayers ... ... ,, Labourers |  | 115 | Local Authorities |  | 116 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | ... | 120 | Trams ... |  | 118 |
| Printers: |  |  | Lorry Drivers |  | 113 |
| Compositors | $\ldots$ | 107 | Boots ... |  | 121 |
| Dock Labourers |  | 115 | Confectionery |  | 117. |
| Engineers: |  |  | Tailoring |  | 123 |
| Fitters ... |  | 113 | Shirts ... |  | 123 |
| Labourers |  | 117 | Tobacco ... |  | 123 |
| Shipbuilders | $\ldots$ | 119 | Coal |  | 139 |
| Railwaymen |  | 116 | Agriculture |  | 139 |
| Cotton |  | 132 $\frac{1}{2}$ |  |  |  |
| Wool |  | 119 | Weighted average |  | 121 |

It is clear that there has been no common policy in changes of wage rates. Only three of them have been as great as the increase in the Cost of Living Index.

This Wage Index should not be interpreted as applying to average earnings, which are strongly affected in many industries by overtime and piece work. The declared policy of the Minister
of Labour may be interpreted as the preservation of extra rates for overtime and night work and any other customary additions. This is to be distinguished from the declared general policy of the Government which is applicable to the control of rates for the normal week and for unchanged work.

The increase in wage rates, as apart from earnings, has been moderate-by our index only $8 \%$ during the past twelve months.

It may be noticed that though flat rate increases have not been common, as they were in the last war, the wages of building and engineering labourers have increased by a greater percentage than have artisans' in those industries.

UNEMPLOYMENT.-The statistics of unemployment now relate to all persons registered for employment at the Labour Exchanges and are as in the following Table.

| EMPLO |  | IEN Who | EXCHANGES REGISTERS GREAT BRITAIN. |  |  |  |  | $000 ' s .$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Wholly Unemployed |  |  | Temporarily Stopped |  |  |  |
|  |  | Men | Women | \& | Men | Women | \& | Casuals |
| 1939 | Aug. | 730 | 168 | 70 | 129 | 76 | 7 | 1232 |
|  | Sept. | 661 | 292 | 99 | 116 | 102 | 10 | 1331 |
|  | Oct. | 759 | 358 | 105 | 84 | 57 | 5 | 1431 |
|  | Nov. | 767 | 350 | 96 | 79 | 53 | 4 | 1403 |
|  | Dec. | 764 | 325 | 82 | 89 | 50 | 4 | 1362 |
| 1940 | Jan. | 805 | 320 | 95 | 185 | 58 | 7 | 1519 |
|  | Feb. | 759 | 299 | 83 | 254 | 53 | 9 | 1504 |
|  | Mar. | 628 | 273 | 64 | 69 | 37 | 3 | 1121 |
|  | Apl. | 539 | 243 | 58 | 55 | 33 | 3 | 973 |
|  | May | 469 | 218 | 44 | 56 | 43 | 3 | 881 |
|  | June | 382 | 226 | 40 | 39 | 40 | 3 | 767 |
|  | July $\{$ | 344 | ) 248 | 52 | 77 | 69 | 7 | $\{835$ |
|  | Juy | 336 | ) 248 |  | 7 | 78 | 7 | - 827 |
|  | Aug. | 304 | 235 | 74 | 75 | 72 | 7 | 799 |
|  | Sept. | 318 | 227 | 68 | 98 | 79 | 8 | 830 |
|  | Oct. | 309 | 257 | 69 | 93 | 72 | 7 | 835 |
|  | Nov. | 286 | 255 | 62 | 94 | 63 | 6 | 791 |
|  | Dec. | 248 | 244 | 50 | 82 | 54 | 5 | 705 |
| 1941 | Jan. | 237 | 222 | 62 | 90 | 57 | 6 | 696 |
|  | Feb. | 200 | 197 | 51 | 68 | 43 | 4 | 581 |
|  | Mar. | 160 | 165 | 39 | 41 | 32 | 3 | 458 |
|  | Apr. | 140 | 133 | 46 | 41 | 32 | 3 | 411 |
|  | May | 128 | 122 | 41 | 27 | 36 | 2 | 369 |
|  | June | 110 | 102 | 31 | 18 | 28 | 2 | 302 |

* Figures in line (a) and previously include men at Government Training Centres, who are excluded from line (b) and subsequently. See Ministry of Labour Gazette, August, 1940.

It is not clear how these are affected by the calling up of women of the age groups 20 and upwards. Nor do we get any definite information from the Table of the change in the numbers of persons at work, since we do not know how many people usually without occupation have registered.

The total number applying for work has steadily and rapidly diminished since January, 1940, and is now small.

Some evidence is available about the reduction of unemployed insured persons from the statements of the benefits paid from the Unemployment Insurance Fund. These do not relate very closely in date to particular weeks of unemployment, since some employers render
quarterly accounts and owing to other causes. But when taken quarterly, the disturbance is diminished and from one year to another the figures should be significant. It is noticable that the customary increase in the winter months did not occur last winter quarter.

For closer interpretation of these figures it would be necessary to take into account certain changes in the amount and conditions of benefit.* Total contributions from employers, employed
persons and the Exchequer increased from $£_{1} \cdot 2$ million weekly in May, 1940 , to $£_{1} r^{\circ} 4$ million in May, 1941.

UNEMPLOYMENT FUND.
A. Expenditure on Benefits. B, Contributions by Employees. Weekly averages, $£ 000$ 's.

| Qtr. ending | A | B | Qtr. ending | A | B |
| :---: | :---: | :---: | :---: | :---: | :---: |
| May 27th, 1939... | 867 | 410 | May 25th, 1940... | 490 | 401 |
| Aug. 26th, 1939... 630 | 449 | Aug. 31st, 1940... 341 | 435 |  |  |
| Nov. 25th, 1939... | 637 | 423 | Nov. 30th, 1940... | 444 | 448 |
| Feb. 24th, 1940... | 825 | 403 | Feb. 22nd, 1941... 388 | 474 |  |
|  |  |  | May 24th, 1941... | 195 | 478 | was raised from $£_{2} 250$ to $£ 420$.

## WHOLESALE PRICES.

See Supplements for March, fune, September and December in 1938-39; before 1938 see Bulletins for these months.

## COMPARATIVE INDEX NUMBERS FOR 6 COUNTRIES.

The table below gives comparable index-numbers of wholesale prices, based upon a list of commodities as nearly identical as possible for all the countries, and the same method of calculation and weighting is applied in each case. The index-numbers were described in detail in Special Memorandum No. 24. Figures for 1940 and I94I are based upon such data as could be obtained from reliable sources. The figures for 13 countries in the table opposite, which are derived from the League of Nations monthly bulletin, are affected by differences of content and method of calculation.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | Base1913$=100$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1940 |  |  |  |  |  |  | 1941 |  |  |  |  |  |  |
|  | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | $\begin{aligned} & \text { Year } \\ & 1925 \end{aligned}$ |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United K'gdomt U.S.A. | $\begin{aligned} & 71 \\ & 65 \end{aligned}$ | $72$ | $\begin{aligned} & 77 \\ & 64 \end{aligned}$ | $81$ | $81$ |  | $81$ |  |  |  |  | 82 | 83 | 159 |
| Sweden ......... | 65 98 | 65 98 | 64 101 | $\begin{array}{r} 66 \\ 103 \end{array}$ | $\begin{array}{r} 67 \\ 107 \end{array}$ | $\begin{array}{r} 70 \\ 108 \end{array}$ | $\begin{array}{r} 71 \\ 112 \end{array}$ | $72$ | $69$ | 70 | 75 |  | 8 | 151 |
| Canada | 70 | 98 70 | 101 | 103 | 107 | 108 | 112 | 113 | 116 | 121 | 122 |  |  | 160 |
| New Zealand.. | 103 | 102 | 100 | 71 | 101 | 72 101 | 72 | 73 | 73 | 75 | 76 | 77 |  | 158 |
| S. Africa ...... | 90 | 90 | r 90 | 90 | 101 | 101 | 102 | $\begin{gathered} 9 \\ 92 \end{gathered}$ | $\begin{aligned} & 99 \\ & 93 \end{aligned}$ | $\begin{aligned} & 99 \\ & 93 \end{aligned}$ | 94 | 94 |  | 158 |
| MA'TERIALS - |  |  |  |  |  |  |  |  |  |  |  | , |  | 122 |
| United K'gdom** <br> U S. A | 100 | $102$ | $102$ |  |  |  |  |  |  |  | 112 | 112 | 113 | 157 |
| U.S.A. <br> Swedent | 71 (99) | 70 $(101)$ | 69 $(103)$ | 70 | 72 | 74 | 73 | 75 | 75 | 75 | 78 | 112 | 113 | 175 |
| Canada .......... | (99) 75 | (101) 74 | (103) | (103) 75 | (108) | (112) | (112) | (112) | (113) | $(130)+\dagger$ | (133) |  |  | 141 |
| New Zealand.. | 101 | 103 | 74 106 | 75 | 76 105 | 76 106 | 76 106 | 77 | 76 | 77 | 78 | 80 |  | 170 |
| S. Africa ...... | 99 | 99 | +98989 | 99 | 105 99 | 100 | 100 | 107 | 107 | 107 | 103 | 105 |  | 165 161 |
| 'TO'AL- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United Kingdom |  |  |  |  |  |  | 95 | 99 | 99 |  |  | 100 | 101 |  |
| U.S.A. ......... | 69 | 68 | 67 | 68 | 70 | 72 | 72 | 74 | 73 | 73 | 77 | 100 | 101 | 165 |
| Canada | 73 | 72 | 72 | 73 | 74 | 74 | 74 | 75 | 75 | 76 | 77 | 79 |  | 164 |
| New Zealand.. | 102 95 | 103 95 | 104 95 | (103) | 103 | 104 | 104 | 104 | 103 | 104 |  |  |  | 162 |
| S. Afica ...... | 95 | 95 | 95 | 95 | 96 | 96 | 96 | 97 | 98 | 98 | 99 | 101 |  | 145 |

[^38]
## INDEX NUMBERS OF PRICES IN i3 COUNTRIES.

As quoted in the Monthly Bulletin of the League of Nations.

a) $\%$ of 1935 .
(b) \% of 1931. (c) Excl. rent. (d) Excl, rent and clothes (g) \% July, 1928-July, 1929.

## THE CONTROL OF PRICES IN WAR-TIME

By F. W. Parsh.

AT the beginning of the war, the Government had the choice between two methods of war finance. On the one hand, it could have imposed such stringent taxation or forced loans that the public's net incomes would have fallen by an amount equal to the required increase in government expenditure (apart, of course, from expenditure abroad financed out of foreign loans and the sale of assets), thus reducing every taxpayer's income to an amount sufficient to enable him to maintain his own efficiency as a producer and to support his family in health. The difficulties of such a policy would, of course, have been immense. Apart from the political and administrative difficulties of extending very high rates of direct taxation to all levels of incomes above the lowest, it would hardly have been possible to adjust taxation exactly to the particular circumstances of each individual. The result would probably have been the infliction of unbearable hardships on some, and widespread default on financial obligations of all sorts. Many people would probably have been thrown out of work before the fighting services and war industries were ready to absorb them, and the absorption of the existing unemployed might have been made more difficult. Further, many of those owning marketable assets would have attempted to realise them or borrow against them in an effort to meet their obligations or maintain their standard of living, and there would almost certainly have occurred a sharp rise in rates of interest.

In view of the difficulties and dangers of this course, it is not surprising that it was rejected. Nevertheless, it would have had one great advantage. Each member of the public would have been able to spend freely the fraction of his income which he had left, and within the limits of that income would have been able to influence through the price system the direction of such productive capacity as could still be spared to cater for consumption. In this way, each individual would have been able to get the maximum benefit out of his remaining income by arranging his purchases in accordance with his own scales of preference ; and the best use would have been made of those resources which could be spared to serve the public.

The other policy, which was the one in fact adopted, was to obtain only a relatively small part of the government's expenditure by taxation, and
to finance a large part of the remainder by borrowing from the banks, so that the government's expenditure was increased more than the public's net income was diminished, and the volume of bank deposits and of other forms of money was expanded. The effect on prices of this expansion of credit was for some time limited, for three main reasons. In the first place, the large stocks accumulated prior to the war enabled consumption to exceed output for a considerable time; secondly, a large quantity of idle resources was gradually taken into employment, and output was consequently increased; and thirdly, the developments of the war brought a great increase in the demand for money to hold as a liquid asset, so that much of the increased quantity of money was, at least temporarily, held out of circulation.

By the end of the first eighteen months of the war the power of these offsetting factors had been largely exhausted. Stocks of consumption goods in private hands had been largely depleted; unemployment had been reduced to small dimensions; and the gradual improvement in the military situation rendered unlikely the development of a new demand for cash to hold such as occurred in May and June 1940. It became clear that, with the increase in bank deposits which had already occurred, the amount of money circulating through the hands of the public was far too great for them to be able to spend their net incomes freely without causing a very great rise in prices. The government therefore made heavy increases in taxation in the 1941 budget, and gave every possible encouragement to the War Savings campaign. But even these measures have proved inadequate to reduce the spending power of the public to the level necessitated by the reduction in the available supplies of consumption goods.

There remained two possible courses of additional action; firstly, to keep the net incomes of the public as low as possible; and secondly, to prevent their spending more of their incomes than was commensurate with the value at present prices of the flow of consumption goods still available for their use. As regards incomes derived from the ownership of capital, the combined effects of excess profits tax, income tax and surtax have gone a long way towards achieving the desired result. If rises in costs of production can be prevented, increased expenditure by the government of money borrowed from the banks merely results in increased receipts from excess
profits tax, and cannot affect the demand for consumption goods. On the other hand so long as existing bank deposits can be freely drawn on and marketable securities can be freely sold, it is always possible for anyone with capital to maintain or increase his consumption, despite a fall in current income, by realising assets. This could be prevented only by the severest control of the use of assets, though it might be checked by a financial stringency and a rise in interest rates. The position with regard to incomes derived from wages is even less satisfactory. The very existence of the excess profits tax, which in the absence of a rise in costs of production canalises the whole of an increase in government expenditure back again to the Treasury, reduces the incentive of employers to fight against rises in costs; and there is a serious danger that a good deal of the increased government expenditure may escape from its canal and percolate, via higher wages, on to the markets for consumption goods. The dangers of such an increase in purchasing power, without any possibility of a corresponding increase in the supply of goods available for purchase, are extremely well explained in the recent Parliamentary White Paper on 'Price Stabilisation and Industrial Policy' (Cmd. 6294). But the government does not feel able to go beyond giving warning and advice to those responsible for wage negotiations, and in view of the reception given to the White Paper by the Trades Union Council it seems by no means certain that the tendency for money wages to increase will be effectively overcome.

In the absence of effective control of the amounts available for expenditure, the government, if it wishes to avoid an uncontrollable rise in prices, will be compelled more and more to fall back on the second of its alternative courses-to prevent the incomes from being fully spent. The first stage towards this end usually takes the form of the fixation of maximum prices. If these are effective, it means that those who would be prepared to outbid others for the scarce supplies are prevented from doing so, and that the amount demanded at the fixed price is in excess of the supply available. It is also possible that at the price fixed there may be a reduction in supply, although in war-time conditions this is not likely to be important.*

[^39]The excess of demand over supply at the price fixed leads to many undesirable consequences, including shop-hunting and queues, favouritism by wholesalers or retailers, or at best arbitrary rationing by shopkeepers on their own responsibility. These difficulties, however, are distributional. If people can be prevented from paying higher prices than the legal figure the total amount of money which can be spent on any price-controlled type of article is limited to the supply of goods multiplied by the price. The more goods that are price-controlled, the more money is set free to buy non-controlled goods, and the stronger the tendency of non-controlled prices to rise. Once control has been instituted for some commodities, it therefore tends to be applied to more and more, until it is extended to virtually the whole range of consumers' goods. When all goods are effectively price-controlled, the total amount of money which can be spent is limited, and aggregate net incomes in excess of this figure must either be spent in ways which do not compete for the current flow of goods or must be saved.

The distributional difficulties which arise from price control (which in effect favours those with plenty of time to spare as against those who are doing most work) has led and will probably continue to lead to an ever-widening extension of the system of rationing. Rationing by individual commodities, while it has many administrative conveniences, has one supreme disadvantage : by giving an equal ration to everybody, it ignores variations in individual needs and tastes, and thus prevents the public from getting the full value from what it spends on rationed articles. In a few extreme and obvious cases these differences in wants are recognised-vegetarians can now surrender their meat ration for an extra ration of cheese and diabetics their sugar ration for more meatbut in the great majority of cases people are deprived of additional supplies of commodities in exchange for which they would willingly surrender part or all of their share of other, and perhaps equally scarce, commodities. Even such a partial escape from the rigidity of the system as would be provided by the barter of coupons is prohibited, presumably partly to prevent a rise in total consumption and partly to avoid giving scope for forgery; and though it is presumably impossible to forbid the bartering of commodities after purchase, the inconvenience of such transactions probably prevents their development on any large scale. Only within the family can the consumption of rationed goods be appreciably adjusted to variations of taste, which is probably one of the reasons why, under rationing, it is easier and
more economical to cater for a large family than for a small one.

The economic loss from rationing by individual commodities becomes increasingly obvious as rationing is extended from basic necessities to goods for which variations in taste are still more marked. In the case of clothes, the loss has been reduced by allowing freedom of choice to the consumer as to how and where he may use his clothes coupons. Further, rationing by quantity and not by value gives him the power of choice of quality and thus enables him to some extent to vary the distribution of his expenditure as between clothes and other goods, though it has the disadvantage that those with larger incomes are still able to obtain a larger share of the available output of goods by buying articles of better quality and longer life.

If, as seems likely, the government is compelled by the increasing excess of demand over supply at existing prices to extend the system of rationing, it is probable that it will increasingly resort to rationing by groups of commodities, between which the consumer will be allowed freedom of choice-cigarettes, chocolate and sweets, for instance, have been suggested as a possible group. It would be possible to ration such a group by quantity-e.g. one coupon would buy ten cigarettes or a quarter of a pound of chocolate-but it would be simpler to ration by price, and to allow each consumer to spend a given sum per week or per month upon all or any of the commodities included within the group. This might well reveal that at existing prices supplies of some constituents of the group were relatively too large and of others relatively too small; the situation could then be adjusted either by changes in prices, or by changes in output, or by both.

The logical development of such schemes of group rationing would be to merge into one group as many commodities as possible, including perhaps certain articles at present rationed individually. Since the fixing of coupon values for a large range of quite different commodities would be a matter of great complexity, the global ration would probably be fixed in terms of value rather than of quantities; the scheme would thus resemble that associated with the name of Dr. Kalecki.^ It has now been suggested by

[^40]Dr. Polak $\dagger$ that once the global ration had been fixed it would be possible to remove the control of prices; for when the total amount which could be spent on the group of scarce commodities has been fixed, nogeneral rise in prices could take place, and rises in some commodities would be compensated by falls in others. Further, since the amount of purchasing power at the disposal of each consumer would be strictly in proportion to the size of their families, there could no longer be any injustice in allowing the available supplies to go to the highest bidders. In this way all would secure that distribution of goods, which, at the prices, they preferred.

By this means it would be possible to obtain most of the advantages of both the alternative courses mentioned at the beginning of this article. Since net incomes above the rationed limit would be left free, the taxpayer would still be able to meet his financial obligations, rent, insurance, subscriptions, school fees, etc., and would not need to force up the rate of interest by realising his assets or borrowing money; indeed, the incentive to sell securities or to borrow would be still further reduced. At the same time, each consumer would be left free to distribute his and his family's consumption within the total limit allowed and thus avoid the economic disadvantages of rationing by commodities; while the resultant changes in relative prices (without any general rise in price) would provide a valuable indication to producers and to the government of desirable changes in the distribution between alternative uses of such resources as could still be spared to serve the consumer.

Finally, such a system would provide a convenient means of a post-war return to consumers' freedom. A gradual increase of the global ration could be made to keep pace with the restoration of supplies of available consumption goods, until it was possible to remove it altogether. Meanwhile, as government expenditure declined, the excess of net incomes over the ration would be available for providing industry with the capital it will need for reconstruction, and the government with the sums necessary for funding the shortterm debt and reducing bank deposits once more to a level conformable with peace-time monetary needs.

+ J. J. Polak, "Rationing of Purchasing Power to Restrict Consumption." Economica, August, 1941.

FINANCE.


[^41]|  | WHOLESALE. |  |  |  |  |  |  |  |  | Retail. |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Price of Gold. <br> s. per fine oz | Bar Silver (Cash). d. per oz. |  | of Trade In <br> Food. <br> \% | dex Nos. Materials, ctc. \% | Stati F \% | st (Saue ood. \% | rbeck) Inde Materials. \% | ex Nos. <br> Total $\%$ |  | Labour | Food. \% |  |
| 1924 iv... | 93•69 $\dagger$ | 34.0 | 100 | 100 | 100 | 100 | $\star$ | 100 | 100 | 100 * | 10 |  |  |
| 1929 Av... | 84.951 | 24.5 | 82.2 | 87.4 | $79 \cdot 4$ | 84 | - | 81 | 82 | 94 | 9 | - | 99\% |
| 1933 Av... | $124.87 \%$ | 18.1 | $61 \cdot 6$ | $63 \cdot 1$ | $60 \cdot 7$ | 57.5 | - | 57 | 57.5 | 79.5 |  | - | 994 |
| 1934 1935 Av.... | 137.651 142.10 | 21.4 29.0 | $63 \cdot 3$ 64.0 | 64.8 66.0 | 62.4 | 59.5 | - | 58 | 59 | 80.5 | 72 |  | ${ }_{94}^{94}$ |
| 1936 Av... | 140.29* | $20 \cdot 2$ | $67 \cdot 9$ | 69.9 | 66.7 | 69 | - | ${ }_{65}^{615}$ | 61 | 81.5 |  |  | 95 |
| 1987 Av... | $140 \cdot 76 \%$ | $20 \cdot 1$ | 78.2 | 77.8 | 78.0 | $71 \cdot 5$ | - | 75 | ${ }^{64} \times 5$ | 88.5 - |  | - | 97. |
| 1988 Av... | $142 \cdot 49$ | $19 \cdot 5$ | $72 \cdot 9$ | $74 \cdot 1$ | $72 \cdot 1$ | 65 | - | 66 | 65.5 | 89 - |  |  | 1004 |
| ${ }_{1939}{ }_{1937} \mathrm{Av} \ldots$ | 154.99 | $20 \cdot 5$ | $74 \cdot 1$ | $74 \cdot 4$ | $73 \cdot 6$ | 65 | - | 72 | 69 | 91 |  |  |  |
| JULY...... | 140.17 139.45 | 20.1 19.9 | $80 \cdot 2$ |  |  |  |  |  |  |  |  |  |  |
| AUG..... | 139.45 140.47 | 19.9 19.9 | $80 \cdot 1$ 79.9 | $78 \cdot 2$ | $80.7$ | $72 \cdot 5$ | 73 | $76$ | 75 | $88.5 \quad 89$ | 82 | ${ }_{83}{ }^{3.6}$ | $\begin{aligned} & 101 \\ & 1014 \end{aligned}$ |
| OCT. | $140 \cdot 42$ | 20.0 | 79.5 | $780 \cdot 2$ | 80.8 78.8 | 72.5 72.5 | 73.5 73.5 | 75 72 | 74 72 | $\begin{array}{ll}90 & 89 \cdot 5 \\ 91 \cdot 5 & 89 \cdot 5\end{array}$ | 84 85.5 | 83 83 | 101 寺 |
| NOV. | $140 \cdot 18$ | 19.7 | 78.0 | 79.5 | 76.9 | $70 \cdot 5$ | 71.5 | 69 | 69.5 | 91.589 | 85.5 | 83.5 | $102{ }_{103}$ |
| $\begin{gathered} \text { DEC.... } \\ 1938 \end{gathered}$ | 139.84 | 18.8 | 77.4 | 79.5 | 76.0 | 71.5 | 71.5 | 69 | 70 | $91 \quad 89$ | 85 | 82.5 82.5 | 103 103 |
| JAN. | 139.67 139.73 | 19.8 20.2 | $77.5$ | 79.9 | $75 \cdot 9$ 74.4 | $70 \cdot 5$ | \%0 | 68.5 | $69 \cdot 5$ | $89.5 \quad 88.5$ |  | 82 |  |
| MAR. | 139.62 | $20 \cdot 3$ | $74 \cdot 8$ | 76.6 | 73.6 | 69 | 69 |  | 69 | 88.5 |  | 81.6 | 104 |
| APRIL | 139.91 | 18.8 | $74 \cdot 1$ | $76 \cdot 3$ | 72.7 | 69 | 68 | 66 | 68 | 88 89 | $80 \cdot 5$ | 82.5 | 104 |
| MAY. | 139.87 | 18.7 | 73.4 | 76.4 | 71.5 | 68 | 67 | 64 | $65^{\circ} 5$ | 88.5 90.5 |  | 84.6 | 104\% 104 |
| .JUNE | $140 \cdot 61$ | 18.9 | $72 \cdot 4$ | $75 \cdot 6$ | 70.5 | 67.5 | 67.5 | $64 \cdot 5$ | 65.5 | 91.92 |  | 84 87.5 |  |
| JUUG. | $141 \cdot 19$ 142 | $19 \cdot 3$ 19.5 | $72 \cdot 3$ 71.5 | $\begin{aligned} & 74 \cdot 4 \\ & 72 \cdot 1 \end{aligned}$ | $\begin{aligned} & 70 \cdot 9 \\ & 70 \cdot 9 \end{aligned}$ |  |  | $65 \cdot 5$ 64.5 |  | $83 \quad 90$ | 83 | 84.5 | 104\% |
| SEPT | 144.47 | 19.5 | 70.7 | 69.9 | $70 \cdot 8$ | $61$ | $\begin{aligned} & 62 \\ & 62 \end{aligned}$ | $65 \cdot 5$ | 63.5 63.5 | $\begin{array}{ll}89 & 88.5 \\ 88\end{array}$ |  | ${ }_{80}^{85}$ | 104\% |
| OCI. . | 146.45 | 19.7 | $71 \cdot 2$ | 70.5 | $71 \cdot 3$ | $59 \cdot 5$ | $60 \cdot 6$ | $66.5$ | 64 | $89 \quad 87.5$ |  | 80.5 79.6 | $104 \frac{1}{2}$ |
| DEC. | 146.93 148 | ${ }_{20.1} 19$ | 707 706 | 69.0 69.8 | $\begin{aligned} & 71.4 \\ & 70.8 \end{aligned}$ |  | $\begin{aligned} & 58 \cdot 5 \\ & 60.5 \end{aligned}$ | $\begin{aligned} & 66 \\ & 66.5 \end{aligned}$ | 63 | $\begin{array}{ll}89 & 87 \\ 88.5 & 87\end{array}$ |  | 78.5 | $104 \frac{1}{2}$ |
| 1939 |  |  |  |  |  |  |  |  |  |  |  |  | 42 |
| $\begin{aligned} & \text { JAN. } \\ & \text { FEEI. } \end{aligned}$ | 148.82 148 | $20 \cdot 3$ $20 \cdot 3$ | $\begin{array}{r} 69 \cdot 9 \\ 69: 6 \end{array}$ | $\begin{aligned} & 70 \cdot 4 \\ & 69 \cdot 3 \end{aligned}$ | $69 \cdot 3$ 69.4 |  | 60.5 | $65 \cdot 5$ | 64 | $\begin{array}{lll}88.5 & 87.5\end{array}$ | 81 | 79.6 | 105 |
| MAR. | 148.28 | 20.6 | 69.4 | 68.5 | $69 \cdot 6$ | 60.5 | $60 \cdot 5$ | 66 | $63 \cdot 5$ 64 | 87.5 87.5 87.5 88.5 | 79 | 78.5 | 105 |
| APRIL.. | 148.50 | 20.0 | 69.9 | $69 \cdot 6$ | 69.7 | 61.5 | 60.5 | ${ }_{67 \cdot 5}^{66}$ | 64 | 87.5 87.588 .5 89.5 |  | 81 81.5 | 105 |
| MAY.. | 148.47 | 20.1 19.8 | $70 \cdot 3$ | 69.9 | $70 \cdot 2$ | 61 | 60 | 68 | 65 | $87 \cdot 5 \quad 89.5$ |  | 81.5 | 105 |
| JUNE | 148.49 | 19.8 |  |  | $70 \cdot 5$ | $61 \cdot 5$ | 61.5 | 67.5 | 65 | 89 90.5 |  | $83 \cdot 5$ |  |
| JULY ... | 148.49 148.56 | 16.6 17.1 | $70 \cdot 6$ 70.6 | $\begin{array}{r} 69 \cdot 5 \\ 68 \cdot 8 \end{array}$ | $70 \cdot 8$ |  |  |  | 64 | 88.589 .5 |  |  | $105 \pm$ |
| SEPT. | 168.00 S | $21 \cdot 4$ § | $75 \cdot 9$ | 77.0 | $74 \cdot 9$ | 68.5 | 69.5 | 685 | 65 72 | 88.5 <br> 94.5 <br> 98.5 <br> 9.5 |  | ${ }_{87} 815$ | $105{ }^{\text {a }}$ |
| OCT. | 168.00 | $22 \cdot 9$ | 79.7 | 83.2 | 77.5 | 73.5 | ${ }_{75}$ | 77.5 | 76 | 96.5 94.5 |  | ${ }^{87} 5$ | $\begin{aligned} & 106 \\ & 106 \end{aligned}$ |
| DEC. | $168.00{ }^{1}$ | 23.4 | 88.9 | 86.5 | 84.1 | 76.5 | $\underset{\sim}{77}$ | 83.5 | 81 | $99 \quad 96.5$ |  | 88.5 | 107年 |
| 1940 |  |  |  |  |  |  |  |  | 86.5 | 99.5 97.6 |  | 89.5 | 1094 |
| JAN. | 168.00 § | 22.0 |  |  |  |  |  |  | $89 \cdot 5$ | 101100 |  |  |  |
| MAR. | 168.00 | 20.6 | ${ }_{93} 9$ | 96.2 | 90.0 91.4 | $\begin{aligned} & 82 \cdot 5 \\ & 82 \cdot 5 \end{aligned}$ | $\begin{aligned} & 82 \\ & 82 \end{aligned}$ | $\begin{aligned} & 93 \cdot 5 \\ & 92.5 \end{aligned}$ | 89.5 | 102.5101 .5 |  | 93.5 | $111{ }^{2}$ |
| APRIL | 168.00 | 20.7 | 95.0 | 956 | 94.2 | 82.5 | 81 | ${ }_{96} 9$ | 89 | 101.5103 103105 |  | ${ }_{96.5}^{95}$ | 1115 |
| $\begin{aligned} & \text { MAY ....... } \\ & \text { JUNE .... } \end{aligned}$ | $\begin{aligned} & 168.00 \\ & 168.00 \mathrm{~s} \end{aligned}$ | $\begin{aligned} & 21 \cdot 7 \\ & 23 \cdot 3 \end{aligned}$ | $\begin{aligned} & 96 \cdot 1 \\ & 96 \cdot 6 \end{aligned}$ | 97.5 | $94 \cdot 9$ | 83 | 81.5 | 98 | 92 | $103 \cdot 5106$ |  |  | 115 |
| JULY |  |  |  |  |  |  |  |  | 935 | 07 108.5 | 98.5 | 20.5 | 116 |
| AUG. | 168.00 S | $23 \cdot 3$ | $100 \cdot 7$ | 103.1 | $\begin{aligned} & 99 \cdot 0 \\ & 99 \cdot 0 \end{aligned}$ |  |  |  |  | 105.5107 | $96 \cdot 5$ |  | 119 |
| SEP' | 168.00 S | 23.4 | $101 \cdot 4$ | 1062 | 98.5 |  |  |  |  | $107 \quad 107.5$ |  | 98 | 1194 |
| OCT ..... |  | $23 \cdot 4$ | 102.6 | 108.9 | 99.0 | $90$ | $\begin{aligned} & 905 \\ & 91.5 \end{aligned}$ | $\begin{aligned} & 98 \\ & 98 \end{aligned}$ | ${ }_{95}^{94}$ | $\begin{array}{lll}108 & 107 \cdot 5 \\ 109.5 & 107 \cdot 5\end{array}$ | 99 | ${ }_{98} 98$ | $\begin{aligned} & 1290 \\ & 129 \end{aligned}$ |
| NOV. | 168.00 | 23.3 | $105 \cdot 6$ | $108 \cdot 9$ | 103.4 | $90$ | $91$ | 98.5 | 95.5 | 111.5 108.5 | 101.5 | 98 98 | 120 |
| DEC. 1941 | $168 \cdot 00$ |  |  |  |  |  |  | 99.5 | 97 | 112110 | 101 | 98 | 121 |
| JAN. | 168.00 § |  | 107.5 | $110 \cdot 1$ |  |  |  |  |  |  |  |  |  |
| FEB. | 168.008 168.008 | $23 \cdot 3$ 23.4 | 107.8 108.4 | 109.8 | 106.4 | 92 | 91 | 101.5 | 98 | 112.5112 |  |  | $125 \frac{1}{2}$ |
| APRIL | $168.00{ }^{\text {S }}$ | 23.5 | 108.5 | 109.5 | 107.3 | 92 | $93.5$ | 103.5 | 1015 | 113 114.5 | 100 | 102 | $125 \frac{1}{2}$ |
| MAY.... | 168.00 | $23 \cdot 6$ | 1088 | 109.9 | 107.6 |  | $9.5$ | 107.5 | 1015 | 114.5117 | $100 \cdot 5$ |  | 126 |
| JUNE..... | 168.008 | 23.4 | $109 \cdot 6$ | 110.4 |  |  |  |  |  | 113.5115 .5 |  |  |  |
| JULY ... | 168.00§ | $23 \cdot 3$ |  |  |  |  |  |  |  |  |  |  |  |
| $\dagger$ Average of daily quotations for year. |  |  |  | * NORMAL SEASONAL CHANGE REMOVED. <br> § Bank of England Official Rate |  |  |  |  |  |  | * December, 1924. |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

[^42]OUTPUT AND INTERNAL ACTIVITY.


|  | AVERAGE OF DAILY RATES． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Paris <br> f．to £ | Brus－ sels <br> b，to £ | Milan <br> 1．to £ | $\begin{aligned} & \text { Amster- } \\ & \text { dam } \\ & \text { fl. to } £ \end{aligned}$ | Zurich <br> f．to $£$ | Stock－ holm kr ，to $£$ | Copen－ hagen <br> kr．to £ |  | w York <br> to $£$ | Mon－ <br> treal <br> \＄to £ | Buenos Aires§ <br> D．to $£$ | Rio de Janeiro d．permil． | Bombay <br> d．per rup． | Hong． kong <br> d．per $\$$ | Kobe <br> d．peryen |
| 1936 See Earlier Bulletins for 1919 to 1935 Rates，also for Berlin，Prague and Warsaw． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN． | $74 \cdot 86$ 74.84 | 29.29 29.31 | 61.71 62.15 | 7.28 | 15.19 | 19.40 | 22.40 | 4．960 |  | 4.963 | 18.24 | $2 \cdot 68$ | 18.152 | 15.66 | 14.04 |
| FEB． | 74.84 74.92 | $29 \cdot 34$ 29.28 | $62 \cdot 15$ $62 \cdot 35$ | 7.28 7.27 | $15 \cdot 14$ $15 \cdot 14$ | 19.40 19.40 | 22.40 | 4.996 |  | $4 \cdot 993$ | 18.07 | 2.74 | $18 \cdot 125$ | 15.74 | 14.08 |
| APR． | 75.00 | 29.22 | 62.66 | 7.28 | 15.17 | 19.40 | 22.40 22.40 | 4.971 4.944 |  | 4.977 4.967 | 18.04 | 2.73 | $18 \cdot 125$ | 15.93 | 13.98 |
| MAY | 75.47 | 29.35 | 63.03 | 7.35 | $15 \cdot 36$ | $19 \cdot 40$ | 22.40 | 4.971 |  | 4.979 | 18.00 | $2 \cdot 71$ | $18 \cdot 125$ $18 \cdot 125$ | $15 \cdot 80$ | 14.03 |
| JUNE | $76 \cdot 14$ | 29.70 | 63.84 | $7 \cdot 42$ | 15.48 | 19.40 | $22 \cdot 40$ | 5.020 |  | 5.032 | 18.13 | 2.72 | $18 \cdot 125$ 18.125 | 15.71 15.44 | $\begin{aligned} & 14.06 \\ & 14.07 \end{aligned}$ |
| JULY | 75.86 | 29.72 | 63.65 | $7 \cdot 38$ | $15 \cdot 35$ | 19.40 | 22.40 | $5 \cdot 023$ |  | 5.027 | 18.42 | $2 \cdot 77$ |  |  |  |
| AUG． | 76.33 | 29.81 | 63.84 | $7 \cdot 40$ | $15 \cdot 42$ | 19.40 | 22.40 | 5.028 |  | 5.026 | 18.02 | 2.80 | 18.125 18.125 | $15 \cdot 33$ 14.90 | 14.03 |
| SEP． | 76．74 | 29.84 | $64 \cdot 26$ | 7.58 | 16.01 | 19.40 | $22 \cdot 40$ | 5.041 |  | 5.039 | 17.76 | 2.81 | $18 \cdot 125$ | 14.86 | 14.05 14.04 |
| OCT． | 105．09 | $29 \cdot 10$ | 92.96 | $9 \cdot 13$ | 21.31 | 19.40 | 22.40 | 4.900 |  | 4.898 | 17.56 | $2 \cdot 87$ | $18 \cdot 125$ | 14.88 | 14.04 14.03 |
| NOV． DEC． | $105 \cdot 17$ $105 \cdot 14$ | 28.91 29.03 | $92 \cdot 86$ $93 \cdot 19$ | 9.05 8.99 | 21.27 21.35 | 19．40 | 22.40 | 4.888 |  | 4.880 | 17.54 | $2 \cdot 89$ | 18.125 | 14.95 | 14.03 |
| DEC． | 105．14 | 29.03 | $93 \cdot 19$ | 8.99 | 21.35 | 19.40 | $22 \cdot 40$ | 4.907 |  | $4 \cdot 903$ | 16.42 | 2.93 | 18.144 | 14.93 | 13．96 |
| JAN． | 105•14 | $29 \cdot 11$ | 93.23 | 8.96 | 21.39 | 19.40 | 22.40 | 4.908 |  | 4.909 | $16 \cdot 16$ | 2.95 | 18.151 |  |  |
| FEB． | 105•11 | 29.02 | 92.99 | 8.95 | 21.44 | 19.40 | $22 \cdot 40$ | 4.894 |  | 4.895 | 16.24 | 3.01 | 18.142 | 14.95 14.94 | 13.95 13.98 |
| MAR． | 106．31 | 28.99 | 92.81 | 8.93 | 21.43 | 19.40 | 22.40 | 4.885 |  | 4.882 | 16.23 | 3.01 | 18.125 | 14.94 | 14.00 |
| APR． | 109•31 | $29 \cdot 15$ | 93.40 | 8.98 | 21.54 | 19.40 | $22 \cdot 40$ | $4 \cdot 916$ |  | 4.909 | 16.17 | 3.07 | $18 \cdot 125$ | 14.94 | 14.00 |
| MAY | $110 \cdot 32$ | 29．28 | 93．85 | 8.99 8.98 | 21.60 <br> 1.57 | 19.40 | 22.40 | 4.939 |  | 4.931 | 16.24 | $3 \cdot 13$ | 18.125 | 14.91 | 14.00 |
| JUNE | 110.82 | 29．26 | 93.80 | 8.98 | 21.57 | 19.40 | $22 \cdot 40$ | $4 \cdot 935$ |  | $4 \cdot 937$ | 16.20 | 3.22 | $18 \cdot 125$ | 14.78 | 13.98 |
| JULY | $130 \cdot 34$ | 29.50 | 94.34 | 9.01 | 21.67 | 19.40 | 22.40 | 4.966 |  | 4.972 | 16.43 | 3.22 | $18 \cdot 125$ | 14.68 | 13.97 |
| AUG． | $132 \cdot 85$ $140 \cdot 37$ | 29.59 29.42 | 94.67 94.14 | 9.03 8.98 | 21.70 | 19.40 | 22.40 | $4 \cdot 983$ |  | 4.983 | 16.49 | $3 \cdot 15$ | $18 \cdot 125$ | 14.92 | 14.00 |
| OCT． | 147.97 | $29 \cdot 39$ | 94.18 | 8．96 | 21.57 21.52 | 19.40 19.40 | $2.2 \cdot 40$ | 4.961 |  | 4.954 | 16.50 | 3.12 | $18 \cdot 125$ | 15.00 | 14.00 |
| NOV． | 147．19 | $29 \cdot 37$ | 94.91 | 9.01 | 21.58 | 19.40 19.40 | 22.40 22.40 | 4.956 4.994 |  | 4.954 | 16.56 | 2.83 | $18 \cdot 125$ | 15.00 | 14.00 |
| DEC． | 147•16 | 29－41 | 94.99 | 8.99 | 21.61 | 19.40 | $22 \cdot 40$ | 4.997 |  | 4.998 | 16.86 17.01 | 2.77 2.64 | 18．125 | 15.00 | 14.00 |
| 1938 |  |  |  | 8 | 21 | 19.40 | 2240 | 49.97 |  | 4998 | 17.01 | 2.64 | $18 \cdot 125$ | 15.00 | 14.00 |
| JAN． | 149.89 | 29.53 | 95.00 | 8.97 | 21.62 | 19.40 | 22.40 | 5.000 |  | 5．001 | 17.04 | a2．83士 $\dagger$ | $18 \cdot 125$ | 15.00 |  |
| FEB． | 152.87 | 29.56 | $95 \cdot 37$ | 8.97 | 21.60 | $19 \cdot 40$ | 22.40 | $5 \cdot 018$ |  | $5 \cdot 016$ | 18.83 | $2.82{ }_{+}^{5}+$ | 18.125 | 15.00 | 14.00 |
| MAR． | 159.63 | 29．53 | 94.75 | 8.97 | 21.63 | 19.40 | 22.40 | 4.985 |  | 4.997 | $19 \cdot 39$ | $2.81 \pm+$ | 18.125 | 14.92 | 13.96 |
| APR． | 160．90 | 29．54 | 94．63 | 8.96 8.97 | 21.67 | 19.40 | 22.40 | 4.979 |  | 5.003 | $19 \cdot 46$ | $2.81 \pm \dagger$ | 18.051 | 14.84 | 14.00 |
| JUNE | 178.17 | 29.50 29.23 | 94.42 94.22 | 8.97 8.96 | 21.75 | 19.40 | 22.40 | 4.965 |  | 5．007 | 19.00 | $2 \cdot 81 \pm \dagger$ | 17.910 | 14.91 | 14.00 |
|  |  |  | 94 | 896 | 21.66 | 19.40 | $22 \cdot 40$ | 4．960 |  | 5．012 | 19.02 | $2.81+\dagger$ | 17.795 | 14.94 | 14.00 |
| JULY | 178.15 178.55 | $29 \cdot 14$ 28.92 | 93.71 92.75 | 8.95 8.94 | 21.54 21.32 | 19.40 | 22.40 | 4.931 |  | 4.959 | 18.94 | $2.83 \pm \dagger$ | 17.904 | 14.99 | 14.00 |
| SEPT | 178．55 | 28.45 | 92.75 91.27 | 8.94 8.90 | 21.32 21.25 | 19.40 | 22.40 | 4.881 |  | $4 \cdot 897$ | 18.87 | $2 \cdot 88 . \dagger$ | $17 \cdot 897$ | 15.00 | 14.00 |
| OCT． | 178.71 | 28.20 | 90.64 | 8.77 | 20.99 | 19.40 19.40 | 22.40 | 4.805 |  | 4.831 | 19.00 | $2 \cdot 93 \pm \dagger$ | 17.902 | 15.00 | 14.00 |
| NOV． | 178.68 | 27.84 | 89.51 | 8.67 | 20.79 | 19.40 | 22.40 22.40 | 4.769 4.710 |  | $4 \cdot 812$ | 18.99 | $2.981+$ | 17.933 | 14.97 | 14.00 |
| DEC． | $177 \cdot 48$ | 27.72 | 88.75 | 8.59 | 20.65 | $19 \cdot 40$ | 22.40 | 4.671 |  | 4.706 | 20.09 20.55 | $3.02 \pm \dagger$ | 17.936 17.923 | 14.94 | 14.00 |
| 1939 | 178 | 2 | 8. | 85 | 206 | 19.40 | 2240 | 4.671 |  | 4706 | 20.55 | $3 \cdot 66 \ddagger \dagger$ | 17.923 | 15.00 | 14.00 |
| JAN． | 177.49 | 27.63 | 88.73 | 8.61 | 20.67 | 19.40 | 22.40 | 4.669 |  | 4.705 | $20 \cdot 35$ | 3．06士† | 17.937 | 15.00 |  |
| FEB． | 176.98 | 27.79 | 89.05 | $8 \cdot 74$ | $20 \cdot 66$ | $19 \cdot 40$ | 22.40 | 4.687 |  | 4.708 | $20 \cdot 35$ | $3 \cdot 06{ }^{\dagger}+$ | 17.937 | 14.93 | 14.00 |
| MAR． | 176.86 | 27.85 | 89.08 | 8.82 | $20 \cdot 71$ | $19 \cdot 40$ | $22 \cdot 40$ | 4.686 |  | 4.704 | $20 \cdot 30$ | $3.06 \pm+$ | 17.966 | 14.91 | 14.00 |
| APR． | 176.73 | 27.80 | 89.00 | 8.81 | 20.68 | 19.40 | 22.40 | 4.681 |  | 4－704 | $20 \cdot 21$ | $284 \pm+$ | 17.937 | 14.74 | 14.00 |
| MAY | 176.74 | 27.51 | 89.01 | $8 \cdot 73$ | 20.82 | 19.40 | 22.40 | 4.682 |  | $4 \cdot 698$ | $20 \cdot 22$ | $2.77+$ | 17.910 | 14.81 | 14.00 |
| JUNE | 176.73 | 27.53 | 89.04 | 8.81 | $20 \cdot 77$ | 19.40 | 22.40 | 4.683 |  | 4.692 | $20 \cdot 22$ | $2 \cdot 71+$ | 17.911 | 14.86 | 14.00 |
| JULY | 176.72 | 27.55 | 89.03 | 8.79 | 20.76 | $19 \cdot 40$ | $22 \cdot 40$ | 7.682 |  | $4 \cdot 690$ | 20.21 | $2 \cdot 62 \dagger$ | 17.905 |  |  |
| AUG． | $176 \cdot 37$ | $27 \cdot 14$ | 89.76 | 8.62 | 20.42 | $19 \cdot 20$ | $22 \cdot 36$ | 4.609 | $4 \cdot 623$ | 4.620 | $19 \cdot 92$ | $2.63 \dagger$ | 17.937 | 14.74 | 14.00 |
| SEPT． | $176.07 \pm$ | $23.58 \ddagger$ | 77.48 | $757 \ddagger$ | $17.82 \pm$ | 16．77 $\ddagger$ | 22.23 | $4.049 \pm$ | 4.041 | $4.419 \pm$ | 17．09 $\ddagger$ | $3.26 \uparrow$ | 17.939 | 15.00 | 13.99 |
| OCT． | $176.50 \ddagger$ | 23.98 | 78.89 | 7.57 | $17.88 \ddagger$ | $16.81 \pm$ | 20.66 | $4.030 \pm$ | $4 \cdot 012$ | $4 \cdot 450 \pm$ | 17．09f | $3.25+$ | 17.993 | 15.00 | 14.01 |
| NOV． | $176.50 \ddagger$ | $24 \cdot 26=$ | 77.34 | $7.55 \pm$ | $17 \cdot 87 \pm$ | $16.80 \pm$ | $20 \cdot 37$ | $4.030 \pm$ | 3.928 | $4.450 \pm$ | $17 \cdot 22 \ddagger$ | $3.21+$ | 18.000 | 15.00 | 14.35 |
| D ECC． 1940 | $176.50 \ddagger$ | 24．22 $\ddagger$ | $77 \cdot 33$ | 7．55才 | $17.87 \ddagger$ | 16．85 $\ddagger$ | 20．29 | 4．030才 | 3.933 | $4.450 \ddagger$ | $17.55 \ddagger$ | 3．16巾 | 18.000 | 15.00 | 14.38 |
| JAN． | $176.61 \pm$ | $23.86 \pm$ | $78 \cdot 11$ | $7.54 \pm$ | 17．89 | 16．90亡 | $20 \cdot 52$ | 4．030士 | 3.966 | $4.450 \pm$ | 17．71 $\ddagger$ | 3．15＋ | 18.000 | 14.94 | 14.25 |
| FEB． | $176.62 \pm$ | $23 \cdot 82 \ddagger$ | $78 \cdot 11$ | 7.55 | 17.90 | $16.90 \pm$ | 20.51 | $4.030 \ddagger$ | 3.964 | $4 \cdot 450 \ddagger$ | $17.35 \pm$ | $3 \cdot 14+$ | 18.000 | 14.92 | 14.24 |
| MAR． | $176.62 \pm$ | $23.70 \ddagger$ | $74 \cdot 18$ | 7.55 | 17.90 | $16.90 \ddagger$ | 19.49 | $4.030 \pm$ | 3.757 | $4.450 \ddagger$ | 17．10£ | $3 \cdot 301$ | 18.000 | 14.91 | 14.96 |
| APR． | $176.62 \pm$ | 23－78 | 69．30 | $7.55 \pm$ | $17.90=$ | $16.90 \pm$ | 18.46 b | 4．030 | 3.527 | $4.450 \pm$ | $17.17 \ddagger$ | $3.53+$ | 18.000 | 14.87 | 16.00 |
| MAY | $176.62 \ddagger$ | $23.92 \ddagger$ c | $64 \cdot 31$ | $7.55 \pm \mathrm{c}$ | $17.90 \pm$ | 16．90才 | － | $4.030 \ddagger$ | 3.275 | $4.450 \pm$ | $17 \cdot 17 \ddagger$ | $3.81+$ | 18.000 | 14.92 | 17.22 |
| JUNE | $176.62 \ddagger$ d | － | $65 \cdot 32 \mathrm{e}$ | － | $17 \cdot 86 \pm$ | 16．90才 | － | $4.030 \ddagger$ | $3 \cdot 621$ | $4.450 \ddagger$ | $17 \cdot 10 \ddagger$ | $3.56 \dagger$ | 18.000 | 15.00 | 16.38 |
| JULY | － | － | － | － | $17.77 \pm$ | 16．90士 | － | $4.030 \pm$ | 3.806 | $4 \cdot 450 \pm$ | $17.04 \pm$ | $3 \cdot 31 * \mathrm{f}$ | 18.000 | 15.00 | 15.08 |
| AUG． | － | － | － | － | $17 \cdot 70 \pm$ | 16．90 | － | $4.030=$ | 3.999 | $4.450 \pm$ | $17.01 \pm$ |  | 18.000 | 15.00 | 14.41 |
| SEPT． | － | － | － | － | $17 \cdot 70^{+}$ | $16.90 \pm$ | － | $4.030=$ | $4 \cdot 036$ | $4.450 \pm$ | $17.01 \ddagger$ | ＊ | 18.000 | 15.00 | 14.25 |
| OCT． | － | － | － | － | $17 \cdot 41 \ddagger$ | 16．90才 | － | 4．030士 | 4.035 | $4.450 \pm$ | 17．01 | ＊ | 18.000 | 15.00 | 1425 |
| NOV． | － | － | － | － | $17 \cdot 35$ | $16.90 \ddagger$ | － | $4.030 \pm$ | 4.039 | $4.450 \pm$ | $17.01 \ddagger$ | 0 | 18.000 | $15^{\circ} 00$ | 14.25 |
| DEC． | － | － | － | － | $17 \cdot 35_{+}^{+}$ | $16.90 \pm$ | － | 4.030 | 4.038 | $4-450 \ddagger$ | $17.01 \ddagger$ | o | 18.000 | 15.00 | 14.25 |
| JAN． | － | － | － | － | 17．35 | $16.90 \pm$ | － | 4.0301 | 4.036 | $4.450 \pm$ | 17．02 $\ddagger$ | 0 | 18.000 | 15.00 | 14.25 |
| FEB． | －－ | － | － | － | $17.35 \pm$ | $16 \cdot 90$ | － | $4.030 \pm$ | 4.032 | $4.450 \ddagger$ | $17.04 \ddagger$ | o | 18.000 | 15.00 | 14.25 |
| MAR | － | － | － | － | $17.35 \pm$ | 16.90 | － | $4.030 \ddagger$ | 4.034 | 4.450 | 17．04 | － | 18.000 | 15.00 | 14.25 |
| APR． | － | － | － | － | $17 \cdot 35 \pm$ | $16.90 \pm$ | － | $4.030 \pm$ | 4.027 | $4.450 \ddagger$ | 17．04 | o | 17.984 | 15.00 | 14.25 |
| MAY | － | 二 | － | － | $17 \cdot 35=$ | $16.90 \pm$ | － | $4.030 \pm$ | 4.034 | $4.450 \pm$ | $17.04 \ddagger$ | － | 17.984 | 15.00 | 14.25 |
| JUNE | ding | － | － | － | 17．35才 | $16.90 \ddagger$ | － | $4 \cdot 030 \ddagger$ | 4.034 | 4.4507 | $17.04 \ddagger$ | － | 17.984 | 15.00 | 14.25 |
| July 5 |  | － | － | － | 17．35 | 16．90さ | － |  |  |  |  |  |  |  |  |
| ，， 12 | － | － | － | － | $17 \cdot 35 \pm$ | $16.90 \pm$ | － | $4.030 \pm$ | 4.035 | $4 \cdot 450 \mp$ | $17.04 £$ | $\bigcirc$ | $17 \cdot 984$ | 15.00 | 14.25 |
| ，， 19 | － | － | － | － | $17 \cdot 35 \pm$ | $16.90 \pm$ | － | $4.030 \pm$ | 4.036 | $4 \cdot 450$ | $17.04 \mp$ | － | 17.984 | 15.00 | 14.25 |
| ，， 26 | － | － | － | － | $17 \cdot 35$ | 16．90才 | － | 4.0307 | 4.038 | 4.450 | 17.04 | － | 17.984 | 15.00 | 14.25 |
| Aug． 2 | － | － | － | － | $17 \cdot 35{ }^{\text {I }}$ | $16.90 \pm$ | － 1 | $4.030 \pm$ | 4.035 | $4450 \ddagger$ | 17．04 | － 1 | $17 \cdot 984$ | 15.00 | 14.25 |

[^43]Averages ：$-\mathrm{a}, 15$ th to 31 st．（1st to 7 th，2．58d．per mil．）；

## LOSSES OF MERCANTILE SHIPPING BY ENEMY ACTION.

According to the revised official figures, the losses by enemy action of mercantile tonnage, other than merchant vessels commissioned for Naval Service, during the past sixteen months have been as follows :-

| Month of Loss. | BRITISH. |  | ALLIED \& NEUTRAL. |  | TOTAL. |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Ships. | Gross tons. | Ships. | Gross tons. | Ships. | Gross tons. |
| $1940$ |  |  |  |  |  |  |
| March <br> April ... | 14 21 | 39,467 75,258 | 23 21 | 58,137 60,114 | 37 42 | 97,604 135,372 |
| May ... ... | 31 | 75,151 | 33 | 173,499 | 64 | 248,650 |
| June ... ... | 65 | 269,783 | 63 | 264,119 | 128 | 533,902 |
| July ... ... | 68 | 284,770 | 36 | 115,583 | 104 | 400,353 |
| August ... | 58 | 282,432 | 30 | 105,039 | 88 | 387,471 |
| September ... | 61 | 311,511 | 32 | 128,126 | 93 | 439,637 |
| October - ... | 66 | 299,399 | 30 | 124,217 | 96 | 423,616 |
| November ... | 67 | 303,627 | 20 17 | 68,990 | 87 | 372,617 |
| December 1941 .. | 57 | 242,726 | 17 | 82,890 | 74 | 325,616 |
| January ... | 41 | 205,473 | 18 | 104,258 | 59 | 309,731 |
| February ... | 70 | 275,574 | 19 | 75,310 | 89 | 350,884 |
| March ... | 85 | 348,118 | 39 | 167,645 | 124 | 515,763 |
| April | 72 | 346,208 | 63 | 243,065 | 135 | 589,273 |
| May | 77 | 380,035 | 27 | 117,812 | 104 | 497,847 |
| June | 52 | 228,284 | 25 | 101,012 | 79 | 329,296 |

In the interest of national security, no further monthly figures of shipping losses will be issued.

## RECENT MOVEMENTS IN UNITED STATES.

## Information communicated by Miss DOROTHY WESCOTT, Assistant Editor of the Review of Economic Statistics, Harvard University.

Fune 7 th, 194 I .
general surver.-The American economy is moving swiftly toward a war-time basis. As yet civilian industry has not been noticeably affected by the defence programme, but government control measures affecting many major lines of industry are expected to follow the President's proclamation, on May 27th, of an unlimited national emergency.

With the passage of the Lease-Lend Act in March, defence appropriations for the fiscal year ending June 30th, 1941, approached $\$ 30,000 \mathrm{Mn}$.; and the defence programme is estimated to involve expenditures of more than $\$ 40,000 \mathrm{Mn}$. during the fiscal year 1942. The government's first steps to assure priorities for defence orders occurred in March, when machine-tool builders and aluminium producers were subjected to an industry-wide priority status; these measures were followed by priority orders for other industries-such as nickel, magnesium, neoprene, and ferro-tungsten; and on May 3Ist, the Administration placed strict control over the use of copper-a metal which, like aluminium, has wide civilian demand - and announced the appointment of a co-ordinator for the petroleum
industry, to oversee the demands for oil from the armed services and the civilian population.

General business activity this year has averaged well above 1940, although in April the rate of advance was lessened considerably by labour difficulties in important industries. Sensitive commodity prices-of both imported and home produced commodities-have risen sharply, and the government has introduced price-control measures. On April IIth, the President established the Office of Price Administration and Civilian Supply, specifying that the Administrator of the Office should have broad powers over price policy throughout industry. The first important measure announced by the new office was the setting of an upper limit for steel prices, the Administrator explaining that the action was essential because an advance in steel prices would have laid the foundation for "a dangerous upward spiral of prices in general." The government's fiscal programme includes the raising by increased taxation of $\$ 3,500 \mathrm{Mn}$. of additional revenue in the fiscal year 1942, and the offering of Defence Savings Bonds and Stamps for voluntary purchase by individuals, corporations and investors generally.



BUSINESS VOLUMES.-General business activity, measured by adjusted bank debits for selected cities in the United States, rose sharply in March to the highest level since the middle of 1930, and April and May have brought further, though less, pronounced increases. Part of these recent monthly changes have undoubtedly been due to the sharp advances occurring among commodity prices, since bank debits reflect movements in both prices and the volume of business. Industrial production, after allowance for seasonal changes, declined in April largely because of reduced output of bituminous coal and of automobiles. Early in the month bituminous coal mining in the Appalachian fields was suspended, pending the consummation of a new working agreement between miners and operators. Nearly $90 \%$ of the country's coal mining capacity was idle until the end of the month when a temporary agreement was reached, and mining was resumed. Because of the duration of the strike and the coal shortage, a number of blast furnaces in the pig-iron industry were banked during April, and the rate of activity in the steel industry dropped from an average of about $100 \%$ at the end of March to about $94 \%$ at the end of April. A threatened strike in the steel industry about the middle of April was averted by the granting of wage increases amounting to 10 cents an hour. Automobile output in April was reduced because of a two-weeks' strike at the plants of one of the leading producers, and because of labour disturbances at other important automobile factories. Reflecting curtailment and stoppage of output in these industries, the Federal Reserve Board seasonally adjusted index of industrial production fell from 143 (\% of 1935-39) in March to 139 in April. The May index is not yet available, but some increase is expected since operations in those industries affected by strikes in April are reported to have increased rapidly after operations were resumed in late April and early May. Cotton textile and rayon production reached new high levels in April, and gains above first-quarter records were reported for wool textile, chemical, paper and food industries. Further gains in April to new peak figures were shown by the indices for aircraft, machinery and shipbuilding. At the request of the Office of Production Management, the automobile industry has agreed to curtail output by $20 \%$ during the 1942 model year, in order to release productive capacity and materials for defence purposes.

The April decline in seasonally-corrected figures for freight car loadings to the lowest
figure since last November (see Table, p. 83) vyas due entirely to a sharp decrease in loadings of coal and coke. The adjusted figures for all other classes of freight were higher than in March, with shipments of ore showing a particularly sharp advance. The index for department store sales, which has remained unchanged since February, is the highest since June, I930 ; and the few other indices of retail trade that are available (sales of mail order houses, variety stores, chain stores) have advanced since the first of the year. This improvement in retail trade has reflected the steady increase in income payments; since the spring of I 940 , the monthlyadjusted index of income payments has risen without interruption. Factory employment in March was $15 \%$ greater than in March, I940, while payrolls exceeded those of a year ago by $31 \%$, as longer hours of work, overtime payments, and wage increases became fairly widespread.

The sharp decline in construction contracts awarded, as reported by the F. W. Dodge Corporation (see Table, p. 83), in April reflects a decrease from an artificially high level in March, rather than a change in the actual value of construction undertaken during April. The March figure included a large number of defence contracts actually awarded in previous months, but not reported in the Dodge figures until March, because of the receipt of insufficient information in earlier months. For the first four months of 194I, construction activity has been the highest in io years or more, an expansion shared by all the major classes of construction. The most pronounced increases of recent months have occurred in industrial building, which includes the construction of plants essential to defence industries.

COMMODITY PRICES. - The irregular movement of wholesale commodity prices which characterized the first two months of the year was followed in March by sharp advances; the B.L.S. daily index of sensitive commodity prices rose $9 \%$ between March ist and March 29th. The group of industrial materials included in this index showed an increase of $7 \%$, while foodstuffs rose $11 \%$. Advances continued in April and May, but the rate of increase was not so great as in March. On May 29th the B.L.S. sensitive price index was 142.9 (\% of August, 1939), compared with 123.8 on February 28th, I35 ${ }^{\circ}$ on March 29th, and 137.2 on April 30 th. The more comprehensive weekly index of the Bureau of Labor Statistics (based on some 900 commodities) advanced I. $9 \%$ in March, $1.5 \%$ in April, and $2 \cdot 2 \%$ in May.

MONEY AND CREDIT.-Total loans and investments of reporting member banks of the federal reserve system have continued to rise sharply, and on May 2Ist they reached the new high figure of $\$ 27,800 \mathrm{Mn}$. Of this amount $36 \%$ represented loans, and $64 \%$ investments. Commercial loans, reflecting the advance in business activity, rose $\$ 621 \mathrm{Mn}$. between the end of December and the third week of May ; and security holdings increased more than \$1,500 Mn., mainly because of larger holdings of U.S. government securities.

As in January and February, member bank reserve balances-reflecting mainly changes in currency circulation and in Treasury depositshave fluctuated widely during the past three months, although the general tendency has been downward. On May 28th, reserve balances were $\$ 277 \mathrm{Mn}$. below those at the close of last year, and excess reserves had fallen by almost $\$ 800$ Mn . Most of the decline in reserve balances was due to a substantial increase in the amount of money in circulation, although Treasury, non-member bank, and other deposits also were larger at the end of May than at the end of December. Reductions in reserves that occur as a result of increased Treasury deposits, however, are of a temporary nature, since such increases are followed by losses as funds are paid out to meet government expenses. Treasury deposits rose sharply in the second half of March, when large income payments were received and new offerings of Treasury bonds and notes were heavily over-subscribed, and again in late April, when receipts from the sale of Reconstruction Finance Corporation notes
were received ; but between the end of April and the end of May, such deposits fell sharply. Although they remained above the figure at the end of December, they were about half the amount held at the end of March. The downward movement in currency in circulation that had occurred in January, as money returned to the banks after the Christmas holidays, was reversed in February ; subsequently, the amount of money in circulation has risen with very little interruption to the highest level in many years. This increase in currency circulation, together with larger reserve requirements resulting from increased bank deposits, has dominated the course of excess reserves this year ; although additions to the gold stock have occurred each month, the net increase has been relatively small.

SPECULATION AND FINANCE.-Stock prices have declined since the first of the year, and in May activity on the New York Stock Exchange was the lowest of any May since I9I4. Price fluctuations from day to day have been exceptionally small ; the Dow-Jones industrial stock price index in May ranged between a high of 117.82 and a low of 115.30 . Corporate bond prices likewise have moved within a narrow range, with the general tendency downward. Security flotations for the first quarter of the year were higher than in the corresponding quarter of any one of the three preceding years, but were lower than in the first three months of 1937. United States Treasury financing during the quarter increased sharply, the largest part of the advance representing a substantial rise in new indebtedness.

## CANADA.

Information communicated by B. A. and A. F. W. PLUMPTRE, of the University of Toronto.

## Fune 16 th, 1941.

AT the end of April, i94I, the third war budget was introduced into the House of Commons. Its provisions indicate the extent of the war programme which the Government is adopting for the fiscal year ending in March, 1942, and the measures whereby it hopes to restrict civilian consumption and investment, and thereby to avoid a general inflationary pressure. The main features of the new budget are as follows :-
(I) The size of the new budget may be gathered from the fact that Dominion government expenditures are forecast amounting to $\$ 2,600$ Mn . A further $\$ 600 \mathrm{Mn}$. will be spent by provincial and local governments, so that together all governments are expected to spend about $\$ 3,200 \mathrm{Mn}$., which is likely to be more than $55 \%$ of the national income in 1941-42. Only about $\$ 450 \mathrm{Mn}$. of the Dominion Government's outlay will be devoted to civilian purposes, so that $\$ 2,150 \mathrm{Mn}$. (nearly $40 \%$ of the national income) are attributable to war purposes. Of this sum, something like $\$ 850 \mathrm{Mn}$. are attributable to financing a credit balance on international account. (The estimated net credits to be supplied to Great Britain amount to no less than $\$_{1}, 150 \mathrm{Mn}$., but this is offset by $\$ 300 \mathrm{Mn}$. in the form of estimated net debits to be incurred in U.S.A.)
(2) Tax collections by the Dominion Government are expected to yield about $\$_{1,400 \mathrm{Mn} \text {. in }}$ the current fiscal year. This represents an increase of nearly $50 \%$ over collections in the previous year. Nevertheless, so great is the anticipated increase of expenditures, that taxes, this year as last, will only cover about $55 \%$ of total expenditures.
(3) This budget goes much further than its predecessors in relying on direct rather than indirect taxation. All direct taxes (personal and corporate income taxes, the excess profits tax, and the newly-introduced succession duties) are expected to yield some $\$ 700 \mathrm{Mn}$., or $50 \%$ of total revenues. Before the war, direct taxes were only yielding about $25 \%$ of Dominion revenues. Since that time, however, the exemptions on income tax have been reduced from $\$ 1,000$ (unmarried person) to $\$ 750$, rates have been increased to levels which, while by no means as high as the British, bear comparison with them, a National Defence Tax collectible at the source
on incomes over $\$ 660$ (unmarried person) has been introduced, the corporate income tax has been raised in steps from $15 \%$ to $40 \%$, an excess profits tax of $75 \%$ on increases over prewar earnings has been imposed, and new succession duties have been introduced.
(4) In the new budget the Dominion Government is deliberately invading fields of taxation previously left to the provinces. For instance, it is, as already mentioned, imposing succession duties, and also a gasoline tax of 3 cents per gallon. In addition, its increases of personal and corporate income taxes are in a form intended to exclude the provinces from these fields for the duration of the war. It is expected that the Dominion, with a unified tax system, will be able to exploit these fields more economically and productively than the provinces. Accordingly, as an inducement to the provinces to withdraw from these fields for the duration of the war, the Dominion is offering fairly generous grants and guarantees. While some provinces have indicated willingness to accept, the government of the important province of Ontario, which has for some time been unfriendly to the Dominion Government, has shown an unwillingness to sacrifice its fiscal autonomy to the extent requested. The outcome of this controversy is still in doubt.
(5) An important feature of the budget speech was the proposal, subsequently put into effect, for rationing private investment in buildings, equipment and repairs. Private homes, farms, and farm equipment are exempt ; but all other capital expenditures in excess of certain quite low maxima must be approved by the Priorities Officer of the Department of Munitions and Supply.

With this third war budget, and the third public war loan at present being sold, the fiscal and financial programme of the Canadian Government has passed from the temporary, expansive stage to the restrictive stage indicative of full or nearly full employment. (Whether the government will be successful in implementing its restrictive programme must for the time being remain uncertain.) It is impossible to say, for lack of reliable statistics, how much unemployment still remains in Canada. The volume of employment, which rose rapidly during 1940, especially in manufacturing industries connected

|  | FINANCE． |  |  |  |  | PRICES． |  |  |  | TRADE AND PRODUCTION |  |  |  |  |  |  | EMPLOYMENT． |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
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|  |  |  |  |  |  | － | 5 |  |  |  |  |  | ． | $\bigcirc$ | ＇亏ై | 哥 |  |  |  |
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|  |  |  |  |  |  |  | $\begin{aligned} & \text { äo } \\ & \text { a } \end{aligned}$ | そ |  |  |  |  | 気范 | $\begin{aligned} & \text { diO } \\ & \text { EOO } \end{aligned}$ | تू | $\begin{gathered} \text { 刃 } \\ \text { ~ } \\ \hline \end{gathered}$ |  |  |  |
|  |  |  |  |  |  | \％ | \％ | \％ |  | S Mn． | \＄Mn， |  | \％ | \％ | 000 | \％ |  |  |  |
| 1926 | 1 | 100 | 253 | 125 | 5 | ${ }^{6}$ | ${ }^{7}$ | $\delta$ | 9 | 10 | 11 | 12 | 13 | 14 | 10 | 16 | 17 | 18 | 19 |
| Average | － | 100 | 253 | 125 | 195 | 100 | 100 | 100 |  | 84 | 107 | 63 | 100 | 100 | 272 | § | 100 | 100 | 100 |
| 1933 Av ． | － | 96 | 250 | 115.5 | 193 | 51 | 70 | 67 | － | 37 | 45 | 22 | 77 | 28 | 170 | $84 \cdot 5$ 88.8 | 77 | 81 | 84 |
| 1934 Av ． | $\overline{0}$ | 84 | 274 | 111.5 | 195 | 59 | 73.5 | 71.5 |  | 43 | 55 | 26 | 94 | 36 | 193 | 88.8 | 109 | 91 | 96 |
| 1935 Av ． | 84 | 107s | 263 | 104 | 208 | 63 | 73 | 72 | 96.2 | 46 | 62 | 26 | 103 | 51.5 | 197 | $91 \cdot 9$ | 97 | 88 | 100 |
| 1936 Av ． | 109 | 98. | 299 | 91.5 | 221 | 70 | 74 | 74 | C8．1 | 53 | 80 | 39 | 115 | 46 | 208 | 96.5 | 87 | 104 | 104 |
| 1937 Av ． | 116 | 102 | 293 | 96 | 235 | 87 | 80 | 85 | 101.2 | 67 | 84 | 32 | 127 | 58 | 220 | 104.5 | 101 | 115 | 115 |
| 1938 Av． | 95 | 96 | 258 | 98 | 242 | 74 | 78 | 78 | $102 \cdot 2$ | 56 | 71 | 26 | 115 | 52 | 202 | 101.2 | 107 | 111 | 111 |
| 1939 Av ． | 92 | 98 | 264 | 104 | 258 | 64 | 75 | 75 | 101.5 | 63 | 78 | 29 | 125 | 51 | 212 | $104 \cdot 7$ | 111 | 113 | 114 |
| 1937 | 121 | 102 | 272 | 97 | 232 | 93 | 82 | 88 | 101 | 72 | 92 | 34 | 131 | 49 | 219 | 104．2 | 140 | 118 | 120 |
| JULY | 123 | 101 | 261 | 98 | 234 | 85 | 82 | 86 | 102.1 | 70 | 91 | 31 | 127 | 54 | 231 | $103 \cdot 8$ | 144 | 121 | 123 |
| SEPT． | 108 | 101 | 273 | 98 | 237 | 86 | 81 | 85 | $102 \cdot 3$ | 70 | 84 | 29 | 127 | 56 | 262 | $105 \cdot 4$ | 144 | 122 | 126 |
| OCT．．． | 96 | 103 | 291 | 99 | 233 | 86 | 81 | 85 | 1029 | 82 | 94 | 39 | 133 | 54 | 260 | $107 \cdot 3$ | 132 | 119 | 125 |
| NOV．．． | 94 | 102 | 293 | 97 | 235 | 84 | 81 | 83 | $102 \cdot 9$ | 81 | 102 | 45 | 134 | 48 | 235 | 103.9 | 104 | 116 | 122 |
| DEC．．． | 94 | 100 | 308 | 94 | 233 | 84 | 80 | 83 | 101.2 | 53 | 76 | 29 | 125 | 64 | 204 | 111.1 | 82 | 109 | 113 |
| 1938 | 98 | 99 | 244 | 91 | 231 | 86 | 82 | 84 | 102 | 50 | 72 | 30 | 114 | 49 | 187 | 104.2 | 72 | 110 | 110 |
| FEB ．．． | 98 | 99 | 218 | 92 | 232 | 85 | 82 | 84 | $102 \cdot 3$ | 47 | 61 | 20 | 107 | 37 | 180 | $103 \cdot 3$ | 71 | 110 | 108 |
| MAR．．． | 90 | 98 | 237 | 93 | 234 | 83 | 82 | 83 | $102 \cdot 8$ | 65 | 74 | 23 | 110 | 53 | 199 | 101.7 | 72 | 111 | 105 |
| APRIL | 89 | 96 | 240 | 97 | 241 | 82 | 81 | 82 | 1028 | 49 | 52 | 13 | 114 | 57 | 185 | $103 \cdot 2$ | 88 | 111 | 107 |
| MAY | 91 | 95 | 246 | 96.5 | 240 | 77＋ | 79 | 80 | 102.4 | 67 | 68 | 19 | 112 | 49 | 190 | 99.6 | 114 | 112 | 112 |
| JUNE | 91 | 95 | 273 | 99 | 246 | 77－ | 79 | 80 | 102.4 | 59 | 67 | 23 | 109 | 50 | 187 | $102 \cdot 0$ | 125 | 112 | 113 |
| JULY | 97 | 46 | 247 | 99 | 239 | 71 | 78 | 78 | $102 \cdot 6$ | 56 | 67 | 24 | 110 | 51 | 187 | $99 \cdot 3$ | 128 | 110 | 112 |
| AUG．．． | 101 | 96 | 237 | 98 | 242 | 64 | 77 | 76 | 103•1 | 57 | 70 | 22 | 111 | 53 | 213 | 98.4 | 134 | 114 | 115 |
| SEPT． | 90 | 98 | 265 | $102 \cdot 5$ | 245 | 64 | 76 | 74 | $102 \cdot 1$ | 56 | 73 | 29 | 121 | 53 | 250 | 101.2 | 143 | 112 | 117 |
| OCT．．． | 100 | 97 | 298 | 105 | 248 | 64 | 75 | 74 | 1017 | 84 | 89 | 40 | 121 | 62 | 257 | $100 \cdot 9$ | 123 | 111 | 115 |
| NOV．．． | 101 | 95 | 297 | 103 | 250 | 65 | 74 | 73 | 101.5 | 63 | 87 | 38 | 128 | 48 | 219 | $101 \cdot 1$ | 113 | 110 | 114 |
| 1）EC．．． | 97 | 94 | 291 | 100 | 250 | 65 | 74 | 73 | $101 \cdot 1$ | 44 | 70 | 29 | 118 | 63 | 178 | 99．9 | 96 | 104 | 108 |
| 1939 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 100．3 |  |  |  |
| FAN ．．． | 94 | 94 | 251 | 98. | 246 | 65 | 73.5 | 73 73 | 101.1 $100 \cdot 7$ | 44 40 | 58 | 27 19 | 114 | 56 | 160 | ＋99．2 | 89 94 | 106 | 106 |
| MAR．．． | 94 | 92 | 243 | 100 | 249 | 65 | 73 | 73 | $100 \cdot 6$ | 58 | 70 | 21 | 115 | 47 | 191 | 98.1 | 92 | 107 | 105 |
| APRIL | 88 | 94 | 247 | 101 | 251 | $65 \cdot 5$ | 73 | 73 | $100 \cdot 6$ | 42 | 51 | 14 | 119 | 51 | 179 | 103.4 | 94 | 108 | 106 |
| MAY．．． | 90 | 95 | 284 | 102 | 252 | 65 | 73 | 74 | $100 \cdot 6$ | 73 | 81 | 28 | 123 | 49 | 215 | 103.0 | 115 | 111 | 113 |
| JUNE | 88 | 93 | 283 | 101 | 254 | 63 | 73 | 73 | $100 \cdot 5$ | 64 | 78 | 26 | 124 | 59 | 195 | 105.4 | 133 | 111 | 116 |
| JULY | 89 | 93 | 238 | 100 | 252 | 63 | 73 | 73 | $100 \cdot 8$ | 58 | 77 | 28 | 124 | 54 | 196 | $103 \cdot 8$ | 146 | 113 | 117 |
| AUG．．． | 86 | 95 | 239 | $100 \cdot 5$ | 252 | 58 | 73 | 72 | $100 \cdot 8$ | 63 | 76.5 | 24 | 127 | 60 | 229 | $102 \cdot 9$ | 152 | 115 | 120 |
| SEPT． | 91 | 109 | 283 | 107 | 258 | 64 | 78 | 78 | $100 \cdot 8$ | 74 | $82 \cdot 5$ | 30 | 128 | 49 | 295 | $109 \cdot 9$ | 131 | 120 | 122 |
| OCT． | 97 | 106 | 290 | 114 | 284 | 64.5 | 79 | 80 | 103.5 | 79 | 91 | 38 | 140 | 43 | 270 | $111 \cdot 1$ | 118 | 122 | 124 |
| NOV．．． | 94 | 103 | 293 | 116 | 281 | 65 | 80 | 80 | 103.8 | 85 | 98.5 | 43 | 139 | 40 | 248 | $107 \cdot 1$ | 94 | 122 | 123 |
| DEC．．． | 92 | 104 | 306 | 114 | 277 | 69 | 81 | 82 | $103 \cdot 8$ | 72 | 102 | 53 | 138 | 62 | 199 | $112 \cdot 3$ | 69 | 118 | 116 |
| 1940 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN．．． | 91 | 102 | 295 | 112 | 276 | 70 70 | 81.5 82 | 83 83 | $103 \cdot 8$ 103.8 | 71 | 91 | 36 26 | 145 136 | 52 | 210 | 110.8 111.5 | 55 | 120 | 114 |
| MAR．．． | 90 | 102 | 241 | 117 | 272 | 71 | 82 | 83 | 104.6 | 77 | 83.5 | 32 | 127 | 61 | 195 | 112.3 | 60 | 123 | 112 |
| APRIL | 88 | 100 | 294 | 112.5 | 5274 | 73 | 81.5 | 83 | 104.6 | 86 | 85 | 27 | 160 | 97 | 219 | $110 \cdot 0$ | 68 | 126 | 114 |
| MAY．．． | 73 | 100 | 334 | 111 | 278 | 68 | 81 | 82 | $104 \cdot 9$ | 100 | 111 | 43 | 147 | 76 | 237 | 113.7 | 90 | 129 | 121 |
| JUNE | 66 | 101 | 268 | 111 | 271 | 64 | 80 | 82 | $104 \cdot 9$ | 91 | 112 | 31 | 148 | 84 | 240 | 116.6 | 105 | 130 | 125 |
| JULY | 66 | 101 | 262 | 109 | 267 | 65 | 81 | 83 | 105.6 | 90 | $101 \cdot 5$ | 29 | 151 | 71 | 248 | 114.5 | 114 | 134 | 128 |
| AUG．．． | 69 | 100 | 246 | 110 | 269 | 63 | 81.5 | 83 | 105.9 | 97 | 113 | 32 | 162 | 91 | 256 | 119.8 | 121 | 138 | 132 |
| SEPT． | 76 | 99 | 257 | 114 | 280 | 64 | 82 | 83 | 106.4 | 86 | 103 | 31 | 167 | 127 | 252 | 116.5 | 121 | 144 | 136 |
| OCT． | 74 | 99 | 353 | 118 | 278 | 65 | 82 | 83 | $107 \cdot 0$ | 109 | 107 | 30 | 163 | 81 | 281 | $120 \cdot 0$ | 121 | 145 | 139 |
| NOV．．． | 74 | 98 | 305 | 117 | 276 | 67 | 82 | 84 | $107 \cdot 8$ | 102 | 118 | 40 | 169 | 151 | 259 | 123.1 | 106 | 145 | 139 |
| DEC．．． | 70 | 97 | 321 | 115 | 281 | 67 | 83 | 84 | 108.0 | 102 | 99 | 28 | 159 | 99 | 231 | $130 \cdot 9$ | 83 | 143 | 134 |
| 1941 | 71 | 96 | 294 | 113 | 287 | 67 | 83 | 85 | $108 \cdot 3$ | 98 | 89 | 21 |  |  | 229 | 124.6 | 83 | 147 | 135 |
| FEB ．．． | 67 | 96 | 254 | 114 | 299 | 68 | 84 | 85 | $108 \cdot 2$ | 90 | $100 \cdot 5$ | 30 |  |  | 250 | $130 \cdot 6$ | 83 | 151 | 135 |
| MAR．．． | 67 | 96 | 294 | 115 | 297 | 69 | 84 | 86 | 108.2 | 108 | 103 | 25 |  |  | 250 | $129 \cdot 3$ | 83 |  |  |
| APRIL | 66 | 96 | 298 | 114 | 306 | 69．5 | 85 | 87 | 108.6 |  | 118 | 40 |  |  | 252 | $135 \cdot 4$ |  |  |  |

Dates of Series ：Cols．4，5，16－18，end of month；1－2，6－9，averages．Source ：Dominion Bureau of Statistics
Notes on Series
Col．I．－＂Investors＇Index．＂Index of current market valuation of share－ holders＇equity in about 100 companies（ $\%$ of 1935－39）
includes partly and fully manufactured products in some cases made from imported raw materials，e．g．，rubber products
Weighted index of yield to maturity or call date（whichever gives Col．13．Adjusted for seasonal variation．Includes $4 I$ weighted series largely lowest）of 6 taxable federal issues maturing in not less than 7 years From 32 banking centres，comprising about $85 \%$ of total debits Excludes debis tounding in April，1935．Largely influenced by financial transactions
＂4．－Refers to operations in Canada only．Includes loans to provincial and municipal governments．
＂5．－Includes governmental deposits．Excludes all deposits with provincial， postal and Quebec savings banks，and with trust companies
＂6－8．－Col． 6 comprises 70 items，col． 7 ， 322 items，col． 8,567 items Comprises separate groups for food，fuel，rent，clothing，sundries（includ ing services）．In cludes home furnishing from 1939 ．Base $1935-9=100 \%$ ．
－Excludes all exports of both monetary and non－monetary gold since 1937 ；includes gold in small quantities only，shipped as dust，quartz，
12，－Comprises＂animal products＂and＂vegetable products＂groups

Adjusted for seasonal variation．Includes 4 I weighted series largely mplitude of cyclical fluctuations probably with ends to overstate
－Based on value of contracts awarded deflated annually for chans． union rates of wages，and monthly for changes in prices of building materials．
5．－Revenue freight only ；excludes cars received from U．S．connections
6．－Index of value，comprising 13 groups adjusted for number of business days and for seasonal variation．Refers to department，＂variety，＂and chain stores only，representing chiefly urban sales．Base－Av．1930 $100 \%$ ．Monthly series commenced January，1929．Annual estimates from 1923
7．－Includes workers on relief projects．
9．－Establishments with over is employees only．Includes part－time workers on same basis as full－time．Excludes farm labourers and civil servants，and underweights the service industries．
with the war, is doubtless still rising very fast. (Special causes have delayed publication of employment figures since February, 1941, and other indexes are becoming increasingly difficult to interpret because of wartime distortions.) A general scarcity of unskilled labour, male and female, does not seem to have arisen yet, but acute shortages of skilled labour exist and farmers complain increasingly of inability to retain or obtain labour. With new plants for war production opening every month in various parts of the country, and with recruiting for the armed forces proceeding steadily if slowly, the Canadian economy is certainly entering the zone of "full employment."

From the very beginning of the war, as reflected in the budget of the special session of parliament in September, 1939, the Department of Finance and the Bank of Canada have distinguished between the monetary and fiscal policies appropriate to rising employment and those appropriate to full employment. Accordingly that budget did not increase taxes very sharply or extend them very widely. Even the second war budget, of June, I940, while announcing sharp increases in the income tax, made a point of the fact that these increases would not be payable until 194I. By contrast, the new budget of April, 1941, far from permitting postponement, has introduced a scheme whereby income tax payments finally due in March, 1942, may be paid in instalments, starting in September, 1941.

Although income tax instalments at the heavy rates announced in the new budget do not become payable until September, a number of generally restrictive wartime measures are already operative, including the by-no-meansnegligible income tax rates of the 1940-4I budget. Despite these tax measures, and despite the war-savings campaign initiated in May, 1940, and intensified in February and March, 1941, retail sales continue to mount rapidly. In the first four months of 194I, the index of retail sales ran nearly $20 \%$ ahead of the same months of 1940, while the index of retail prices was only $3 \%$ or $4 \%$ higher. It is clear that the government's general restrictive measures have not yet caught up with the wartime expansion of purchasing power.

While deliberately postponing the imposition of burdensome general taxation until relatively recently, the authorities introduced a number of measures of specific taxation designed to release scarce resources for war purposes. Some of these have been of a type familiar in other countries: Taxes on automobiles, radios, gramo-
phones, cameras, and other civilian commodities which compete directly for labour, materials and even for machinery, that might be used in producing war supplies. Such taxes, indicative of the emergence of specific shortages, were introduced in the budget of June, 1940, increased and extended in a special Act of December of the same year, and again increased in the budget of April, 194I. For instance, special taxes on the cheaper types of automobiles were introduced at $10 \%$ and then raised to $20 \%$, and again to $25 \%$. (More expensive automobiles were subjected to heavier taxes.) It is dubious, however, how much success can be attributed even to these specific measures of restriction. Purchases of the taxed articles generally seem to have risen rather than fallen. On the other hand, with greatly increased purchasing power in the hands of the public, purchases might well have risen more steeply had the taxes not been imposed. It may be significant that purchases of motor cars have risen considerably less rapidly than the index of retail sales. From now on automobile purchases may be expected to decline, because of quotas on production and priorities on steel and other materials.

Further fiscal measures have been introducep to conserve the most important of all scarce resources-U.S. dollars. This is the bottleneck into which all other Canadian bottlenecks tend to be transformed, for if a thing is lacking in Canada, it will normally be purchased across the border in U.S.A. In order to conserve supplies of American dollars for war purposes, a War Exchange Tax of 10\% was introduced in June, I940, on all imports from non-Empire countries. Much more drastic restriction came in the War Exchange Conservation Act of December, 1940, which prohibited importation of a wide range of products from non-Empire sources, and subjected another group to quotas pending ultimate exclusion. (At the same time a number of duties on imports from Great Britain were reduced and others eliminated. This policy was considerably extended in the budget of April, 194I.)

An important section of the budget speech of April, I94I, was devoted to the foreign exchange situation and to an explanation of some of the implications of the " Hyde Park Declaration" which was made public on April 20th, 1941. This declaration of economic co-operation between Canada and the United States is of great importance, both in relieving an increasing shortage of American dollars and in opening the way towards wartime economic adjustments between the two countries. The shortage of

American dollars is to be alleviated partly by increased American purchases of Canadian products (amounting perhaps to $\$ 175 \mathrm{Mn}$. in 194I-42), and partly by allocating to British Lend-Lease account those imports from U.S.A. into Canada which will be used in the production of war supplies for Great Britain (amounting perhaps to $\$ 200 \mathrm{Mn}$.). However, according to the estimates appearing in the budget speech, Canada still seems to face a continued loss of foreign assets during the year to the U.S.A., amounting to perhaps $\$_{100} \mathrm{Mn}$.*

The amount to be borrowed in 1941-42, as the budget figures for expenditures and tax revenues imply, is about $\$ \mathrm{I}, 200 \mathrm{Mn}$. It is
hoped that $\$ 200 \mathrm{Mn}$. will be raised from " small savings " in the form of war savings certificates, contributions to the new unemployment insurance system, etc. The remainder, amounting roughly to $\$ 1,000 \mathrm{Mn}$., will have to be sought in the open market. During June, 194I (as this is written), a campaign is being conducted to sell $\$ 600 \mathrm{Mn}$. of government bonds-the highest objective in the history of Canadian loans.

* In our report on Canada for April, 1941, we roughly estimated that Canada started the war with liquid foreign assets amounting $: 400 \mathrm{Mn}$. and lost $\$ 50 \mathrm{Mn}$. to $\$ 100 \mathrm{Mn}$. during the first year and a half. According to the budget, losses were considerably larger, amounting to $\$ 225 \mathrm{Mn}$. by the end of March, I94I.


# THE DEVELOPMENT OF THE NATIONAL ECONOMY OF THE U.S.S.R. IN 1940 

By ALEXANDER BAYKOV.**


#### Abstract

INDUSTRY.-During the first half of I940, industrial output appears to have been considerably affected by the Finnish War and by the military operations connected with the occupation of Bessarabia and Northern Bukovina. Output fell, not only well below the planned figure, but in some industries below the 1939 level. The timber and lumber, building materials and fishing industries were among the worst, but the outputs of practically all the major industries, including electricity, paper, textiles, oil, iron and steel and non-ferrous metals, were well below the figure planned. Reports of poor quality were also frequent.

To meet this situation, between June and September a series of drastic measures was taken to improve output. In June the standard working day in industrial occupations was lengthened by one hour, and in offices by two hours, without


 any increase in weekly wages. For piece workers, rates were lowered to correspond with the fall in the average hourly rates of time workers. In July, new penalties were announced for those responsible for the management of plants where the quality of the output was below standard, while a fund was instituted for special prizes for both managements and employees in plants with the best output achievement.In September a new Commissariat-" The People's Commissariat of the State Control of the U.S.S.R." was set up to replace the existing machinery for central co-ordination and control of industrial output. This measure was supplemented in October by the institution of a system of compulsory training for youths in special artisan and industrial schools, in which it is hoped to train from 800,000 to $1,000,000$ artisans a year.

The effects on output of this last measure will, of course, not become apparent for some time. But the results of the others were seen almost immediately, and by the last quarter of the year industrial production was showing a very marked increase. This was not sufficient to bring output for the year up to the level planned, but it enabled a substantial improvement over 1939 to be recorded for the year

[^44]as a whole. As the planned figures for 194I show, it was hoped that this improvement would be maintained and increased during 1941 :-

|  |  | 1938 | 1939 | 1940 | 194 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Capital Goods Consumer Goods | $\ldots$ | $\begin{aligned} & 62 \cdot 6 \\ & 44 \cdot 2 \end{aligned}$ | $73 \cdot 7$ | $83 \cdot 9$ | (Plan) 103.6 58.4 |
| Total ... | ... | 106.8 | 123.9 | 137.5 | 162 |

Outputs of certain individual industries are as follows :-

|  | 1937 | 1938 | 1939 | 1940 | 1941 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Coal (Mn, metric Tons) | 127.9 | 13 | 145.9 | $164 \cdot 6$ | (Plan) |
| Oil | 30.5 | $32 \cdot 2$ |  | $34 \cdot 2$ | 38. |
| Pig Iron | 14.5 | $14 \cdot 6$ | * | 14.9 | 18.0 |
| Steel ( | 17.7 | 18.0 | * | 18.4 | $22 \cdot 4$ |
| Rolled Metal (, | 13.0 | $13 \cdot 3$ | * | $13 \cdot 4$ | $15 \cdot 8$ |
| Aluminium (Th. m. Tons) | 37.7 | 56.8 | * | $59 \cdot 9$ | 99.4 |
| Copper (, ) | 99.8 | 103.2 | * | $164 \cdot 7 \dagger$ | $215.7+$ |

In textiles, it is stated that the planned quantity of output was approximately reached, but that quality fell below the level aimed at.

AGRICULTURE.-For food crops, the results of the 1940 season were on the whole fairly good. The output of grain rose by $7 \cdot 3 \%$ and of sugar beet by $18.6 \%$. Textile crops were less satisfactory ; the cotton crop was smaller than in 1939 and the flax crop only slightly larger. The production in 1940 approximately was: gross production of grain about $1,130.9$ million metric quintals ${ }^{\star}$; sugar beets 249.4 million metric quintals ; cotton seed 24.1 million metric quintals ; and flax fibre 6.7 million metric quintals. The livestock position showed little or no improvement. It is true that the livestock population of state farms showed a considerable increase- $12 \%$ in cattle, $15 \%$ in pigs, $25 \%$ in sheep, and $34 \%$ in goats-but the additional animals seem to have been almost entirely acquired by purchase from peasant owners, whose holdings of livestock have probably shown at least an equal fall.

For 1941, an expansion of $3.9 \%$ in the area under crops was planned, the increases being chiefly in vegetables and feeding stuffs. Substantial increases in the number of livestock on state farms were also planned. It seems possible that the agricultural output planned may be achieved ; but in view of the reports of mortality among young livestock on state farms it seems

$$
\text { Io quintals }=\text { I met. ton. }
$$

likely that considerable further improvements will have to be made before the urgent and difficult livestock problem is solved.

TRANSPORT.-The railways increased their volume of freight traffic between I939 and I940 by $4.3 \%$ (from 392 Md . ton-km. to 409 Md .), but the strain upon them remains very severe. The condition of the tracks is still far from satisfactory, and improvements are urgently needed. For 1941 it was planned to increase freight traffic by a further $4 \%$, to increase the amount of capital expenditure by $55 \%$ to 6.5 Md . roubles, and to double the supply of new trucks.

To relieve the strain on the railways and to create a reserve of freight capacity, plans were made for 1941 to increase greatly the use made of canal and river transport. The plans included the reconstruction of several important canals and the replenishment of the river fleet. Much of the equipment of the inland waterways has been allowed to fall into serious disrepair, and it is doubtful whether the planned increase of $28 \%$ in river transport can be achieved or the railways relieved of bulk goods traffic to the extent anticipated.

For 194I the financial estimates are as follows :-

| (Md. Roubles). |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  | Revenue. | Expenditure. |
| Union Budget | $\ldots$ | ... | 1705 | $169 \cdot 7$ |
| Budgets of Soviet Republics | ... | $\ldots$ | 314 | 33.3 |
| Local Budgets ... | ... | ... | $11 \cdot 9$ | $13 \cdot 1$ |
| Total State Budget | ... | $\ldots$ | $216 \cdot 8$ | $216 \cdot 1$ |

THE STATE BUDGET.-Though revenue received during 1940 fell slightly below the
original estimates, expenditure was correspondingly reduced, and the year ended with a slight surplus :-


It is probable that part of the expenditure appearing under the head of 'Financing of National Economy' was in fact incurred on Defence.

The increase in the i94I estimates over the figures for 1940 is partly due to the inclusion of budgets for territory occupied in 1939 and 1940. An increase was planned in the revenue from all main sources. The estimated expenditure on Defence in 194I ( 70.9 Md . roubles) is more than three times the expenditure on Defence (in 1938; (in 1938 this was 23.I Md. roubles and in 1939, 40.9 Md. roubles). Also the estimated expenditure on Financing the National Economy in 194I was planned to increase by $27.6 \%$ as compared with 1940.

## ARGENTINA.

By N. R. Gilbert.

## 15th fuly, 1941.

THE foreign trade of Argentina has since the beginning of the war fallen steadily in volume, more especially since June, I940. An idea of the actual magnitude of this shrinkage will be given by the following figures representing the volume of Argentina's foreign trade :-

VOLUME OF ARGENTINA'S FOREIGN TRADE. MILLION MET. TONS.

|  |  | 1937 | 1938 | 1939 | 1940 | 1st Quarter |  |
| :--- | :--- | ---: | :---: | :---: | :---: | ---: | ---: |
|  |  | 1940 | 1941 |  |  |  |  |
| Imports | $\ldots$ | $10 \cdot 3$ | $9 \cdot 9$ | $9 \cdot 7$ | $8 \cdot 1$ | $2 \cdot 2$ | 1.5 |
| Exports | $\ldots$ | $18 \cdot 2$ | $9 \cdot 1$ | $12 \cdot 9$ | 9.5 | 3.3 | 1.5 |

(Note-The large fall in the volume of exports in 1938 was mainly due to poor maize and wheat crops.)

The reasons for this fall are the familiar ones
of loss of European markets and scarcity of shipping.

The distribution of Argentina's foreign trade by countries has been as follows in the immediate pre-war and war periods :-
price of 14.14 pesos per 100 kg . in the third quarter of 1937, and 7.66 pesos per 100 kg . in the third quarter of 1938).

When the war broke out prices rose and the Board found it possible to discontinue its


The bulk of Argentina's exports in pre-war days had come to Europe. In 1938 the percentage was about $77 \%$ and this, with the addition of the $7 \%$ taken by Brazil, covered by far the greatest part of Argentine grain exports. The United States' share ( $8.5 \%$ in 1938) consisted, in accordance with that country's policy, mainly of goods not competing with its own agricultural production. They excluded grains almost entirely, but included linseed, wool, quebracho, hides, meat, oilseeds, minerals, and other products.

The difficulties in the way of disposal of the grain crops caused by the loss of the European markets gave rise to serious problems in Argentina. The position had already been difficult early in 1939, when the price of wheat fell sharply at a time when a bumper crop of about Io million tons was coming on to the market. In April, 1939, the accumulation of wheat was so great that storage space was getting scarce and the National Grain and Elevators Board recommended the use of wheat in lieu of maize for cattle fodder, it being possible to purchase wheat at 5 pesos per 100 kg ., a price which was lower than that of maize. The Grain Regulating Board was at that time guaranteeing a minimum price of 7 pesos per 100 kg . and selling below this price for export. By August, 1939, the Board was realising only 4.60 pesos to 4.70 pesos per 100 kg . (This compares with an average
guaranteed minimum price policy by the end of 1939. Prices rose steadily to a maximum in July, 1940, when the average was 9.07 pesos per 100 kg., but fell thereafter when it was realised that there was little prospect of disposing of surpluses on the Continent.

The position was slightly easier in regard to linseed but no more promising for barley and was definitely worse for maize. The most striking disproportion between production and exports is afforded in the case of wheat and maize, where results were as follows :-


In 1940 the Government found it necessary to enter the market and purchase through the Grain Regulating Board large quantities of grains. By May, 1941, the purchases were 5 Mn . tons of wheat at 6.75 pesos per 100 kg ., i Mn. tons of linseed and 600,000 tons of barley. The problem of the disposal of the maize crop is, however, far more serious. Two bumper crops running have produced some 21 Mn . tons in two years, whereas normal local consumption
does not absorb more than 3 Mn . to 3.5 Mn . tons in two years and exports in 1940 and the first quarter of 1941 have totalled less than 2.2. Mn. tons. If exports continue as in the first quarter of this year, it does not seem probable that exports over the two years will exceed 3 to 4 Mn . tons. There would therefore appear to be an excess production of about i4 Mn. tons from the two crops. From September to the end of November, 1940, the Government bought 5.4 Mn . tons of maize, and the 1940-4I crop is being bought unshelled by the Government through the Grain Regulating Board at the price of 4.75 pesos per 100 kg . (Average price per 100 kg . in January, 1938, io.05 pesos; in January, I940, 6.25 pesos ; in December, I940, 2.91 pesos).

Efforts are being made to increase local consumption of maize, and its uses as fuel on locomotives has been studied without providing a solution in view of the low calorific value and unwieldy bulk of the unshelled grain when compared with coal. The cost of all these purchases of grains is weighing very heavily on the country. They are considered very necessary to keep the population in the interior from starving, but it is none the less difficult to see how such an expenditure could be met for several years running.

The importance of the fall since the war in the volume and value of exports of agricultural products from Argentina can be gauged from the fact that in 1935, 1936 and 1937 they represented about $6 \mathrm{I} \%, 58 \%$ and $64 \%$ respectively of the total market value of exports. In 1939 this proportion fell to about $48 \%$, in I940 to about $42 \%$ and in the first quarter of 194I it was $19 \%$ (as compared with $45 \%$ in the same quarter of 1940)-this despite the fact that total exports have fallen in value over the period.

The actual figures are as follows :-
COMPOSITION OF ARGENTINE EXPORTS Livestock
Prods. Agric. Prods. Total Exports


Livestock products have not suffered as badly as grains, although exports of meat have fallen quite appreciably in volume and have declined in price. Wool, however, has sold better this season (Ist October, 1940, onwards). There has
been a very rapid disposal of the clip-it is said indeed that this has been the most rapidfor the last 25 years. At the end of last season on ist October, 1940, stocks of the old clip were about 30,000 tons whilst it is estimated that by the end of April this year there was a balance unsold of only about 15,000 tons ${ }^{\star}$. This rapid disposal was due in some small degree to increased purchases of local industries, which bought 30,000 tons this season against 25,000 tons last year, but mainly to increased purchases by the United States, who increased their share from $46.5 \%$ to $85.5 \%$ of total exports of wool.

One great difficulty Argentina had to face when it lost the European markets was that it was driven to import mainly from the U.S.A. the products it had formerly obtained from the Continent. The total volume of imports fell like that of exports.

In 1940 the fall was $17 \%$ when compared with 1939, and from the first quarter of 1940 to the first quarter of I941 the fall was $32 \%$. These falls were mainly due to lower imports of coal, fuels, stones, earths, glass and china, iron and manufactures. Prices, however, rose over the period, in 1940 they were about $32 \%$ higher than in 1939, so that the value of the total imports for 1940 was about $1,500 \mathrm{Mn}$. pesos compared with $\mathrm{I}, 340 \mathrm{Mn}$. in 1939 . In the first quarter of 1941 it was 230 Mn ., as against 425 Mn . for the same period of 1940.

The balance of trade of Argentina was unfavourable in 1940 to the extent of about ${ }_{70} \mathrm{Mn}$. pesos. When a similar thing had happened in 1938 owing mainly to the turn of the cycle and the lag of imports behind exports, and it was realised that the foreign trade of the country would not provide the balance required to cover the service of the foreign debt and other remittances abroad, measures were taken to restrict imports and at the same time canalise them towards those countries whose purchases from Argentina created a sufficient surplus of exchange.

The prior import permit system (by which no foreign exchange at the lower official rate would be guaranteed to imports for which a permit had not been obtained prior to arrival of the goods) was extended to apply to all goods whether to be covered at the official rate or at the free market rate. The differential between these two rates had been kept at more than $20 \%$ by a tax, but on extension of the prior import permit system the minimum differential was reduced to $10 \%$. These regulations favoured those countries whose balance of trade was

[^45]favourable to Argentina, the result being a marked restriction during the first half of 1939 of imports from the U.S.A., Italy and Japan, and a stimulus to British exports, especially of textiles, and to the Argentine textile industry.

Trade negotiations were in consequence started by the U.S.A., Japan, Italy and other countries in an effort to get over the difficulties created by the import regulations, but negotiations were impeded by the outbreak of the war. Italy, who had secured an agreement before the war, was unable, owing to deflection of its purchases of cereals to the South Eastern states of Europe, to increase its imports from Argentina, so that Argentina suspended the allotment of prior import permits for Italian goods in January, 1940.

With the U.S.A. "negotiations were suspended " probably owing to the disinclination of the U.S.A. to allow free entry to Argentine cereals into its markets. With Japan an agreement was concluded, but it was surrounded by restrictions to guard against large increases of Japanese textiles to the detriment of local industry and other foreign suppliers.

With Great Britain and France special arrangements were made soon after the declaration of war for the payment of these countries' purchases in Argentina by means of sterling and French francs respectively, surpluses above a certain figure to be converted in the case of sterling into gold, and in the case of francs into dollars.

These measures, taken in conjunction with large sales of wheat to Great Britain and other European countries, and of meat to Great Britain and France, caused the balance of trade to turn favourably to Argentina in 1939 to the extent of about 235 million pesos.

At the end of 1940, however, the unfavourable balance of trade of about 71 million pesos did not disclose the real gravity of the position. As explained in the report of the Argentine Central Bank, owing to the system of bilateral trade and payments agreements, the trade of the country falls into two categories, that conducted through " compensation" accounts and that in "free" currency. During 1940 total payments into " compensation" accounts amounted to about 740 million pesos. Outgoings in respect of
imports, debt services and other expenses, amounted to 620 million pesos, the surplus being I20 million pesos. Meanwhile, payments into free currency accounts amounted to 610 million pesos, whilst outgoings totalled 840 million pesos. This left a deficit of 230 million pesos in free currency. This deficit represented a serious menace to the gold reserves of Argentina and as a temporary measure to allow adjustment to the changed conditions, the Central Bank obtained loans from the U.S.A. totalling 110 million dollars.

The outlook for 1941 was still more unfavourable than in 1940, as there were no prospects of replacing the free currency produced in the first half of 1940 by trading with European countries forming part of the "free" currency group. The only remedy of a permanent nature was the possibility of converting " compensation " currency balances into " free" currency, and the development of export trade with the " free" currency group. Efforts were made in both directions. Some modification of the British payments agreement with Argentina was secured, enabling Argentina to use some part of the sterling balances to pay for imports from its neighbours or from the U.S.A. An Export-Import group was formed under the ægis of the Government to encourage the export of new products to the U.S.A. by means of exchange concessions and other facilities. Import restrictions were simplified after the first quarter of 1941 to meet the requirements of trade ; restrictions on imports from the U.S.A. were relaxed because of the needs of the country and also in the hope of promoting trade with that country. Finally, the prior import permit system was abolished from Ist July, 194I, for about $80 \%$ of total imports. It seems probable, that this, in addition to facilitating trade in general, may favour the U.S.A. more particularly. A trade agreement with the U.S.A. is being signed in Buenos Aires this month. Over the last few months the value of exports to the U.S.A. has exceeded that of imports from that country and as the U.S.A. is the principal "free" exchange country it would appear that prospects as regards the balance of payments have improved, and that no serious drain of the country's resources will be due to this cause, at least in the immediate future.

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St. Climmats Priess (1940) Lid.
Portugal St., Kingsway.

## London, W.0.2



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K. C. SMITH (Statistician).

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For particulars, apply to the Secretary, London .fo Cambridge Economic Service, New Court, Peterhouse, Cambridge.
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## EVENTS OF ECONOMIC IMPORTANCE.

194I

| Aug. |  | $\begin{aligned} & \text { U.S.A. } \\ & \text { U.K. } \end{aligned}$ | Announcement of conference at sea between Churchill and Roosevelt. Joint declaration of peace aims. |
| :---: | :---: | :---: | :---: |
| " | " | U.K. | Issue of $2 \frac{1}{2} \%$ War Bonds, 1946-48, discontinued. |
| " | 15th | $\begin{aligned} & \text { U.S.A. } \\ & \text { U.K. } \end{aligned}$ | Announcement of joint message, offering full economic help to Moscow. |
| " | " | U.K. | $£ 35 \mathrm{Mn}$. of Canadian securities requisitioned. |
| " | 16th | U.S.S.R. | Economic agreement with U.K. signed. |
| " | 25th | Persia | Entry of British and Russian forces. |
| " | 28th | U.K. | New agreement announced between railways and government. |
| " | " | Persia | Persian forces ordered to cease fire. |
| " | " | Australia | Mr. Menzies resigns premiership and is succeeded by Mr. Fadden. |
| " | 30th | U.K. | Fiduciary Issue raised from $£ 680 \mathrm{Mn}$. to $£ 730 \mathrm{Mn}$. |
| Sept. | 12th | U.S.A. | President announces that U.S. warships have orders to fire on Axis warships in American defence zones. |
| " | 15th | U.K. | Order in Council gives Treasury increased powers over fiduciary issue for duration of the war. |
| " | 16th | Persia | Abdication of the Shah. |
| " | 18th | U.S.A. | President asks Congress for additional Lease-Lend appropriation of $\$ 5,985 \mathrm{Mn}$. |
| " | 28th | U.S.S.R. | Three-power Economic Conference opens in Moscow. |
| Oct. | Ist | U.S.S.R. | Three-power conference concludes and issues statement that practically all Russian requirements can be met. |
| " | " | U.S.S.R. | Start of new German offensive against Moscow. |
| " | " | U.K. | Additional $£_{1} \mathrm{r}, 000 \mathrm{Mn}$. war credit voted. |
| " | 3 rd | Australia | Fadden cabinet defeated on Budget and resigns. Mr. Curtin forms Labour government. |
| " | 9th | U.S.A. | Presidential message to Congress asking for revision of Neutrality Act to permit arming of U.S. merchant ships. |
| " | " | U.K. | New Issue of $2 \frac{1}{2} \%$ War Bonds, 1949-5I. |
| " | IIth | U.K. | $£ 40 \mathrm{Mn}$. of S. African sterling securities requisitioned. |
| " | 16th | fapan | Konoe cabinet resigns. Gen. Tojo forms new government. |
| " | 19th | U.S.S.R. | State of siege declared in Moscow. |
|  | 20th | U.K | Particulars announced of government's road haulage scheme. |

# UNITED KINGDOM. <br> THE ECONOMIC POSITION. 

October 27th, 1941.

DURING the past four months, Government expenditure has shown an increase from an average of about $£ 83 \mathrm{Mn}$. a week to about $£ 90 \mathrm{Mn}$. a week. Ordinary revenue has shown an almost equal increase, and the average weekly deficit is practically unchanged. While, however, the amount of the deficit has not increased, a considerably smaller proportion of it was financed on long term during the third quarter of the year, and a larger proportion by means of an expansion in the Floating Debt. Clearing Bank deposits consequently showed their sharpest rise since the beginning of the war, net deposits rising by some $£ 200 \mathrm{Mn}$. between June and September.

The decline in long-term loans was due partly, though only partly, to the suspension of the issue of $2 \frac{1}{2} \%$ National War Bonds for nearly two months from the middle of August. Sales of the new issue of these bonds, which commenced on October 9th, have hitherto been satisfactory, and it is to be hoped that sales of these to non-banking purchasers, together with the results of the recently-inaugurated new drive for increased savings and the effects of the increased rates of tax now coming into force,
will enable the Treasury largely to dispense with further borrowing from the banks during the remainder of the financial year.

As in the second quarter of this year, there has been very little change in the index numbers of wholesale prices, of cost of living or of wagerates. The wholesale price numbers have hardly risen $\mathrm{I} \%$ in three months. Owing to regularisation of some prices and a fall in the price of potatoes, the official index of the cost of living has actually fallen since May, in spite of some increase in the cost of clothing and fuel. The changes in wage-rates since June have been of quite a minor character. At present the index of wage-rates is at about $22 \%$ higher than two years ago, while the cost-of-living index has risen about $28 \%$. If overtime were included in the reckoning, the wage index would show a higher rise and probably pass the cost-of-living index ; but the latter is now inadequate for such a comparison, and there is little doubt that working-class expenditure on food has frequently increased more than the index suggests.

Unemployment has diminished throughout the year, and the number of persons unsuccessfully seeking work and capable of ordinary employment is almost insignificant.

## FINANCE \& BANKING IN THE THIRD QUARTER OF 1941

By F. W. Paish.

GOVERNMENT FINANCE. - After the apparent decline in government expenditure during the second quarter, due to the effects of the United States' Lease-Lend Act, the upward trend has been resumed. During the third quarter Supply expenditure has averaged nearly

| GOVERNMENT REVENUE AND EXPENDITURE (£Mn.). |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Weekly Averages. R | Total. | Supply Services. | Total | Deficit. |
| 1939-Oct.-Dec. | $15 \cdot 9$ | 35.6 | 41.8 | 25.9 |
| 1940-Jan.-Mar. | 38.8 | $45 \cdot 1$ | 48.0 | $9 \cdot 2$ |
| April-June | $14 \cdot 5$ | $47 \cdot 1$ | $53 \cdot 4$ | $38 \cdot 9$ |
| July-Sept. | $20 \cdot 1$ | 66.6 | 69.6 | $49 \cdot 5$ |
| Oct.-Dec. | 22.8 | $77 \cdot 0$ | 83.5 | $60 \cdot 7$ |
| 1941-Jan.-Mar. | $51 \cdot 0$ | 88.5 | $90 \cdot 1$ | $39 \cdot 1$ |
| April 1-26 | $24 \cdot 8$ | $75 \cdot 6$ | $83 \cdot 5$ | $58 \cdot 7$ |
| April 27-May 31 | 23.6 | $76 \cdot 3$ | $80 \cdot 7$ | $57 \cdot 1$ |
| June 1-30 | 25.4 | $75 \cdot 3$ | $84 \cdot 1$ | 58.7 |
| July 1-26 | 30.2 | $79 \cdot 3$ | 84.5 | $54 \cdot 3$ |
| July 27-Aug. 30 | 36.4 | 85.8 | 89.2 | $52 \cdot 8$ |
| Aug. 31-Sept. 30 | 28.0 | $87 \cdot 4$ | 90.6 | $62 \cdot 6$ |

$£ 85 \mathrm{Mn}$. per week, and total expenditure nearly $£ 89 \mathrm{Mn}$. per week, as compared with $£ 76 \mathrm{Mn}$. and $£_{8} 8 \mathrm{Mn}$. in the previous quarter. Further, as the table shows, expenditure rose month by month.

Expenditure for the quarter amounted to $f_{\mathrm{I}}, \mathrm{I} 6 \mathrm{I} M n$. , bringing the total for the half-year to $£ 2,235 \mathrm{Mn}$. In view of the fact that the last quarter of the financial year usually shows a marked seasonal increase in payments, it seems likely that expenditure for the year will exceed the Chancellor's original estimate of $£ 4,200 \mathrm{Mn}$. by several hundred millions.

Fortunately, it also seems likely that an appreciable proportion of this excess will be offset by an increase over the estimates in revenue. Receipts for July-September rose
to $£ 418.4 \mathrm{Mn}$., bringing the total for the halfyear to date to $£ 737.5 \mathrm{Mn}$., or over $4 \mathrm{I} \%$ of the estimated receipts for the whole year, whereas last year only $32 \%$ of the year's income was received during the first half. Some part of this increase is, of course, due to the imposition of supplementary taxes in the second half of last year, and to the institution of the system of taxation of wages and salaries at source. But if we look at the main sources of revenue which are little affected by season-E.P.T. and N.D.C., Estate Duties, Customs and Excise-we find that receipts during the first half of the year amounted to $56 \%$ of the estimates for the whole year, while Miscellaneous Receipts, at $£ 36.8 \mathrm{Mn}$., are already nearly twice the amount estimated for the whole year. Further, the latest increase in rates of income tax will become effective for many taxpayers only in the second half of the present year. On the whole, it seems reasonable to hope that ordinary revenue for the year will exceed the estimate of $£ \mathrm{r}, 786 \mathrm{Mn}$. by at least $£_{100} \mathrm{Mn}$., and it may well reach the neighbourhood of $£ 2,000 \mathrm{Mn}$.

The excess of government expenditure over ordinary revenue during the quarter was $£ 743 \mathrm{Mn}$., as compared with $£ 755 \mathrm{Mn}$. in the preceding quarter, and $£ 651 \mathrm{Mn}$. during the corresponding quarter of last year. Of this, nearly $£ 30 \mathrm{Mn}$. was covered by the excess of premiums received under the War Damage Act over claims paid. The balance of $£ 713 \mathrm{Mn}$. was financed, as follows :-
GOVERNMENT BORROWING. THIRD QUARTER, 1941.

|  | $\begin{gathered} \text { (£Mn.) } \\ \text { July.) } \\ \text { (26 days) } \end{gathered}$ | $\begin{gathered} \text { Aug. } \\ \text { (35days) } \end{gathered}$ | $\begin{aligned} & \text { Sept. } \\ & \text { (31 days) } \end{aligned}$ | Total for Quarter |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates | $10 \cdot 6$ | 12.5 | $15 \cdot 7$ | 38.8 |
| 3\% Defence Bonds | $11 \cdot 3$ | $9 \cdot 3$ | 12.0 | $32 \cdot 6$ |
| 3\% Savings Bonds | $40 \cdot 8$ | 32.0 | $30 \cdot 3$ | 103.1 |
| 2 $\frac{1}{2} \%$ Nat. War Bonds | 38.0 | 104.8 | $0 \cdot 6$ | $143 \cdot 4$ |
| Other Debt | 2.8 | 26.7 | 8.2 | 37.7 |
| Total long \& medium term debt ... | 103.5 | $185 \cdot 3$ |  |  |
| Treasury Deposits .. | 3 5 | - 2.5 | 87.0 | 81.0 |
| Treasury Bills. Tender | $94 \cdot 7$ | $\{10.0$ | $81 \cdot 9$ | $220 \cdot 2$ |
| W. \& M'. Adv Govt. Depts. |  | $\{33.6$ | 81.9 | 20.2 |
| ,, Bank of England | $\begin{array}{r} 15 \cdot 6 \\ -16 \cdot 3 \end{array}$ | $\begin{array}{r} 39.6 \\ -11.0 \end{array}$ | $\begin{array}{r} 32.5 \\ -\quad 0.2 \end{array}$ | $\begin{array}{r} 87.7 \\ -\quad 27.5 \end{array}$ |
| Total ... | 194.0 | 255.0 | 268.0 | 717.0 |

Despite the rush in August to buy $2 \frac{1}{2} \%$ National War Bonds, before the discontinuance of the 1946-48 series, the proportion of the deficit financed on long term fell below $50 \%$, as compared with over $67 \%$ in the previous quarter. The fall in subscriptions to government loans occurred in securities designed both for large and for small savers.

The Floating Debt.-The reduction in the amount raised on long-term necessitated heavy resort to short-term borrowing, especially during

September, and the Floating Debt showed a rise over the quarter of $£ 36 \mathrm{I} .4 \mathrm{Mn}$. to $£ 3,424$. 4 Mn . While it is not possible exactly to differentiate the $£ 220 \mathrm{Mn}$. increase in Treasury bills, it is clear that by far the greater part of the increase occurred in 'tap' bills, while bills issued by tender rose by only something like $£ 25 \mathrm{Mn}$. This figure, however, probably conceals considerably larger borrowings from non-official sources, since it is believed that overseas central banks have been enabled to replace considerable holdings of tender bills with bills issued through the tap, thus setting a larger proportion of the existing tender bill issue free to be taken up by the market. Effective new short-term borrowings from non-official sources during the quarter may have been in the neighbourhood of $£ 150 \mathrm{Mn}$. or more, instead of the $£_{1} 106 \mathrm{Mn}$. indicated by the figures of Treasury Deposit Receipts and tender bills, leaving some $£ 200 \mathrm{Mn}$. as the receipts on the one hand from new accumulations of overseasowned sterling funds in London, and from Treasury assets sold abroad, and, on the other, from the accumulation of savings in official hands, including the Post Office Savings Bank and the unemployment and other government insurance funds, plus the increase in government securities held by the Bank of England.

Funds borrowed on short-term from nonofficial sources normally come, directly or indirectly, from the banks, and give rise to an increase in bank deposits. Since a state of practically full employment has been reached, and there is no reason to think that the public's demand for liquidity is increasing further, all such borrowings over and above the Treasury's seasonal requirements are an indication of an ' inflationary gap.' During the past quarter it seems probable that these borrowings were in the neighbourhood of $£ 100 \mathrm{Mn}$. in excess of seasonal needs, and that there existed a 'gap' of this amount plus the excess of the increase in the banks' investments over the decrease in their advances, or of about $£ 130 \mathrm{Mn}$. in all.

Bank of England.-The rapid increase in the note circulation, which has been in progress since the beginning of 1941, continued in the third quarter. After rising from $£ 639.0 \mathrm{Mn}$. on June 25th to $£ 668.2 \mathrm{Mn}$. on August 13th, the circulation showed only a trifling seasonal reaction to $£ 664.7 \mathrm{Mn}$. on August 27 th. During September the rise was resumed, and by October ist the total had reached $£ 677.8 \mathrm{Mn}$. At the beginning of September the fiduciary issue was raised by a further $£ 50 \mathrm{Mn}$. to $£ 730 \mathrm{Mn}$. The Bank's security holdings have been expanded
pari-passu with the note circulation, and Bankers' Deposits have in general been maintained at the very comfortable level of between $£_{120} \mathrm{Mn}$. and $£_{1} 130 \mathrm{Mn}$. The only important exception was in the middle of August, when heavy purchases of $2 \frac{1}{2} \%$ National War Bonds, I946-8, made in anticipation of the discontinuance of their issue, caused Public Deposits to rise to $£ 37.7 \mathrm{Mn}$. and Bankers' Deposits to fall temporarily below the $£_{\mathrm{I}} \mathrm{IOO} \mathrm{Mn}$. mark.

Clearing Banks.-During the third quarter, the upward trend in Bank Deposits was accelerated. If we eliminate balances with other banks and items in transit, and look at net deposits, we find a rise in the deposits of nine clearing banks of $£ 82 \mathrm{Mn}$. in July, $£ 9 \mathrm{Mn}$. in August (when the heavy sales of $2 \frac{1}{2} \%$ Bonds 1946-8, prior to their discontinuance, brought in a large amount of money) and no less than $£_{1} 108 \mathrm{Mn}$. in September, the largest increase for any single month since the war began :-

|  | NINE <br> Gross <br> Deposits. | CLEARING BANKS. <br> Balances with Other Banks and Items in Transit. | Net <br> Deposits. |
| :---: | :---: | :---: | :---: |
| $1910 .$ | ${ }_{2239}$ | ${ }_{8}^{\text {£. }} 89$ | $\begin{aligned} & \text { £Mn. } \end{aligned}$ |
| June . | . 2341 | 119 | 2222 |
| September | 2466 | 106 | 2360 |
| December | 2657 | 130 | 2527 |
| 1941 |  |  |  |
| March | ... 2625 | 117 | 2508 |
| June . | . 2794 | 147 | 2647 |
| July ... | 2838 | 109 | 2739 |
| August | .. 2812 | 104 | 2738 |
| September | . 2955 | 109 | 2846 |

The increase of nearly $£ 200 \mathrm{Mn}$. in net Deposits during the quarter was due mainly to an expansion in the banks' short-term assets, for of the rise of $£ 58 \mathrm{Mn}$. in Investments, $£ 3 \mathrm{IMn}$. was offset by the continued decline in Advances. Discounts increased by $£ 78 \mathrm{Mn}$. in July (when it is clear that much of the increase in 'tap' bills was in replacement of tender bills in official hands) and by $£ 49 \mathrm{Mn}$. in September, while holdings of Treasury Deposit Receipts, after falling slightly in July and August, rose by £.58 Mn. in September. Cash reserves have fully kept pace with the rise in Deposits and the ratio rose from $10.5 \%$ in June to $10.6 \%$ in September.

Security Prices. - Prices of industrial securities continued to rise during the greater part of the quarter, and by the middle of September our index had reached equality with March, 1940, the highest previous figure recorded since the outbreak of war. Since then there has been a slight reaction, but the decline by the middle of October was small.

Our index of prices of fixed interest securities, after a slight reaction in August, recovered in September to the highest figure recorded since

January, 1937, and maintained that level in October. Short-term interest rates show little change at their existing low level.

## RECENT MOVEMENTS.

During October the recent rise in Supply expenditure appears to have been checked, and at $£ 82.9 \mathrm{Mn}$. per week the average was about the same as in recent months, but heavier interest payments raised the average total weekly expenditure to $£ 9 \mathrm{I} .4 \mathrm{Mn}$., as compared with $£ 88.3 \mathrm{Mn}$. in the preceding quarter. As, however, average weekly receipts from ordinary revenue rose from $£ 3 \mathrm{I} .9 \mathrm{Mn}$. to $£ 35$.I Mn ., the average weekly deficit, at $£_{56} .3 \mathrm{Mn}$. was about the same.

Aggregate expenditure during the first 25 days of October totalled $£ 326$. IMn., and aggregate revenue $£ \mathrm{I} 25.2 \mathrm{Mn}$. The deficit of $£ 200.9 \mathrm{Mn}$. was covered, as follows :-

BRITISH GOVERNMENT BORROWING (Oct., 1941)


The heavy subscriptions to the new issue of $2 \frac{1}{2} \%$ War Bonds, I949-5I, which began on October 9th, permitted no less than $87 \%$ of the month's deficit to be financed on long term ; though how far the new securities were taken up by the public, and how far by the banks, cannot be determined until the clearing banks' returns for October are available. It is to be hoped, however, that these will show a check to the recent rapid increase in bank deposits. The exceptional fall in Treasury bills which seems to have occurred entirely in 'tap' bills, is possibly connected with the equally exceptional increase in ' other debt,' and may be due to the conversion of holdings of 'tap' bills into another form.

The Bank of England statements show no sign of a check to the rapid rise in the note circulation. The Bank's security holdings have been increased correspondingly, and Bankers' Deposits have been kept at the very comfortable level of between $£_{\mathrm{I}} \mathrm{I} 2 \mathrm{Mn}$. and $£_{1} \mathrm{I} 30 \mathrm{Mn}$., except when they are occasionally temporarily depleted by heavy transfers to Public Deposits on accounts of heavy receipts from the issue of loans.

# PRICES, WAGES AND EMPLOYMENT. 

By A. L. Bowley.

It is of considerable interest to compare the movements of prices and wages between August, 1939, and August, 1941, with those in the first two years of the previous war.

|  | Wholesale Prices |  |  |  | Retail Prices | Wage |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Statist |  |  | Food | Cost of Living | Rates

Whereas wholesale prices have advanced more rapidly in the past two years than in 1914-I6, the price of food (so far as it is represented by the official index) has been held down by subsidies and regulation. Other items that compose the cost-of-living index, especially clothing, rose more rapidly than food in the later period, less rapidly in the earlier.

Wage-rates on the average advanced rather more rapidly in the first year, less in the second year, of the present war, than in 1914-16, and the discrepancy between wages and the cost-ofliving is much less. In both periods the cost-ofliving index ceased to have its pre-war significance.

The main difference between the two sets of index numbers is thus due to the control of food prices since 1939. Prices of the various foods have risen at very different rates. Bread and flour have hardly changed since August, 1939. Margarine and tea have risen little, meat

(averaged) and butter about $20 \%$, milk and sugar rather more than $30 \%$; and fish prices were $56 \%$ higher at the end of the second year. The details shown in the table are compiled from the Ministry of Labour Gazette.

The actual rise in food cost depends on the proportion spent on bread, on meat and other rationed foods, and especially on unrationed food, much of which is not represented in the index-number.

The stationariness of rent is only appropriate to families which have not moved nor changed the personnel of their households.

The great increase in clothing prices is limited in its effect by the coupon system.

The general index number is no longer an effective measurement of the change in the cost of living, but when its limitations are realised it is still indicative of the movement of prices of the most important commodities. The index rose abruptly $9 \%$ in the first two months of the war. During the next 18 months the rise was a little spasmodic and $18 \%$ in all. Since May Ist, 194I, there has been a slight reduction.

WHOLESALE PRICES rose very rapidly, $30 \%$, in the first six months of the war. Later the increase was slower and damped down to $9 \%$ in the second six months, $7 \%$ in the third, and only $2 \%$ from February to August this year. (Board of Trade figures.)

| 1939 | 1940 | 1911 |
| :---: | :---: | :---: |
| August averages |  |  |
| 100 | 170 | 180 |
| 100 | 138 | 138 |
| 100 | 146 | 167 |
| 100 | 150 | 161 |
| 100 | 129 | 138 |
| 100 | 127 | 141 |
| 100 | 123 | 123 |
| 100 | 156 | 172 |
| 100 | 153 | 166 |
| 100 | 142 | 167 |
| 100 | 128 | 138 |
| 100 | 161 | 177 |
| 100 | 139 | 157 |
| 100 | 143 | 156 |

It will be seen that the price of cereals rose steeply in the first year, and that textiles are responsible for a considerable part of the increase in prices of materials.

WAGE RATES.-The increase of wages started more slowly than that of prices in the autumn of 1939, but for the 18 months October, 1939, to April, 1941, the index of wage rates
rose in very nearly the same proportion, $19 \%$, as that of the cost of living. Since April, wage rates have risen a little and prices fallen very slightly, but the loss in real wages in the first three months of the war has only been made up by overtime or other extra earnings.

The movement of wage rates has been irregular and unsystematic, increases being obtained in different months in one industry after another. The results up till October, 194I, have been :-

CHANGES IN WAGE RATES
October, 1941, as percentage of August, 1939.

| Bricklayers ...... |  | $\begin{aligned} & 115 \\ & 120 \end{aligned}$ | Local Authorities | ... | 116 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Trams ... ... |  | 118 |
| Printers: |  |  | Lorry Drivers |  | 118 |
| Compositors | ... | 107 | Boots ... |  | 121 |
| Dock Labourers |  | 115 | Confectionery |  | 121 |
| Engineers: $\quad \cdots$ |  |  | Tailoring |  | 123 |
| Fitters... | ... | 113 | Shirts .. |  | 123 |
| Labourers |  | 117 | Tobacco... |  | 123 |
| Shipbuilders | . | 119 | Coal . . |  | 139 |
| Railwaymen | ... | 116 | Agriculture |  | 145 |
| Cotton |  | $132 \frac{1}{2}$ |  |  |  |
| Wool | ... | 129* | Weighted average | $\ldots$ | 122 |

* Erroneously given as 119 in last Bulletin, p. 71.

There have been very few changes since February this year.

It is possible to compare our wage-rate index with the summary of changes in the weekly wage bill given each month in the Ministry of Labour Gazette. This equally with ours takes no account of overtime. Over two years the increases have amounted to f.4.5 Mn. Changes in wages of agricultural labourers, clerks and others are not included, and it might be expected that the figures would relate to about $70 \%$ of the $£ 35 \mathrm{Mn}$. estimated weekly wage bill before the war, that is, to an aggregate of about $£ 25 \mathrm{Mn}$. We thus find an increase of about $18 \%$ to compare with our wage index which (excluding agriculture) shows $2 \mathrm{I} \%$. If this slight damping down is distributed over the months, the resulting series differ from each other in only one month* by more than $\mathrm{I} \%$.

UNEMPLOYMENT.-There has been a further reduction in unemployment since July, till at 15 th Sept. there were only 88,000 wholly unemployed insured men in Great Britain, of whom more than 30,000 are classified as unsuitable for ordinary industrial employment. The boys and girls who left school in the summer had not yet been completely absorbed in September.

[^46]EMPLOYMENT EXCHANGES REGISTERS. 000's.
GREAT BRITAIN

|  |  | Wholly Unemployed |  |  | Temporarily Stopped |  |  | $\underset{\text { ncluding }}{\text { All }}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |
|  |  | Men | Women | \& | Men | Women | \& | Casuals |
|  |  |  |  | Girls |  |  | Girls |  |
| 1939 | Aug. | 730 | 168 | 70 | 129 | 76 | 7 | 1232 |
|  | Sept. | 661 | 292 | 99 | 116 | 102 | 10 | 1331 |
|  | Oct. | 759 | 358 | 105 | 84 | 57 | 5 | 1431 |
|  | Nov. | 767 | 350 | 96 | 79 | 53 | 4 | 1403 |
|  | Dec. | 764 | 325 | 82 | 89 | 50 | 4 | 1362 |
| 1940 | Jan. | 805 | 320 | 95 | 185 | 58 | 7 | 1519 |
|  | Feb. | 759 | 299 | 83 | 254 | 53 | 9 | 1504 |
|  | Mar. | 628 | 273 | 64 | 69 | 37 | 3 | 1121 |
|  | Apl. | 539 | 243 | 58 | 55 | 33 | 3 | 973 |
|  | May | 469 | 218 | 44 | 56 | 43 | 3 | 881 |
|  | June | 382 | 226 | 40 | 39 | 40 | 3 | 767 |
|  | July $\left\{(a)^{*}\right.$ | 344 | 248 |  | 77 | 69 | 7 | f 835 |
|  | Jul (b) | 336 | ) 248 | 52 | 77 | 69 | 7 | ¢ 827 |
|  | Aug. | 304 | 235 | 74 | 75 | 72 | 7 | 799 |
|  | Sept. | 318 | 227 | 68 | 98 | 79 | 8 | 830 |
|  | Oct. | 309 | 257 | 69 | 93 | 72 | 7 | 835 |
|  | Nov. | 286 | 255 | 62 | 94 | 63 | 6 | 791 |
|  | Dec. | 248 | 244 | 50 | 82 | 54 | 5 | 705 |
| 1941 | Jan. | 237 | 222 | 62 | 90 | 57 | 6 | 696 |
|  | Feb. | 200 | 197 | 51 | 68 | 43 | 4 | 581 |
|  | Mar. | 160 | 165 | 39 | 41 | 32 | 3 | 458 |
|  | Apr. | 140 | 133 | 46 | 41 | 32 | 3 | 411 |
|  | May | 128 | 122 | 41 | 27 | 35 | 2 | 369 |
|  | June | 110 | 102 | 31 | 18 | 23 | 2 | 302 |
|  | July | 102 | 89 | 29 | 20 | 24 | 2 | 278 |
|  | Aug. | 99 | 82 | 39 | 15 | 21 | 2 | 270 |
|  | Sept. | 88 | 79 | 30 | 8 | 15 | 1 | 230 |

* Figures in line (a) and previously include men at Government Training Centres, who are excluded from line (b) and subsequently. See Ministry of Labour Gazette, August, 1940.

We again give the table showing the expenditure in insurance benefits against the contributions of employers quarter by quarter. The former (A) reflects the fall in unemployment, the latter (B) the increase in employment. The latter should be diminished slightly in comparison with earlier dates, since the limiting income was raised in September, 1940, but, on the other hand, the rates of contributions had been increased in August, 1940.

| NT FUND. |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| A. Expenditure on Benefits. B. Contributions by Employees Weekly averages, £000's. |  |  |  |  |  |
| Qtr. ending | A | B | Qtr. ending | A | B |
| May 27th, 1939 | 867 | 410 | ug. 31st, 1940 |  |  |
| ug. 26th, 1939. | 630 | 449 | Nov. 30th, 1940 | 444 | 448 |
| Nov. 25th, 1939 | 637 | 423 | Feb. 22nd, 1941. | 388 | 474 |
| Feb. 24th, 1940 ... |  | 403 | May 24tb, 1941 | 195 |  |
| y 25th, 1940 | 490 | 401 | Aug. 30th, 1941 | 28 |  |

RETAIL SALES.-The value of retail sales, as estimated by sample by the Bank of England, was in September, 1941, $4 \%$ lower than in September, 1940, which corresponds to a much greater decrease in quantity, owing to the rise of prices. The index is based on unweighted totals of returns from establishments for which comparable figures are available for the previous year. Consequently there is no allowance for any which have gone out of business. On the other hand, few, if any, private businesses are included, so that any transference of trade from
multiple stores in evacuated large towns to private shops in reception areas is not covered.

It is understood that the sample has been deteriorating in many respects, and that it was always relatively smaller for regions more distant from London.

The returns show great variation by district:-

AVERAGE DAILY SALES AT SELLING VALUE
1941 as \% of 1937

|  |  | June | July | August | Sept |  |
| :--- | :--- | :--- | :--- | ---: | ---: | ---: |
| London, Central \& West End | 63 | 58 | 54 | 68 |  |  |
| Suburban | $\ldots$ | 98 | 94 | 92 | 90 |  |
| South of England | $\ldots$ | 116 | 108 | 116 | 112 |  |
| Midlands, etc. | $\ldots$ | $\ldots$ | 117 | 113 | 116 | 118 |
| North-East | $\ldots$ | $\ldots$ | 115 | 111 | 114 | 115 |
| North-West | $\ldots$ | $\ldots$ | 116 | 112 | 110 | 111 |
| Scotland $\ldots$ | $\ldots$ | $\ldots$ | 130 | 118 | 111 | 119 |
| Great Britain | $\ldots$ | $\ldots$ | 106 | 101 | 98 | 99 |

## WHOLESALE PRICES.

See Supplements for March, fune, September and December in 1938-39; before 1938 see Bulletins for these months.

## COMPARATIVE INDEX NUMBERS FOR 6 COUNTRIES.

The table below gives comparable index-numbers of wholesale prices, based upon a list of commodities as nearly identical as possible for all the countries, and the same method of calculation and weighting is applied in each case. The index-numbers were described in detail in Special Memorandum No. 24.
Figures for 1940 and I94I are based upon such data as could be obtained from reliable sources.
The figures for 12 countries in the table on p. IO3, which are derived from the League of Nations monthly bulletin, are affected by differences of content and method of calculation.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{gathered} \text { Base } \\ 1913 \\ =100 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1940 |  |  |  | 1941 |  |  |  |  |  |  |  |  |  |
|  | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | $\begin{aligned} & \text { Year } \\ & 1925 \end{aligned}$ |
| FOOD- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United K'gdom $\ddagger$ | 81 | 81 | 81 | 81 | 84 | 84 |  | 83 | 83 | 83 |  |  | 86 |  |
| U.S.A. ......... | 66 103 | 67 107 | 70 108 | 71 112 | 72 113 | 69 116 | 70 121 |  | 75 | 75 | 75 | 78 |  | 151 |
| Canada .......... | r1 | 72 | 108 | 172 | 113 | 116 | 121 | 122 | 77 |  |  |  |  | 160 |
| New Zealand.. | , | 101 | 101 | 102 | 98 | 73 99 | 75 99 | 76 98 | r7 100 | 80 101 | 109 | 85 |  | 158 |
| S. Africa ...... | 90 | 91 | 91 | 91 | 92 | 93 | 93 | 94 | 94 | 95 | 197 |  |  | 122 |
| MATERIALS- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| UnitedK'gdom** | 100 | 100 | 102 | 105 | 109 | 109 | 110 | 112 | 112 | 112 |  |  | 113 | 157 |
| U.S.A. ........ | 70 | 72 | 74 | 74 | 75 | 75 | 75 |  | 78 | 79 | 81 | 82 | 113 | 175 |
| Swedeut $\dagger$..... | (103) | (108) | (112) | (112) | (112) | (113) | (130) $\dagger+$ | (133) |  |  |  |  |  | 141 |
| Canada ........ | 75 | 76 | 76 | 76 | 77 | 76 | . 77 | 78 | 80 | 82 |  | 85 |  | 170 |
| New Zealand.. |  | 105 | 106 | 106 | 107 | 107 | 107 | 107 | 108 | 108 | 109 |  |  | 165 |
| S. Africa ..... | 99 | 99 | 100 | 100 | 100 | 101 | 102 | 104 | 106 | 108 | 111 |  |  | 161 |
| 'JOTAL- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United Kingdom | 92 | 92 | 94 | 95 | 99 | 99 | 100 | 100 | 100 | 100 | 101 | 102 | 102 | 158 |
| U.S.A. ........ | 68 | 70 | 72 | 72 | 74 | 73 | 73 | (75) | 77 | 77 | 79 | 80 |  | 165 |
| Canada ........ | 73 | 74 | 74 | 74 | 75 | 75 | 76 | 77 | 79 | 81 | (83) | 85 |  | 164 |
| New Zealand.. | (103) | 103 | 104 | 104 | 104 | 103 | 104 | 103 | 105 | 105 | 109 |  |  | 162 |
| S. Africa ...... | 95 | 96 | 96 | 96 | 97 | 98 | 98 | 100 | 101 | 103 | 105 |  |  | 145 |

[^47]
## INDEX NUMBERS OF PRICES IN i2 COUNTRIES.

As quoted in the Monthly Bulletin of the League of Nations.

| $\begin{aligned} & \text { E } \\ & \text { §0 } \\ & \text { En } \\ & \text { SE } \end{aligned}$ |  |  |  |  |  | $\begin{aligned} & \text { चै } \\ & \text { む̈ } \\ & \text { vi } \end{aligned}$ |  | $\begin{aligned} & \text { 픙 } \\ & 0 \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ | $\begin{aligned} & 5 \\ & 0 \\ & 0 \\ & 0 \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ |  | 4 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |


| $\begin{aligned} & 1938 \text { Average } \\ & 1989 \text { Average } \\ & 1940 \text { Average } \end{aligned}$ |  | $\begin{array}{r} 89 \\ 90 \\ 120 \end{array}$ | $\begin{array}{r} (g) \\ 92 \\ 91 \\ 100 \end{array}$ | $\begin{aligned} & 82 \\ & 79 \\ & 87 \end{aligned}$ | $\begin{aligned} & 105 \\ & 108 \\ & 121 \end{aligned}$ | $\begin{aligned} & 90 \\ & 88 \\ & 98 \end{aligned}$ | $\begin{aligned} & 109 \\ & 112 \\ & 128 \end{aligned}$ | $\begin{aligned} & 77 \\ & 78 \\ & 80 \end{aligned}$ | $\begin{aligned} & 114 \\ & 126 \\ & 142 \end{aligned}$ | $\begin{array}{r} 99 \\ 100 \\ 126 \end{array}$ | $\begin{aligned} & \text { (a) } \\ & 111 \end{aligned}$ | $\begin{aligned} & 76 \\ & 79 \end{aligned}$ | 8281 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | 115 |  |  |
|  |  |  |  |  |  |  |  |  |  |  | 146 | 101 | 82 |
| 1940-Apr. | $\ldots$ | 116 | 99 | 87 | 119 | 96 | 128 | 80 | 143 | 117 | 141 | 95 | 82 |
| May | $\ldots$ | 117 | 101 | 86 | 120 | 97 | 129 | 80 | 142 | 125 | 142 | 96 | 82 |
| June ... | ... | 118 | 101 | 85 | 120 | 97 | 128 | 80 | 140 | 128 | 143 | 98 | 81 |
| July | ... | 122 | 101 | 86 | 122 | 97 | 129 | 81 | 139 | 127 | 146 | 100 | 81 |
| Aug. | $\ldots$ | 123 | 102 | 87 | 124 | 98 | 127 | 81 | 139 | 127 | 146 | 103 | 81 |
| Sept. | .. | 123 | 102 | 87 | 125 | 99 | 127 | 81 | 140 | 133 | 149 | 108 | 82 |
| Oct. . | ... | 125 | 103 | 87 | 127 | 101 | 126 | 81 | 141 | 134 | 154 | 110 | 83 |
| Nov. |  | 129 | 101 | 88 | 127 | 101 | 127 | 81 | 141 | 136 | 158 | 114 | 84 |
| Dec. |  | 130 | 102 | 88 | 128 | 101 | 127 | 81 | 142 | 138 | 160 | 116 | 84 |
| 1941-Jan. |  | 131 | 103 | 88 | 129 | 102 | 129 | 81 | 143 | 142 | 162 | 118 | 85 |
| Feb. | $\ldots$ | 131 | 100 | 89 | 130 | 102 | 129 | 81 | 144 | 145 | 165 | 119 | 85 |
| Mar. . | ... | 132 | 100 | 90 | 130 | 103 | 131 | 81 | 147 | 146 | 169 | 121 | 86 |
| Apr. .. |  | 132 | 101 | 91 | 130 | 104 | 135 | 82 | 148 | 147 | 170 | 124 | 87 |
| May |  | 132 | 102 | 93 | 131 | 105 | 138 | 82 | 148 | 147 | 171 | 128 | 89 |
| June . |  | 133 |  | 94 | 132 | 105 | 147 | 82 | 151 |  | 173 | 131 | 91 |
| July . |  | 134 |  | 95 |  | 107 | 150 | 82 | 152 |  | 173 | 133 | 93 |
| Aug. ... |  | 134 |  | 96 |  |  |  |  |  |  |  | 134 | 95 |
| Sept. ... |  | 135 |  |  |  |  |  |  |  |  |  |  |  |


|  |  |  |  |  |  |  |  |  | (c) | (d) | (f) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1938 Average | ... | 95 | 87 | 84 | 95 | 94 | 92 | 82 | 110 | 86 | 106 | 85 | 86 |
| 1939 Average | ... | 96 | 89 | 83 | 98 | 94 | 93 | 82 | 123 | 81 | 108 | 86 | 84 |
| 1940 Average | ... | 113 | 93 | 87 | 103 | 97 | 96 | 84 | 143 | 85 | 123 | 94 | 85 |
| 1940-Apr. | $\ldots$ | 110 |  | 86 | 101 | 97 | 97 | 84 | 143 | 83 | 120 | 91 | 86 |
| May ... | ... | 110 | \} 93 | 86 | 102 | 97 | 97 | 85 | 145 | 84 | 121 | 92 | 86 |
| June . | ... | 114 | ) | 86 | 102 | 97 | 97 | 85 | 145 | 84 | 123 | 93 | 86 |
| July |  | 113 |  | 87 | 102 | 97 | 97 | 86 | 147 | 84 | 124 | 94 | 86 |
| Aug. . | $\ldots$ | 114 | \} 93 | 87 | 104 | 97 | 95 | 86 | 146 | 85 | 125 | 94 | 86 |
| Sept. | ... | 115 | ) | 87 | 105 | 98 | 95 | 85 | 146 | 87 | 126 | 95 | 86 |
| Oct. | $\ldots$ | 117 | ) | 88 | 104 | 98 | 94 | 85 | 144 | 88 | 128 | 97 | 85 |
| Nov. |  | 119 | \} 96 | 89 | 105 | 98 | 93 | 85 | 144 | 89 | 130 | 99 | 85 |
| Dec. ... | ... | 120 | 此 | 89 | 105 | 98 | 94 | 85 | 144 | 90 | 132 | 99 | 86 |
| 1941-Jan. | ... | 120 |  | 89 | 105 | 98 | 94 | 85 | 143 | 91 | 137 | 101 | 86 |
| Feb. | ... | 120 | \} 97 | 89 | 105 | 99 | 92 | 86 | 143 | 91 | 138 | 101 | 86 |
| Mar. | ... | 121 | ) | 89 | 105 | 100 | 94 | 86 | 144 | 92 | 140 | 102 | 86 |
| Apr. | ... | 122 |  | 90 | 106 | 101 | 95 | 86 | 145 | 93 | 141 | 105 | 87 |
| May .. | ... | 122 |  | 91 | 106 | 101 | 96 | 87 | 146 | 92 | 142 | 106 | 87 |
| June ... |  | 121 |  | 92 |  | 102 | 97 | 87 |  |  | 142 | 109 | 88 |
| July ... | $\ldots$ | 121 |  | 83 |  | 103 | 99 | 88 | 145 |  | 143 | 110 | 89 |
| Aug. ... | ... | 121 |  |  |  |  |  | 88 | 145 |  | 143 | 110 |  |
| Sept. ... | ... | 121 |  |  |  |  |  |  |  |  |  |  |  |


| $\begin{aligned} & 1938 \text { Average } \\ & 1939 \text { Average } \\ & 1940 \text { Average } \end{aligned}$ |  | $\begin{array}{r} 92 \\ 92 \\ 107 \end{array}$ | $\begin{aligned} & 85 \\ & 89 \\ & 90 \end{aligned}$ | $\begin{aligned} & 77 \\ & 75 \\ & 78 \end{aligned}$ | $\begin{array}{r} 98 \\ 104 \\ 106 \end{array}$ | $\begin{aligned} & 93 \\ & 93 \\ & 96 \end{aligned}$ | $\begin{aligned} & 91 \\ & 92 \end{aligned}$ | $\begin{aligned} & 78 \\ & 79 \\ & 82 \end{aligned}$ | $\begin{aligned} & 103 \\ & 117 \\ & 138 \end{aligned}$ | (f) |  | (e)98 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |  | 114 | 83 |  |
|  |  |  |  |  |  |  |  |  |  | 118 | 85 | 95 |
|  |  |  |  |  |  |  |  |  |  | 137 | 94 | 97 |
| 1940-Apr. ... | $\ldots$ | 103 | 91 | 78 | 106 | 96 | 95 | 82 | 138 | 131 | 91 | 96 |
| May ... | ... | 103 | 90 | 78 | 106 | 97 | 95 | 83 | 139 | 133 | 92 | 97 |
| June ... | ... | 109 | 90 | 77 | 106 | 96 | 95 | 83 | 138 | 136 | 93 | 98 |
| July ... | ... | 107 | 90 | 78 | 106 | 96 | 95 | 84 | 143 | 138 | 93 | 97 |
| Aug. ... | ... | 108 | 90 | 78 | 106 | 95 | 93 | 85 | 141 | 139 | 93 | 96 |
| Sept. ... | ... | 110 | 90 | 78 | 108 | 96 | 92 | 83 | 139 | 141 | 96 | 97 |
| Oct. ... | $\ldots$ | 112 | 91 | 79 | 107 | 98 | 89 | 81 | 137 | 144 | 98 | 96 |
| Nov. ... | ... | 112 | 92 | 81 | 107 | 96 | 88 | 81 | 135 | 147 | 100 | 96 |
| Dec. ... | $\ldots$ | 112 | 92 | 81 | 107 | 96 | 90 | 81 | 136 | 150 | 101 | 97 |
| 1941-Jan. . | $\ldots$ | 111 | 93 | 81 | 106 | 96 | 90 | 82 | 134 | 156 | 103 | 98 |
| Feb. ... | ... | 110 | 91 | 81 | 106 | 98 | 88 | 82 | 134 | 158 | 103 | 98 |
| Mar. ... | ... | 110 | 91 | 82 | 107 | 99 | 89 | 82 | 135 | 159 | 103 | 98 |
| Apr. ... | ... | 111 |  | 81 | 108 | 101 | 92 | 83 |  | 162 | 107 | 101 |
| May . | ... | 110 |  | 84 | 108 | 102 | 94 | 83 |  | 162 | 110 | 102 |
| June ... |  | 108 |  | 86 |  | 103 | 96 | 84 |  | 160 | 114 | 103 |
| July ... | ... | 108 |  | 90 |  | 106 | 98 | 86 |  | 161 | 115 | 104 |
| Aug. ... | $\cdots$ | 107 |  |  |  |  |  | 85 |  | 162 | 116 |  |
| Sept. ... | ... | 107 |  |  |  |  |  |  |  |  |  |  |

(a)\% of 1935. (c) Excl. rent. (d) Excl. rent and clothes, (e) \% of 1935-9, (f) \% of Sept., 1931.

## MONEY AND INCENTIVE.

By F. W. Paish.

T${ }^{\top}$ HE rapid rise in bank deposits during the third quarter of 1941 is a disquieting reminder that success in closing the " inflationary gap" in the Budget is still uncertain. With existing circumstances and policy, failure to close it is likely to bring about not so much an uncontrollable rise in prices as increasingly drastic price control and rationing. In other words, the public would be given and allowed to retain more money than they could spend without causing a great rise in prices, but would be prevented from spending more than a part of the money they received. Whether the restrictions on spending take the form of price control, or of rationing by commodities, or (as suggested in our July Bulletin) of global rationing, the question must inevitably arise whether, in such circumstances, the offer of unspendable money will continue to provide an adequate economic incentive.

In any system, some incentive is required both to induce persons to transfer resources (in the form of land, capital, or their own services) to the type of use in which they are most needed, and to make the best use of them once they are there. In competition both these incentives are supplied through the monetary system. A man who (apart from force or fraud) seeks to maximise his own income is endeavouring to obey the actual or anticipated commands of consumers. If he succeeds correctly in anticipating or interpreting the direction of public demand, his income will be large; if he fails, it will be small or negative.

Against reliance on the same incentives in war-time, two main arguments are adduced. Firstly, it is stated that, in face of the enormous and instantaneous change in the direction of demand, economic incentives applied through the price system would work too slowly; and secondly, there is general repulsion at the possibility that, at a time when most people are poorer, some, by the accident that they happen to possess goods or services which are particularly needed in war-time, may be enabled to make fortunes. These two arguments may probably be combined into one, namely, that to rely upon a purely market mechanism to bring about the adjustments in the use of resources, necessitated by the change in demand, with sufficient rapidity would require more drastic changes in the price and income structure of the country than many people are prepared to tolerate.

Whether or no this is a correct interpretation of the reasons which have influenced the government in its decisions, there is no doubt that in fact it has from the beginning taken strong action to minimise the effects of the change in demand, in so far as they have tended to make some people better off. This action has taken three main forms. Firstly, both goods and services have been compulsorily acquired on a large scale, frequently at prices below those at which their owners would have been willing to transfer them voluntarily ; secondly, taxation has been made very highly progressive, both by very high rates of income and surtax and by Excess Profits Tax ; and thirdly, the function of money itself has been considerably diminished by price-fixing and rationing.

In so far as the incomes against which these measures have been directed have been rentsthat is to say, incomes which are entirely the result of past work or expenditure, and which their owners have not now the power to varythere are no undesirable effects upon the war effort. But in so far as the incomes are the result of earnings or profits-that is to say, incomes which depend upon present energy or thought in making the best use of resources -the measures may have the (often incidental) effect of diminishing or misdirecting economic incentive.

The effect of requisitioning is to bring about increased scarcity of certain objects of public demand, and thus to tend to raise the prices of such competing resources as escape requisitioning. It thus has the opposite effect to the alternative procedure of curtailing demand by taxation, and so reducing prices until resources are willingly transferred. Requisitioning thus sets up increased resistance to further transfers and renders it increasingly unlikely that they can be achieved without further requisitioning. It is partly for this reason that we frequently find that higher wages are being paid in nonessential trades working for private consumption than in essential war industries.

The effects of high taxation on incentive depend upon how it is levied. Broadly speaking, any tax which reduces aggregate income increases the incentive to work, since the poorer a man is, the less leisure he can normally afford ; but any tax which reduces marginal income-that is to say, the amount by which a man's income varies if he works a little more or a little less long or
hard-decreases the cost of leisure and the incentive to work. Any tax which affects both aggregate and marginal income therefore has conflicting effects, and it is not possible to say with certainty whether it will increase or decrease the incentive to work. It is likely that in the majority of cases a flat-rate tax, levied at equal rates on aggregate and marginal incomes, will increase incentive (a rise in prices, unaccompanied by a rise in incomes, has much the same effect). But it is also likely that a highly progressive tax, which bears much more heavily on marginal incomes than on aggregate, will tend to reduce it. And present rates of tax do, in fact, press far more heavily on marginal than on aggregate incomes, particularly at certain income levels, including some fairly low ones.*

The effects of E.P.T. are more difficult to assess. It is true that with the suspension of new capital issues the ordinary shareholder has temporarily lost much of his function as an entrepreneur, and that his dividends for the time being are much more akin to rents than to profits. But those who conduct the business and policy of a firm, whether shareholders or no, and who usually find that their own fortunes are directly or indirectly bound up with the profitability of the business, are in turn deprived of much of their incentive for energetic administration. Indeed, there is an incentive towards extravagance, since any expenditure is worth incurring which will retain even a fraction of its value after the war.

Finally, we have the effects of price control and rationing upon the functions of money. It will be noticed that these effects also are much more marked upon marginal than upon aggregate incomes. A rise in prices destroys some of the purchasing power of every unit of income, and probably increases incentive to work. An imposition of a stringent rationing system leaves the purchasing power of the earlier units of income almost unimpaired, but reduces, or, in extreme cases, entirely eliminates, the purchasing power of later units. It naturally, therefore, reduces the attractiveness of the later units for those whose incomes, after taking account of their other commitments, are more than sufficient to enable them to purchase the whole ration, and reduces their incentive to work harder in order to earn them. On the

[^48]other hand, where the wage structure has been allowed to develop in such a way that less essential work is more highly paid than more essential work, a rationing system, by reducing the significance of higher money earnings, will also tend to reduce the inevitable resistance against moving from higher-paid to lower-paid work.

In recent months there has been apparent an increasing awareness of the frictions created by the fact that economic incentives have been allowed to get out of accord with the national interest. The many suggestions which have been made for improving the position fall into two main groups. On the one hand, there are those which aim at adjusting monetary incentives, as, for instance, by alterations in methods of assessing direct taxation, and by increases in money wage-rates and in dependents' allowances; and, on the other, those which affect real incomes, but not money incomesimproved canteens and other amenities in factories and mines, increased rations for certain classes of workers, and so forth. The efficacy of adjustments in the first group will depend largely on what facilities exist for spending additional earnings. Of course, increased money incomes would continue to provide an incentive for some people, even if rationing were complete-for those, for instance, who are finding difficulty, on account of low earnings or heavy financial obligations, in buying even their rations, and for those who are anxious to save in order to improve their positions after the war. But for the rest, some outlet for at least a part of their additional earnings would be necessary for them to provide an incentive for longer hours or less preferred work. The greater the extension of rationing, therefore, the more likely is it that increased dependence will be placed on the second type of adjustmentsthose in real, as opposed to monetary, incomes. It is even possible that before the end of the war the size of a man's income will be of less importance to him than the facilities he has for spending it ; and the difficulty of adjusting these facilities in such a way as to encourage the better use of resources is probably less than that of readjusting monetary inducements to make them fit the changed and changing requirements of the country. The restoration to money of its full functions would then be left until it could be facilitated by the gradual rise in available supplies of consumers' goods after the end of the war.

|  | STOCKS \＆SHARES |  |  |  | MONEY＊ |  | $\begin{aligned} & \text { NEW } \\ & \text { CAPITAL } \\ & \text { ISSUES } \end{aligned}$ |  | OTHER BANKING． |  |  |  |  |  |  |  |  |  | TREASURYBILLS． |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Industrials |  | Fixed <br> Interest |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | Bank of England． |  |  |  | 9 Clearing Banks． |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { ت゙ } \\ & 0 \\ & \text { Hin } \end{aligned}$ |  |  |  |
|  |  |  |  |  |  |  | $\begin{aligned} & \text { for } \\ & \text { U.K. } \\ & \text { £ Mn. } \end{aligned}$ |  | $\begin{aligned} & \text { on } \\ & \text { on } \\ & \text { 出荡 } \\ & \text { M. } \\ & \text { £Mn. } \end{aligned}$ | £Mn． |  |  | £Mn. |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | \％ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1924 A | 100 |  | 100 | 100 |  | 2.43 |  | 7.4 | 11.2 |  |  |  |  |  |  |  |  |  |  |  |  | £Mn． |
|  |  |  |  |  |  |  |  | 11 |  |  | 390 |  | 242 |  | 191 | 324 | 11.7 | 48.5 | 44 | 159 | 601 |
| 1929 A | 139 |  | $96 \cdot 3$ | 104.0 | $4 \cdot 57$ | $5 \cdot 31$ | $13 \cdot 3$ | $7 \cdot 9$ | 62 | 50 | 361 | 1762 | 226 |  | 974 | 24 | 10 | 55 | 521 | 3 | 760 |
| 1933 Av．． | 103 |  | 124.4 | 80•7 | 66 | 71 |  | $3 \cdot 3$ |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1934 Av．．．． | 125 |  | 132.5 | $75 \cdot 7$ | 81 | 81 | 8.9 | 36 | 102 | 55 54 | 371 | $\begin{aligned} & 1914 \\ & 1842 \end{aligned}$ | $\begin{aligned} & 352 \\ & 208 \end{aligned}$ |  | 746 | 519 | $10 \cdot 9$ | 39.0 | 582 | 327 | 909 |
| 1935 Av．．．． | 139 | － | 136.2 | 73.6 | 73 | 57 | 13.5 | 1.7 | 98 | 51 | 394 | 1961 | 264 |  | 740 | 543 | $11 \cdot 3$ | $40 \cdot 2$ | 473 | 377 | 850 |
| 1936 Av． | 150 |  | $136{ }^{1} 9$ | $73 \cdot 2$ | 75 | 61 | 15.9 | $2 \cdot 2$ | 96 | 54 | 432 | 2104 | 312 |  | 825 | 598 | 10.8 | 38.5 39.2 | 3 | ［ 393 | 866 |
| 1938 Av． | 150 |  | 12 | 78.4 | 75 | －59 | 11.6 | 2.7 | 97 | 58 | 479 | 2172 | 276 |  | 910 | 607 | $10 \cdot 3$ | 41.9 | 560 | 229 | 789 |
| 1939 Av．．．． | 114 |  | 116.3 | 86.2 | $\begin{array}{r}.75 \\ \hline 1.05\end{array}$ | －61 | $7 \cdot 7$ | $2 \cdot 1$ | 104 | 56 | 485 | 2161 | 274 |  | 930 | 593 | 10.6 | 43.0 | 547 | 330 | 887 |
| 1938 | 114 |  | 116 | 86.2 | 1.05 | $1 \cdot 20$ | 3.6 | 1.9 | 103 | 58 | 507 | 2129 | 246 |  | 943 | 564 | 10.9 | $44 \cdot 3$ | 488 | 582 | 1070 |
| JAN． | 135 | $+13$ | 129.8 | $77 \cdot 1$ | 75 | 55 | 6.5 | 9 | 123 | 50 |  |  |  |  |  |  |  |  |  |  |  |
| FEB． | 128 | -6.0 -6.8 | 129.8 | 77.1 78.8 | 75 | 53 | $13 \cdot 8$ | $5 \cdot 4$ | 106 | 51 | 474 | 2165 | 281 |  | 920 934 | 592 | 10.8 | 41.6 | 612 | 309 | 921 |
| APR． | 120 | -688 $+\quad 5.3$ | 127.0 | 78.8 | 75 | －53 | $6 \cdot 3$ | －1 | 119 | 47 | 479 | 2140 | 234 |  | 949 | 590 | 10.9 | $43 \cdot 3$ | 557 | 284 | 834 |
| MAY | 123 | ＋ 4 | $127 \cdot 6$ | 78.8 78 | 75 | ． 53 | $4 \cdot 7$ | －3 | 104 | 54 | 497 | 2153 | 243 |  | 948 | 594 | 10.9 | $44^{\circ} 0$ | 522 | 307 | 829 |
| JUNE | 118 | $-5.4$ | 127.6 | 78.5 | ． 75 | ． 63 | 16.6 8.1 | 10.8 .4 | 88 109 | 72 55 | 482. | 2147 | 274 |  | 936 | 587 | $10 \cdot 2$ | 43.6 | 570 | 278 | 848 |
|  |  |  |  |  |  |  |  |  | 109 |  | 486 | 2184 | 284 |  | 935 | 586 | $10 \cdot 8$ | $42 \cdot 8$ | 580 | 311 | 891 |
| JULY | 125 | ＋ 7.5 | $130 \cdot 1$ | 76.9 | 75 | 52 | 11.2 | 4.0 | 113 | 49 | 488 | 2193 | 295 |  |  |  |  |  |  |  |  |
| SEPT． | 122 | $-2.4$ | 128.6 | 77.9 | 75 | 53 | 1.8 | 4 | 106 | 54 | 483 | 2183 | 298 |  | 925 | 589 | 10.6 10.5 | 42.6 | 568 | 302 | 870 |
| OCT． | 119 | ＋ 1.4 | 123.7 | 81.0 | 75 | 72 | 1.6 | － | 100 | 58 | 479 | 2154 | 283 |  | 923 | 602 | $10 \cdot 3$ | 42.8 | 537 | 334 | 871 |
| NOV． | 123 | ＋ 2.7 | $123 \cdot 8$ | 81.9 80.9 | 75 | 55 | 1.8 | ＇8 | 95 | 65 | 496 | 2140 | 261 |  | 923 | 602 | 10.4 | $43 \cdot 1$ | 526 | 384 | 910 |
| DEC． | 116 | ＋ 4 | 121.7 | 8 | 75 | ． 55 | $10 \cdot 9$ 9.3 | 1.9 .3 | 89 100 | 70 | 479 | 2131 | 265 |  | 915 | 599 | 10.4 | 43.0 | 517 | 407 | 924 |
| 1939 | 116 | － 45 | 1217 | 823 | 75 | 95 | $9 \cdot 3$ | 3 | 100 | 52 | 495 | 2135 | 243 |  | 920 | 592 | 10.8 | $43 \cdot 1$ | 507 | $465 \ddagger$ | 972 |
| JAN． | 115 | － 0.5 $+\quad 0.7$ | 121.4 | 82.5 | 75 | －56 | $10 \cdot 3$ | 3.6 | 118 | 56 | 476 | 2112 |  |  | 922 |  |  |  |  |  |  |
| FEB． | 118 | ＋ 0.7 | 119.2 | 84.2 | －75 | ． 53 | 7.0 | 1.2 | 111 | 48 | 473 | 2060 | 206 |  | 930 | 573 | 11.2 | 43.6 | 449 | 525 | 874 |
| APR． | 115 | +9.4 +10.0 | $120 \cdot 5$ | 83.2 | 75 | －53 | 2.6 | 2 | 106 | 46 | 477 | 2038 | 186 |  | 941 | 567 | $10 \cdot 8$ | 46.2 | 351 | 503 | 854 |
| MAY | 119 | ＋ 3.2 | 116.2 | $87 \cdot 6$ | 75 | 1.57 | 1.2 | －6 | 98 | 59 | 490 | 2040 | 178 |  | 946 | 567 | $10 \cdot 7$ | 46.4 | 394 | 512 | 906 |
| JUNE | 118 | －0．5 | 117.2 | $85 \cdot 6$ | 75 |  | 1.5 17.4 | $5 \cdot 1$ | 100 | 58 | 495 | 2052 | 194 |  | 942 | 561 | 11.0 | $45 \cdot 9$ | 429 | 510 | 939 |
|  |  |  |  |  |  |  |  | 6 |  | 58 | 495 | 2101 | 241 |  | 942 | 557 | $10 \cdot 6$ | $44 \cdot 9$ | 469 | 542 | 1011 |
| JULY | 115 | － 2.8 | 116.7 | $85 \cdot 9$ | 75 | 81 | 1.7 | 1.1 | 87 | 66 | 508 | 2122 | 269 |  | 934 | 554 | 10.5 | $44 \cdot 1$ | 494 | 563 | 1057 |
| SEPT． | 118 | +2.0 +9.1 | 115.7 111.20 | 86.6 | －75 | $\cdot 67$ | 6 | $4 \cdot 6$ | 95 | 63 | 512 | 2127 | 271 |  | 937 | 556 | $10 \cdot 4$ | $44 \cdot 1$ | 510 | 571 | 1081 |
| OCT．．．．．．． | 104 | － 2.5 | 111.0 | 90.0 90.1 | 2.79 1.87 | 3.67 | 1 | － | 110 | 53 | 553 | 2160 | 226 |  | 562 | 509 | 11.8 | 44.5 | 500 | 652 | 1152 |
| NOV． | 106 | ＋ 20 | 116.0 | 86.3 | 1.87 | $2 \cdot 14$ | 1 |  | 117 | 51 | 535 | 2206 | 278 |  | 961 | 561 | 11.0 | $43 \cdot 6$ | 531 | 700 | 1231 |
| DEC． | 105 | ＋ 0.2 | 116.6 | 86.1 | 1.0 | 1．24 | 9 | － | 107 | 58 | 528 | 2221 | 341 |  | 944 | 567 | 10.5 | 42.5 | 605 | 696 | 1301 |
| 1940 | 10 | ＋ 02 | 116 | 861 | 1.0 | 1.24 | ＇2 |  | 88 | 86 | 545 | 2313 | 321 |  | 951 | 566 | 11.2 | $41 \cdot 1$ | 740 | 706 | 1446 |
| JAN． | 104 | ＋ 1.6 | $120 \cdot 1$ | 83－3 | 1.0 | 1.09 |  |  | 102 | 79 | 527 |  |  |  |  |  |  |  |  |  |  |
| FEB． | 106 | $+21$ | $124 \cdot 9$ | $80 \cdot 2$ | 1.0 | 1.05 |  |  | 106 | 80 | 532 | 2244 | 374 |  | 947 | 568 | 10.0 | 41.5 | 785 | 690 | 1475 |
| APR． | 109 | ＋ 2.8 | $124 \cdot 7$ | $80 \cdot 3$ | 1.0 | 1.03 | $2 \cdot 7$ | 0.4 | 114 | 78 | 535 | 2239 | 325 |  | 954 | 567 | 10.5 | 42.6 | 806 | 674 | 1435 |
| MAY | 97 | －10．1 | $123 \cdot 9$ | 80.8 | 1.0 | 1.03 |  |  | 115 | 68 | 537 | 2233 | 328 |  | 935 | 573 | 10.8 | $41 \cdot 9$ | 701 | 708 | 1409 |
| JUNE．．．． | 82 | $-17.4$ | 119.3 | 81.5 | 1.0 | 1．03 |  |  | 106 | 76 | 546 | 2288 | 394 |  | 916 | 589 | $10 \cdot 7$ | $40 \cdot 0$ | 685 | 722 | 1407 |
|  |  |  |  |  |  |  |  |  | 103 | 83 | 578 | 2341 | 372 |  | 913 | 592 | $10 \cdot 9$ | 39：0 | 740 | 842 | 1582 |
| $\begin{aligned} & \text { JULY } \\ & \text { AUG. } \end{aligned}$ | 79 84 | 67 +6.4 | 1209 | $83 \cdot 1$ | 1.0 | 1.03 |  |  | 79 | 107 | 609 | 2328 | 403 | 25 | 883 | 612 | $10 \cdot 7$ | 38.0 | 826 | 907 | 1733 |
| SEPT． | 84 | +6.4 $+\quad 4.3$ | 121.7 121.9 | 82.6 82.4 | 1.0 | 1.03 |  |  | 108 | 79 | 614 | 2355 | 416 | 25 | 872 | 636 | $11 \cdot 1$ | 37.0 | 836 | 1043 | 1879 |
| ОСТ．．．．．．． | 91 | +6.3 +3.2 | 121.9 | 82.4 81.8 | 1.0 | 1.03 | 0.8 | 0.2 | 108 | 63 | 609 | 2466 | 387 | 86 | 889 | 652 | $11 \cdot 1$ | 36.0 | 836 | 1085 | 1921 |
| NOV． | 97 | ＋ +69 | 126.0 | 79.5 | 0 | 1.03 1.03 |  |  | 109 | 72 | 598 | 2527 | 361 | 173 | 886 | 677 | $10 \cdot 1$ | 35．1 | 840 | 1146 | 1986 |
| DEC | 95 | －1．4 | 126.6 |  |  | 1.03 1.03 |  |  | 115 | 70 | 594 | 2566 | 327 | 226 | 876 | 697 | 10.6 | 34.2 | 845 | 1239 | 2084 |
| 1941 | 95 | －14 | 126 | 79.0 | 1.0 | 1.03 |  |  | 116 | 68 | 604 | 2658 | 254 | 301 | 857 | 724 | 11.6 | 32.2 | ＋ | $\dagger \dagger$ | 2152 |
| JAN．．．．．．． | 98 | $+2.8$ | 128.3 | 78.1 | 1.0 | 1.03 |  |  | 119 | 69 | 603 |  |  |  |  |  |  |  |  |  |  |
| FEB．．．．．． | 96 | －2．8 | 128.6 | 78.0 | 1.0 | 1.03 |  |  | 111 | 79 | 602 | 2571 | 258 | 325 | 864 854 | 741 | 10.2 10.5 | 33.0 33.2 | 845 845 | 1341 1369 | 2186 |
| APR．．．．．．．． | 92 | －2．9 | $129 \cdot 1$ | $77 \cdot 6$ | 1.0 | 1.03 | $1 \cdot 0$ | 0.2 | 110 | 67 | 608 | 2625 | 187 | 3598 | 862 | 767 | 10.4 | 32.9 | ＋+ | ＋+ | 2212 |
| MAY ．．．．．． | 93 | ＋ 0.3 +0.4 | 129.5 | $77 \cdot 4$ 76.8 | 1.0 | 1.03 |  |  | 115 | 68 | 622 | 2686 | 182 | 4408 | 840 | 765 | $10 \cdot 5$ | $31 \cdot 3$ | 865 | 1370 | 2235 |
| JUNE | 96 | ＋+7.7 | $130 \cdot 3$ | 77.8 77 | 10 | 1.03 |  |  | 115 | 66 | 629 | 2677 | 163 | 4528 | 829 | 793 | 10.4 | 31.0 | $\bigcirc 05$ | 1410 | 2315 |
|  |  | ＋ 3 | $130 \cdot 3$ |  | 1.0 | 1.03 |  |  | 123 | 58 | 637 | 2794 | 184 | 4658 | 816 | 822 | $10 \cdot 5$ | 292 |  | † | 2357 |
| JULY | 102 | ＋8．2 | 132.5 | $75 \cdot 8$ | 1.0 | 1.03 |  |  | 108 | 79 | 651 | 2838 | 262 | 459 | 811 | 843 | 10.2 | 28.6 | 960 | 1492 | 2452 |
| AUG．．．．．． | 107 109 | +8.9 $+\quad 4.6$ | 131.8 | 76.2 | 1.0 | 1.03 |  |  | 96 | 87 | 668 | 2842 | 250 | 4507 | 796 | 876 | 10.5 | 28.0 | 970 | 1525 | 2495 |
| OCT． | 107 | +8.6 +1.3 | 132.6 1.2 .6 | $75 \cdot 7$ $75 \cdot 7$ | 1.0 1.0 | 1.03 1.03 |  |  | 178 | 62 | 670 | 2955 | 299 | 5097 | 785 | 880 | $1 C^{\prime} 62$ | 26.6 |  |  | 2577 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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STOCKS \＆SHARES－
NEW CAPITAL ISSUES－
BANK OF ENGLAND－
PRINCIPAL BANKS－

TREASURY BILLS－
Index Nos．of Prices and Yield as percentace of 1924 level；on 15 th of month．For end of month firures see Supplements．
Issues during month in Gt．Britain（a）．for U．K．（b），for abroad，excluding Government loans，etc．－As published
by THE MIDIAND BANK，LTD，1940－41 Six－month＇${ }^{\text {for totals．}}$
Deposits．11th－17th of month．
Bank Notes and Currenoy Notes in circulation 11th－17th of month．Issues amsigamated，Norember 22 nd， $192 s$. （i．e．－excluding the National asant，etc．Before September，1939，averages for the month of 9 clearing banks （1．e．－excluding the National Bank，Ltd．，and the District Bank，afterwards，data for last making up day of UD to June， 1940 11th－17th of month，thereafter end of month．
0therwise issued．Total of Treasury Bills in existence less those weeks preceding date of Exchequer Return Day－to－Day Rate and 3 Months＇Rate．Arerages for week ending 15th of month

PRICES AND WAGES.


PRICE OF GOLD- Average (London) price De: fine oz. for week ending 15th of month. ECONOMIST
PRICE OF SILVER- Arerage (cash) price of bar silve: for meek ending 15th of month.-ECONOMIST.
BOARD OF TRADE INDEX-Geometric Mean of Wholesale Prices (averages for month) of 200 commodities as percentage of 1924 arerage. Based on new indez first published in Jamuars, 1935.-BOARD OF TRADE JOURNAL.

BTATIST (8AUERBECK) Average wholesale prices of 18 foodstuffs and 26 raw materials on last day of month, as Dercentage of average Average wholesale pric
for 1924.-STATIST.
COST OF LIVING INDEX-Ministry of Labour's indez showing movement since 1924 in cost of maintaining unchanged the standard of month-e.g., reading for March lat is bhown against Februars-to facilitate comparison with "Statist" inder.

OUTPUT AND INTERNAL ACTIVITY.



[^49]
# RECENT MOVEMENTS IN UNITED STATES. 

## Information communicated by Miss DOROTHY WESCOTT, Assistant Editor of the Review of Economic Statistics, Harvard University.

## October 8th, 194 I

GENERALSURVEY.-An expanding defence programme has brought further gains in general business during the summer and early autumn, although the increases have been less sharp than they were earlier in the year. The industrial organisation of the country is in the midst of adjusting its vast resources to the production of armaments. The diversion of raw materials from non-defence to defence industries has forced some curtailment of activity in those industries producing primarily for civilian demand ; and this development has limited the gains in aggregate industrial production at the same time that defence expenditures, national income, total employment and buying power have been increasing.

Consumer incomes have been rising sharply for more than a year, and sales of consumer durable goods-such as automobiles, refrigerators and household equipment-have increased rapidly. In an effort to divert, from these consumer industries, metals and skilled labour essential for armament production, programmes have been undertaken for the restriction of consumers'-goods output and for curtailing demand. In late August, the Office of Production Management and the Office of Price Administration and Civilian Supply announced that during the period August-November, 1941, a reduction of passenger car output, amounting to $26 \frac{1}{2} \%$ below production in the corresponding period last year, would take place ; and that further curtailment would occur in later months, with the expectation that passenger car production for the entire new model year beginning August ist, 1941, would be about half that in the preceding model year. Curtailment programmes have been announced, or are under consideration, for other consumer durable goods, such as household refrigerators, household laundry equipment, metal furniture, etc.

The increased demand placed upon railroad transportation facilities has been reflected in substantial advances of freight-car loadings. From a seasonally-corrected figure of 130,000 cars a day in January, loadings rose to 145,000 cars per day in June and July ; although some decline occurred in August and September, daily average loadings remained above the average of the first quarter of the year. Construction activity has continued the sharp rise that has
been in progress since the spring of 1940. In August, the value of construction contracts awarded reached the record high monthly figure of $\$ 760 \mathrm{Mn}$., with more than one-half of the month's total representing defence construction.

Since March the advance in wholesale commodity prices has been rapid and widespread, despite action taken by governmental agencies to limit price increases. The cost-of-living index, which had shown little change for more than a year, rose by more than $5 \%$ between March and August. While all items on which the index is based have shared in the advance, the most pronounced increases have been shown by foods and house-furnishings. Recent governmental efforts to control price advances and to curb the consumer buying power that has resulted from increased individual incomes include the assessment of higher income taxes, the lowering of income exemption limits, and the regulation of consumer credit.

Expenditures for national defence during the fiscal year ending June 30th, 1941, amounted to $\$ 6,000 \mathrm{Mn}$., compared with $\$ \mathrm{I}, 600 \mathrm{Mn}$. in the year ending June 30th, 1940. The rapid upward movement has continued in the current fiscal year, with expenditures in August reported to have been $\$_{\mathrm{I}, 200 \mathrm{Mn} \text {. At the August rate, }}$ defence expenditures represented about $15 \%$ of the national income. Through August, total appropriations and contract authorisations for military purposes, including the first instalment of lease-lend aid to Great Britain, totalled \$56,400 Mn.

BUSINESS VOL.UMES.-The seasonally adjusted index for bank debits at selected centres outside New York City, after its sharp advance in March, has continued to rise with only little interruption in recent months. The adjusted index of electric power production also has continued its upward movement, and at a somewhat more rapid pace than in the first quarter of the year. Industrial production, which had declined briefly in April principally because of strikes at bituminous coal-mines and automobile plants, renewed its sharp advance in May and June; in June, the high figure of 159 (\% of 1935-39) was reached-a figure $30 \%$ above that of mid-1940. While this figure has been maintained in recent months, the index has levelled off somewhat ; a gain of only one point was made in July and also in August. Such important
defence industries as machinery, aircraft, shipbuilding and railroad equipment are moving ahead at an accelerated rate, while output of steel and non-ferrous metals continues close to capacity. Production of non-durable goods remains high, although since June some decline has occurred in the seasonally-adjusted index. Cotton mill activity has dropped slightly, and operations at silk mills have been curtailed sharply, as the government has requisitioned all supplies of raw silk. Rubber consumption has fallen since June, reflecting the effects of the curtailment programme announced in that month by the Office of Production Management. The indices of certain other non-durable goods industries, however (for example, wool textiles and manufactured foods), have risen in recent months.

The expansion in manufacturing activity over the past year resulted in a gain in the number of employees in manufacturing industries of more than $20 \%$ between August, 1940, and August, 194I. The index of manufacturing employment has risen to a new high level and the pay rolls index also has attained a record high figure. The increase over the past year for pay rolls has been twice that for employment, reflecting wage advances and substantial increases in working hours and in overtime payments. Retail purchasing in all lines for which reports are available has been considerably greater than a year ago. Sales of department stores, as measured by the Federal Reserve Board index, in August were 38\% above those in August, I940.

The value of construction contracts awarded in the first eight months of 1941, amounted to nearly $\$_{4,000}$ Mn., and were fairly evenly divided between public and private awards. Non-residential building contracts comprised the greatest percentage of the total ( $38 \%$ ), although residential contracts were a close second ( $36 \%$ ); public works and utilities comprised the balance.

COMMODITY PRICES. - The general index of wholesale commodity prices advanced more than 10\% between March and August ; in the latter month the index was 90.3 (\% of 1926), the highest monthly figure since early 1930. The widespread character of the advance is evidenced by the fact that all of the sub-group indices have risen substantially, with the exception of metals and metal products, for which maximum prices were set by the government in April. The sharpest increases have occurred in the farm products and food groups, which have risen $22 \%$ and $16 \%$ respectively. These increases have reflected governmental operations,
as well as increasing demand. In March the Surplus Marketing Administration expanded its purchases of hog, dairy, and poultry products ; and in April the Department of Agriculture announced that prices of these products would be supported until June, 1943, in order to encourage more production to meet export demands under the lease-lend programme, and also to supply increasing domestic demand. Percentage increases between March and August for the other major commodity groups were as follows: hides and leather products, 7 ; textile products, 13 ; fuel and lighting materials, 10 ; building materials, 6 ; metals and metal products, I; chemicals and allied products, 8 ; housefurnishings goods, 6 ; miscellaneous products, 8 .

MONEY AND CREDIT.-The increase in the volume of bank loans during the past year has been one of the largest on record. Between August, 1940, when the current sharp upward movement began, and September, 194I, total loans of reporting member banks rose more than $\$ 2,400 \mathrm{Mn}$. By far the largest proportion of this rise occurred in commercial, industrial and agricultural loans, which comprise loans for both defence and non-defence purposes. A survey of defence loans, made by the Board of Governors of the Federal Reserve System and the Office of Production Management, discloses that, on April 30th, I94I, the volume of defence loans outstanding at member banks in leading cities amounted to $\$ 460 \mathrm{Mn}$., and accounted for more than $40 \%$ of the increase in commercial loans of those banks from August, 1940, to the end of April.* About two-thirds of the defence loans were used principally to furnish working capital for current production ; the balance, for the financing of new plant and equipment. Member banks have continued to add to their holdings of government securities ; on October ist such holdings amounted to more than $\$_{14,000} \mathrm{Mn}$., and were $20 \%$ greater than a year earlier. Adjusted demand deposits since May have fluctuated between $\$ 24,000 \mathrm{Mn}$. and $\$ 24,500 \mathrm{Mn}$.

Although member-bank reserve balances this year have declined, chiefly because of substantial increases in currency circulation, excess reserves have continued in large volume ; on October Ist, reserves in excess of legal requirements amounted to $\$ 5,200 \mathrm{Mn}$. The Federal Reserve Board on September 23rd, announced that " as a further step in the government's programme for combating inflation," the required reserves of member banks on November ist would be

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increased to the maximum figure now permitted by law. This action will cause a reduction of about $\$ \mathrm{I}, 200 \mathrm{Mn}$. in excess reserves of all member banks.

SPECULATION AND FINANCE. Activity on the New York Stock Exchange has continued dull, and stock prices have fluctuated within a narrow range, although some advance has occurred over the low levels reached last spring. At the end of September, the Dow Jones index of the price of industrial stocks was 10\% above the index at the close of May; railroads had advanced $5 \%$; and utilities, $8 \%$. Corporate bond prices, advanced in July above
late May and June levels, and then declined during most of August and September, until at the close of September, they were below prices at the end of May. New capital flotations for the first eight months of I94I amounted to about $\$ 4,500 \mathrm{Mn}$. (an increase of some $15 \%$ over the corresponding period of last year), and were fairly evenly divided between new capital and refunding issues. About one-third of the issues to raise new capital were flotations of private corporations, and the balance were issues of public-mainly federal governmental-agencies. Of the refunding issues, $57 \%$ comprised private corporate issues, and $43 \%$ public flotations.

## CANADA.

Information communicated by B. A. and A. F. W. PLUMPTRE, of the University of Toronto.

$$
\text { September } 23 \text { rd, } 194 \mathrm{I} .
$$

IN the summer and early autumn of 194I many new factories have begun to produce war supplies. Practically none of these were even planned before the fall of France, and since that time their construction and equipment have absorbed much of the energies of Canadian industry in general and of the Department of Munitions and Supply in particular. While the extent of actual production is naturally veiled in secrecy, it is nevertheless possible to obtain some idea of the extent of what is being done.

In the field of chemicals and explosives, 16 new plants are already in operation and half as many more are under construction. Some of these plants are among the largest in the world. Four types of service planes and six types of training planes are being produced; (aeroplane engines, however, are all imported from the United States). Several types of light gun are already being produced and barrels for antiaircraft guns have been produced in quantities for some months. More than I35,000 motor vehicles had been supplied to the military authorities by July, 194I; (in an average year the Canadian motor car industry produced about I50,000 automobiles and trucks of the cheaper American types). Ammunition of all kinds, including shells, bombs, grenades, and depth-charges, are being produced in large quantities. Rifles and machine guns are being mass-produced. A great variety of small auxiliary boats, including minesweepers and corvettes, have already been launched, and a fleet of cargo
boats is under construction. Canadian-made tanks of two types are beginning to appear. And, not least important, a large number of technical devices, such as range-finders, sights, radio-locators, anti-submarine equipment, and so forth, are being turned out. For a not very highly industrialized country, these things represent no small achievement.

While many factories are already producing, many others are still being constructed or equipped. Almost all the financing of new plant and equipment is being done by the Canadian Government or by the British Government, which, in its turn, has to be provided with Canadian funds by the Canadian. By the end of June, 1941, total expenditures under the Plant Extension Programme were probably more than $\$ 300$ million; but since total commitments exceeded $\$ 500$ millions, the Programme was obviously far from complete. Another indication of continued activity in the erection of new plants. comes from the statistics for the value of construction contracts and for the volume of construction. In June, 194I, the latter index stood at 292 (\% of 1935-9), the highest point since the outbreak of war.

The construction and operation of these new factories have already put some strain on the general labour supply (skilled labour has long been scarce), and further strain may be anticipated as additional factories come into operation. Between the end of June, 1939, and June, 194I, the seasonally adjusted employment in manufacturing rose from 109 to 169 (\% of 1926). This


Dates of Series : Cols. 4, 5, 16-18, end of month; 1-2, 6-8, averages; 9, beginning of month. Source : Dominion Bureau of Statistics
Notes on Series

Col. I.-"Investors' Index." Index of current market valuation of shareholders equity in 95 companies
-Weighted index of yield to maturity or call date (whichever gives lowest) of 6 taxable federal issues maturing in not less than 7 years. -From 32 banking centres, comprising about $85 \%$ of total debits. Excludes debits to accounts of central bank since its founding in April, 1935. Largely influenced by financial transactions.
-Refers to operations in Canada only. Includes loans to provincial and municipal governments.
5.-Includes governmental deposits. Excludes all deposits with provincial, postal and Quebec savings banks, and with trust companies.
6-8.-Col. 6 comprises 70 items ; col. 7, 322 items; col. 8, 567 items
--Comprises separate groups for food, fuel, lighting, rent, clothing, home furnishing, sundries (including services). Base $1935-9=100^{\circ}$
r.-Excludes all exports of both monetary and non-monetary gold since 1937 ; includes gold in small quantities only, shipped as dust, quartz, etc., in earlier annual averages
," 12,-Comprises " animal products" and "vegetable products" groups
includes partly and fully manufactured products in some cases made from imported raw materials, e.g., rubber products.
repred forgely representing foreign trade in raw mably with an upward eistate amplitude of cyclical fluctuations, probably with an upward bias.
14.- Based on value of contracts awarded, deffated annually for changes in
union rates of wages, and monthly for changes in prices of building union rate
-Revenue freight only; excludes cars received from U.S. connections.
16.- Index of value, comprising 13 groups adjusted for number of business days and for seasonal variation. Refers to department, "variety," and chain stores only, representing chiefly urban sales. Base-1935-9= $100 \%$. Monthly series commenced January, 1929. Annual estimates from 1923.
19.-Establishments with over 15 employees only. Includes part-time workers on same basis as full-time. Excludes farm labourers and civil servants, and underweights the service industries.
was largely responsible for raising the seasonally adjusted index of all industrial employment from II4 to I55 over the same period.

The expansion of industrial employment has naturally resulted in an upward pressure on wage rates. This has produced increasing discontent in labour circles regarding the Government's wage policy which (as explained in our letter of March I5th) involves an attempt to stabilize wage rates while permitting a wartime bonus to all workers alike, sufficient to protect them against the increasing cost of basic necessaries. Union organizers naturally see a golden opportunity in the present situation to expand membership. Hitherto the extent of unionization has been remarkably small. Some of these organizers are encouraging membership by offering the hope of wages and rights far beyond those envisaged by the Government's wartime labour policy.

Many Canadian employers, on the other hand, who have never recognized trade unions and have never dealt collectively with their employees, are unwilling to begin to do so under the pressure of wartime business. They blame the Government for encouraging the workers to expect collective bargaining, if not union recognition, and in general urge the strong-arm and high-handed methods in dealing with those whom they believe to be responsible for labour troubles-" a comparatively few professionals, mostly Communists, who do not want settlements and whose interests lie in promoting in every possible way discontent and unrest leading to strikes." (These words are taken from a message sent to the Prime Minister from the annual meeting of the Canadian Manufacturers' Association on June IIth, 194I.) Strikes have indeed occurred, some of them illegal in that they have been called before a Government conciliation board had been appointed or had reported. However, by comparison with other countriesAustralia and the U.S.A.- the time lost through strikes does not seem very serious. Much the most unfortunate incident occurred in July at a large plant producing aluminium. By disrupting the flow, the strike resulted in holding up production for several weeks. A Royal Commission is investigating the causes of this stoppage.

The movement of labour into industry has been one of a number of factors producing discontent in agricultural areas. Farmers, especially in the locality of towns where war industries have been developing, have been unable to retain their help. The shortage of labour has combined with a dry summer to produce an inelasticity, if not a reduction, of output. On
the other hand domestic demands for agricultural products have grown substantially, while agricultural exports to the United States have increased somewhat and exports to Great Britain have increased a great deal. These changes in both supply and demand have transformed Canadian agriculture in general from a position of glut a few years or even a few months ago, into a position of scarcity. To this generalization wheat remains the one great exception. In agricultural areas not devoted to wheat, and specially in those devoted to the production of hogs and dairy products, there is considerable difficulty in meeting current demands.

In the cases of agricultural commodities now exported to Great Britain in large quantitiesbacon, cheese, eggs, etc.-the products are bought at fixed prices determined by the Canadian and British authorities. Some increases of these prices have been necessary to call forth increased supplies ; but even these increases, and greater ones in uncontrolled markets for agricultural produce, appear to have been insufficient to give the farmers an appreciably higher standard of living. The costs of operation and the costs of living have both risen to eliminate much of the advance in gross farm earnings. Accordingly the farmers, many of whom are producing essential foodstuffs for Britain, regard with envy the high wages which industrial workers are getting and the Government's policy of protecting wage earners against increases in the cost of necessaries. They also resent the introduction of licensing which precludes exports of mill feeds and hogs to the United States, where prices have risen sufficiently to make exports profitable, despite tariff and transportation costs.

The glut of wheat appears to continue approximately unchanged. The carry-over of Canadian wheat amounted on July 3Ist to 480 million bushels, of which 32 million bushels were in the United States. The official estimate of the current crop, issued on September Ioth, was 306 million bushels.

This reduction from the bumper crop of 551 million bushels in 1940 was due partly to less favourable weather, and partly to reduction of acreage in response to the Government's system of bonuses. (This policy was described in our letter of March I5th.) However, the reduction has been less than intended; the area sown to wheat in the Prairie Provinces, 27.75 million acres in 1940, has been reduced by $22 \%$ instead of $35 \%$.

The upward movement on the prices of farm products and the relationship of those prices to the prices of manufactured goods is half hidden in the index of the prices of farm products,
because wheat is weighted so heavily. It stood at 72 in July, 1941, compared with 63 in July, 1939 (\% of 1926). The index of prices of manufactured products stood at 90 in July, 194I (\% of 1926). However, the index of livestock prices stands well over ino (rising from below 90 ), and the index of prices of milk and its products is also over 90 (rising from below 70). On the other hand, the index of wheat prices has only managed to rise from about 40 to about 50 (\% of 1926).

A large part of the upward movement of Canadian prices, both agricultural and industrial, is to be explained in terms of the upward surge which began in the United States in March, 194I, and has continued almost without interruption. This has been reflected in a great deal of rather wild talk, in American circles, about the " threat of inflation." There has perhaps been less apprehension in Canadian circles, but nevertheless, the price situation has received a good deal of attention from authorities in Ottawa.* Price and commodity controls have been reformed and reinforced. The Wartime Prices and Trade Board has been transferred to the jurisdiction of the Department of Finance, and its authority extended over all prices (including the prices of commodities under the jurisdiction of Controllers in the Department of Munitions and Supply, and commodities, such as milk, under the jurisdiction of Provincial and Municipal boards). Formerly the Wartime Prices and Trade Board was only concerned with commodities and services that were " necessaries of life," and it was under the jurisdiction of the Department of Labour. At the same time as this reorganization was occurring, another body was also reconstituted-the Wartime Industries Control Board. This consists of all the Controllers (who exercise authority over various war industries and war supplies) with the Priorities Officer of the Government as chairman. Heretofore, this Board has not been very active (in contrast with individual members in their capacities as Con-

[^51]trollers), but it seems likely to develop more action and cohesion under a new chairman and with a new staff. Co-operation between the Wartime Prices and Trade Board and the Wartime Industries Control Board is provided for in the recent changes : the chairman of each is a member of the other. Moreover, when the price of a commodity under the jurisdiction of a Controller is the subject of discussion, that Controller becomes, for the time, a member of the Wartime Prices and Trade Board.

Some of the reasons for the tightening up of Canadian controls may perhaps be traced to Washington. Some Canadian manufacturers, who had been relying on imports from the United States, had not troubled to take their place in the official line-up of American priorities. Moreover, in some instances it appeared that the Canadian system of priorities and controls was actually less restrictive than the American ; American manufacturers complained that scarce materials sent to Canada were being partly used for inessential purposes. While Canadians have undoubtedly been at fault in isolated cases, there seems to have been some willingness in Washington to believe that, because Ottawa did not insist on as many forms being filled out and did not issue as many official orders, its war organization was generally lax and ineffectual. Actually, Canadian controls, despite their informality, are probably more effective than those in the United States; restrictions on the production and consumption of civilian goods required for military purposes have, as befits a belligerent, gone much further in Canada.

On the whole, despite minor irritations, Canadian - American relations have been extremely friendly. The number of intergovernmental organizations continues to increase. In May, 194I, a Materials Co-ordinating Committee was established, consisting of two representatives from the Department of Munitions and Supply and two from the Office of Production Management in Washington. In June the Joint Economic Committees were established, one from each country, to meet and discuss current problems of economic collaboration and future problems of post - war re-adjustment.

## SOUTH AFRICA.

## Information communicated by Mr. G. F. THIRLBY, of the University of Cape Town

8th September, 1941.

IN recent months, the effects upon the Union's economy of the disruption of peacetime external trade, and of the Union Government's own effort to prosecute the war, have become increasingly manifest. The manifestations appear ( I ) in Government measures to effect direct control of the movement of goods and labour ; (2) in rising prices and wages; (3) in the monetary situation.
(I) The control of external trade and the rationing of shipping space is being effected by an authority appointed to secure shipping priority first to Government orders (in respect of which a Purchasing Commission has been established in the United States), and secondly, to private imports considered to be essentials. This control promises to develop into an Import and Export Control Board. The Government has taken power to restrict the manufacture in the Union of any article containing material that it needs in the prosecution of the war ; and, to secure supplies of labour, it has exhorted local authorities to postpone until after the war public works regarded as non-essential, and prohibited for the time being the commencement, without permit, of the construction of any private building of a value greater than $£ 2,000$. The building industry has followed the engineering industry in being placed under the authority of the Controller of Industrial Manpower, who now has the assistance of a Labour Control Board ; and a scheme is afoot for the pooling of engineering artisans for war work. Rules have been issued for the employment of emergency labour (the "dilution" of skilled labour by unskilled labour and women) in the engineering industry. Shipping congestion at the ports has led to the appointment of port directors at Durban and Capetown, and to the prohibition of the engagement of journeymen shipwrights by employers in the engineering industry, without the consent of the Controller of Industrial Manpower.

In a recent review, the Director-General of War Supplies described South Africa as having become an important repair shop and producer of spares for the aircraft and armaments of the Middle East armies ; and explained that its munitions programme was " moulded by allocations of production for the Empire pool made by the Eastern Group Conference at Delhi."
(2) The rising cost and physical difficulty of maintaining imports has led to considerable increases in the retail prices of many commodities, and to the extension of price control to the wholesale and manufacturing spheres. This control has now been deemed of sufficient importance to justify its transfer from the authority of the National Supplies Control Board to that of a newly-appointed Price Controller.

The increasing cost of consumption goods has led to widespread dissatisfaction with the level of wages, and to the granting of "cost-of-living allowances" in various sections of industry. Concern for workers in wage groups lower than those of " organized " workers led the Government to compel employers in the large magisterial districts to pay cost-of-living allowances to workers (other than Government servants already provided for, casual workers, and workers in mining, farming and private domestic service) receiving a wage below $£ 3$ I4s. od. ${ }^{\star}$ a week. Government policy has thus, to this extent, been to attempt to soften the effects upon wageearners of the increasing scarcity of ordinary consumers' goods. The result of it (combined with other cost-of-living increases) may well be, however, to increase the prices of these goods further.
(3) The propensity in the existing circumstances for prices to rise is enhanced by the state of the Union's balance of external payments, and this is complicated by the peculiar status of the Union's chief export commodity-gold. For, whereas the sale of a commodity ordinarily causes an increase in the local currency only + if and when the commodity is sold abroad, the first sale of gold (to the Reserve Bank) causes an immediate increase in the local currency, whether the gold is subsequently sold abroad or not (because the seller receives a new local deposit immediately). It follows that the abstention by the Reserve Bank from selling abroad the gold that it acquires from the mines is not a preventive of the effect upon the volume of local currency that would be caused if the gold, by being directly sold abroad, were allowed to increase the " Favourable " balance of payments. Whether the recent steady accumulation of gold is inter-

[^52]|  |  | RESERVE BANK |  |  |  | COMMERCIALBANKS |  |  |  | \% of$1938$ |  |  |  |  |  | BUILDINGS COMM'CED |  | Railway Revenue <br> £ Mn. |  <br> 000 | $\begin{array}{\|c} \text { INDUST'L } \\ \text { EMPL'M'T } \\ \text { INDEX } \\ \hline \end{array}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Foreign Bills <br> $£ \mathrm{Mn}$. | $£ \mathrm{Mn} .$ |  | Bankers' Balances <br> $£ \mathrm{Mn}$. | $£ \mathrm{Mn}$. |  |  |  |  |  |  |  |  |  |  | H 0 0 <br> $£ \mathrm{Mn}$. |  |  | urađo.n! |  |  |
| 1924 Av. | $120^{*}$ | $2.5 \dagger$ | $10 \cdot 7$ | $10 \cdot 7$ | $5 \cdot 2$ | 37.0 | 58.2 |  |  | 108 | 168 |  | $5 \cdot 5$ | $3 \cdot 1$ | 3.7 |  |  | 1.9 |  |  | - | 180 |
| 1929 Av . | 117* | 7.2 | $7 \cdot 9$ | 9.0 | 4.9 | 49•3 | 61.5 | 118 |  | 107 | 147 | 82 | 70 | $5 \cdot 2$ | 3.7 | -47 | 42 | 2.4 | $2 \cdot 9$ | 120 | 112 | 194 |
| 1933 Av. | 206 | 16.5 | $13 \cdot 7$ | 9.8 | 22.4 | 34.9 | $72 \cdot 6$ | 112 | 9 | 93 | 118 | 52 | $4 \cdot 1$ | $2 \cdot 2$ | $5 \cdot 6$ | 24 | 21 | $2 \cdot 1$ | 1.7 | 117 | 106 | 231 |
| 1934 Av. | 267 | 16.1 | $19 \cdot 4$ | 11.8 | $25 \cdot 1$ | $39 \cdot 7$ | 82.8 | 141 | $2 \cdot 7$ | 95 | 117 | 64 | $5 \cdot 5$ | $2 \cdot 2$ | 6.0 | 66 | 30 | $2 \cdot 4$ | $3 \cdot 3$ | 133 | 120 | 252 |
| 1935 Av . | 303 | 7.0 | 26.3 | $12 \cdot 9$ | 26.4 | $45 \cdot 7$ | 84.7 | 133 | 12 | 94 | 116 | 58 | $6 \cdot 3$ | 2.6 | 6.4 | 82 | 33 | 2 | 3.8 | 147 | 137 | 278 |
| 1936 Av | 304 | 7.8 | $24 \cdot 4$ | 14.7 | $23 \cdot 7$ | $48 \cdot 8$ | 87.6 | 166 | 2.8 | 91 | 113 | 70 | $7 \cdot 2$ | 2.7 | 6.6 | 1.02 | 36 | 2.9 | 4.7 | 160 | 152 | 301 |
| 1937 Av. | 212 | 6.0 | $24 \cdot 7$ | 16.4 | 19.5 | ! 6.4 | 92.8 | 179 | 26 | 97 | 121 | 77 | 8.6 | $3 \cdot 5$ | 6.9 | $1 \cdot 12$ | 39 | $3 \cdot 1$ | 50 | 172 | 161 | 305 |
| 1938 Av. | 2,2 | 6.7 | 24.2 | 17.2 | $20 \cdot 5$ | 56.8 | $94 \cdot 1$ | 160 | 1.0 | 100 | 123 | 63 | 8.0 | $2 \cdot 7$ | 7" | 90 | 46 | 3.0 | $4 \cdot 1$ | 175 | 167 | 324 |
| 1939 Av . | 257 | 7.0 | 27.7 | 19.0 | $22 \cdot 6$ | 53.5 | 96.5 | 158 | 9 | 100 | 122 | 62 | 7.6 | $2 \cdot 8$ | $8 \cdot 3$ | 71 | 41 | 31 | $3 \cdot 5$ | 177 | 168 | 327 |
| 1938 | 264 | 3.2 | $22 \cdot 9$ | 17.0 | $15 \cdot 9$ | 59.2 | $94 \cdot 1$ | 166 | 1.2 | 100 | 126 |  | 8.9 | 2.6 | 6.9 | $1 \cdot 10$ | 47 | 3.0 | 6.0 | 174 | 160 | 305 |
| FEB. ... | 265 | $5 \cdot 5$ | $22 \cdot 3$ | 16.9 | $19 \cdot 1$ | 57.7 | 89.2 | 156 | 6 | 100 |  | 64 | $8 \cdot 3$ | 2.8 | 6.5 | . 95 | - 32 | $2 \cdot 7$ | $4 \cdot 1$ | 176 | 166 | 316 |
| MAR. | 257 | 6.4 | $22 \cdot 9$ | $15^{-2}$ | 17.7 | 57.2 | 91.8 | 161 | 7 | 100 |  |  | 8.4 | 3.5 | $7 \cdot 1$ | 1.11 | 50 | $3 \cdot 1$ | 4.2 | 176 | 169 | 324 |
| APRIL | 256 | $5 \cdot 4$ | 22.6 | $17 \cdot 7$ | 16.8 | $56 \cdot 7$ | 91.1 | 150 | 7 | 100 | 123 |  | $7 \cdot 7$ | 24 | 6.8 | $\cdot 70$ | 45 | $2 \cdot 8$ | $3 \cdot 7$ | 175 | 170 | 327 |
| MAY | 260 | 6*2 | $22 \cdot 9$ | 17.4 | $19 \cdot 0$ | $55 \cdot 9$ | $91 \cdot 3$ | 141 | 5 | 101 |  | 62 | 7.2 | $2.2{ }^{\circ}$ | 71 | 74 | -44 | 2.8 | $3 \cdot 7$ | 175 | 170 | 328 |
| JUNE | 210 | $8 \cdot 3$ | $22 \cdot 7$ | $15 \cdot 9$ | 17\%8 | $57 \cdot 1$ | 94.4 | 172 | 1.0 | 100 |  |  | 76 | $2 \cdot 3^{\circ}$ | $7 \cdot 1$ | 1.07 | 52 | 3.0 | 3.7 | 175 | 171 | $33 i$ |
| JULY. | 271 | 6.5 | $23 \cdot 0$ | 181 | $18 \cdot 7$ | 560 | 94.6 | 172 | 7 | 100 | 122 |  | 7.8 | $2.1{ }^{\circ}$ | $7 \cdot 3$ | .78 | 6 | 3.0 | 4.4 | 175 | 170 | 330 |
| AUG... | '80 | 7.3 | 24.5 | 16.5 | 23.9 | 55.1 | 92.7 | 168 | 1.4 | 100 |  | 6 | $7 \cdot 7$ | 2.4 | 7.4 | 1.11 | 64 | $3 \cdot 1$ | $3 \cdot 8$ | 174 | 168 | 329 |
| SEPT... | 277 | 7.0 | $26 \cdot 7$ | 18.4 | $23 \cdot 2$ | 55.0 | 94.8 | 151 | 4 | 99 |  |  | 7.6 | 2.4 | $7 \cdot 4$ | . 84 | 64 | $3 \cdot 1$ | 33 | 174 | 167 | 329 |
| OCI. | 289 | 7.2 9.1 | 26.6 | 17.8 | $24^{\circ} 0$ | 54.7 53.9 | 97.6 08.7 | 155 | 1.1 | 100 | 120 | $\} 60$ | 8.0 8.5 | 2.9 3.4 | 7.6 7.5 | . 76 | 40 | 3.0 | 3.9 4.0 | 175 | 165 | 326 |
| NOV... | 290 | $9 \cdot 1$ | 26.7 | 16.5 | 26.0 24.4 | 53.9 53.0 | 98.7 | 152 | 1.1 | 100 |  | $\} 60$ | 8.5 8.0 | 3.4 3.6 | 77.5 | . 94 | . 32 | 3.0 3.2 | 4.0 3.9 | 175 | 165 | 322 319 |
| $\begin{gathered} \text { DEC. ... } \\ 1939 \end{gathered}$ | 284 | 8.1 | $26 \cdot 7$ | $19 \cdot 1$ | 24.4 | 53.0 | $99 \cdot 5$ | 174 | 2.0 | 100 |  |  | 8.0 | 36 | 7.6 | -76 | 32 | 3.2 | 3.9 | 175 | 164 | 319 |
| JAN. . | 267 | $5 \cdot 9$ | 26.7 | $17 \cdot 3$ | $23 \cdot 1$ | 53.9 | $100 \cdot 0$ | 165 | 1.0 | 99 | 119 |  | $8 \cdot 5$ | $2 \cdot 7$ | $7 \cdot 7$ | . 91 | -39 | 3.0 | 4.8 | 174 | 163 | 328 |
| rEB. .. | 265 | 6.8 | 26.6 | $17 \cdot 3$ | 25.6 | $53 \cdot 2$ | 929 | 155 | 4 | 100 |  | \} 57 | $7 \cdot 5$ | 3.0 | $7 \cdot 3$ | 77 | -36 | $2 \cdot 7$ | 3.6 | 177 | 168 | 334 |
| MAR. | 265 | 6.6 | 26.8 | 18.6 | 18.8 | $52 \cdot 9$ | $92 \cdot 3$ | 163 | 1.5 | 100 |  |  | 8.5 | $2 \cdot 8$ | 7.9 | - 86 | -44 | $3 \cdot 3$ | $4 \cdot 2$ | 177 | 170 | 336 |
| APRIL | 253 | 7.5 | 26.4 | 18.7 | 18.8 | $53 \cdot 3$ | $93 \cdot 6$ | 147 | 1.0 | 101 | 119 |  | $7 \cdot 7$ | $2 \cdot 2$ | $7 \cdot 5$ | $\cdot 76$ | -51 | 2.9 | $3 \cdot 8$ | 177 | 170 | 337 |
| MAY ... | 204 | 8.0 | 26.4 | $17 \cdot 7$ | $20 \cdot 3$ | 53.6 | $94 \cdot 7$ | 148 | 6 | 100 |  | 58 | $7 \cdot 8$ | $2 \cdot 3$ | 8.0 | ¢2 | 34 | 3.0 | 3.6 | 177 | 170 | 334 |
| JUNE.. | 270 | $7 \cdot 7$ | 26.6 | 19.2 | $22 \cdot 3$ | 54.4 | $97 \cdot 9$ | 168 | 7 | 100 |  |  | 8.2 | 26 | $7 \cdot 8$ | 84 | 46 | 32 | 35 | 177 | 169 | 332 |
| JULY | 254 | $5 \cdot 5$ | 26.6 | 18.5 | 21.2 | 54.7 | $96 \cdot 3$ | 154 | 8 | 100 | 120 |  | 7.6 | 2.4 | 8.0 | . 75 | 49 | 3.1 | 3.7 | 177 | 168 | 328 |
| AUG. . | 262 | 6.4 | $26 \cdot 9$ | $16 \cdot 7$ | $22 \cdot 9$ | 53.6 | 94.7 | 176 | 3 | 99 |  | \} 62 | $8 \cdot 1 \mathrm{x}$ 5.4 | [ $\begin{aligned} & 3.3 \\ & 2.7\end{aligned}$ | $8 \cdot 1$ $9 \cdot 1$ | . 87 | 42 | $3 \cdot 2$ $3 \cdot 3$ | 3.7 2.7 | 177 | 168 | 326 325 |
| SEPT. | 245 | $7 \cdot 1$ | 28.4 | $20 \cdot 5$ | $23 \cdot 3$ | 52.8 | $96 \cdot 3$ | 145 | 1.1 | 99 |  |  | 5.4 5.9 | 2.7 <br> 2.8 | 9.12 | . 57 | - 38 | 3.3 3.1 | 3.0 | 178 | 167 | 325 |
| OCT. | 237 | $7 \cdot 1$ | $29 \cdot 5$ | $19 \cdot 3$ | 24.6 | $52 \cdot 3$ | 98.4 | 154 | - 5 | 99 | 128 |  | 5.9 | 2.8 | 9.2 | - 47 | . 34 | 3.0 | 3.1 | 178 | 167 | 320 |
| NOV. | 249 | $7 \cdot 1$ | $30 \cdot 8$ | 17.8 | '6.1 | $52 \cdot 5$ | $100 \cdot 5$ | 153 | $\cdot 7$ | 100 | 132 | f 71 | $7 \cdot 7$ | 3.5 | $9 \cdot 3$ | -47 | 34 | 3.0 | 3.1 | 178 | 165 | 315 |
| DEC. | <55 | 8.0 | $30 \cdot 2$ | $20 \cdot 7$ | $24 \cdot 1$ | $54 \cdot 3$ | $100 \cdot 9$ | 172 | $2 \cdot 5$ | 100 | 137 | ) | $8 \cdot 3$ | 3.4 | $9 \cdot 2$ | -41 | 27 | 3.2 | $2 \cdot 9$ | 178 | 166 | 316 |
| 1940 | 254 | 8.0 | $30 \cdot 7$ | $18 \cdot 3$ | 25.0 | $55 \cdot 3$ | 103•1 | 164 | -1 | 101 | 141 |  | $9 \cdot 3$ | 4.5 | $9 \cdot 5$ | 34 | 32 | $3 \cdot 3$ | 3. | 178 | 166 | 337 |
| FEB. | 249 | 8.0 | $32 \cdot 5$ | $17 \cdot 7$ | $30 \cdot 9$ | 54.5 | $103 \cdot 3$ | 183 | '1 | 102 | 143 | \% 74 | 8.8 | $3 \cdot 4$ | $9 \cdot 3$ | 48 | 30 | 3.0 | 26 | 179 | 174 | 353 |
| MAR. | 254 | 8.2 | $33 \cdot 0$ | $20 \cdot 3$ | 241 | 52.4 | 98.9 | 172 | 5 | 102 | 144 |  | $8 \cdot 2$ | 3.5 | 9.6 | 50 | 41 | 3.1 | 2.6 | 179 | 178 | 363 |
| APRIL | 259 | 8.2 | $33 \cdot 8$ | 18.9 | $27 \cdot 5$ | 51.5 | $101 \cdot 4$ | 171 | - 8 | 103 | 145 |  | 10.4 | 4.4 | $9 \cdot 8$ | -44 | 42 | 3.2 |  | 180 | 180 | 367 |
| MAY . | 256 | 8.2 | $36 \cdot 2$ | $21 \cdot 3$ | $29 \cdot 1$ | 51.2 | $104 \cdot 1$ | 160 | $-1.0$ | 103 | 148 | \} 76 | 8.5 | 3.6 | $10 \cdot 0$ | 51 | 37 | $3 \cdot 1$ | \} $5 \cdot 9$ | 180 | 181 | 368 |
| JUNE | 220 | 1.5 | $36 \cdot 7$ | $22 \cdot 8$ | $38 \cdot 3$ | 51.2 | $111 \cdot 3$ | 179 | 1 | 104 | 149 |  | $9 \cdot 1$ | 3.5 | $9 \cdot 7$ | 44 | 31 | 3.2 |  | 178 | 180 | 365 |
| JULY | 195 | 1.4 | 37.0 | 21.8 | $40 \cdot 0$ | 50.9 | 113.7 | 169 | $-1$ | 104 | 150 |  | 9.5 | 2.9 | $10 \cdot 1$ | 33 | 31 | 3.5 |  | 176 | 179 | 361 |
| AUG. | 211 | 8 | $37 \cdot 3$ | $23 \cdot 7$ | $40 \cdot 6$ | $49 \cdot 1$ | 110.5 | 196 | 3 | 103 | 150 | 71 | 10.0 | 2.7 | $10 \cdot 1$ | . 32 | 16 | 3.4 |  | 177 | 179 | 366 |
| SEPT... | - 225 | 7 | 38.1 | 22.8 | 36.6 | $47 \cdot 8$ | 115.6 | 145 | 1.0 | 104 | 152 |  | 7.8 | 2.6 | 9.8 | - 26 | 26 | $3 \cdot 3$ | $10 \cdot 8$ | 177 | 180 | 368 |
| OCT. | 234 | 7 | $39 \cdot 8$ | 21.0 | 38.8 | $45 \cdot 7$ | 117.2 | 162 | $4 \cdot 8 a$ | 105 | 152 |  | 9.0 | 2.511 | $10 \cdot 2$ | -32 | 51 | 3.4 | 10 | 177 | 180 | 366 |
| NOV... | 244 | 8 | $42 \cdot 6$ | 23.5 | $40 \cdot 3$ | 43.5 | 120.5 | 165 | 1.4 | 105 | 155 | \} 75 | 8.2 | 3.2 | 10.0 0.9 | -36 | . 23 | 3.5 |  | 178 | 179 | 363 |
| DEC... | 251 | 8 | 44.6 | 23.7 | $45 \%$ | 42.6 | $125 \cdot 3$ | 179 | 2 | 104 | 156 |  | $7 \cdot 0$ | 3.0 | 9.9 | 34 | -16 | 3.6 |  | 179 | 179 | 359 |
| JAN. | 240 | 5 | $45 \cdot 6$ | $23 \cdot 7$ | 46.2 | 41.5 | 127.0 | 177 | 5 | 105 | 157 |  | $8 \cdot 1$ | $2 \cdot 8$ | $10 \cdot 2$ | 39 | 28 | 3.6 |  | 180 | 180 | 376 |
| FEB. | 233 | 6 | $47 \cdot 1$ | $23 \cdot 8$ | $42 \cdot 5$ | 40.2 | $121 \cdot 1$ | 195 | - 3 | 105 | 158 |  | $6 \cdot 7$ | 2.7 | 9.5 | . 39 | 33 | 3.2 |  | 181 | 186 | 384 |
| MAR. | 229 | 5 | 48.7 | $23 \cdot 6$ | 45.2 | $40 \cdot 1$ | 125.6 | 172 | - | 106 | 159 |  | $9 \cdot 2$ | 2.7 | $10 \cdot 1$ | -47 | 35 | 37 |  | 182 | 188 | 383 |
| APRIL | 232 | 7 | $50 \cdot 1$ | $22 \cdot 5$ | $51 \cdot 3$ | 39.6 | $130 \cdot 5$ | 164 | -8 | 107 | 162 |  | $8 \cdot 3$ | 3.2 | $9 \cdot 9$ | - 65 | 32 | 3.4 |  | 183 | 188 | 382 |
| MAY | . 236 | 5 | 50.7 | 26.2 | 51.7 | 39.9 | 132.7 | 169 | $-1.7$ | 108 | 164 |  | $\dagger$ | 十 | 10.3 | 60 | -39 | 3.6 3.5 |  | 184 | 189 | 379 |
| $\begin{aligned} & \text { JUNE } . \\ & \text { JULY. } \end{aligned}$ | . 241 |  | $\begin{aligned} & 51 \cdot 8 \\ & 52 \cdot 3 \end{aligned}$ | $\begin{aligned} & 25 \cdot 8 \\ & 23.8 \end{aligned}$ | $\begin{aligned} & 52.8 \\ & 58.0 \end{aligned}$ | $40 \cdot 4$ | 136.5 |  | 22 | 108 | 167 |  |  |  | 9.9§ |  |  | 3.5 |  |  |  | 376 |
| AUG. |  | 9. | 52.9§ | 27-2§ | $58.4 \S$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $\times$ Excl. G <br> $\oint$ Prov | * Avera Gold fro visional |  | n. 1st a ate. / E Ratio | nd July Excl. Go of curre | 1st. <br> old spec nt value | $\xrightarrow{+}$ | Includin this da valuation |  | Mn. Bri Publica 8 prices | ish <br> ation | Treasury suspend $a$ Incl | Bills. d. capita | Excl. ex of Ind | \|| Excl xtraord dustria | wool nary Deve | from t <br> shipme <br> lopmen | s dat <br> s of <br> Corpo | Id sp ation |  |  | £ | Mn. |

preted as the reflection of a favourable balance of payments (including an inflow of "refugee" money) or partly as the result of a policy of restricting gold exports so as to equate revenue from exports with expenditure upon imports, it remains true that the volume of local currency has seriously increased.

If the last annual report of the governor of the Reserve Bank were consulted for the purpose of ascertaining the policy behind the money accumulations, it might seem that the Union were building up a war and post-war chest ; for it was there stated that South Africa " is able to create a reserve fund for which it can pay for extra imports to be expected in connection with Government demands for war purposes and replenishments of commercial stocks after the war." If this is the policy, it rather assumes either that funds will be held idle until the right time by individuals, who will then be willing to spend them upon the imports contemplated, or that it is a matter of little concern that a round of spending upon locally-produced goods should subsequently give place to a round of spending upon imported goods. More recently, however, the Minister of Finance (Mr. J. H. Hofmeyr), in a public address, recognised the dangers to the local economy inherent in the currency accumulation, pressed the necessity for transferring funds into Government loans which could be used for paying off external debt as well as for prosecuting the war effort, urged an increase in the rate of transfer of stock from London to the local register, and promised facilities to allow the public to invest in Government loans at any time. $\ddagger$

Should the Minister's injunction to the community to reduce its consumption to a minimum be unavailing, dangers (amongst others) inherent in the situation would seem to be the following :-
(i) The internal circulation of the additional supply of money will increase the share in the local output of goods of those people who spend early, at the expense of those who do not increase their expenditure and those who do so only later on. (There is, therefore, an inducement to the acquisitive and shrewd to spend early.)
(ii) Local output of those goods (varying in the degree to which they would be regarded as essential) which have become scarce owing to the interruption of imports, will be increased at a cost higher than that at which they had hitherto

[^53]been obtained from abroad. (This danger arises irrespective of the increased quantity of money in the country. The increased quantity of money is conducive rather to higher money cost, and also, in so far as tastes of early spenders differ from those of late spenders, to booms in certain sections of industry, followed by depressions and the waste of capital invested in specialized equipment.)

The second danger is of particularly obvious significance in its relation to post-war economic policy. Should it become possible, after the war, to substitute imported goods at lower prices, money will tend to leave the country to circulate abroad, and the inflated local industries to become less profitable. The consequent reduction (or the threat of it) in local producers' incomes will be likely to give rise to a clamour for increased protection. Discouragement in advance of such demands was given early in 1940, when the Industrial Development Bill was being passed. The policy was stated to be not to give new protection, except against dumping. But signs are emerging which suggest either that that policy has been forgotten in certain influential circles, or that the term dumping may be so widely interpreted as to render the policy a sham. Particularly significant in this respect was a statement made in a broadcast, delivered shortly after the Churchill-Roosevelt declaration,* by the Director-General of War Supplies (who is also Chairman of the protected and expanding South African Iron and Steel Industrial Corporation, Ltd., and of the recently-formed Industrial Development Corporation of South Africa, Ltd.), urging the necessity for post-war protection of labour-standards + in local industry against the effects of imports of goods from lowwage countries. Other signs of the same attitude are not lacking. The Board of Trade and Industries has suggested duties to protect local manufactures against imports from countries whose wage-scales in the classes of industry concerned are lower than those in the Union, and against any form of " uneconomic competition" which may result from "abnormal conditions obtaining during the war." The Minister of Railways and Harbours appears to be looking forward to an increase in the local production of railway equipment (including locomotives). A Commission has recently been

[^54]set up with terms of reference which include the investigation of the possibility of post-war development of the Union Government's shipping services, and the expediency of giving preferential treatment in the coastwise trade to ships on the South African register. The Minister of Lands is reported to have been acquiring land for postwar subsidized land settlement. This last activity, if less obviously connected with the same question, is none the less consistent with a propensity to favour high-cost production, and is likely to increase, rather than diminish, the
extent to which the Union is (in the recent words of the Secretary for Agriculture) a " surplusproducing country" (i.e., a country which dumps agricultural products abroad in order to maintain a high price at home). Such signs as these, and the journalistic acclaim of the recent decision to apply a system of import priorities as a blessed opportunity to restrict the imports of Japanese goods, prompt the question whether the Union's post-war policy will not, after all, be one of that restrictionism which is regarded by some as the economic cause of war.

ERRATA.
April, 194I, Bulletin.
Page 57. Table of Exports. For "Cut diamonds," read "Diamonds."
Page 60. Lines 32-33. For ". . . plant and in an effort to increase . . ." read ". . plant ; an effort has been made to increase

Page 60. Interchange footnotes * and *

## COLOMBIA.

By N. R. GILBERT.

THE effect of the war on this South American republic does not appear to have been so marked as in Argentina or Brazil. In 1938 a very substantial proportion of Colombia's trade was with the United States- $50 \%$ of imports and $53.3 \%$ of exports (excluding gold)-and it appears not to have been as difficult for it as for some of the other South American republics to adjust itself to the new conditions due to the successive closing of European markets.

The direction of Colombia's foreign trade in pre-war days was as follows :-


| Values in Mn. pesos * |  |  |  | EXPO 1939 | 1939 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| U.S.A. | $\ldots$ | $\ldots$ | $\ldots$ | 80.80 | $77 \cdot 82$ |
| Germany and Austria | $\ldots$ | ... | ... | 21.66 | 12.99 |
| Canada ... .. | ... | ... | ... | 1429 | 11.61 |
|  |  |  |  | 1168 | 102.4 |
| Others |  |  | $\ldots$ | 33.0 | $34 \cdot 1$ |
| Total exports (ex gold) | ... | $\ldots$ | ... | 149.8 | 136.5 |

Colombia's exports consist mainly of coffee, gold and petroleum, which together represented $88.5 \%$ of her total exports in 1938 and $93.5 \%$ in 1940.


The oil exports are taken out of the country without any return apart from royalties, taxes and imports of working capital. The oil is exported almost entirely in its crude state, and most of it goes to the Dutch West Indies, Canada and the United States for refining. With the completion in November, 1939 , of the 263 mile $12-\mathrm{in}$. pipeline from the Barco concession to Covenas in the Gulf of Morrosquillo, production was increased and it is expected to reach 27 Mn . barrels a year, but may not do so
as speedily as desired owing to curtailment of consumption and closure of importing markets.

$$
\begin{aligned}
& \text { COLOMBIA's OIL } \\
& \text { Magdalena river fields } \\
& \text { (Infantas, La Cira, \&c.) } \\
& \text { New } \\
& \text { New Barco fields (Petrolea) } \\
&
\end{aligned}
$$

Colombia's domestic requirements in oil are satisfied by a refinery at Barranca Mermeja, which in 1937 treated 2.6 Mn . barrels of crude, exporting minor quantities of finished products.

With regard to Gold, the value of exports in 1939 and I940 has been more than double that of exports in 1938. Production is steadily increasing. These exports went entirely to the U.S.A. for the years 1935 to 1938, and there is no reason to suppose that they are not continuing to go to the same destination.

Coffee, on the other hand, has given rise to much anxiety and uncertainty. It is the main export of Colombia. In 1938 it represented $58 \%$ of the total value of exports, and if allowance is made for those exports whose value does not return to Colombia ( $100 \%$ of petroleum, $30 \%$ of bananas and $32 \%$ of platinum), then coffee represented in $193878 \%$ of the value of exports.

Colombian coffees are of the mild, more prized, varieties and roughly three-quarters of the crop is usually absorbed by the U.S.A. The crop has recently produced some 4.4 Mn . bags, ${ }^{\star}$ of which about 4 Mn . bags were available for export and about 750,000 bags marketed in Europe. When the war caused the loss of the Central European markets, the effect on the Colombian coffee market was accentuated by the very difficult situation which arose in Brazil and the very low prices, which probably deflected to that market some of the demand that might otherwise have gone to Colombia.

By April, 1940, prices fell to such low levels that growers in some regions were producing at a loss, despite the action of the Colombian Coffee Federation, which bought coffee on the internal market in an effort to bolster up prices. An export premium for coffee was decreed at the end of April, 1940, and there was a temporary recovery of home prices followed by a further fall of prices abroad.

In June, 1940, the Pan-American Coffee Conference started work on the problem, and an agreement drafted by the Inter-American Financial and Economic Advisory Committee was signed in November 1940, by the United States

[^55]and 14 coffee-producing countries in America. It provided for quotas in the United States import market for the Latin American exporting countries in proportion to their former exports to that country. Colombia's share for 1940-4I was $3,150,000$ bags. The scheme, however, involved loss of all hope of marketing some 750,000 bags of coffee in that season. Measures were taken to obtain maximum yields of dollars by restricting exports to the higher grades only, confining home consumption to medium grades by the imposition of a prohibitive export tax on their export, and forbidding the sale of the lowest grades. These latter the Coffee Federation would purchase at about 7 pesos per bag possibly for destruction. The surplus of higher grades, estimated at half a million bags, would be purchased at current prices by the National Coffee Federation.

Concurrently with these measures minimum export prices were fixed for coffee, and all proceeds received by exporters over the minimum price were to be sold to the Banco de la Republica at a discount of about $57 \%$ on official rates. The income from this, together with a tax of nearly $3 \%$ on all export bills and a 20 -year $3 \%$ internal loan of io Mn. pesos, were the sources from which the scheme was financed.

Prices of coffee recovered rapidly, and by June, 194I, they were about double what they had been in June, 1940, when they were at their lowest ebb.

COLOMBIAN COFFEE PRICES. U.S. cents per lb.

|  |  | Variety |  |  |
| :--- | :---: | :---: | :---: | :---: |
|  |  | Medellin. |  |  | Menizales.

The export premium was discontinued in February, I941, after costing the Government an amount estimated at 4.6 Mn . pesos, and minimum prices were moved upwards at intervals. The quotas of exporting countries were increased by $5 \%$ in May, 1941, and a further $15 \%$ of the quota was allowed for shipment to the U.S.A. in advance on the second quota year to provide for maintenance of high stocks in the U.S.A. against possible shipping difficulties.

Apart from the policy followed by the Colombian Government, the main causes of the rise of coffee prices are the policy of building up stocks in the United States for fear of shipping difficulties, the tendency to hold stocks of goods as an investment against fluctuations in the value of money, and probably also the rise in
incomes and employment in the U.S.A., making for greater consumption.

It is estimated that the pre-war yearly export of coffee from Colombia at the prices ruling before the scheme ( 4 Mn . bags at an average of U.S. \$io per bag) would have yielded her some \$io Mn . less than her quota to the U.S.A. in 1940-4I at the prices ruling during that year. During the first eleven months of the present coffee season (October, 1940, to August, 1941) exports from Colombia were about $3,410,000$ bags, about 390,000 bags less than in the corresponding period of 1939-1940, exports to countries other than the U.S.A. being 276,000 bags, or 16,000 bags less than last season. European imports were substantially higher in 1940-41 than in 1939-40.

One of the causes of these higher imports by Europe may perhaps be found in the measure decided upon in April, 1940, authorising the National Coffee Federation to deliver coffee in payment of imports whenever both importer and exporter agreed this mode of payment.*

This measure formed part of a group of regulations to restrict imports to more essential needs in order to conserve exchange, which at that time was very scarce.

To these measures the Government added in June and July, I940, a series of decrees embodying a comprehensive plan to foster the economic development of the country under the direction of the Ministry of National Economy. Credits of various magnitudes were provided, and agriculture, cattle raising, manufacturing industry, shipping and railways were all included within the scope of the decrees. An Institute for Industrial Development was formed to assist industry by subscribing capital or making or guaranteeing loans. Twenty-two industries were selected for special attention, and special concession and remission of taxes were used as means of encouragement.

Quite independently of these measures, Colombia's industry, which is mainly concerned with the manufacture of consumption goods, received a fillip as a result of the restrictions imposed on imports, the shortage of exchange and shipping difficulties. In May, 1940, it was reported that, after a slight setback in the early months of the war, the textile industries were working at pre-war levels. Imports of plant and raw materials were facilitated by credits from the Export-Import Bank. Local demand for consumption goods continued to increase owing to the difficulty of obtaining exchange for imports. A notable

[^56]development of industry was the consequence. Textile mills were enlarged and new mills set up, new cement plants were started, a plant for the manufacture of veneer wood and packing cases, and another for the manufacture of plastics for tableware, etc., were installed in Barranquilla. Rubber toys, metal kitchenware and cutlery, were all new lines of manufacture.

The building industry and the public works programme were faced with difficulties in obtaining deliveries from the U.S.A. as early as March this year. By May the U.S.A. was refusing export licences for iron and steel products, and for all products merchants and industrialists were experiencing difficulty in obtaining deliveries from abroad, so that the preferential exchange conditions applicable to the U.S.A. and Canada were extended to all other countries.

A fact illustrative of the boom in local industry was the success of the operatives of the main brewery in Bogota, who secured a $7 \frac{1}{2} \%$ wage increase after a fortnight's strike.

In the agricultural field special endeavours have been made to increase production of those crops which do not entirely meet local require-
ments. In the case of cotton and sugar, production has increased remarkably, so much so that it was reported that the Government had hoped to cease imports of sugar this season. The crop, however, has not quite come up to expectations and some imports may be necessary. The cotton crop this year in Northern Colombia was twice as large as last year.

Efforts are also being made to replace imports of European semi-manufactures by imports from neighbouring countries, e.g., woollen yarns are now being imported from Chile and Argentina.

Since May, 1941, general economic conditions in Colombia have been quieter. The buoyancy which followed the signing of the coffee convention levelled off; coffee prices have been very nearly steady, with a firm tendency; general sales activity has shown a tendency to slow down. It seems probable, however, that with the coming season coffee prices will be maintained at a satisfactory level. With U.S.A. import quotas $10 \%$ above the previous year's, and with a good return from its coffee crop, Colombia's prospects of a good year seem reasonably secure.

Acknowledgment is made to the Economic Research Division, London School of Economics, for permission to publish the foregoing article, which is the result of research undertaken under their direction.

## ERRATUM.

U.S.S.R. July, i941, Bulletin.

Page 91. Left-hand column. Transfer the paragraph beginning "For 1941 the financial estimates . . ." to the right-hand column, after the paragraph beginning "It is probable . . ."

## I N DEX

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## Calendar of Chief Events of Economic Importance.

## (with special reference to Great Britain)

## 1941

| JAN. | U.K. | Issue of new 3\% Savings Bonds, 1955-65, on tap, and second series of $2 \frac{1}{2} \%$ National War Bonds 1946-48. |
| :---: | :---: | :---: |
| 5. | N. Africa | British take Bardia. |
| 6. | U.K. | New cabinet Executives set up for Production and Imp |
| 8. | U.S.A. | President's budget message indicates defence expenditure for 1941-2 of $\$ 10.8 \mathrm{Md}$., and deficit of $\$ 9.2 \mathrm{Md}$. |
| 10. | U.S.A. | 'Lease and Lend ' Bill introduced into Congress. |
| 12. | U.S.S.R. | New Trade agreement with Germany announced. |
| 15. | U.S.A. | Morgenthau estimates remaining British dollar assets at $£ 444$ Mn., and British orders in U.S.A. for 1941 at $£ 750 \mathrm{Mn}$. |
| 18. | U.K. | New defence regulations provide for compulsory part-time fire-watching duties for male civilians. |
| 21. | U.K. | Minister of Labour announces industrial registration. |
| 22. | Roumania | Unsuccessful Iron Guard rebellion begins. |
| FEB. 6. | N. Africa | British take Benghazi. |
| 7. | U.K. | Vesting order issued for Indian Government sterling securities. |
| 14. | U.K. | Government to take over import of all cotton. |
| 27. | U.K. | Ministry of Transport assumes direct control of dock labour. |
| MAR. 1. | Balkans | Entry of German troops into Bulgaria. |
| 4. | U.K. | President of Board of Trade announces concentration scheme for civilian industries. |
| 11. | U.S.A. | Lease and Lend bill becomes law. |
| 17. | U.S.A. | Courtaulds holdings in Viscose Corporation sold to U.S.A. |
| 18. | U.K. | Ban on optional municipal conversions lifted. |
| 25. | Balkans | Jugoslavia signs Axis Pact. |
| 27. | Balkans | Revolution in Jugoslavia. |
|  | E. Africa | British take Keren and Harar. |
| $28 .$ | Mediterranean | Heavy Italian naval losses at Battle of Cape Matapan. |
| $30 .$ | U.S.A. | Government seizes Axis ships. |

APR.

| 3. | N. Africa |
| :--- | :--- |
| Iraq |  |
| 5. | E. Africa |
| 6. | Balkans |
| 7. | U.K. |

9-10. Balkans
11. U.S.A.
13. U.S.S.R.
14. N. Africa
21. U.K.
U.S.A.
23. Greece
26. U.S.A.
28. U.S.A. Anglo-American financial agreement with China announced providing loans to China of $£ 5 \mathrm{Mn}$. and $\$ 50 \mathrm{Mn}$.

| MAY 1. | Balkans | British withdrawal from Greece completed. |
| ---: | :--- | :--- |
| 2. | Iraq | Iraqui troops attack British aerodrome at Habbaniya. |
| 15. | Near East | German aircraft begin to use Syrian aerodromes. |
| 20. | Near East | German attack on Crete begins. |
|  | Abyssinia | Duke of Aosta surrenders at Amba Alagi with 18,000 troops. |
| 27. | U.S.A. | President proclaims unlimited national emergency. |
| 30. | U.S.A. | Defence Priority Order issued for steel. |
| 31. | Iraq. | Armistice signed. |

JUNE 1. Near East British withdrawal from Crete announced. Iraq British enter Baghdad. U.K.
6. U.S.A.
8. Near East

Clothes rationing announced.
Act passed authorising President to commandeer idle foreign ships.
U.S.A.
10. U.K.

British and Allied Forces invade Syria.
Troops break strike at aircraft factory in California.
14. U.S.A.

Rationing of eggs announced.
President orders freezing of Axis assets.
16. U.S.A.

President closes German Consulates.
22. U.S.S.R. German invasion begins.
U.K. Prime Minister pledges aid to U.S.S.R.
24. U.K. Vote of credit for further $£ 1,000 \mathrm{Mn}$.
26. U.K. Surplus produce agreement announced with Australia and New Zealand.
30. U.K. Prices of fish controlled.

JULY 3. U.K. 7. U.S.A.

11-12. Near East
13. U.K.
22. U.K.
U.S.A.
23. Far East
26. U.K.
U.S.A.

Coal for domestic consumers limited to maximum of 1 ton per month.
President announces arrival of U.S. forces in Iceland.
Fighting in Syria ceases ; armistice negotiations begin.
Alliance with U.S.S.R. announced.
Government issues White Paper on "Price Stabilisation and Industrial Policy "
Reconstruction Finance Corporation authorised to lend British Government $\$ 425 \mathrm{Mn}$. against security of British direct investments in U.S.A.
Vichy authorities accept Japan's demand for bases in Indo-China.
Freezing of Japanese assets announced.

AUG. 14. U.S.A.
U.K.
U.K.
$\left.\begin{array}{l}\text { 15. U.S.A. } \\ \text { U.K. }\end{array}\right\}$
U.K.
16. U.S.S.R.
25. Persia
28. U.K.

Persia
Australia
30. U.K.

Announcement of conference at sea between Churchill and Roosevelt. Joint declaration of peace aims.
Issue of $2 \frac{1}{2} \%$ War Bonds, 1946-48, discontinued.
Announcement of joint message, offering full economic help to Moscow.
$£ 35 \mathrm{Mn}$. of Canadian securities requisitioned.
Economic agreement with U.K. signed.
Entry of British and Russian forces.
New agreement announced between railways and government.
Persian forces ordered to cease fire.
Mr. Menzies resigns premiership and is succeeded by Mr. Fadden.
Fiduciary Issue raised from $£ 680 \mathrm{Mn}$. to $£ 730 \mathrm{Mn}$.

SEPT. 12. U.S.A.
15. U.K.
16. Persia
18. U.S.A.
29. U.S.S.R.

President announces that U.S. warships have orders to fire on Axis warships in American defence zones.
Order in Council gives Treasury increased powers over fiduciary issue for duration of the war.
Abdication of the Shah.
President asks Congress for additional Lease-Lend appropriation of $\$ 5,985 \mathrm{Mn}$.
Three-power Economic Conference opens in Moscow.

OCT. 1. U.S.S.R.
U.S.S.R.
U.K.
3. Australia
9. U.S.A.
U.K.
11. U.K.
16. Japan
19. U.S.S.R.
20. U.K.
22. U.K.
29. Australia

Three-power conference concludes and issues statement that practically all Russian requirements can be met.
Start of new German offensive against Moscow.
Additional $£ 1,000 \mathrm{Mn}$. war credit voted.
Fadden cabinet defeated on Budget and resigns. Mr. Curtin forms Labour Government.
Presidential message to Congress asking for revision of Neutrality Act to permit arming U.S. Merchant Ships.
New Issue of $2 \frac{1}{2} \%$ War Bonds, 1949-51.
$£ 40 \mathrm{Mn}$. of S. African sterling securities requisitioned.
Konoe cabinet resigns. Gen. Tojo forms new government.
State of siege declared in Moscow.
Particulars announced of government's road haulage scheme.
Mr. Eden announces diplomatic relations to be resumed with Mexico.
Mr. Eden announces diplomatic relations to be re
New Labour Government introduces fresh budget.

NOV. 2. U.K.
5. U.S.A.
6. U.S.A.
7. U.S.A.
11. U.K.
13. U.S.A.
17. U.S.A.
U.S.A.
18. U.K.
U.K.
19. U.K.
U.K.
22. U.S.A.
24. U.S.A.
U.S.A.
26. Syria
U.K.

Abyssinia
U K.
29. U.S.S.R.

Rationing of canned foods announced to start on November 17th.
Joint Defence Production Committee with Canada announced.
U.S. Government to grant $\$ 1,000 \mathrm{Mn}$. interest-free loan to U.S.S.R.

Senate passes amendments to Neutrality Act, permitting arming of U.S. merchant ships and their sailing to ports in war zone.
Opening of new non-food shops to be subject to licence.
House of Representatives passes amendments to Neutrality Act by majority of 18 .
Strike in "captive" mines begins midnight 16.11.
Amendment of Neutrality Act permitting arming of U.S.A. Merchantmen their entering into war zone comes into force on President's signature.
Arrangements provided for realising on stocks pledged in U.S.A.
British offensive in Libya begins.
Central Agricultural Wages Board announces increase of minimum wage from 48 s . to 60 s. for whole country.
Authorisation of public utility conversions.
U.S. strike in "captive" mines called off.
U.S. and Brazil to protect Dutch Guiana. U.S. troops to be sent. Brazil to guard frontiers.
Cancellation of U.S. export licences to Algeria, French Morocco and Tunisia; also of licences for export of petrol products to Spain, its possessions and Tangier.
Proclamation by General Catroux of the independence of Lebanon.
Reduction of passenger train service announced.
Gondar surrenders.
Compulsory collection of salvage by local authorities.
Russians retake Rostov.

DEC. 2. U.K.
3. U.K.
4. International
6. U.K.

Bill to extend conscription to include men $188^{1}-50$ years, women $20-30$, announced.
Increase of $£ 50 \mathrm{Mn}$. in Fiduciary Issue announced.
Announcement that Rubber Export Quota is to be maintained at $120 \%$ of basic level as before. Negotiations with U.S.A.
U.K. at war with Finland, Roumania and Hungary, as from midnight (1 a.m. Sunday, B.S.T.).

## 1941

DEC. 7. Japan
Japan strikes at U.S. in Hawaii and Philippines, and against Britain in Malaya. High Command declares state of war exists between Japan and U.S. and Britain.
8. International U.S.A. and U.K. declare war on Japan, followed by Netherlands, Australia and Canada.
Thailand Thailand cedes right of passage to Japanese troops.
Japan
Japanese invade Malaya.
9. U.K. Tin Control Order comes into operation.

International New Zealand, South Africa and Egypt declare war on Japan.
China
Argentina
China declares war on Japan, Italy and Germany.
Government decides to regard U.S.A. as non-belligerent.
Scope of Russian counter-offensive begins to be evident. Progress continued throughout the month.
U.K.
11. International
"Prince of Wales" and "Repulse" sunk by Japanese.
Declarations of war between Germany and Italy and the U.S.A.
Central American States break off relations with Axis powers shortly afterwards.
18. U.K. National Service Act becomes law
16. U.K. Vote of credit for further $£ 1,000 \mathrm{Mn}$.
22. U.K. Issue of Tax Reserve Certificates begun. Mr. Churchill arrives in Washington.
23. U.K. Further call up of India stock.
24. Libya British take Benghazi.
25. Hong Kong Hong Kong falls.

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[^0]:    * These no longer consist of the average of four weekly making-up days, but represent merely one making-up day for each bank towards the end of the month. They are, therefore, not strictly comparable with the figures for pre-war months, especially in the months preceding the half-years. Nevertheless, where the movements involved are large, the differences are probably not such as to
    render comparison altogether invalid.

[^1]:    * The prices actually given in the Ministry of Labour Gazette are for June, 1934.

[^2]:    * At July ist.

[^3]:    * Published after the War of 1914-I8.

[^4]:    $\dagger$ The number of women (aged 16-65) on the Unemployment Exchange Registers shows an increase from August to December greater than that in the number of insured unemployed women; this is because there was an addition of some 60,000 uninsured women registering for employment.

[^5]:    Regional Percentages prior to November，1939，based upon numbers insured in July，1938；subsequently upon numbers insured in Julv， 1939.

[^6]:    ！Official Rate．
    －Nominal．
    Average 14th to 31st．Average 1st to 12 th $27^{\prime} 67 \mathrm{~d}$ ，per $\$$ ．
    § Paper pesos to $£$

[^7]:    * Institut des Recherches Economiques.

[^8]:    * At the end of 1939 the business of the Union Bank of Manchester was merged into that of Barclays Bank. Of the $£ 19 \mathrm{Mn}$. of deposits formerly held by the Union Bank of Manchester, about half was kept with Barclays Bank. The total of clearing bank deposits in and after January, 1940, should therefore be reduced by about $£$ ro Mn . to make them comparable with those of earlier months.

[^9]:    * When adjusted for the normal seasonal movement the increase is nearly $16 \%$ and for food alone about $16 \frac{1}{2} \%$.

[^10]:    Latest figures are provisional.

[^11]:    ：Average 15th to 31 st ．Average 1st to $7 \mathrm{th}, 2^{*} 58 \mathrm{~d}$ ，per mil．

[^12]:    * The following statement in the Federal Reserve Bulletin for February, 1940 (page 83), may be of interest to readers of the Bulletin of the London and Cambridge Economic Service: "The nature of recent fluctuations in the Board's index of industrial production has given rise to many questions concerning the index and what it measures. This index is compiled from such figures of output of manufactures and minerals as have been available in physical volume terms on a monthly basis for a long period of years. It reflects mostly production of basic materials and semi-finished products, which, although roughly representative of the manufacture of finished products, is likely to fluctuate over short periods of time more widely than total production and over long periods may depart somewhat from the total because of changes in the amount and kinds of finished goods produced. Movements in industrial production as a whole, furthermore, are wider than those in trade, the service industries, and most other lines of economic activity except construction, and the timing of changes is also somewhat different. Although the industrial production index should not be considered as a measure of short-term variations in economic activity taken as a whole, it is an important business indicator, since fluctuations in output of basic goods not only comprise a large part of the variation in the total but also reflect and influence activity in other lines."

[^13]:    * For an authoritative account see W. L. Gordon, The Operation of Foreign Exchange Control in Canada, The Canadian Chartered Accountant, April, 1940.

[^14]:    * The U.K.'s purchases of goods other than gold were $£ 14.5 \mathrm{Mn}$. in 1937 and $£ 10.8 \mathrm{Mn}$. in 1938.

[^15]:    * The mass of National Emergency Regulations which came with the war included measures for preventing trading with the enemy, supporting the United Kingdom's contraband control, restricting dealings in foreign currency and gold, control of capital issues, regulating the use of patents, etc., and setting up a Directorate of War Supplies, a Merchant Shipping Control Committee for co-operation with the U.K. Ministry of Shipping, and a National Supplies Board for the purpose of (inter alia) introducing retail price control aimed at " hoarding " and "profiteering." The "profiteering " regulations were not to apply to goods wholly produced within the Union. The price control appears, in so far as indices are reliable, to have to some extent delayed the rise in retail prices behind that of the wholesale prices of imported goods.

[^16]:    * See 'A Treatise on Money,' Vol. 2, p. 9.

[^17]:    Bank Rate 2\% to 24 th Aug. ; 4\% to 28th Sept. ; 3\% to 26 th Oct. ; 2\% since.
    $\dagger$ Exclusive of Investments in Affliated Banks. ${ }^{\circ}$ Official Minimum Prices
    For Table of Exchanges see p. 83 .
    83.

    Exclusive of Investments in Aftilated ${ }_{*}$ Ba for Union Bank Manchester Ltd Pines

[^18]:    As above，for food only

[^19]:    * The figures given in the previous pages referred to the so-called "Unique" budget comprising the budget of Union and Republics, but excluding the local budgets. The total budget comprises also the local budgets. For the previous years it has only been possible to compare the figures of the "Unique" budget, as in the last years the form of publication of the budget has been changed. The figures of the "Unique" budget for 1939 are 143.700 revenue and 140.960 expenditure. For 1940 the revenue figures were 169.360 and the expenditure 165.320 .

[^20]:    $\dagger 15.898 \mathrm{Mn}$. roubles are transferred from the Republic Budget to the Local Budgets. This explains why there is such a difference between the revenue and expenditure in the Republics' and Local Budgets.

[^21]:    Latest figures are provisional.
    Italics show movements of gold prices.
    Excluding Rye. ** Excluding Wood and Wood pulp. § Excl. Wood, Hides, Leather.

[^22]:    * New index of cost of living is based upon retail prices during the 5 years 1935-9. Revised weights, food 31, fuel 6 , shelter 19, clothing 12, home furnishings 9 , miscellaneous 23, based on records of living costs of 1,439 families in 12 Canadian cities. For detailed description of this scheme see the Labour Gazette, Sept., 1940, published by the Department of Labour, Ottawa.

[^23]:    I The official returns add to imports $£ 4.5 \mathrm{Mn}$. for these and other charges for the first quarter of 1940, as compared with $£ \mathrm{I} \mathrm{Mn}$. for the first quarter of 1939.

    2 The sluggishness of the rise in imports is attributable in part to the necessity to find new sources of supply, and to the difficulties of obtaining fulfilment of orders and of finding shipping accommodation. In the first quarter of 1940, the shipping tonnage entered at Union ports in the overseas trade was only 2.00 Mn ., as compared with 2.34 Mn . in the in the first quarter of 1939. This lower tonnage of vessels succeeded, however, in landing a higher tonnage of cargo, namely I.2I Mn. as against I.19 Mn. in the first quarter

[^24]:    I The August trade returns, which arrived after the above was written, disclose that imports of Government stores were $£$ r.o6 Mn., as compared with $£ 0.35 \mathrm{Mn}$. in
    August last year.

[^25]:    * There was a considerable expenditure on tinned and other meats not included in the index, and this may have increased in the period, so as more than outweigh this reduction. A similar remark applies to vegetables and fruit, of which only potatoes are included.

[^26]:    Index Nos. of Prices and Yield as percentage of 1924 level; on 15th of month. For end of month flgures see Supplements, Sensitive Index. - Geometric Mean of monthly percentage changes
    Issues during month in Gt. Britain (a), for U.K. (b), for Abroad, excluding Government loans, etc.- As published lotal of Town Clearings (i.e., excluding Metropolitan) of London Bankers' Clearing House for 3 weeks covering Stock Exchange settlement days, Consols settlement day, and 4th of following month. Country Clearings Deposits
    Bank Notes and Currenoy Notes in circulation 11th-17th of month. Issues amalgamated. November 22 nd, 1928 i.e.-excluding the National Bant, itd, Ber the District Bont, afterwards, data for last making up day of he month.-As published by THE MIDLAND BANE LTD Bank), afterwards, data for last mating up day of
    Up to June, 1940 11th-17th of month, thereafter end of month
    Issued by tender. Total of Bills issued by tender during 13 weeks preceding date of Exchequer Return. Day-to-Day Rate and 3 of Treasury Bills in existence less those issued by tender

[^27]:    * "Farmstead," i.e., a small quantity of land which has been left in the private ownership of the Kolkhoz farmer for the purpose of supplying the needs of his family. The permitted quantity of land in the "farmsteads" varies from $\frac{1}{4}$ to $I$ hectare.
    + In 1938 of the total sown area of 35.3 million hectares, 16 were sown by the Kolkhoz, 12.2 million by the Sovkhoz, 6 million by the "farmsteads" and only I.I million by non-collectivised peasants (individual farmers). At the same time, however, the Kolkhoz and Sovkhoz contained only $36.3 \%$ of cattle, $35.4 \%$ of pigs and $44.7 \%$ of sheep and goats.
    ** This paper is an extract from MS. prepared by the author for the National Institute for Economic and Social Research.

[^28]:    $\ddagger$ Kolkhoz and Kolkhoz farmers (Kolkhoznik) were allowed to sell at market price, freely on the local markets, the agricultural products which remained at their disposal after they had fulfilled the obligatory deliveries to the State.
    § For example, the State delivery price for rye in 1933 was 6 roubles 33 kopeks per 100 Kg .; for wheat 8 roubles 52 kopeks and for oats 8 roubles 42 kopeks. At the same time the price on the Kolkhoz market varied in 1933 in the different months for rye flour from 5 roubles 8 kopeks to 8 roubles io kopeks per Kilogramme, for wheat flour from 7 roubles 5 kopeks to 10 roubles per Kg.; for oats from 302 roubles 50 kopeks to 415 roubles 20 kopeks per 100 Kg . From this example it is seen that the price on the Kolkhoz market was in some months and places more than 100 times as high as the State delivery price.

[^29]:    - The minimum was fixed at 100 working days for the cotton producing region and 60 working days for the Central, North and Far East District and 80 working days for all other regions of the U.S.S.R.

[^30]:    * For example, the average harvest in the U.S.S.R. in 1933-1937 of wheat was 10.9 Qu.per hectare, in Denmark 31.3, in Great Britain 22.8 ; rye in U.S.S.R. 9.6, in Holland 23.3, in Great Britain I6.I; barley in U.S.S.R. Io.0, in Denmark 28.6, in Great Britain 20.6; oats in U.S.S.R. 9.9, in Denmark 25.9, in Great Britain 20.4.

    In U.S.S.R. for one hectare of sown area there were in 1937, 0.56 head of cattle, in Germany 1.38. For every I,000 hectares of sown area in 1937 in U.S.S.R. there were only 5.5 pigs as compared with 712 pigs in Denmark, \&c.

[^31]:    Socialisticheskoe Zemledelie, roth August, 1940.
    $\ddagger$ Izvestia, 7th November, 1940.
    § At the beginning harvesting proceeded more slowly than in 1939, but at the end it improved and on 25 th October, 1940, harvest was threshed from $8 \mathrm{I}, 485$ hectares as compared with 76,858 in 1939.

[^32]:    * These corporations are intended to harness the energies of private business to tasks of production and organization which, for some reason, cannot be handed over entirely to private firms, but which, nevertheless, seem to require more freedom of operations than could be obtained within a government department. Four corporations purchase and store commodities, two are engaged in actual production of war supplies (small arms and optical instruments), one is engaged in special construction work, and one, in addition to Federal Aircraft, co-ordinates a branch of war production (explosives, etc.). In March, 1941, a tenth corporation was set up to provide, perhaps belatedly, for housing accommodation in the vicinity of plants producing war supplies.

[^33]:    * It is assumed that the 1940 export is $£$ II Mn . or $£ 12 \mathrm{Mn}$., against $£ 7.3 \mathrm{Mn}$. for 1939. The figures are affected by exports delayed from 1939 to 1940, higher prices obtained since the beginning of the war, and the larger current clip ( 270 Mn . lbs. as compared with 246 Mn . lbs. in the previous season).
    $\dagger$ Local production, outweighing sales in 1939, was lower in the first half of 1940, while sales recovered. Export of rough and uncut diamonds, except to London by registered post, has been prohibited under the National Emergency Regulations.

[^34]:    $\dagger$ The official returns add $£ 14.5 \mathrm{Mn}$. to imports for these and other charges, as compared with $£ 5$.I Mn . for 1939.
    $\ddagger$ Ignoring the possibility that part of this accumulation might be better attributed to the transactions of the previous year, in which the growth of the reserve was only some $£ 7 \mathrm{Mn}$. it would seem that extraordinary changes in "invisible" items have on balance increased the figure. It must also be remembered that the accumulation has occurred in spite of remittances of gifts (perhaps $£ 0.5 \mathrm{Mn}$.) to various war funds abroad and, it has been suggested, the repatriation of shares to the value of several $£ M \mathrm{Mn}$. Against such outgoings has to be set any net saving of tourists' spending abroad, the saving in interest and dividend payments on loan repaid and shares repatriated, and the Reserve Bank's acquisition under the Emergency Regulations of private holdings of funds abroad.
    $\star$ Added to $£ 19.9 \mathrm{Mn}$. expected from normal tax and special contribution on the existing basis.

[^35]:    $\dagger$ Three loans floated at the same time yielded $£ 29.2$ Mn. The $3 \frac{1}{2} \%$ Local Registered Stock, 1952-7, at $£ 99 \frac{1}{2}$ yielded $£ 22.1 \mathrm{Mn}$. The $2 \frac{1}{2} \%$ Local Registered Stock, 1946, at $£ 99$ yielded $£ 6.7 \mathrm{Mn}$. The Non-Interest-Bearing Stock yielded $£ 0.3 \mathrm{Mn}$. Special issues of other stocks to the Public Debt Commissioners yielded £7.0 Mn. (The total of subscriptions via the Public Debt Commissioners in 1940-41 is estimated at $£ 18 \mathrm{Mn}$.)
    $\ddagger$ Raising the amount of Treasury Bills expected to be outstanding at 3 Ist March to $£ 34.6 \mathrm{Mn}$.
    $\star$ This acquisition included the conversion of previously acquired Treasury Bills created for the purpose.

[^36]:    * Owing to the analagous problem of shipping congestion, the Merchant Shipping Control Committee has been empowered to appoint a Director of Merchant Ship Repairs with wide power to determine the extent and priority of repars, and the port at which they are to be

[^37]:    - Curiously anomalous seems to be the issue in December of a new list of products (including steel products such as steel rails, wires, etc., and blankets, clothing, boots and shoes, rubber and leather goods and certain stationery) to be subject to exchange dumping duties directed (as well as against Japan and New Zealand) against Australia. The exchange rate fixed for the purpose is $£ \mathrm{IA}$. equals 19/S.Af.
    $\dagger$ The engineering industry has already been declared a controlled industry.
    $\ddagger$ The Union Government has agreed to be represented on the Eastern Group Supply Council to co-ordinate arrangements for the production and supply of munitions and stores in South and East Africa, Asia, and the South Pacific area.
    § Shop rents and hotel tariffs for board are subject to control under the Rents Amendment Act, 1940.

    A Commission has been appointed to inquire into the rise in prices of farm requisites; but prices of some of these things appear to have fallen back recently.

[^38]:    $\dagger$ Unweighted averages of price quotations for 10 materials compared with their levels in May, 1940-Timber, Leather, Newsprint. Non-ferrous Metals, Petroleum, Linseed Oil. $\ddagger$ Excluding Rye. ** Excluding Wood and Wood pulp.
    $\dagger \dagger$ Petroleum said to have risen by more than $130 \%$ from February to March,

[^39]:    * If the law is evaded, and supplies are sold through a 'black market' to the highest bidders, there will of course be a reduction in supplies available to the general public. Also, unless allowance in the maximum prices can be made for variations in costs of transport, supplies are likely to be relatively plentiful near their points of production and scarce elsewhere.

[^40]:    * M. Kalecki, "General Rationing." Institute of Statistics, Oxford, Bulletin, January, I94I.

[^41]:    STOCKS \& SHARES-
    Prices and Yield as percentage of 1924 level; on 15 th of month. For end of month figures

    NEW CAPITAL ISSUESBANK OF ENGLANDPRINCIPAL BANKS-

    TREASURY BILLS

    MONEY-
    see Supplements. Geometric Mean of monthly percentage changes.
    Issues during month in Gt, Britain (a), for U.K. (b), for Abroad, excluding Government loans, etc.-As published
    Six-months totals.
    Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November 22 nd, 1928 Current Deposit and other accounts, etc. Before September, 1939, averages for the month of 9 clearing banks -excluding the National Bank, Ltd, and the Distrlet Bank afterwards data for last making up day of month.-As published by THE MIDLAND BANK, LTD,
    Issued by tender. Total of Bills issued by tender during 13 wecks preceding date of Exchequer RetuTh
    ssued by tender. Total of Bils issued by tender during 13 wecks preceding
    Otherwise issued. Total of Treasury Bills in existence less those issued by tender
    Day-to.Day Rate and 3 Months' Rate. Averages for week ending 15 th of month.

[^42]:    PRICE OF GOLD-
    RICE OF SILVER- AFerage (cash) price of bar silres for week anding 15th oi month. -ECONOMIST
    BOARD OF TRADE INDEX-Geometric Mean of Wholesale Prices (averages for month) of 200 commodities as percentage of 1924 arerage
    STATIST (SAUERBECK) Based on new indez flrst published in Januars, 1935.-BOARD OF TRADE JOURNAL
    INDICES_for 1924, -STATIST, prices of 19 foodstuffs and 26 rar materials on last das of month, as percentage of average
    COST OF LIVING INDEX-Ministre of Ispour's
    Ministre of Labour's indez showing movement since 1924 in cost of maintaining unchanged the standard of month-e.g.. reading working-class households before Aug. 1914. For 1st of month, but placed against previous
    RETAIL FOOD PRICES-

[^43]:    Official Rate

[^44]:    ** Information extracted from a paper on "The Development of the National Economy of the U.S.S.R. in 1940 and Plan for 1941," prepared by the author for the National Institute of Economic and Social Research, on the eve of the outbreak of the Russo-German War.

[^45]:    * From Waldron \& Wood's review of season's operations in Buenos Aires wool market.

[^46]:    $\star$ Viz., in February, 1940, when an increase of 2 or $3^{\circ}$ antedates an increase shown in the Gazette.

[^47]:    $\dagger$ Unweighted averages of price quotations for 10 materials compared with their levels in May, 1940-Timber, Leather, Newsprint, Non-ferrous Metals, Petroleum, Linseed Oil. $\quad$ Exoluding Rye. ** Excluding Wood and Wood pulp.
    it Petroleum said to have risen by over $130 \%$ from February to March.

[^48]:    * For fuller discussion of this point, see my article on "Economic Incentive in Wartime." (Economica, August, 1941).

[^49]:    Official Rate.
    $\dagger$ Sellers

    * Nominal
    b. 1 st to 8 th

[^50]:    * See Federal Reserve Bulletin, September, 1941, p. 866.

[^51]:    * On November 2nd the Canadian Government published the terms of an Order in Council establishing certain maximum prices, based on corresponding maxima between September 15 th and October IIth, 1941, and enlarging the powers of the Wartime Prices Board for their enforcement. -Editor.

[^52]:    * The maximum allowance of $4 /$ - is paid on a wage of £3. 10. o.
    $\dagger$ Unless the banking system increases advances.

[^53]:    $\ddagger$ He also appointed an advisory committee (including business men, trade union leaders, and university economists) to assist the Treasury.

[^54]:    * Cf. the clause in this declaration which refers to the enjoyment by all States of access on equal terms to the world's trade.
    $\dagger$ The labour-standards referred to are obviously those of "European" artisans.

[^55]:    * Approximately $16 \frac{1}{2}$ bags to ton.

[^56]:    * Cf. the Barter Agreement on Colombian Coffee against German manufactures, 1938.

