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## EXECUTIVE COMMITTEE.



## EDITORIAL COMMITTEE.


P. B. Whale, (Acting Secretary).
K. C. Sarrt (Statistician).

Temporary war-time Subscription, $£ 1$.

For particulars, apply to the Secretary, London © Cambridge Economic Service, New Court, Peterhouse, Cambridge. (Temporary war-time address.)

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## TABLE OF CONTENTS

## United Kingdom :

| Events of Economic Importance | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 2 |  |
| :--- | :---: | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| The Economic Position | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 3 |
| Finance and Banking $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 3 |
| Prices, Wages and Employment | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 6 |  |
| International Index of Wholesale Prices | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 8 |  |  |
| Prices, Wholesale and Retail, in 12 Countries | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 9 |  |  |  |

Statistical Tables:
Finance... ... ... ... ... ... ... ... ... ... 11
Prices and Wages ... ... ... ... ... ... ... ... 12
Output and Internal Activity ... ... ... ... ... ... 13

## Overseas Section:

United States ... ... ... ... ... ... ... ... ... 14
Canada ... ... ... ... ... ... ... ... ... ... 19
U.S.S.R. ... ... ... ... ... ... ... ... ... 23

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## EVENTS OF ECONOMIC IMPORTANCE.

I94I
Oct 2 Oth $^{\text {th }}$
Nov, 5 th
Australia ...
, 6th
U.S.A $\quad$...
U.S.A. $\quad \cdots$
U.K. $\quad \ldots$
...
17th U.S.A. ...

18th U.K.
„
9

93
93

26th Abyssinia
29th U.S.S.R.
U.K.

6th International
7th Fapan
8th International
", fapan
9th U.K.
International
Ioth U.K.
IIth International
18th U.K.
22nd U.K.
23rd U.K.
25th Hong Kong ...
1942
Jan. 2nd Far East ...
,, 4th Far East
" 6th U.K.
"

23 rd U.S.S.R.
28th International

| 29th | Libya | $\ldots$ |
| :---: | :--- | :---: |
| „ | U.K. | $\ldots$ |

...

14th U.S.A. ...
... New Labour Government introduces fresh budget.
... Joint Defence Production Committee with Canada announced.
... U.S. Government to grant \$1,000 Mn. interest-free loan to Russia.
... Opening of new shops to be subject to licence.
... 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 enabling owners to sell to Government securities pledged in U.S.A., under Financial Powers (U.S.A.) Securities Act.
British offensive in Libya begins.
Central Agricultural Wages Board announces increase of minimum wage from 48 s. to 60 s. for whole country, to take effect on December 28th.
Ban on public utility conversions removed.
Cancellation of export licences to Algeria, French Morocco and Tunisia ; also of licences for export of petrol products to Spain, Spanish possessions and Tangier.
Gondar surrenders.
Russians retake Rostov.
Increase of $£_{50} \mathrm{Mn}$. in Fiduciary Issue announced.
U.K. at war with Finland, Roumania and Hungary as from midnight (I a.m. Sunday, B.S.T.).
Japan strikes at U.S. in Hawaii and Philippines, and against Britain in Malaya.
U.S.A. and U.K. declare war on Japan, followed by Netherlands, Australia and Canada.
Japanese invade Malaya.
Tin Control Order comes into operation.
New Zealand, South Africa and Egypt declare war on Japan. China declares war on Japan, Italy and Germany.
" Prince of Wales " and " Repulse " sunk by Japanese.
Declarations of war between Germany and Italy and the U.S.A. National Service Act becomes law. Conscription extended to include men $18 \frac{1}{2}-50$ years, women $20-30$ years.
Issue of Tax Reserve Certificates begun. Mr. Churchill arrives in Washington.
... Further call-up of India Stock.
Hong Kong falls.
Japanese occupy Manila.
Unification of Allied military, naval and air commands in Far East under General Wavell announced in Washington.
Employment in Cotton industry becomes reserved occupation.
Budget message to Congress. Defence expenditure of nearly $\$ 53,000 \mathrm{Mn}$. in financial year, 1942-43, proposed.
... Establishment of War Production Board under Mr. Donald Nelson announced.
Pan-American Conference opens at Rio de Janeiro.
Russians capture Kholn in big advance.
Rio Conference ends. 21 American States agree to recommend break in diplomatic relations with Axis.
Axis troops re-occupy Benghazi.
House of Commons passes Vote of Confidence (464 to I). Prime Minister announces prospective appointment of Minister of Production.

# UNITED KINGDOM. <br> <br> THE ECONOMIC POSITION. 

 <br> <br> THE ECONOMIC POSITION.}

February 2nd, 1942.

BOTH the expenditure and the revenue of the Government rose to still higher rates during the last quarter of 1941. Expenditure on supply account reached a daily rate of over $£_{13} \mathrm{Mn}$. in the last month of the year, and the expectations that the Budget estimates of expenditure for the financial year would be substantially exceeded were confirmed by the adoption of a figure $£ 200 \mathrm{Mn}$. higher by the Chancellor of the Exchequer. On the other side, there is every indication that the revenue estimates will be surpassed with a large margin, so that the actual deficit for the year should not be greatly different from that originally contemplated. The unexpectedly good revenue returns have favourable and unfavourable aspects. The narrower the gap between revenue and expenditure, so much less the danger of inflation through deficit financing. On the other hand, the high yield of the taxes may be taken as an indication of the extent to which incomes and private expenditures have already risen.

For the past quarter the deficit was $£ 33 \mathrm{Mn}$. higher than in the preceding quarter, owing to the incidence of interest payments. As in the preceding quarter, the deficit was financed in no small part by the expansion of bank credit, the increase in bank deposits during this quarter being fully $20 \%$ of the deficit. At the end of the year the deposits of the Clearing Banks stood at a figure nearly $50 \%$ higher than before the war. As there is a seasonal peak at this time, which has become more accentuated since the war, perhaps $40 \%$ would be a juster measure of the increase. Bank Clearings, on the other hand, have
increased on a much lower scale. In part, this lower velocity of circulation of deposits is probably due to an abnormal accumulation of savings and "precautionary" balances in the form of deposits. But in part it may also reflect the decline of speculative and other dealings, of middlemen's transactions ; and to this extent the ratio of income to deposits should not have changed as much as the " transactions " velocity. The note circulation has continued to rise and has also reached a figure $40 \%$ to $50 \%$ above pre-war level.

Indexes of prices, both wholesale and retail, have been nearly stationary in recent months. During 1941 the Board of Trade Index rose about $5 \%$, while the Cost of Living Index rose $3 \%$. Wages, however, showed a more rapid upward tendency ; in 16 out of the 20 occupations included in our index of wage rates there was some increase, of which the most important was the establishment of the agricultural minimum at 60 s . ; the general average rose $10 \%$. Over the whole war period average earnings in industry rose twice as fast as average wage rates. While the majority of wage rates have risen less than the Cost of Living Index, the earnings in some three-fourths of the industries for which data are available rose more than that index. If we modify the Cost of Living Index to suit present conditions, however, it is estimated that in only half of the industries was the standard of living unimpaired, but more than half of the working population is included in them. Registered unemployment has diminished ; in particular, the number recorded as "temporarily stopped " is now very low.

## FINANCE \& BANKING IN THE FOURTH QUARTER OF 1941.

By P. B. Whale.

GOVERNMENT FINANCE.-The rate of expenditure on Supply Services has continued to increase, the average weekly expenditure for the fourth quarter being nearly $£ 90 \mathrm{Mn}$., about $£ 4.5 \mathrm{Mn}$. higher than in the third quarter. Total expenditure has averaged nearly $£ 97 \mathrm{Mn}$. a week in comparison with $£ 89 \mathrm{Mn}$. in the previous quarter. As the accompanying table
shows, the rising tendency in Supply expenditure was continuous throughout the quarter, although the rate was lower in October than in August and September. The official estimate for home expenditure during the current financial year was revised upwards by $£ 200 \mathrm{Mn}$. in December, and this higher figure may be exceeded.

GOVERNMENT REVENUE AND EXPENDITURE (£Mn.)

|  | Revenue. | Expenditure. <br> Supply <br> Services. | Total. | Deficit. |
| :---: | :---: | :---: | :---: | :---: |
| Weekly Averages. | Total. |  |  |  |
| 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 | $14 \cdot 5$ | $4 \cdot 1$ | $53 \cdot 4$ | $38 \cdot 9$ |
| July -Sept. | $20 \cdot 1$ | $66 \cdot 6$ | $69 \cdot 6$ | $49 \cdot 5$ |
| Oct.-Dec. | $22 \cdot 8$ | $77 \cdot 0$ | $83 \cdot 5$ | $60 \cdot 7$ |
| 1941-Jan.-Mar. | $51 \cdot 0$ | $88 \cdot 5$ | $9 \cdot 1$ | $39 \cdot 1$ |
| April-June | $24 \cdot 5$ | $75 \cdot 8$ | $82 \cdot 6$ | $58 \cdot 1$ |
| July 1-26 | $30 \cdot 2$ | $79 \cdot 3$ | $84 \cdot 5$ | $54 \cdot 3$ |
| July 27-Aug. 30 | $36 \cdot 4$ | $85 \cdot 8$ | $89 \cdot 2$ | $52 \cdot 8$ |
| Aug. S1-Sept. 30 $28 \cdot 0$ | 87.4 | $90 \cdot 6$ | 62.6 |  |
| Oct. 1-25 | $35 \cdot 1$ | $82 \cdot 9$ | $99 \cdot 4$ | $56 \cdot 3$ |
| Oct. 26-Nov. 29 | $41 \cdot 5$ | $88 \cdot 0$ | $92 \cdot 7$ | $51 \cdot 2$ |
| Nov. 30-Dec. 31 | $33 \cdot 1$ | $94 \cdot 5$ | $102 \cdot 9$ | 698 |

The increase in Supply expenditure was more than balanced for the whole period by an increase in ordinary revenue receipts, but increased interest payments raised the average weekly deficit by about $£ 2 \frac{1}{2} \mathrm{Mn}$.

The total excess of ordinary expenditure over ordinary revenue during the quarter was nearly $£ 776 \mathrm{Mn}$. Net borrowings amounted to $£ 769$ Mn. The difference, approximately the favourable balance of extraordinary receipts and issues, may be associated particularly with the CunardWhite Star repayment of $£ 7.95 \mathrm{Mn}$. The composition of the borrowings was as follows :-

GOVERNMENT BORROWING. FOURTH QUARTER, 1941.

|  | $\begin{gathered} \text { (£Mn.) } \\ \text { Oct. } \\ \text { (2b days) } \end{gathered}$ | $\begin{gathered} \text { Nov. } \\ \text { (35days) } \end{gathered}$ | $\begin{gathered} \text { Dec. } \\ (32 \mathrm{~d} \mid \mathrm{ys}) \end{gathered}$ | Total for Quarter |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates | 11.3 | 18.8 | $19 \cdot 1$ | 49.2 |
| 3\% Defence Bonds ... | $7 \cdot 8$ | 15.3 | $1 \cdot 5$ | 36.6 |
| 3\% Savings Bonds | 38.1 | $45 \cdot 6$ | 37.3 | 121.0 |
| 212\% Nat. War Bonds... | 76.4 | 60.8 | 38.5 | 175 |
| Other Debt | $42 \cdot 1$ | 6.0 | 14.8 | $2 \cdot 9$ |
| term debt ... | $175 \cdot 7$ | 146.5 | 123.2 | $415 \cdot 4$ |
| Treasury Deposits | $+6.5$ | + 60.5 | +88.5 | $+211.5$ |
| Treasury Bills | -43.3 | +16.1 | - 3.3 | - 30.5 |
| W. \& M. Adv. Govt. Depts. | -4.7 | $(+7.9)$ | +57.5 | ( 6.7 ) |
| , Bank of England | -0.8 | +26.2 | + 39.8 | +65.2 |
| Tax Reserve Certificates |  |  | +1 | +168 |
| Total Floating Debt | $+137$ | $+110.7$ | +199.3 | $+3237$ |
| Total | 189.4 | 257.2 | 322.4 | 769.0 |

In this table, the transaction by which $£ 120.8 \mathrm{Mn}$. Funding Loan was issued to the savings banks in November in cancellation of short term indebtedness has been ignored, that is, this amount has not been included in the long term borrowings for that month, and Departmental Ways and Means have been raised from $-£_{\text {III }} .9 \mathrm{Mn}$. to $+£ 7.9 \mathrm{Mn}$. On this basis long and medium term borrowing represented practically $60 \%$ of the total, in comparison with nearly $50 \%$ in the previous quarter. If the increase in savings bank deposits of about $£ 49 \mathrm{Mn}$. during the last quarter is put with the long and medium term borrowings-instead of being included in the Floating Debt under Ways and Means Advances or " tap " Treasury billsthe proportion is raised from $60 \%$ to nearly $65 \%$. On the other hand, it must be remembered
that the long term subscriptions in October were swollen abnormally as a result of the suspension of National War Bond issues between August 14th and October 9th.

The Floating Debt.-After the deduction of £ 49 Mn . attributable to increased savings bank deposits, there is little more than $£ 10 \mathrm{Mn}$. left as a contribution from official funds under Departmental Ways and Means. Separate figures are not available for the 'tap' and ' tender' Treasury bills outstanding at the end of the year, as December 3Ist fell in the middle of the week. From mid-October, the volume of tender bills was normally $£ 5 \mathrm{Mn}$. higher. Ascribing the increase of $£ 65 \mathrm{Mn}$. in Bank Ways and Means to " window dressing," it could be said that if this were used wholly to adjust the Treasury bill position, i.e., to arrange the maturity and taking up dates of the tender bills about December 3Ist so as temporarily to reduce the outstanding volume, then the decline of $£, 30 \mathrm{Mn}$. in the combined Treasury bill figure would mask an increase of $£, 30 \mathrm{Mn}$. in the 'tap' issue. But this is a maximum figure. So far as the "window dressing" took the form of adjusting the Treasury Deposit position, the increase in the 'tap' Treasury bills would be less or even negative. On this showing the assistance obtained from official sources, other than the savings banks, covered only a small proportion of the total; but it will be convenient to return to the subject of floating debt finance after the banking statistics have been examined.

The Tax Reserve Certificates were only available for the last week of the year. The effect of this new arrangement should be to reduce, or restrict the growth of, the deposits of the banks on the one hand, and their holding of short-term debt on the other. In the early months of the year, it is to be expected that the seasonal decline in deposits will be accentuated. But the extinction of deposits which would otherwise be immobilised will obviously not signify a change in the money available for expenditure.

The Bank of England.-The note circulation has continued to grow, and, reinforced by the seasonal tendency, the trend carried the figure to nearly $£ 752 \mathrm{Mn}$. at the end of the year, as against $£ 678 \mathrm{Mn}$. at the beginning of the quarter and $£_{6} 617 \mathrm{Mn}$. at the end of 1940. To replenish the reserve in the Banking Department, the note issue limit was raised a further $£_{50} \mathrm{Mn}$. at the beginning of December. To replenish the balances of the joint-stock banks, pepleted by the withdrawal of notes, the Bank
of England expanded its assets in the form of government securities. Thus, between midSeptember and mid-December, note circulation increased by about $£ 70 \mathrm{Mn}$., and government securities (in both departments) by about $£_{66 \mathrm{Mn} \text {. During most of the quarter these were }}$ the only significant changes, and Bankers' Deposits varied round about the same level as in September. In the last two weeks of the year, however, the Bank's assets were enlarged, by market purchases as well as by direct advances to the Government, by over $£ \mathrm{IOO} \mathrm{Mn}$., and Bankers' Deposits were raised to the figure of $£ 220 \mathrm{Mn}$., approximately, as against $£ 134 \mathrm{Mn}$. on September 24th.

Clearing Banks.-The expansion of bank deposits continued during the fourth quarter at a rate above the average for the year, but below that of the third quarter. The true movement is best shown by the figures for Net Deposits, arrived at by deducting balances with other banks and items in transit from the deposit totals.

|  | NINE <br> Gross <br> Deposits. | CLEARING BANKS. <br> Balances with Other Banks and Items in Transit. | Net <br> Deposit. |
| :---: | :---: | :---: | :---: |
| 1910 | £Mn. | \&Mn. | EMn. |
| March... | 2239 | 89 | 2150 |
| June | 2341 | 119 | 2222 |
| September | . 2466 | 106 | 2300 |
| December | 2657 | 130 | 2527 |
| 1941 |  |  |  |
| March | 2625 | 117 | 2508 |
| June | 2794 | 147 | 2647 |
| September | ... 2955 | 109 | 2846 |
| October | ... 3012 | 111 | 2901 |
| November | ... 3042 | 116 | 2926 |
| December | 3158 | 157 | 3001 |

It will be seen that there was an increase of $£_{155} \mathrm{Mn}$. in Net Deposits during this quarter in comparison with one of $£ 200 \mathrm{Mn}$. in the previous quarter. For the year the increase was about $£ 475 \mathrm{Mn}$.

This expansion was more than covered on the asset side by an increase in Treasury Deposits. For the same nine banks this amounted to $£ 216.5 \mathrm{Mn}$. Against this there was a decline of $£_{136} \mathrm{Mn}$. in Discounts, an important part of which can be ascribed to "window dressing." Advances continued their decline, falling another $£_{\mathrm{I} 9 \mathrm{Mn} \text {., but Investments increased by nearly }}$ $£ 54 \mathrm{Mn}$. The cash position was managed so as to show normal ratios to deposits-just under $\mathrm{IO}_{2} \frac{1}{2} \%$ at the end of the first two months, and $\mathrm{II} \%$ at end of December-whilst the new "liquid asset" ratio (including Treasury Deposits) was kept above $40 \%$.

Reverting to the financing of the Floating Debt, it can be seen that the increase of about $£ 75 \mathrm{Mn}$. in the securities held by the Bank of England against the increased note circulation, and the increase of $£_{155} \mathrm{Mn}$. in the Net Deposits
of the nine clearing banks accounted for $£ 230$ Mn . of the increase of about $£ 275 \mathrm{Mn}$. in Floating Debt after deducting the contributions of the savings banks. The balance is reduced by another $£ 10 \mathrm{Mn}$. if we take in all eleven clearing banks ; in any case, another $£_{17} \mathrm{Mn}$. is covered by the Tax Reserve Certificates. On the other hand, the residue has to be raised by the amount by which the increase in the (long term) investments of the clearing banks exceeded the decline in their advances, i.e., $£ 40 \mathrm{Mn}$. for eleven banks. Thus, as the combined contribution of other official agencies, other home investors and the investment of sterling balances of overseas creditors, we have a figure of approximately $£ 60 \mathrm{Mn}$.

Bank Clearings.-The combined London Clearing figures for the year 1941 (Town, Metropolitan and Country) show an increase of $74 \%$ on 1940. The year's total for 11 provincial clearings shows an increase on the preceding year of $4.5 \%$, Hull being the only centre to show a considerable decline ( $9 \cdot 0 \%$ ). There does not appear to have been any change of clearing practices to vitiate the comparison between the two war years.


The London figures show steady progress after the relapse in the autumn of 1940. The provincial figures did not share the decline in 1940 and show a more uniform gain throughout the year, although there was a set-back in the second quarter. When allowance is made for the drop in London clearings in 1940 and the unduly favourable basis of comparison which this provides for the last quarter of 1941, it will be seen that the clearings have again failed to keep pace with the growth of deposits.

Security Prices.-Our index of prices of industrial securities recovered fully in November from the set-back in October, and has continued to rise in December and the first part of January. The price index for fixed interest securities has continued its upward trend, and there has been no change in the low level of short-term interest rates.

Foreign Exchanges.-In view of the fixity of the available exchange rates under the system of exchange control, it has been decided to economise paper by ceasing to print the table of Foreign Exchange Rates. Its publication will
be resumed if and when there is sufficient movement to justify it. In the meantime, comment will be made in this part of the Bulletin upon any individual adjustments of importance ; and new subscribers who wish to have the tables from the October, 1941, issue for reference, will be supplied with loose sheets on application.

## RECENT MOVEMENTS

The first three revenue returns for the year, covering the period from January ist-24th, record striking increases in government receipts, mainly due, of course, to payments of income tax and sur-tax. The weekly average for this period is $£ 75 \frac{1}{2} \mathrm{Mn}$. as compared with $£ 33 \mathrm{Mn}$. in December and $£ 58 \mathrm{Mn}$. in January, 1941. Government expenditure, on the other hand, with the weekly average of $£ 87 \frac{1}{2} \mathrm{Mn}$., was about $£_{\mathrm{I}}, 1 \frac{1}{2} \mathrm{Mn}$. lower than the average for December. Thus the deficit was only about $£_{12} \mathrm{Mn}$. a week.

The cumulative deficit for the current financial year to January 24th is $£ 2,316 \mathrm{Mn}$. This may be compared with a deficit of $£_{\mathrm{E}}, 72 \mathrm{I} \mathrm{Mn}$. for the complete year, when the figure given in the original estimate is raised by
£ 300 Mn . for expenditure in the U.S. not covered by Lease-Lend arrangements-an item deliberately excluded from the Budget statement. The cumulative deficit could, therefore, increase by $£ 400 \mathrm{Mn}$. in the remaining $9 \frac{1}{2}$ weeks of the financial year, and still be no greater than originally anticipated.

Large and small savings have not fully recovered from their drop round about Christmas, but they brought in $£ 75 \mathrm{Mn}$. in the three weeks ending January 20th, whilst the total deficit for the period of the three revenue returns was about $£ 42 \mathrm{Mn}$. The receipt of Treasury Deposits has been suspended since January Ioth, and the volume of Tender Treasury bills outstanding will have been reduced $£ 30 \mathrm{Mn}$. by the end of the month.

The Bank of England figures for the first three returns of the year show a reversal to the end of the year's expansion. By January 2Ist, the note circulation had declined $£_{\mathrm{II}} \mathrm{Mn}$. to much the same figure as that for December 17th ; and Bankers' Deposits had fallen by nearly $£ 94 \mathrm{Mn}$. On the other side, there was a contraction of $£ 98 \mathrm{Mn}$. in government securities, and of $£_{2} 3 \mathrm{Mn}$. in other securities.

## PRICES, WAGES AND EMPLOYMENT.

By A. L. Bowley.

WHOLESALE PRICES.-There has be n little recent movement in wholesale prices. An increase in cereals, chiefly flour and malting barley, has been nearly balanced by decreases in other foods. The changes during the war may be summarised thus :

| August, $1939 \ldots$ |  |  | 100 |
| :--- | :---: | ---: | ---: |
| December, 1939 | $\ldots$ | $\ldots$ | 125 |
| December, 1940 | $\ldots$ | $\ldots$ | 151 |
| September, 1941 | $\ldots$ | $\ldots$ | 157 |
| December, 1941 | $\ldots$ | $\ldots$ | 159 |
| (Based on the Board of Trade Index). |  |  |  |

More detail of the movement is given in the Table.

|  |  | 1939 | 1940 |  |
| :--- | ---: | ---: | ---: | ---: |
| Cereals |  |  | 1941 |  |
| August averages |  |  |  |  |

RETAIL PRICES. - Food prices as a whole have been nearly stationary since June, and the index for January, 1942, is $5 \%$ lower than a year before. This result appears to be
PERCENTAGE INCREASE AT 1st SEPTEMBER AND 1st DECEMBER 1941, COMPARED WITH 1st SEPTEMBER, 1939

obtained by a deliberate policy of subsidies, for the rise in the price of flour in October was balanced by a fall in the price of bread, and sugar is now reduced. The prices of clothing, coal and some other articles have risen slightly since September. The Cost of Living Index rose $2 \%$ from January Ist, 1941, to January Ist, 1942, and $30 \%$ since September, 1939.

WAGES AND EARNINGS.-Since the last Bulletin the minimum for ordinary agricultural labourers has been raised to 60 s. for the normal week (usually 50 hours in the summer, and 48 in the winter), as compared with 34 s . 6 d . before the war, cotton operatives have received an addition of $2 \frac{1}{2} \%$, and engineers and shipbuilders have been awarded a flat addition of 5 s . on their basic rate for all employees. This flat increase also raised piece-rates and overtime rates, since these are largely dependent on the basic rate. The results for the occupations considered in our wage-rate index are as follows :-

| CHANGES IN WAGE RATES. January, 1942, as percentage of August, 1939. |  |  |  |
| :---: | :---: | :---: | :---: |
| Bricklayers ... ... | 115 | Local Authorities | 8 |
| ,, Labourers | ... 120 | Trams ... | 8 |
| Printers: |  | Lorry Drivers | .. 119 |
| Compositors | 113 | Boots ... | 19 |
| Dock Labourers | 115 | Confectionery ... | 12 |
| Engineers: |  | Tailoring | 12 |
| Fitters... | 120 | Shirts ... | 12 |
| Labourers | 126 | Tobacco ... | 12 |
| Shipbuilders | ... 129 | Coal | 15 |
| Railwaymen | ... 116 | Agriculture |  |
| Cutton |  |  |  |
| Wool ... | 129 | Weighted averago |  |

It will be seen that there has been no general policy about increases of wages, but one industry after another has obtained increments sporadically. Some industries have used a pre-war formula based on the Cost of Living Index, in others flat-rate increases have been granted, and in others percentage increases. The movement of the general average may be summarised :-

| August, 1939 | $\ldots$ | 100 |
| :--- | :--- | :--- |
| August, 1940 | $\ldots$ | 113 |
| August, 1941 | $\ldots$ | 121 |
| January, 1942 | $\ldots$ | 126 |

The Ministry of Labour made a second enquiry into earnings in industry (excluding railways, coal and agriculture), in July, 194I, on a basis comparable with earlier enquiries in July, 1940, and October, 1938.

| AVERAGE WEEKLY EARNINGS IN INDIISTRY. <br> Percentages of Earnings in October, 1938. |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Men | $\begin{gathered} \text { Lads } \\ \text { under } 21 \end{gathered}$ | Women | Girls under 18 | All |
| October, 1938 | ... | 100 | 100 | 100 | 109 | 100 |
| July, 1940 |  | 129 | 135 | 120 | 121 | 130 |
| July, 1941 | ... | 144 | 161 | 135 | 135 | 142 |
| Index of Wage Rates for same Group. Cost of Living Index |  |  |  |  |  |  |
| October, 1938 | ... |  | 100 |  | 100 |  |
| July, 1940 | ... |  | 112 (112 |  | 120 |  |
| July, 1941 |  |  | 119 (118) |  | 128 |  |
| January, 1942 | ... |  | 122 |  | 130 |  |

PERCENTAGE INCREABES, OCTOBER, 1938 to JULY, 1941, in main industrial group.

| Men's Earnings |  | Men's Earnings |  |
| :---: | :---: | :---: | :---: |
| Metal Engineering, |  | Leather ... w... ... | 34 |
| Motors, Ships | 50 | Food, Drink, Tobacco ... | 34 |
| Building \& Contracting | 47 | Wood and Furniture ... | 31 |
| Miscell's Manufactures | 44 | Clothing ... … ${ }^{\text {cheo }}$ | 30 |
| Cement, ete, ... | 42 | Road Transport, Docks | $\$ 2$ |
| Textiles ... | 42 | Local Authorities, Gas, | 25 |
| Chemicals | 42 | ete, ${ }^{\text {en }}$ Print | 15 |
| Bricks, Pottery, Glass | 49 | Paper and Printing | 15 |
| Quarrying, ete,... | 39 | All | 44 |

The only important change between October, 1938, and the outbreak of war was a flat increase in engineers' basic rates of 2 s , weekly. The wage rate index has been re-computed to exclude coal, etc., and expressed as a percentage of October, 1938. The corresponding figures estimated by the Ministry of Labour are given in brackets.

Earnings on the average have increased twice as fast as wage rates. Most of this difference was reached by July, 1940, when the armament firms were specially busy. The greatest differences between the increases of earnings and rates is, as would be expected, in the industries concerned with munitions.

While all the wage rates in the Table above, except cotton, coal and agriculture, have increased less than the Cost of Living Index, all the earnings (when computed for wide groups), except printing and Local Authorities have increased more. This statement holds, whether we look only at men's earnings as in the Table, or include also women and young persons.

The earnings of youths have increased more rapidly than those of adults, largely, it is supposed, because they are doing men's work at men's rates. The highest averages for youths and boys in the 100 industries shown separately in the November Ministry of Labour Gazette are 63s. Id. in Public Works Contracting, and 505. 7d. in Non-ferrous Metal Manufacture. In General Engineering the average was 40 s .4 d . The abnormally high earnings sometimes stated for youths must be exceptional.

The general averages stated (for men 69.4 s . in 1938 and 99.3 s. in 1941, or for all workers 53 s . in 1938 and 76 s . in 1941), were computed by weighting the average for each industry by the numbers estimated to have been employed at each date. The increase is therefore affected by transfer, or different rates of growth, between one industry to another, as well as by increases for the same or comparable persons. If we apply the same weights to the averages at both dates, viz., the numbers employed in 1938, the increase for all may be estimated at $37 \%$ instead of $42 \%$. The difference is due to the greater

## 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 1941 are based upon such data as could be obtained from reliable sources. The figures for 12 countries in the table on p. 9, 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 |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | $\begin{aligned} & \text { Year } \\ & 1925 \end{aligned}$ |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United K'gdom $\ddagger$ | 81 | 84 | 84 | 84 |  | 83 | 83 | 85 | 86 | 86 | 87 | 87 | ¢0 | 159 |
| U.S.A. ........ | 71 | 72 113 | 69 | 70 | 73 | 75 | 75 | 75 | 78 | 83 | 79 | 81 |  | 151 |
| Sweden ......... | 112 72 | 113 73 | 116 73 | 121 | 122 | 77 | 80 | 82 | 85 | 85 | 83 |  |  | 160 |
| New Zealand.. | 102 | 98 | 99 | 99 | 98 | 100 | 101 | 102 | 103 | 105 |  |  |  | 158 |
| S. Africa ...... | 91 | 92 | 93 | 93 | 94 | 94 | 95 | 97 | 99 | 101 | 104 |  |  | 122 |
| MATERIALS- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United K'gdom** | 105 | 109 | 109 |  | 112 | 112 | 112 | 112 | 113 | 113 | 113 | 113 | 113 | 157 |
| U.S.A. <br> Swedent | $\begin{array}{r} 74 \\ (112) \end{array}$ | $\begin{array}{r} 75 \\ (112) \end{array}$ | $\begin{array}{r} 75 \\ (113) \end{array}$ | $\begin{gathered} 75 \\ (130)+\downarrow \end{gathered}$ | 76 (133) | 78 | 79 | 82 | 83 | 83 | 83 | 83 |  | 175 |
| Canada ......... | 76 | 77 | 76 | 77 | 78 | 80 | 82 | 84 | 85 | 86 | 86 |  |  | 170 |
| New Zealand.. | 106 | 107 | 107 | 107 | 107 | 108 | 108 | 109 | 109 | 109 |  |  |  | 165 |
| S. Africa ...... | 100 | 100 | 101 | 102 | 104 | 106 | 108 | 111 | 113 | 116 | 117 |  |  | 161 |
| TOTAL- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United Kingdom | 95 | 99 | 99 | 100 | 100 | 100 | 100 | 101 | 102 | 102 | 103 | 103 | 104 | 158 |
| U.S.A. ......... | 72 | 74 | 73 | 73 | 75 | 77 | 77 | 79 | 80 | 83 | 81 | 82 |  | 165 |
| Canada ........ | 74 | 75 | 75 | 76 | 77 | 79 | 81 | 83 | 85 | 86 | 85 |  |  | 164 |
| New Zealand.. | 104 | 104 | 103 | 104 | 103 | 105 | 105 | 106 | 107 | 107 |  |  |  | 162 |
| S. Africa ..... | 96 | 97 | 98 | 98 | 100 | 101 | 103 | 105 | 107 | 110 | 112 |  |  | 145 |

[^0]
## INDEX NUMBERS OF PRICES IN 12 COUNTRIES．

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

|  | $\begin{aligned} & \text { E } \\ & \text { 䂞 } \\ & 50 \\ & 5 . \end{aligned}$ | $\frac{\frac{\pi}{4}}{\frac{4}{4}}$ | $\frac{\pi}{3}$ |  | $\begin{aligned} & \frac{6}{6} \\ & \frac{5}{4} \\ & \text { ג! } \end{aligned}$ | $\begin{aligned} & \text { 皆 } \\ & \text { 昜 } \\ & 0 \end{aligned}$ | $\begin{aligned} & \text { 5. } \\ & \text { H } \\ & \text { H } \\ & \text { © } \end{aligned}$ | 菏 | $\begin{aligned} & \text { B } \\ & \frac{3}{2} \\ & \frac{1}{3} \\ & \hline \end{aligned}$ | $\begin{aligned} & \frac{E}{8} \\ & \frac{8}{6} \end{aligned}$ | $\begin{aligned} & \frac{\pi}{4} \\ & \frac{1}{2} \\ & \frac{3}{8} \\ & \frac{3}{8} \end{aligned}$ | $\begin{aligned} & 3 \\ & 0 \\ & b \\ & b \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

I．WHOLESALE，\％OF 1929


| 1938 Average | ．． | 95 |
| :---: | :---: | :---: |
| 1939 Average | ．．． | 96 |
| 1940 Average | ．．． | 113 |
| 1940－July ．．． | ．．． | 113 |
| Aug，．．． | ．．． | 114 |
| Sept．．．． | ．．． | 115 |
| Oct．．．． | ．．． | 117 |
| Nov．． | ．．． | 119 |
| Dec．．．． | ．．． | 120 |
| 1941－Jan．．．． | ．．． | 120 |
| Ftb． | ．．． | 120 |
| Mar．．．． | ．．． | 121 |
| Apr．．．． | ．．． | 122 |
| May ．．． | ．．． | 122 |
| June ．．． | ．．． | 121 |
| July ．．． | ．．． | 121 |
| Aug．．．． | ．．． | 121 |
| Sept，．．． | ．．． | 121 |
| Oct．．．． | ．． | 122 |
| Nov．．．． | ．．． | 122 |
| Dec，．．． | ．．． | 121 |

84
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92
94
95
96
97
99
100
100
102

|  | $(c)$ |
| :--- | :--- |
| 82 | 110 |
| 82 | 123 |
| 84 | 143 |
| 86 | 147 |
| 86 | 146 |
| 85 | 146 |
| 85 | 144 |
| 85 | 144 |
| 85 | 144 |
| 85 | 143 |
| 86 | 143 |
| 86 | 144 |
| 86 | 145 |
| 87 | 146 |
| 87 | 145 |
| 88 | 145 |
| 88 | 145 |
| 87 | 144 |
| 86 |  |



III．RESAIL，HOOL ONLY，\％OF 1900

| 1938 Average | ．．． | 92 | 85 | 77 | 98 | 93 93 | $\stackrel{91}{9}$ | 78 | 105 | 114 118 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1939 Average | ．．． | 92 | 89 | 75 | 104 | 93 | 92 | 79 | 117 | 118 157 | $\begin{aligned} & 85 \\ & 94 \end{aligned}$ | $\begin{aligned} & 95 \\ & 97 \end{aligned}$ |
| 1940 Average | ．．． | 107 | 90 | 78 | 106 | 96 |  | 82 | 138 |  |  |  |
| 1940－July ．．． | $\ldots$ | 107 | 90 | 78 | 106 | 96 | 85 | 84 | 143 | 158 | 93 | 73 |
| Aug．．．． | ．．． | 108 | 90 | 78 | 106 | 95 | 93 | 85 | 141 | 159 | 93 | 73 |
| Sept．．．． | ．．． | 110 | 90 | 79 | 108 | 96 | 92 | 83 | 139 | 141 | 96 | 72 |
| Oct．．．． | ．．． | 112 | 91 | 81 | 107 | 98 | 89 | 81 | 137 | 114 | 98 | 73 |
| Nov，．．． | ．．． | 112 | 92 | 81 | 107 | 96 | 88 | 81 | 135 | 147 | 100 | 74 |
| Dec．．．． | ．．． | 112 | 92 | 81 | 107 | 96 | 00 | 81 | 136 | 150 | 101 | 74 |
| 1941－Jan． | ．．． | 111 | 93 | 81 | 106 | 96 | 90 | 82 | 134 | 156 | 103 | 74 |
| Feb． | ．．． | 110 | 91 | 81 | 106 | 98 | 88 | 82 | 134 | 158 | 103 | 76 |
| Mar．．．． | ．．． | 110 | 91 | 82 | 107 | 99 | 89 | 82 | 135 | 159 | 103 | 77 |
| Apr，．．． | ．．． | 110 |  | 81 | 108 | 101 | 92 | 83 |  | 162 | 107 | 80 |
| May ．．． | ．．． | 110 |  | 84 | 108 | 102 | 94 | 83 |  | 162 | 110 | 81 |
| June ．．． | ．．． | 108 |  | 86 | 108 | 103 | 96 | 84 |  | 160 | 114 | 88 |
| July | ．．． | 108 |  | 90 | 109 | 106 | 98 | 86 |  | 161 | 115 | 84 |
| Aug．．．． | ．．． | 108 |  | 92 | 108 | 104 | 99 | 85 |  | 162 | 116 | － |
| Sept．．．． | ．．． | 107 |  |  |  | 103 | 99 | 82 |  | 163 | 116 | 89 |
| Oct．．．． | ．．． | 107 |  | 93 |  |  | 103 | 81 |  | 164 | 118 |  |
| Nov．．．． | $\ldots$ | 107 |  |  |  |  |  | 81 |  | 170 | 121 |  |
| Dec． | ．．． | 106 |  |  |  |  |  |  |  |  |  |  |

（a）\％of 1935
（c）Excl，rent
－（d）Excl，rent and elothes．
（f）\％of Sept．， 1931.
＊Provisional．
influence of transfers from one industry to another than that of the increased employment of women and young persons.

In the foregoing paragraphs the existing Cost of Living Index has been used. An alternative reckoning has been made by the Oxford Institute of Statistics. The basis taken was the budget used by Mr. Seebohm Rowntree in his " Human Needs of Labour," which set out the cheapest cost of obtaining the nutrition considered adequate by the British Medical Association, or other authorities, regard being had to customary diets. The cost of this diet for a family of five persons was about 25s. 5d. in 1938. To obtain an equivalent diet, allowing for rationing and the increased cost of substitutes, prices and customary and possible purchases at Oxford were studied at first hand, and the budget which would satisfy the same nutritive needs was constructed. This cost 33s. for a family of five persons in both March and November, 1941. The increase over 1938 is thus $30 \%$ instead of the $20 \%$ shown for food in the official index. We may assume that about $50 \%$ of working-class expenditure on necessaries in 1938 was on food. (In the 1937-8 budgets the proportion was $40 \%$, but part of the miscellaneous expenses may perhaps be excluded from index-number computations.) For rent and other expenses we can hardly do better than adopt the official estimates. We then find that the index is raised by $5 \%$, or rather less, so that instead of the increase $28 \%$ shown above, we may estimate that the cost of maintaining the same standard in 1941 as in 1938, was about $33 \%$ higher at the later date, when the possible substitutes or modifications in diet are made.

Of the twenty occupations included in the wage index, only coal, cotton and agriculture show an increase greater than this $33 \%$; by January, 1942, we should add shipbuilders' time-rates.

Of the 100 industries shown separately in the account of earnings in July, 1941, including also railways, coal and agriculture, about half show increases greater than $33 \%$, about onequarter between $28 \%$ and $33 \%$, and the rest less than $28 \%$. The numerically more important industries show the greater increase, so that the general average is raised to the $42 \%$ increase.

The surplus spending power in the hands of the working-class is thus limited to those occupations where overtime, etc., is prevalent. So far as it is possible to generalise, it may be said that about half the working population have more money (before income-tax is deducted) to maintain their pre-war standard, so far as that is possible with existing supplies.

UNEMPLOYMENT.-The number of men registered in Great Britain as wholly unemployed has fallen to 86,000 , of whom about one-third are regarded as unfit for regular work. The number of men or women temporarily unemployed is very small. The Table shows the information available.


* 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.

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 | Nov. 30th, 1940... | 444 | 448 |  |
| Aug 26th, 1939... 630 | 449 | Feb. 22nd, 1941... | 388 | 474 |  |  |
| Nov 25th, 1939.. | 637 | 423 | May 24th, 1941... | 195 | 478 |  |
| Feb. 24th, 1940... | 825 | 403 | Aug. 30th, 1941... | 128 | 502 |  |
| May 25th, 1940... | 490 | 401 | Nov. 29th, 1941... | 87 | 477 |  |
| Aug. 31st, 1940... | 341 | 435 |  |  |  |  |

Rates of Contributions increated in August, 1940.
Limiting Income raised in September, 1940.
RETAIL SALES. - From September to December, 1941, there were increases in the value of sales for each category shown in the Bank of England's account. Although the figure for apparel is lower than in December, 1940, the rise from September to December was greater than last year. The index for household goods shows an increase compared with September, and with December, 1940.


FINANCE．

|  | STOCKS \＆SHARES |  |  |  | MONEY＊ |  | $\begin{aligned} & \text { NEW } \\ & \text { OAPITAL } \\ & \text { IBSUES } \end{aligned}$ |  | OTHER BANKING． |  |  |  |  |  |  |  |  |  | $\begin{gathered} \text { THOABOBY } \\ \text { MHLA. } \end{gathered}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Industrials |  | Fixed <br> Interest |  |  |  |  |  | Bank of England． |  |  | Nine Clearing Banks． |  |  |  |  |  |  | 4 Mn ． |  | $\frac{\frac{3}{4}}{2}$ <br> 4ME． |
|  | $\begin{aligned} & \text { \% } \\ & \text { Hg } \\ & \text { og } \\ & \text { 웄} \\ & \text { \% } \end{aligned}$ |  | $\begin{aligned} & \text { H8 } \\ & \text { Hy } \\ & \text { 맴 } \\ & \% \end{aligned}$ |  |  |  | $\begin{aligned} & \text { for } \\ & \text { U.K, } \\ & \text { \& Mn. } \end{aligned}$ |  |  |  | $\begin{aligned} & \frac{5}{5} \\ & \frac{8}{4} \\ & 2 \frac{1}{8} \\ & 2 \mathrm{Mn} . \end{aligned}$ | $\begin{array}{r} \frac{4}{3} \\ \frac{8}{8} \\ 8 \mathrm{Mn} \end{array}$ | $\ell \mathrm{Mn}$ ． |  | $\begin{array}{r} \frac{4}{8} \\ \frac{8}{2} \\ 2 \\ 2 \\ 2 \end{array}$ | $\begin{aligned} & \text { B } \\ & \frac{1}{2} \\ & 6 \end{aligned}$ <br> 2Mn． |  |  |  |  |  |
| 1924 Av．．．． | 100 | － | 100 | 100 | $2 \cdot 43$ | $3 \cdot 45$ | 7.4 | 11：2 |  |  | 390 | 1632 | 242 |  | 791 | 324 | 117 | $48 \cdot 5$ | 442 | 169 | 601 |
| 1929 A v ．．．． | 139 | － | $96 \cdot 3$ | 104.0 | 4.57 | $5 \cdot 31$ | $13 \cdot 3$ | 79 | 62 | 50 | 361 | 1762 | 226 |  | 974 | 242 | 107 | $55 \cdot 3$ | 681 | 2\％9 | 760 |
| 1934 Av．．．． | 125 |  | 132.5 | 75.7 | 81 | 81 | $8 \cdot 9$ | 3.6 | 102 | 54 | 378 | 1842 | 228 |  | 740 | 543 598 | 115 108 | $\begin{array}{r}402 \\ 28.5 \\ \hline\end{array}$ | 475 475 | 377 595 | $\begin{aligned} & 850 \\ & 866 \end{aligned}$ |
| 1935 Av．．．． | 139 | － | 136.2 | 73.6 | －73 | ． 57 | 13．5 | 17 | 98 96 | 51 | 394 432 | 1961 | 312 |  | 785 825 | 598 | 103 | 892 | 576 | 225 | 801 |
| 1936 Av ．．．． | 161 | － | 136.9 | 73.2 | －75 | 61 . .59 | 15.9 11.6 | 1.2 2.7 | 96 97 | 54 58 | 452 479 | 2104 2172 | 312 276 |  |  | 607 | $10 \cdot 3$ | 419 | 660 | 229 | 789 |
| 1937 Av．．．． | 150 | － | 1217 126.6 | 78.4 79 | －75 | － 59 | 11.6 7.7 | $2 \cdot 7$ 2.1 | r97 | 58 56 | 479 485 | 2161 | 274 |  | 930 | 695 | 10.6 | 450 | 647 | 350 | 887 |
| 1938 Av．．．． | 123 | － | 126.6 116.3 | 790 86.2 | .75 1.05 | 61 1.20 | $3 \cdot 6$ | 1．9 | 103 | 58 | 507 | 2129 | 246 |  | 945 | 564 | 109 | 44＇3 | 488 | 682 | 1070 |
| 1939 Av．．．． | 114 95 | － | $123^{\circ}$ | 86.2 81.6 | 1.05 1.0 | 1.04 | $0 \cdot 3$ | 00 | 107 | 77 | 574 | 2377 | 357 |  | 906 | 621 | 107 | 38.5 |  |  | 1708 |
| $1840 \mathrm{Av}^{\text {c．．．}}$ 1938 | 95 | ＋ | 1250 | 81.6 | 1.0 | － 5 | 11.2 | 4.0 | 113 | \％ | 57 |  | 095 |  | 484 |  |  |  | 688 | 302 | 870 |
| JULY．．．．．． | 125 | ＋ 75 | $130 \cdot 1$ | 76.9 | －75 | ． 52 | 11.2 | 40 | 115 106 | 49 | 488 483 | 2185 | 298 |  | 925 | 698 | 10.5 | 424 | 555 | 305 | 658 |
| AUG．．．．．．． | 122 | －24 | 128＇6 | $77 \cdot 9$ | －75 | ＇53 | 18 | 4 | 106 100 | 58 | 489 | 2154 | 285 |  | 923 | 602 | $10 \cdot 3$ | 42\％ | 651 | 354 | 871 |
| SEPT．．．．． | 117 | －65 | $121 \cdot 2$ | 81.0 | ．75 | ．72 | 1.6 | 8 | －85 | 65 | 496 | 2140 | 261 |  | 925 | 602 | 104 | 451 | 526 | 384 | 910 |
| OCT．．．．．．． | 119 | +1.4 $+\quad 27$ | $123 \cdot 7$ | 80.9 80.9 | .75 -75 | $\cdot 72$ <br> $\cdot$ <br> $\cdot$ | 18 109 | 8 1.9 | 89 | 70 | 479 | 2151 | 265 |  | 915 | 599 | 104 | 430 | 517 | 407 | 984 |
| NOV．．．．．．． | 123 | +2.7 +4.5 | 1238 | $80 \cdot 9$ $82 \cdot 3$ | ． 75 | ． 95 | 9．3 | － 3 | 100 | 52 | 495 | 2135 | 243 |  | 920 | 692 | 108 | 45－1 | $601:$ | 4651 | 912 |
| DEC．．．．．． | 116 | － 45 | 1217 | 823 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 625 | 974 |
| JAN，．．．．．． | 115 | $-0.5$ | $121 \cdot 4$ | $82 \cdot 5$ | －75 | 56 | 103 | $3 \cdot 6$ | 118 | 56 | 476 | 2112 | 248 |  | 922 | 581 | $11 / 2$ | 436 | 881 | 502 | 885 |
| FEB．．．．．．． | 118 | ＋07 | $119 \cdot 2$ | $84 \cdot 2$ | －75 | ＇53 | 70 | 12 | 111 | 48 | 475 | 2060 9038 | 186 |  | 941 | 567 | 108 | 462 | 351 | 603 | 854 |
| MAR． | 126 | ＋974 | $120 \cdot 5$ | $83 \cdot 2$ | －75 | ． 53 | 26 | －2 | 106 98 | 46 59 | 477 490 | 2040 | 178 |  | 946 | 557 | 107 | 46.4 | 394 | 512 | 906 |
| APR． | 115 | +100 $+\quad 3.2$ | 114．3 | 87.6 86.1 | 75 .75 .75 | 1.57 .66 | 1.2 1.5 | 6 5 | 98 100 | 59 | 490 495 | 2052 | 194 |  | 942 | 561 | 110 | 459 | 429 | 510 | 939 |
| MAY ．．．．． | 119 118 | 10. +3.2 -0.5 | 116.2 117.2 | 86.1 85.6 | －75 | ＇66 | 17．4 | 5．1 | 100 | 58 58 | 495 495 | 2101 | 241 |  | 942 | 557 | 106 | 449 | 469 | 542 | 1011 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JULY． | 115 | $-2.8$ | 1167 | $85 \cdot 9$ | 75 | ． 81 | 17 | $1 \cdot 1$ | 87 | 66 | 508 | 2122 | 269 |  | 934 <br> 987 | 654 656 | $10 \cdot 5$ 104 | $44 \cdot 1$ $44 \cdot 1$ | 491 510 | 368 971 | $\begin{aligned} & 1057 \\ & 1081 \end{aligned}$ |
| AUQ．．．．．．． | 118 | ＋ 2.0 | 1157 | 86.6 | －75 | ． 67 | ＇6 | $4 \cdot 6$ | 95 110 | 63 | 512 | $\frac{2121}{216}$ | $\frac{271}{206}$ |  | 785 | 556 | 11\％ | 年衰 |  | 68 | 1152 |
| SEPT．．．．． | 106 | +9.1 -9.5 | $111{ }^{\circ} 2^{\circ}$ | 90．0 | 2.79 | 3.61 0.14 | 1 |  | 110 | 53 | 563 535 | 2160 2006 | 296 |  | V68 | ＋659 | 110 | 45 | 551 | 700 | 1281 |
| OCT．．．．．．． | 104 | － 2.5 | 111.0 | $90 \cdot 1$ | 1.87 | $2 \cdot 14$ | ＇1 | － | 117 | 51 | 535 528 | 2006 | 278 |  | 964 | 567 | 105 | 425 | 609 | 686 | 1301 |
| NOV．．．．．．． | 106 | ＋20 | $116^{\circ} 0$ | $86 \cdot 3$ | 1.0 | 1.24 | ＇9 | － | 107 | 58 | 528 | 2313 | 841 |  | 94 | 566 | $11-2$ | 411 | 740 |  | 1446 |
| DEC． | 105 | ＋ 0.2 | 116.6 | 86.1 | 1.0 | $1 \cdot 24$ | －2 | － | 88 | 86 | 545 | 2313 | 321 |  | 951 | 560 | 112 | 411 | 140 | 10 | 240 |
| 1940 | 104 | $+1.6$ | $120 \cdot 1$ | $83 \cdot 3$ | 1.0 | 1.09 |  |  | 102 | 79 | 527 | 2285 | 374 |  | 947 | 568 | $10^{\prime} 0$ | 415 | 785 | 690 | 1475 |
| FEB．．．．．．． | 106 | ＋21 | 124.9 | $80 \cdot 2$ | 1.0 | 1．05 |  |  | 106 | 80 | 532 | 2244 | 340 |  | 949 | 665 | $10 \cdot 5$ | 42.3 | B09 | 126 | 1432 |
| MAR．．．．．．． | 109 | ＋ 2.8 | 124.7 | 803 | 1.0 | 1.03 |  |  | 114 | 78 | 655 | 2239 | 325 |  | 854 | 567 | $10 \cdot 5$ | 42.6 | 761 | 717 | 1435 |
| APR． | 103 | －1．9 | $123 \cdot 9$ | 80.8 | 1.0 | 1.03 | －27 | 04 | 115 | 68 | 537 | 2255 | 328 |  | 935 | 575 | 108 | 419 | 701 | 708 | 1409 |
| MAY ．．．．．． | 97 | $-10 \cdot 1$ | 1228 | 81.5 | 1.0 | 1.03 |  |  | 106 | 76 | 546 | 2288 | 394 |  | 916 | 689 | $10^{\prime 7}$ | 400 | 685 | 72 | 160 |
| JUNE ．．．．． | 82 | $-17 \cdot 4$ | $119 \cdot 3$ | $81 \cdot 3$ | 1.0 | 103 |  |  | 103 | 83 | 578 | 2341 | 372 |  | 915 | 592 | 109 | $39 \cdot 0$ | 744 | 842 | 1582 |
| JULY ．．．．． | 79 | $-67$ | 1209 | $83 \cdot 1$ | 1.0 | 1.03 |  |  | 79 | 107 | 609 | 2328 | 403 | 25 | 885 | 619 | $10 \cdot 7$ | 38.0 | 826 | 907 | 1788 |
| AUG． | 84 | ＋6．4 | 121.7 | $82 \cdot 6$ | 1.0 | 1.03 |  |  | 108 | 79 | 614 | 2355 | 416 | 25 | 872 | 636 | 11.1 | $57-0$ | 835 | 1043 | 1879 |
| SEPT．．．． | 87 | ＋ 4.3 | 121.9 | $82 \cdot 4$ | 1.0 | 1.03 |  |  | 108 | 63 | 609 | 2466 | 367 | 85 | 889 | 653 | 111 | $56-9$ | 86 | 1085 | 1921 |
| OCT．．．．．．． | 91 | $-3.2$ | 122.9 | 81.8 | 1.0 | 1.03 | 0＇8 | 02 | 109 | 72 | 598 | 2527 | 361 | 175 | 836 | 677 | $10^{1}$ | $35 \cdot 1$ | 846 | 1186 | 1984 |
| NOV．． | 97 | ＋ 6.9 | 126.0 | $79 \cdot 5$ | 1.0 | 1.03 |  |  | 115 | 70 | 594 | 2566 | 327 | 226 | 876 | 697 | 106 | $34-2$ | 845 | 239 | 2084 |
| DEC． | 95 | $-1.4$ | 126.6 | $79^{\circ} 0$ | 10 | 1.03 |  |  | 116 | 68 | 604 | 2658 | 254 | 301 | 857 | 724 | 11.6 | 822 | ＋1 | f 1 | 2152 |
| J 1941 | 98 | $+2.8$ | $128 \cdot 3$ | $78 \cdot 1$ | 1.0 | $1 \cdot 03$ |  |  | 119 | 69 | 603 | 2617 | 258 | 325 | 864 | 741 | 102 | \＄3－0 | 844 | 1841 | P184 |
| PEB．．．．．．． | 96 | －2．8 | 128.6 | $78^{\circ} 0$ | 1.0 | 1.03 |  |  | 111 | 79 | 602 | 2571 | 203 | 515 | 854 | 762 | 10.5 | 832 | 845 | 1309 | 2214 |
| MAR．．．．．．． | 92 | －2．9 | $129 \cdot 1$ | $77 \cdot 6$ | 1.0 | 1.03 | $1 \cdot 0$ | $0 \cdot 2$ | 110 | 67 | 603 | 2625 | 187 | 169 | 868 | 761 | 104 | 323 | ＋1 | ＋1 | 2212 |
| APR．．．．．．． | 93 | ＋ $0 \cdot 3$ | $129 \cdot 5$ | $77 \cdot 4$ | 1.0 | 1.03 | 1.0 | $0 \cdot 2$ | 115 | 68 | 622 | 2686 | 182 | 445 | 840 | 765 | 10.5 | 31.3 | 865 | 1370 | 2.85 |
| MAY ．．．．． | 93 | ＋ 0.4 | $130 \cdot 6$ | $76 \cdot 8$ | 1.0 | 1.03 |  |  | 115 | 66 | 629 | 2677 | 163 | 452 | 829 | 793 | $10 \cdot 4$ | 31.0 | 605 | ． 419 | 2315 |
| JUNE ．．． | 96 | ＋37 | $7130 \cdot 3$ | $77 \cdot 0$ | 1.0 | 1.03 |  |  | 123 | 58 | 637 | 2794 | 184 | 465 | 816 | 838 | 105 | 292 | 11 | ＋ | 2367 |
| JULY． | 102 | ＋8．2 | 132．5 | 75.8 | 10 | 1.03 |  |  | 108 | 79 | 651 | 2838 | 762 | 459 | 811 | 845 | 102 | 28.6 | 963 | 1492 | 2452 |
| AUG．．．．．． | 107 | ＋8．9 | 1318 | 8 762 | 1.0 | 1.03 |  |  | 96 | 87 | 688 | 2842 | 250 | 450 | 796 | 876 | 105 | $28-9$ | 970 | 1525 | 1485 |
| SEPT．．．． | 109 | ＋ 46 | $132 \cdot 6$ | －75．7 | 1.0 | 1.03 | － 09 | $0 \cdot 2$ | 128 | 62 | 670 | 2955 | 299 | 509 | 785 | 880 | $1{ }^{16} 6$ | 266 | ＋1t | 14 | 2577 |
| OCT．．．．．．． | 107 | －13 | 3 132.6 | － $75 \cdot 7$ | 1.0 | 1.03 | － 0 | 02 | 198 | 65 | 686 | 3011 | 254 | 570 | 783 | 998 | 103 | 260 | 975 | 1169 | 3534 |
| NOV．．．．．．． | 109 | ＋ 4.3 | $\begin{array}{lll}3 & 133 \cdot 5\end{array}$ | － $75 \cdot 2$ | 10 | 1.03 |  |  | 139 | 61 | 704 | 3048 | 231 | 693 | 769 | 936 | $10^{-3}$ | $25 \cdot 3$ | 975 | 1575 | 2559 |
| DEC． | 110 | ＋ 1.6 | $6132 \cdot 5$ | －75＇8 | 1.0 | 1.03 |  |  | 121 | 64 | 740 | 5158 | 163 | 725 | 766 | 983 | 110 | 243 | ＋1 | $4+$ | 2547 |
| JAN． | 112 | $2+3 \cdot 8$ | －135－9 | 73：8 | 1.0 | 1.03 |  |  | 134 | 53 | 744 |  |  |  |  |  |  |  | 945 |  |  |

${ }^{*}$ Bank Rate $2 \%$ to 24 th Aug．； $4 \%$ to 28 th Sept．； $8 \%$ to 26 th Oct．，1009；2\％since．

## STOCKS \＆SHARES－

 NEW CAPITAL ISSUES－ BANK OF ENGLAND－PRINCIPAL BANKS－

## TREASURY BILLS－

MONEY－

Index Nos of Prices and Vield as perientage of 1924 lerelt on 151 h of montl
Sensitive Index．Geometric Mean of monthly percentage chanzes．

Iy TIEE MIDIAND ISANK，ITTD，1040－41 SIx－monthe totals

Current Deposit and other accounts，＂etc．Before Reptember，183s，sverspos for the month of p elearing bienk． e．－cxcluding the National Bank，UZd，and the District Bank），aftermarde，data for inat making up das af he month．
Up to June，1940，11th－17th of month，therrafter end of month

Day－to．Day Rate．Total of Treasury Bills in existence loss those lasued ty tender

PRICES AND WAGES.


PRICE OF GOLD-
PRICE OF SILVER-
Until September, 1939, average (London) price per fine oz. for week ending 15 th of month.-ECONOMIST.
(cash) price of bar siver for week ending 15th of month.-ECONOMIST
Based on new index first published in January, 1935.-BOARD OF TRADE JOURNAI.
STATIST (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 index showing movement since 1924 in cost of maintaining unchanged the standard of month-e.g., reading for March 1st is shown against February-to facilitate comparison with "Statist ," index RETAIL FOOD PRICES-
WAGE INDEX-

OUTPUT AND INTERNAL ACTIVITY.


[^1]
# RECENT MOVEMENTS IN UNITED STATES. 

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

## December 16 th, 1941.

GENERAL SURVEY.-Rapid acceleration of the country's defence efforts during the year now ending has carried industrial activity to the highest levels ever attained and has raised the national income above that of any previous year. By November, appropriations and authorizations for defence had amounted to about $\$ 70,000 \mathrm{Mn}$. and monthly expenditures had risen to more than $\$_{1,500} \mathrm{Mn}$. A few days after the declarations of war between the United States and the Axis powers, a bill to increase appropriations by $\$ \mathrm{IO}, 300 \mathrm{Mn}$. was adopted by the Senate and sent to the House of Representatives for approval.

Whereas industrial output expanded fairly sharply immediately after the outbreak of the war in Europe in 1939, the very rapid increase began about mid-1940 (when the defence programme was inaugurated), and was shared by all branches of production. Rising expenditures under the defence programme stimulated employment and brought a greater demand for civilian as well as defence goods. Since the summer of this year, however, further sharp increases in production schedules of defence industries have limited the activities of those industries producing chiefly for civilian demand. In addition, certain industries closely connected with defence activities-notably iron and steel and non-ferrous metals-have not shown the rapid increases characteristic of earlier months, primarily because of limitations of productive capacity. As a result, the rate of increase in total industrial production during the past few months has not been so great as during the year from June, I940, to June, 194I.

With the change-over of activities from those of a non-belligerent country to those of a belligerent, immediate measures have been taken by the federal government to assure a greater diversion of raw materials from civilian to defence industries. The number of raw materials falling under priority controls will be increased considerably ; and raw material problems, already acute in many lines of industry, will become even more severe for some lines not closely connected with war demands. The Office of Production Management, as from December IIth, has placed restrictions on the use of rubber and on the sales and shipments of rubber products; and they
have announced sharp reductions in the quotas previously set for production of passenger cars and light trucks in December and January.

Commodity prices, after fluctuating within a narrow range at low levels for more than a year, began to increase during the first quarter of I941 ; and the subsequent advance has been so rapid that the general index of the Bureau of Labor Statistics has risen to the highest figure in more than a decade. This rapid advance in recent months has resulted in the extension of price controls over industrial products and the introduction in Congress of emergency price legislation. The greatest part of the increase in wholesale prices has been due to sharp advances in prices of farm products. Over the past year prices received by farmers have risen about $20 \%$, with prices of both crops and livestock sharing in the advance. Because of these higher prices received, income of farmers for the year is estimated to be about $\$_{11,000} \mathrm{Mn}$., an increase of $12 \%$ over 1940 .

Rising prices of farm products have contributed substantially to the increase in living costs since last winter. The Bureau of Labor Statistics index of the cost of living rose $8 \frac{1}{2} \%$ between February and October, 1941. For the various groups on which the index is based, increases over the same period were as follows :food, $14.0 \%$; clothing, $12.4 \%$; rent, $2.3 \%$; fuel, $3.4 \%$; house-furnishings, $14.4 \%$; miscellaneous commodities, $5.0 \%$.

BUSINESS VOLUMES.-Business activity in general, as measured by bank debits in selected centres outside New York City, continued through November (the last month for which data are available) to fluctuate irregularly about the high level attained during the summer. For industrial production, the latest seasonally adjusted index-that for October-is 164 (\% of 1935-39). As stated above, the index rose most rapidly between mid-1940 and mid-I94I. During that period, the total index advanced $30 \%$, manufactures increased $34 \%$, and minerals $11 \%$. Between June and October, a further advance of $4 \%$ has occurred in the manufactures index, while that for minerals has remained practically unchanged. The variations in the most important manufacturing industries since the outbreak of the war in Europe in 1939 are illustrated by the data in the following table :-

SEASONALLY ADJUSTED INDICES OF ACTIVITY IN IMPORIANT MANUPACTURING INDUSTRIES AT SELECTED DATES,
(\% of 1935-39).


Source : Federal Reserve Bulletin.
${ }^{*}$ Preliminary. 1 September figure; October not available.
Total manufacturing employment in October showed only the usual seasonal changes, and the seasonally adjusted index of the Federal Reserve Board continued the sidewise movement evident since July. Employment increases continued sharp in such industries as aircraft and shipbuilding, while shortages of materials were reported to be causing serious employment dislocations in such industries as plumbers' supplies, stoves, vacuum cleaners, washing machines, refrigerators, electrical appliances, metal furniture, structural steel, brass, bronze and copper, silk and rayon, hosiery. The payrolls index has made a substantial gain in practically every month this year, reflecting longer hours of employment and wage increases in some industries.

The number of new strikes has mounted fairly steadily throughout the greater part of the year, although in recent months the upward tendency is reported to have been halted. The strike in November that involved the largest number of workers was the one-week stoppage of work by coal miners in "captive" mines (i.e., mines owned by the steel companies), brought about by the labour union demand for a closed shop (i.e., employing only union labour). At the intervention of President Roosevelt, work was resumed on November 24th and the controversy was submitted to an arbitration committee, with the miners and all but a few of the producers agreeing to abide by the decision of the committee. On December 7 th the committee announced a vote of two to one in favour
of the closed shop. Public reaction to labour strikes in defence industries led to the introduction in Congress of anti-strike bills; on December 3rd the House of Representatives passed and sent to the Senate a bill placing certain restrictions on strikes in plants handling defence work.

Retail trade in 1941 has risen to unprecedented levels, reflecting both increased consumer demand and higher prices. A new index of sales of all retail stores, compiled by the U.S. Department of Commerce, indicates that after allowance for seasonal changes such sales reached their peak in August, when the index was 149.3 (\% of 1935-39). Both September and October brought declines, the October index dropping to 13 1.6. The large sales in the summer months are attributed in part to buying by consumers in anticipation of future scarcities, of higher prices, and of the instalment credit restrictions that became effective on September 1st. Department store sales, like retail sales in general, were highest in August and then decreased sharply in September and October; the November adjusted index, now available, records a rise of ten points above the October figure, restoring the index to the September level. Seasonally adjusted freight car loadings, which in the summer were $40 \%$ above the 1935-39 average, decreased sharply in September and October.

The value of construction contracts awarded in the first ten months of 1941 were more than $60 \%$ greater than in the corresponding period of 1940. Over half of the 1941 total represented public construction, which was $107 \%$ above that of the January-October period of last year ; private awards increased $28 \%$. On October 9th the first restriction order on non-defence construction was issued by the Supply Priorities and Allocation Board, which announced that " no public or private construction projects which use critical materials such as steel, copper, brass, bronze, aluminium, etc., may be started during the emergency unless these projects are either necessary for direct national defence or are essential to the health and safety of the people."

COMMODITY PRICES.-The rapid and widespread advance in wholesale commodity prices carried the " all commodities" index of the Bureau of Labor Statistics to 92.4 (\% of 1926) in October, compared with $8 \mathrm{r} .5 \%$ in March and $87.1 \%$ in June. Weekly data indicate that further, though less sharp, increases occurred in November.

Although prices of a few consumer goods such as automobiles, furniture, gasoline, and sugar have been limited by governmental action,


federal control of prices during the year has been confined primarily to prices of selected industrial materials. Maximum prices were set first for metals ; later, such basic commodities as hides, rubber, burlap, silk, and leading grades of lumber were included. Prices of industrial commodities as a whole, however, have risen substantially since March ; the October index was $10 \%$ above the average for the first quarter of the year. The farm products and foods groups during the same period advanced $26 \%$ and $20 \%$ respectively.

With the United States entry into the war, commodity prices made steep advances on December 8th and further substantial increases occurred during the rest of the week. The Office of Price Administration has announced maximum price schedules for selected commodities not previously regulated by the government ; and legislation to curb extensive price increases, including prices of agricultural commodities, has been recommended to Congress.

MONEY AND CREDIT.-The continued rise of total earning assets of reporting member banks in October and November was due to sharp advances in both loans and investments, with investments showing the greater increase. Larger holdings of direct government obligations account for this rise in total investments. Between October ist and December 3rd direct obligations increased $\$ 878 \mathrm{Mn}$., government guaranteed securities dropped $\$ 397 \mathrm{Mn}$., and other securities fell $\$_{150} \mathrm{Mn}$. During October the Treasury announced plans for eventually converting all outstanding government guaranteed issues into Treasury issues, and for supplying the needs of government corporations and agencies directly by the Treasury. The first step in this direction was taken on October 23rd when a new issue of Treasury notes was offered in exchange for Reconstruction Finance Corporation notes and Commodity Credit Corporation notes maturing in November.

The rapid advance of commercial loans was halted at the middle of November when such loans were almost $50 \%$ greater than in the
summer of 1940. While some decline has occurred in the past two weeks, it has been extremely small, amounting to less than $\mathbf{I} \%$. Adjusted demand deposits in recent weeks have shown little net change.

The increase in the percentage of reserves required against member-bank deposits, announced in September, went into effect on November ist. The amount of excess reserves remaining, however, was larger than at any time prior to the spring of 1939 ; and since the first week of November increases have been reported. On December Ioth, reserves in excess of requirements were estimated at approximately $\$ 3,800$ Mn.

Early in November government bond prices rose to new high levels, and then after the middle of the month they declined fairly steadily. With the outbreak of war between the United States and Japan, prices of Treasury bonds dropped sharply, but at the close of the first week of the war about half of this loss is reported to have been regained.

SPECULATION.-The irregular downward movement of stock prices continued throughout October and November so that by the close of November prices were at new low levels for the year. News of labour disputes and discussions of additional tax legislation played their parts in influencing price movements. Daily average trading on the New York Stock Exchange amounted to 506,000 shares in October and 684,000 shares in November, compared with 687,000 in July, the peak of the first eleven months of the year. The opening week of December brought some advance over the November low figures, but on December 8th and 9th prices declined sharply and trading was extremely active. During the closing days of the first week of the war, however, prices on the whole have fluctuated a little above the levels reached in the decline of the first part of the week. Corporate bond prices likewise fell early this week to new low levels for the year and then recovered slightly.

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

December 22nd, 1941.

TWO months ago, on October 18, 1941, the Canadian Prime Minister announced that a general "ceiling" was to be imposed on Canadian incomes and prices. Since then the economic attention of the country has been focussed on the introduction and administration of this ceiling. Because it constitutes an economic experiment without precise parallel in a democratic country it has also gained a great deal of attention in the United States and other countries. Accordingly the whole of this quarterly report is devoted to explaining its nature and causes.

There are three planks in the Government's new plafond : one is to keep down wage rates, another is to keep down salaries, and a third is to keep down the prices of goods and services. Each will receive detailed discussion below. But in order to understand why each took its special form it is useful to recall some of the policies which the Government has pursued since the outbreak of war and which have led up to the new restrictions.

In the first war-time budget of September, 1939, the Government committed itself to the prevention of inflation. Since that time this policy has been reiterated by numerous Government spokesmen who have laid emphasis on the injustices that would attend sharp increases of prices, on the damage to civilian morale and therefore to productive efficiency (at least after the attainment of full employment), and on social disturbances that might be expected to arise after the war when the inflationary bubble burst.

It has become increasingly evident that the Government intended to practise what it preached. Following the modern economic precepts, the basic attack on inflation has been the attempt to restrict incomes and expenditures. Income taxes, both personal and corporate, have been increased very drastically. Campaigns to raise money by borrowing have been marked by increasing emphasis on the necessity for current saving. (See the description of war-time fiscal policy contained in our report in the Buleptin for July, 1941). Further, an attempt was made to check the rise in money wage rates while giving some protection to real wages. In December, 1940, conciliation boards in war industries were instructed (a) not to recommend
increased wage rates, and (b) to recommend cost-of-living bonuses which would protect workers against rising costs of the necessaries of life. (See Bulletin for April, 1941).

While the basic attack on inflation has involved restriction of incomes and expenditures, the prices and supplies of particular commodities have been brought under war-time controls. These controls sprang up from time to time as occasion seemed to demand, but at the end of August, 1941, the final authority over all prices was vested in the War-time Prices and Trade Board which, at the same time, was transferred from the jurisdiction of the Minister of Labour to that of the Minister of Finance. (See Bulletin for October, 1941).

Such, broadly speaking, were the antiinflationary measures which the Government had taken before embarking on the new policy of rigid ceilings. It is evident, from the fact that the new measures were adopted, that the existing ones were considered inadequate to meet the situation. Government spokesmen have recently emphasised that the limits of fiscal restrictions were being approached and that, partly on the basis of domestic spending and partly on the basis of price increases abroad, Canadian prices were rising steadily.

There were, indeed, a number of developments, in the eight months preceding the announcement of the new policy, which could be considered as inflationary. The zone of full employment had clearly been entered. Between March and October the volume of employment in establishments employing fifteen or more persons rose by $23 \%$. Wage bills rose, if anything, more rapidly. The index of retail sales increased by $30 \%$ (although the seasonally adjusted index only rose about $7 \%$ ). Wholesale prices rose by $9 \%$, rather more than $1 \%$ a month, and retail prices by $7 \%$. It was against this background that the new policy was formulated.

In the new attack on inflation, the restriction of incomes is still basic. Employers must not, in general, move wages (upwards or downwards) from the level existing on October 24th, 1941, when the original Order-in-Council respecting the wage ceiling was passed. (An amending Order was passed on December 9th, 1941.) Further, employers must, in general, pay to
each worker receiving $\$ 25$ a week or more cost-of-living bonus of 25 cents a week for each rise of $\mathrm{r} \%$ in the cost-of-living index. Workers with lower wage rates are to be paid proportionately lower bonuses. The only classes of employers exempted from these regulations are governments, charitable and religious institutions, and those engaged in agriculture, horticulture, fishing, hunting, and trapping. The Order-inCouncil also provides that special exceptions may be made where an employer was paying abnormally low wages on the base date or where he cannot afford to pay the prescribed cost-ofliving bonuses. Where an employer is already paying abnormally high wage rates the payment of additional cost-of-living bonuses may be deferred. In general, however, these bonuses must be revised every three months in accordance with changes in the cost of living. (Actually, if the initial rigour with which retail prices are being held down is continued, bonuses will not be increased very frequently).

The administration of the wage ceiling, together with the cost-of-living bonuses and other matters, have been entrusted to a new National War Labour Board, consisting of representatives of employers and employees, and to nine Regional War Labour Boards similarly composed but with the Minister of Labour in each province as chairman. The chairman of the National War Labour Board, formerly one of the very few representatives of labour to have sat in the House of Commons, has very recently been brought into the Dominion Cabinet as Minister of Labour. It is said that he will continue to act as chairman of the Board. The powers of the Regional Boards are to be designated and delegated by the National Board. The establishment of these Boards, regional and national, and the appointment of the new Minister of Labour, may be regarded as the Government's reply to the frequent complaints of labour leaders that labour has had little voice and no administrative authority in the formulation and execution of war-time industrial policies.

The restrictions on wage-incomes already described have been supplemented, in an Order-in-Council of November 27th, by restrictions on salary-incomes. A general restriction has been imposed on increases of salaries. However, in the case of salaries under $\$ 3,000$ per annum, the employers are permitted (not instructed) to pay cost-of-living bonuses on the basis described above. In the case of salaries from $\$ 3,000$ to $\$ 7,500$ increases may be made, subject to the subsequent satisfaction of the Department of National Revenue (when collecting corporate
income tax) that the increases are actually associated with increases of the responsibilities and duties of the recipients. In the case of salaries exceeding $\$ 7,500$, the Department of National Revenue must approve of increases in advance.

So much for the ceilings on wages and salaries. We turn now to consider the ceilings on the prices of goods and services. In general, since December Ist, I94I, prices have not been permitted to rise beyond the highest level established in the four weeks immediately preceding the Prime Minister's announcement (that is, the four weeks ending October IIth, 1941). The Order-in-Council of November Ist, 194I, establishing the price ceiling specified (a) the prices of goods which were to be excluded from its scope and (b) the prices of services which were to be included within its scope. Specifically excluded from the ceiling order were the prices of exports, of goods sold directly or indirectly to the Department of Munitions and Supply, of securities, of goods and personal property sold in isolated transactions or by auction. Specifically included under the ceiling, were the prices of such services as storage, undertaking, hairdressing, plumbing, repairing, provision of meals in restaurants, moving pictures, transportation, and other public utilities. Under a further Order-in-Council of November 2Ist, 194I, a ceiling was established on all rentals which had not already been subjected to wartime restrictions. Rentals were generally not permitted to exceed those prevailing on October IIth, I94I.

The administration of all these price ceilings lies in the hands of the War-time Prices and Trade Board. Since the Board is empowered to make such exceptions and alterations as it sees fit, much depends on its administrative policy. Originally there was some doubt as to the rigour with which the ceilings would be retained intact. However, when the personnel of the Boards was expanded and a new chairman was appointed in November, it soon became clear that the ceiling on retail prices was to be retained practically inviolate. Prices of goods at wholesale and at earlier stages in the processes of production and distribution are to be allowed some variation, and the Administrators of various groups of prices are permitted to approve adjustments without reference to the Board, as long as those adjustments do not involve any penetration of the retail price ceiling.

Much of the necessity for adjustment arises out of the fact that in past months prices


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. 1.- "Investors' Index." Index of current market valuation of shareholders' equity in 95 companies (\% of 1935-39).
" 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 provincial and municipal governments.
" 5.-Includes governmental deposits. Excludes all deposits with provincial, 6-8 postal and Quebec savings banks, and with trust companies.
", 9.-Col. 6 comprises 70 items ; col. 7, 322 items ; col. 8, 567 items,
, $9 .-$ Comprises separate groups for food, fuel, lighting, rent, clothing, home
furnishing, sundries (including services). 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 preducts
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.
4.-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

- 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 -Includes workers on relief projects.
17.- Includes workers on relief projects.
workers on same basis as full-timloyees only. Includes part-time civil servants and underweights the. Excludes farm labourers and civil servants and underweights the service industries
developed an upward momentum. Many dealers and producers have made purchases or commitments in the expectation of raising their selling prices. The impact of this upward momentum on a rigid retail price ceiling produces a compressing, squeezing effect on many businesses. The chief job of the Administrators is to distribute the squeeze with some measure of fairness. It is appreciated in Treasury circles that this squeezing process, which will inevitably be aggravated in some businesses by war-time reductions in production for civilian consumption, will produce a severe decline in profits and in the yield of the corporation income taxes; but it is claimed that the effect of rising prices on government purchases would have affected the fiscal position even more seriously. In general, it seems to be the Board's policy not to offer any general relief to business as a whole, but to encourage businesses to spread the burden as fairly as possible and to discover some measures of relief by reducing unnecessary varieties of production, unnecessary publicity, and so forth.

A few exceptions to the retail price ceiling have been made. These include fresh fruits and vegetables, greenhouse products, furs and fur coats, turkeys and Christmas trees. Obviously the unstandardized and seasonal nature of the product has been a consideration in each case where an exception has been made.

Some of the most serious problems connected with the maintenance of a rigid retail price ceiling arise in connection with imports and exports. These problems may become acute if American prices resume the sharp upward movement which they exhibited in the middle eight months of the year. In regard to imports, the Board made it clear early in December that, where necessary, subsidies would be paid. These would be handled by the newly-formed Commodity Prices Stabilization Corporation which, in cases of standardized materials, would probably import and then sell to Canadians at a loss. In some cases it may be found convenient to reduce import duties and taxes as an alternative to subsidies. But, while subsidies are expected to be the most used method of dealing with increased costs of imports, the Board has made it clear that these will be paid only where required to keep down retail prices which are included under the ceiling, and that they will not be generally available to facilitate luxury imports.

The policy in regard to the prices of exports is by no means clarified. In general, as noted above, export prices are not subject to the ceiling. However, if prices rise in American markets, which are generally overwhelmingly
large in comparison with Canadian markets, and if prices in Canadian markets are held down in due relation to the rigid retail ceiling, the effect will often be to denude the Canadian markets of supplies. Some of the few exceptions to the retail price ceiling which were noted above may well have arisen from situations of this sort. As yet, there is no sign that a system of taxing exports will be adopted as an apparently logical counterpart of the system of bonusing imports; attempts to tax exports would probably encounter political opposition, particularly severe in a country where export industries are accustomed to expect favours. Nor are there any signs that the problems created by increases of prices in the United States may be alleviated by changing the exchange rate between the Canadian and American dollars.

As yet the whole price-ceiling policy is in too early a stage for problems of enforcement to have become serious. Enforcement has been placed under the jurisdiction of the Commissioner under the Combines Investigation Act, who is a member of the War-time Prices and Trade Board. Every business has been put under a licence, which is subject to withdrawal if regulations are infringed. (This universal and automatic licensing system is additional to the specific system of licensing which has been built up since September, I941, to cover all manufacturers and dealers in the fields of food, feeds, clothing and footwear, and which appears to have been designed to facilitate consumer rationing if or when it becomes necessary). The Board is actively enlisting the support of housewives and other consumers in policing the retail price ceiling. Indeed the whole price ceiling policy has been the subject of a campaign of " public education" which is without precedent in Canada since the outbreak of war. Someone in authority is reputed to have said that inflation would be worse than invasion.

It is very difficult to assess the public's reaction to the broad policy of placing ceilings on incomes and prices. On the whole, newspaper response has been very favourable-in the United States as well as Canada. But a good deal of disgruntlement appears in various sectors of the community. The squeeze on some businesses has produced a squeak. Some labour groups have held meetings to protest the arbitrary imposition of the wage ceiling. Some farm organizations have objected to the level at which the ceiling has been imposed on agricultural prices and have argued, not without cause, that, if production is to be maintained for domestic consumption and for export to Britain, some
adjustments will have to be made. On the other hand, the Government has granted a number of concessions to agriculture since the imposition of the ceiling, including a wheat bonus, a reduction of freight rates on feeds, and the release of fresh fruits and vegetables from the scope of
the ceiling. However, it is far too soon to say how the ceiling is affecting particular economic groups. Suffice it to observe that the policy implies abandonment, at least for the duration of the war, of prices and profits as the chief indicators and incentives of the economic system.

# THE EFFECT OF THE WAR ON AGRICULTURAL AND INDUSTRIAL PRODUCTION IN U.S.S.R. 

By Alexander Baykov.

16th fanuary, 1942.

THE German Army did not succeed in destroying the Soviet army, as the new Soviet offensive clearly proved, but it succeeded in occupying a considerable part of the European territory of the U.S.S.R. In the following we give a description of the economic significance of territories which were occupied by German armies up to December, 194I, when the Soviet army began to force it to retreat. All data are taken from official Soviet publications. Unfortunately the latest available relate to 1938 and they are not sufficiently detailed to allow precise calculation as regards small districts. Owing to this and to the lack of information about the exact front line which was finally reached by the German army, our data for some of the occupied provinces are only approximate. But possible errors, taking into account the scale of the occupied territories, are not greater than $\pm 3 \%$ to $+5 \%$. We give two figures in each case, viz. :- the total for the whole province-these figures are exact ; and figures for the actually occupied areas in each provincethese are approximate.

As can be seen from the figures below, the German army had occupied $1,075,000$ square Kilometres of the territory of the U.S.S.R. Fighting has occurred in territories inhabited by more
than $50,000,000$ people. In the following 24 towns, each with a population numbering over 100,000, street fighting occurred before they were occupied by the German army :-Kiev 846.3 thousand, Kharkov 833.4, Odessa 604.2, Dnepropetrovsk 500.7, Rostov n. Don 510.3, Stalino 462.4, Zaporogie 289.2, Makeevka 240.I, Marioupol 222.4, Kalinin 216.2, Krivoy Rog 197.6, Taganrog 188.8, Nikolayev 167.I, Dneprodzerginsk 147.8, Simferopol I42.7, Kerch 104.5, Kirovograd 100.3, Minsk 238.8, Vitebsk 167.4, Smolensk 156.7, Gomel I44.2, Poltava 130.3, Kursk 120.0, Orel IIo.6-total population for 24 towns $6,842,000$.

Absolutely, these figures are enormous, and no European country would have been able to put up further resistance after such losses and such hardships affecting a large mass of the population. But the occupied territory represents only $5 \%$ of the total territory of the U.S.S.R. and about $20 \%$ of the European part of it. And in these territories lived only $30.7 \%$ of the total population of the U.S.S.R., or $38.1 \%$ of the European part of it. The urban population in occupied territories amounted to $22.5 \%$ of the total population of occupied U.S.S.R. and $27.2 \%$ of the European part of the U.S.S.R. In unoccupied territory there are 60 towns with populations numbering over 100,000 .


Thus there would be a reservoir of about $120,000,000$ inhabitants in the free territories, even if the whole population in the occupied regions remains there.

The effect of the occupation on agricultural production can be seen from the following figures :-

| TRACTORS <br> (000) | LORRIES (000) |  | Total | SOWING AREA <br> All Cereals (000 Hectares) | Sugar Beet | Horses | LIVES <br> Cattle <br> (000 h | Sheep \& Goats <br> d*) | Pigs |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| U.S.S.R. $\quad$. 483.5 | $195 \cdot 8$ | 44 | 135,943 | 102,411 | 1,180 | 16,221 | 50,920 | 63,595 | 25,716 |
| Ukrainian S.S.R. ... 87.5 | $46 \cdot 1$ | 44 | 25,601 | 17,767 | 832 | 2,937 | 7,759 | 3,301 | 7,730 |
| White Russian S.S.R. 8.8 | 4.2 | 10 | 3,337 | 2,073 | - | 633 | 1,906 | 1,077 | 1,951 |
| Smolensk Province... 5'1 | 1.8 | 5 | 2,191 | 1,234 | 5 | 394 | 890 | 1,019 | 892 |
| Leningrad Province 5.7 | 1.9 | 10 | 1,522 | 821 | - | 325 | 835 | , 892 | 502 |
| Karelian Republic ... 0.5 | 0.2 | 7 | 60 | 41 | - | 39 | 88 | 68 | 26 |
| Kalinin Province ... 6.0 | 1.2 | 5 | 2,228 | 1,219 |  | 416 | 1,041 | 1,243 | 490 |
| Kursk Province ... 10.7 | 4.6 | 30 | 3068 | 2,209 | 183 | 366 | 807 | 632 | 572 |
| Moscow Province ... 500 | $2 \cdot 1$ | 16 | 1,158 | 595 | 9 | 220 | 564 | 555 | 401 |
| Toula Province ... $4 \cdot 3$ | $1 \cdot 1$ | 17 | 1,718 | 1,140 | - | 239 | 422 | 604 | 398 |
| Orel Province ... 8.5 | 2.5 | 16 | 2,933 | 2,043 | - | 433 | 857 | 815 | 855 |
| Crimean Republio ... 3.9 | $2 \cdot 7$ | 57 | 997 | 779 | - | 82 | 265 | 821 | 139 |
| Rostov Province ... $15 \cdot 4$ | 6.8 | 86 | 4,629 | 3,460 | 6 | 223 | 1,150 | 1,412 | 554 |
| Total ... ... $161 \cdot 4$ | 75.2 | - | 49,442 | 33,381 | 1,065 | 6,307 | 16,584 | 12,439 | 14,510 |
| As \% of U.S.S.R ... 33 | 38 | - | 36 | 32 | 90 | 39 | 32 | 18 | 58 |
|  |  |  |  |  |  | * 1st January, 1938. |  |  |  |

These figures represent the totals for the whole territory of the provinces, as it was impossible to readjust them according to the area actually occupied in each province.

Occupied territories accounted for about $35 \%$ of the total sowing area of the U.S.S.R., and about $30 \%$ of all cereals of the U.S.S.R. were sown in occupied areas. As the population of these areas accounted also for $30 \%$ of the total, the loss of these territories, from the point of view of food situation of U.S.S.R., is balanced by the loss of population. In the majority of these territories harvesting was finished and deliveries of agricultural products to the State had been carried out before they were occupied, and it is most probable that part of the harvest was removed in time into Northern regions.

In occupied territories the position as regards foodstuffs for the population will be very grave in the current year, unless they are re-occupied early in the Spring. It is very improbable that the autumn sowing was carried out in the ordinary manner last autumn. In the coming Spring great difficulties will arise with ploughing owing to the losses of tractors, lorries and horses which occurred in these territories during enemy occupation. It can hardly be supposed that tractors and lorries, which are concentrated mostly in State-managed Machine Tractor Stations, were not removed or left undamaged. Horses also were probably removed in large numbers during the retreat of the Soviet army.

Ninety per cent. of all sugar beet production as well as the sugar industry are concentrated in the occupied territories. This sugar beet harvest of i94I was lost because these territories were
occupied before it was possible to remove the sugar beet from the fields. Consequently the population in the free territories of the U.S.S.R. in the current year is deprived of nearly all sugar production of the country. About $50 \%$ of all pigs and about $30 \%$ of all cattle were also lost in occupied territories. There is also the danger that great slaughtering of livestock has taken place during occupation. The breeding of horses and cattle takes many years and the consequences of these losses will be felt by the country for many years after the war. I should like to emphasise these losses in livestock. After the war the problem of replenishing livestock in U.S.S.R. will be one of the major difficulties met with in the restoration of the agricultural productive capacity of the country. It is necessary to find the means now for preparing for a supply of young cattle in Canada, U.S.A., Argentina, Australia and New Zealand in order to be able to meet the post-war problem of adequately replenishing the livestock of U.S.S.R. and the countries now occupied by Germany.

Thus, as regards agricultural production, with the exception of sugar and partly of fibre flax, pork and lard, the situation in the free territories of the U.S.S.R. in the current year is no worse than it was at the beginning of the war ; and it is better than in the occupied territories. The prospect of production of foodstuffs in the coming summer is also better in free than in occupied territories of the U.S.S.R.

As regards industrial production, the occupation very seriously affected the production of iron ore, aluminium, pig iron and steel. The coal and engineering industries were less seriously
affected. The production of non-ferrous metals was practically unaffected. We have no data concerning industrial production by provinces, consequently figures can be given only for the main centres. The last regional data published were for 1938 ; my figures for 1940 have been calculated on the basis of official total figures of production for all U.S.S.R. and on the basis of the 1938 regional percentages.

PRODUCTION IN PRINCIPAL REGIONS.


| IRON ORE |  |  |  |  |
| :--- | :--- | :--- | ---: | ---: |
| Ukraine $\ldots$ | $\ldots$ | $\ldots$ | 16.1 |  |
| Urals | $\cdots$ | $\cdots$ | $\cdots$ | $7 \cdot 7$ |
| Centre | $\cdots$ | $\cdots$ | $\cdots$ | 1.4 |
| Crimea | $\cdots$ | $\cdots$ | $\cdots$ | 0.8 |
| Siberia | $\cdots$ | $\cdots$ | $\cdots$ | 0.5 |
| Total U.S.S R. | $\cdots$ | $\overline{26.5}$ |  |  |


|  | PIG IRON |  | STEEL |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 1937 | 1940* | 1937 | 1940* |
| Ukraine | 88 | $8 \cdot 9$ | 8.5 | 8.6 |
| Urals ... | 2.6 | 2.8 | $3 \cdot 5$ | $3 \cdot 8$ |
| Siberia | 1.5 | 1.6 | $1 \cdot 6$ | $1 \cdot 8$ |
| Centre and Volga Regions | 1.2 | 1.2 | $3 \cdot 3$ | $3 \cdot 4$ |
| N. Caucasus and Crimea... | 0.4 | 0.4 | 0.8 | 0.8 |
| Total U S S.R. | $14 \cdot 5$ | 14.9 | $17 \cdot 7$ | 18.4 |
| * Approximate. |  | 910 not | able. |  |

From the occupied iron ore mining region of Krivoy Rog the Soviet Union has lost $60 \%$ of her iron ore output. This loss could be temporarily and partly made up by using larger quantities of scrap metal, but the loss of Krivoy Rog will considerably reduce the production of pig iron and steel in the U.S.S.R. in the current year. Potentially it is possible to greatly increase production in the Urals; but realisation of this possibility will require large investment, and with transport difficulties to be overcome it can hardly be supposed that a great increase in output of iron ore there can be achieved in one year.

In the occupied part of Ukraine (Dnepropetrovsk, Krivoy Rog, part of the Donetz region and on the Azov sea coast) and in Crimea the Soviet Union has lost about $35-40 \%$ * of the total iron and steel productive capacity of the country.

[^2]This productive capacity is, in any case, lost for the current year, because even if these regions are reoccupied productive capacity cannot be restored in a short time.

Probably also about $30 \%-35 \%$ of the coal mining capacity was lost owing to the extension of the front line in the Donetz basin. This winter will be a very hard one for the population of the occupied territories as they depended for their coal supply on the Donetz basin. In free territories the coal situation can be considered as comparatively satisfactory for this winter, as occupation of a part of the Donetz basin occurred only late in the autumn, and in U.S.S.R. winter stocks are usually accumulated in the factories during the autumn, owing to transport difficulties during the winter months.

Oil extraction was not affected by occupation.
Great losses have occurred in aluminium production. The raw materials for aluminium are extracted mostly in Leningrad province (near Tikhvin) and partly in the Urals, and were manufactured mostly at the Volkhov and Zaparogie power stations, both of which were destroyed before occupation by the enemy.

Extraction of manganese ore suffered by the occupation of Nikopol, but from this district only about one-third of the total manganese ore output of U.S.S.R. was extracted. As nearly one-third of the total output was ordinarily exported, the remaining output in free territories can fully meet internal requirements.

About 20 to $25 \%$ * of the productive capacity of the engineering industry was lost in occupied territories. But, in general, occupation has affected this industry less than the supply of iron ore, pig iron and steel. The greater part of the engineering industry, in contrast to mining and iron and steel industries, is concentrated not in Ukraine but in the Moscow and Leningrad regions, in the Urals and in the other free regions in the East and South-east of Moscow.

The major part of the war industry, too, is situated in free territories.

Thus, if the Soviet Union is supplied with the necessary steel, aluminium and some other non-ferrous metals in which she is not selfsufficient, she will be able to use the full productive capacity of nearly all her war industries, and about $75-80 \%$ of the country's total engineering industry, which are situated in the still free territories of the U.S.S.R.

[^3]Ss. Oliamants Prass (1940) Lud.,
Portugal St., Kingsway, London, W.O.2.


## LONDON \& CAMBRIDGE ECONOMIC SERVICE

 APRIL, 1942.
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APRIL, 1942

## TABLE OF CONTENTS

| United Kingdom : |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| The Economic Position |  | $\ldots$ | $\ldots$ | ... | ... | ... | ... | ... | 27 |
| Events of Economic Importance |  |  | $\ldots$ | ... | ... | ... | ... | . | 28 |
| Finance and Banking ... ... |  |  | ... | ... | ... | ... | ... | ... | 28 |
| Prices, Wages and Employment |  |  | $\ldots$ | ... | ... | $\ldots$ | ... |  | 30 |
| The Budget and the White Paper... |  |  |  | ... | ... | ... | ... | ... | 33 |
| Statistical Tables | . | ... | ... | ... | $\ldots$ | ... | ... |  | 4-38 |
| Overseas Section : |  |  |  |  |  |  |  |  |  |
| United States | ... | ... | ... | ... | ... | ... | ... | ... | 39 |
| Canada ... |  |  | ... | ... | ... | ... | ... | ... | 43 |
| South Africa | ... ... |  | . | ... | ... | ... | ... | ... | 46 |

# UNITED KINGDOM. THE ECONOMIC POSITION. 

April 23 rd, 1942.

GOVERNMENT expenditure has been running at a rate round about $£_{1} \mathrm{IOO} \mathrm{Mn}$. a week during the first quarter of the year. This is rather higher than in the preceding quarter, but owing to the much greater rise in the rate of revenue collection, the average weekly deficit declined from $£ 59 \mathrm{Mn}$. to $£ 33 \mathrm{Mn}$. Longer term loans to the Government also increased, covering the current deficit with an ample margin ; and with $£_{1} 174 \mathrm{Mn}$. subscribed to the new Tax Reserve Certificates during the quarter, the rest of the floating debt declined by about $£ 300 \mathrm{Mn}$. There was a like reduction in the Treasury Deposits held by the banks and a smaller but more than seasonal fall in bank deposits. Thus, whereas the increase in bank deposits over the preceding twelve months was $19 \%$ at the end of December, at the end of March it was only $11 \%$.

On the other hand the note circulation has continued to increase from mid-January to mid-April ; and on April 22nd the Fiduciary Issue was raised by a further $£ 50 \mathrm{Mn}$.

Wholesale prices hardly changed in the first quarter of 1942, except for an increase in the price of barley. The Cost of Living Index has been stabilised for nearly a year at twice the basic level of July, 1914, or $29 \%$ above that at the outbreak of war. Wage-rates continue to move
slowly upwards, as one industry after another is awarded an increment ; since December there have been increases in building, on railways and trams and buses. In these industries, as in engineering, the whole percentage increase of wage-rates for the normal week since August, 1939, has been less than that in the Cost of Living Index. The total payment of wages is governed not only by nominal wage-rates, but by increased overtime earnings, transference of labour, and change in the number employed, and these factors cannot be completely disentangled by published data. The whole wage-bill, including pay and allowances for H.M. Forces (excluding officers) is computed in the recent White Paper as $£ 1,790$ Mn . in 1938, $£ 2,484 \mathrm{Mn}$. in 1940, and $£ 3,02 \mathrm{I}$ Mn . in 1941, an increase of $22 \%$ from 1940 to 1941, while wage-rates rose only by $9 \%$. While total wages increased nearly $70 \%$ from 1938 to I941 total salaries rose only by $13 \%$, and the aggregate of rents, profits and interest (before tax is deducted) by $14 \%$.

Unemployment increased very little after December, whereas in pre-war years there was always a considerable jump. Since January there has been some improvement, till in March there were about 77,000 males and 58,000 females wholly or partly unemployed, excluding those classified as unsuitable for ordinary work.

1942

## EVENTS OF ECONOMIC IMPORTANCE

26th Canada
27th $\left\{\begin{array}{l}\text { U.S.A. } \\ \text { U.K. }\end{array}\right.$
28th Libya
28th U.S.A.
31st Malaya
3rd China
15th Malaya
16th U.K.
19th U.K.
19th Australia
21st U.K. 23rd f U.K. U.S.A.

5th U.K.
7th Burma
8th Far East
Ioth U.K.
I2th U.K.
I2th U.K.
17th U.K.

17th U.K.
2Ist U.K.
14th U.K.
France
18th U.S.
22nd U.K.
27th U.S.
. Announcement of plan of financial assistance to U.K. (See p. 46).
.. Joint Anglo-American boards to be established for munitions, shipping and raw materials.
.. British evacuate Benghazi.
President signs Price Control Bill.
British troops withdrawn from mainland into Singapore Island. Grant of credits by U.K. (£50 Mn.) and U.S.A. (\$500 Mn.) announced.
Capitulation of Singapore.
Employment of Women (Control of Engagement) Order relating to engagement of women employees between ages 20 to 30.
War Cabinet reconstituted. Mr. Lyttelton appointed Minister of Production.
Cabinet approves regulations for economic mobilisation, applying strict control of prices, wages, profits and production.
Increases in the prices of farm products announced.
Agreement signed between U.K. and U.S.A. on Principles of Mutual Aid.
Extension of National Service Act (to men up to 45 years). British withdraw from Rangoon.
Fall of Java (precise date uncertain). Japanese invade New Guinea.
Supplementary Vote of Credit of $£ 250 \mathrm{Mn}$. for current financial year : Vote of Credit of $£ \mathrm{I}, 000 \mathrm{Mn}$. for year 1942-43.
Announcement that basic ration for petrol is to be abolished after June.
Increase in railway wages announced.
General restriction on domestic coal delivery. Announcement that a scheme of rationing for Fuel and Power is to be drawn up, and that clothing ration is to be reduced.
Ban on export of cotton goods comes into force.
London's Warships' Week begins.
Budget presented (See p. 33).
Return of Laval to office announced.
War Man Power Commission set up.
Chancellor of Exchequer announces $£ .50 \mathrm{Mn}$. increase in fiduciary issue, and a new 1960-70 series of $3 \%$ Savings Bonds. President outlines programme for avoiding inflation.

## FINANCE \& BANKING IN THE FIRST QUARTER OF 1942.

Government Finance.- The average weekly expenditure on Supply Services during the quarter was over $£ 96 \mathrm{Mn}$., a rise of more than $£ 6 \mathrm{Mn}$. on the average for the last quarter of 194I. Total ordinary expenditure averaged $£ 99.5 \mathrm{Mn}$. in comparison with $£ 97 \mathrm{Mn}$. in the previous quarter. On the other hand the heavy inflow of revenue, particularly in the first two months, reduced the average weekly deficit for the quarter to $£ 33 \mathrm{Mn}$.

The total excess of ordinary expenditure over ordinary revenue during the quarter was rather

| GOVERNMENT REVENUE AND |  |  |  | $\begin{aligned} & \text { (£Mn.) } \\ & \text { Deficit. } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Supply |  |  |
| Weekly Averages. 1939-Oct.-Dec. | Total. $15 \cdot 9$ | Services. $35 \cdot 6$ | Total. <br> $41 \cdot 8$ | 25.9 |
| 1940-Jan.-Mar. | 38.8 | $45 \cdot 1$ | 48.0 | $9 \cdot 2$ |
| April-June | 14.5 | $47 \cdot 1$ | 53.4 | 38.9 |
| July -Sept. | $20 \cdot 1$ | $66^{6}$ | $69 \cdot 6$ | 49.5 |
| Oct.-Dec. | $22 \cdot 8$ | $77 \cdot 0$ | $83 \cdot 5$ | $60 \cdot 7$ |
| 1941-Jan.-Mar. | 51.0 | 88.5 | $90 \cdot 1$ | 39.1 |
| April-June | $24 \cdot 5$ | $75 \cdot 8$ | $82 \cdot 6$ | 58.1 |
| July-Sept | 32.2 | $85 \cdot 4$ | $89 \cdot 3$ | 57.1 |
| Oct. 1-25 | $35 \cdot 1$ | $82 \cdot 9$ | $91 \cdot 4$ | $56 \cdot 3$ |
| Oct. 26-Nov. 29 | 41.5 | 88.0 | $92 \cdot 7$ | 51.2 |
| Nov. 30-Dec. 31 | 33.1 | $94 \cdot 5$ | 102.9 | 69.8 |
| 1942-Jan. 1-31 | $76 \cdot 6$ | $89 \cdot 9$ | $91^{\circ}$ | 14.4 |
| Feb. 1-28 | 71.7 | $94 \cdot 8$ | 99.5 | $27 \cdot 8$ |
| Mar. 1-31 | 51.0 | $104 \cdot 2$ | $108 \cdot 1$ | $57 \cdot 1$ |

less than $£ .427 \frac{1}{2} \mathrm{Mn}$. (against nearly $£ .776 \mathrm{Mn}$. in the previous quarter). War Damage payments in excess of receipts and sinking fund payments increased the amount to be raised by borrowing to nearly $£ 443 \mathrm{Mn}$.

|  | $\begin{aligned} & \text { WING. } \\ & \text { (£Mn.) } \\ & \text { (Jan. } \\ & \text { (31 days) } \end{aligned}$ | $\begin{gathered} \text { Feb. } \\ \text { (28days) } \end{gathered}$ | $\begin{aligned} & \text { Mar. } \\ & \text { (31 days) } \end{aligned}$ | Total fo |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates | $15 \cdot 6$ | $22 \cdot 45$ | 37.75 | 8 |
| Defence Bon |  |  | 33.7 |  |
| Savings Bonds ${ }^{\text {a }}$. | 32.5 | 52.9 | 118.4 | 203.8 |
| Other Debt ... ... | -0.4 | -0.2 | 9.1 | 5 |
|  | $93 \cdot 4$ | $132 \cdot 2$ |  | 566 |
| Treasury Deposits | -47.0 | -87.0 | -18 | -315.0 |
| Treasury | -17.8 | $-11.3$ | +102 |  |
| \& M. Adv. Govt. Depts. |  | $+24.4$ | - 21.7 |  |
| nd | +83.2 | $+51.0$ |  | 7 |
| al Floating Debt ... | -33.7 | -10.4 | 79 | -123.9 |
| Total | 59.7 | $121 \cdot 8$ | $261 \cdot 2$ |  |

* After deduction of $£ 774,000$ repayment of National War Bonds.

If the increase of about $£ 60 \mathrm{Mn}$. in savings bank deposits is added, the long and medium term borrowings exceed the current deficit for the quarter by roughly $£_{2} 200 \mathrm{Mn}$. Apart from whatever effect may be attributed to the " Warships Week" campaigns, subscriptions to the longer term issues in March were assisted by the repurchase of about $£ 70 \mathrm{Mn}$. Indian securities and $£ 65 \mathrm{Mn}$. Canadian securities owned in this country.

Floating Debt.-The new Tax Reserve Certificates were taken up to the amount of nearly $£_{175 \mathrm{Mn} \text {. during the quarter, so that the }}$ floating debt exclusive of these was reduced by nearly $£ 300 \mathrm{Mn}$. Treasury deposits declined by $£_{£} 15 \mathrm{Mn}$. more than this amount, partly owing to reduced weekly issues and partly owing to encashments before maturity. As March 31st did not fall at the end of the week, it is again impossible to separate 'tap' and 'tender' bills at the end of the quarter. It can be safely concluded, however, that the increase in Treasury bills over the quarter as shown in the table is entirely due to an expansion of 'tap' issues. For as a result of reduced weekly offerings, the end-of-the-week total of 'tender' bills outstanding declined by $£ 70 \mathrm{Mn}$. during the quarter, and this is more than could be offset by the maximum "window dressing" adjustments possible at the end of 1941. If the 'tap' bills are assigned an increase exactly equal to the total increase in Treasury bills, the former plus Departmental Ways and Means increased by $£ 20 \mathrm{Mn}$. more than the increase in savings bank deposits, despite the repayment of some $£ 70 \mathrm{Mn}$. of Indian sterling balances.

The Bank of England.-Allowing for the abnormal character of the end of the year figures, the note circulation has continued to grow, although not so rapidly as during the preceding quarter. This increase in circulation has been more or less matched by an increase in the Government securities held by the Bank. Public finance transactions-the heavy inflow of revenue at the beginning of the year, receipts against Tax Reserve Certificates, Warships Week loan subscriptions, and the requisitioning of overseas securities - have called for careful management of the market. During the latter part of March sufficient assistance was given to prevent any disturbances, despite the large scale of the movements ; but earlier in the quarter a certain degree of stringency was allowed to develop at times before it was relieved by official purchases in the bill market.

The Clearing Banks.-Deducting "balances with other banks" and "items in transit" from the total of deposits, we have the following figures for the Net Deposits of nine clearing banks (omitting the District and National).


The decline of $£_{\mathrm{L}} 220 \mathrm{Mn}$. in Net Deposits over the quarter (in comparison with one of about $£_{20} 2 \mathrm{Mn}$. in the corresponding quarter of 1941) reflects the effects of the reduction in floating debt and the issue of Tax Reserve Certificates. The Treasury Deposits of these nine banks declined by about $£ 275 \mathrm{Mn}$. : on the other hand there was an increase of nearly $£_{50} \mathrm{Mn}$. in their Investments and-for a change-a fairly substantial increase of $£_{2}, 30 \mathrm{Mn}$. in their Advances. Whilst the cash ratio improved somewhat as a result of the decline in deposits, comparing March with December, the ratio of liquid assets (including T.D.R.) declined from $43.4 \%$ to $36.6 \%$.

Security Prices.-Our index of prices of industrial securities has moved downward since January, and although there has been some recovery since the middle of March, the April figure is below that for October. On the other
hand fixed interest securities have more or less regained the January level after a slight fall in February.

## RECENT MOVEMENTS

The Budget estimates for the new financial year allow for total ordinary expenditure at the rate of $£_{\mathrm{I} O 0} \mathrm{Mn}$. a week, i.e., at approximately the same rate as the actual expenditure during the last months of the old year. The returns for April Ist to April 18th show expenditure at the rate of $£ 103 \mathrm{Mn}$. a week. During the same period ordinary revenue receipts have declined to a weekly average of $£, 38 \mathrm{Mn}$. and the deficit has risen to an average of $£ 65 \mathrm{Mn}$. With a lull in the war savings campaign, there has been a fall in the sums offered for longer term borrowing, particularly the "large savings." Thus there has been a reversal of the movements
of the previous quarter. The outstanding amount of " tender " Treasury bills increased by $£ 15 \mathrm{Mn}$. to April 25th, and the Treasury Deposit Receipts issued to the banks would appear to have been in excess of maturities since the middle of the month.

A comparison of the Bank Returns for March 18th and April I5th shows an increase in the note circulation of $£ 13 \mathrm{Mn}$., mainly balanced by a reduction of Government and Bankers' Deposits. On April 15th the reserve of notes in the Banking Department had fallen to $£_{13} \mathrm{Mn}$. and to remedy this position the limit on the note issue was raised $£ 50 \mathrm{Mn}$. to $£ 830 \mathrm{Mn}$. as from April 22nd.

From May ist a new series of 3\% Savings Bonds, 1960-70, will be offered on tap in place of the series 1955-65.

# PRICES, WAGES AND EMPLOYMENT. 

By A. L. Bowley.

WHOLESALE PRICES.-Except for Cereals there was hardly any change in wholesale prices according to the Board of Trade's account between December, 194I, and March, 1942. The price of Wheat fell in the spring of I94I and has since been stationary. Coal rose in June, 194I, Textiles and Chemicals gradually through the year, while there was little change in Metals.

The rise in Cereals ( $43 \%$ from March, I94I, to March, 1942) is partly due to a jump in Flour prices in the autumn, but mainly due to a great increase in the price of Barley, which has a large weight in the compilation of the index (Barley 8, all Cereals 20, all Food 68, all Materials, etc., I32, all Articles 200). If Cereals were excluded from the index the rise in twelve months would be only $2 \frac{1}{2} \%$ instead of over $5 \%$.

The changes during the war may be summarised thus :-


| Coal ... |
| :--- |
| Iron and Steel |
| Non-ferrous metals. |
| Cotton |
| Wool $\ldots$ |
| Other $\ldots$ textiles |
| Chemicals and |
| Oils. |
| Miscellaneous |
|  |
| Total, Materials |


| 100 | 120 | 138 | 139 | 139 |
| :--- | :--- | :--- | :--- | :--- |
| 100 | 127 | 141 | 141 | 142 |
| 100 | 123 | 123 | 123 | 125 |
| 100 | 156 | 172 | 175 | 177 |
| 100 | 153 | 166 | 168 | 168 |
| 100 | 142 | 167 | 171 | 171 |
| 100 | 128 | 138 | 139 | 144 |
| 100 | 161 | 177 | 180 | 177 |
| 100 | $\frac{139}{}$ | $\frac{153}{}$ | $\frac{155}{}$ | $\frac{155}{150}$ |
| 100 | $\frac{143}{156}$ | $\frac{159}{162}$ |  |  |

RETAIL PRICES.-Owing to the subsidy ( $£ 63 \mathrm{Mn}$. on all food in 1941-42) food PERCENTAGE INCREASE AT 1st DECEMBER AND 28th FEBRUARY $1942^{*}$, COMPARED WITH 1st SEPTEMBER, 1939

prices as computed for the Cost of Living Index were $5 \%$ lower in March, 1942, than a year before, while the complete index shows a rise of $\mathrm{I} \%$, mainly due to the increased cost of clothing. There has been no change of any importance since December. The index is thus stabilised at $100 \%$ above July, 1914, and $29 \%$ above August, 1939. Unrationed foods are underrepresented in the index, and it is probable that their inclusion would result in a greater increase, but apart from temporary movements it is unlikely that this excess has altered in recent months.

WAGES AND EARNINGS. - The only significant changes in wage-rates that affect our index are for builders, railwaymen and tram drivers, etc. Builders' rates are still governed by a cost-of-living sliding scale, and its belated action $\dagger$ resulted in a general increase of $\frac{1}{2} \mathrm{~d}$. an hour in February. Tram and bus drivers and conductors received generally an increase of 4 s . a week. The minimum rates for railwaymen were below the recently established 6os. weekly of agricultural labourers, and in February an increment of 4 s . 6 d . was granted to certain classes. The exact scope and effect of this increase is not yet known, but it is provisionally put at $2 \%$ on railway wage-rates in general. In each of these cases it may be noticed that the resulting increase over pre-war rates is less than the general average.

CHANGES IN WAGE RATES.
April, 1942, as percentage of August, 1939.

| Bricklayers ... ... ,, Labourers | $\ldots$ | $\begin{aligned} & 118 \\ & 123 \end{aligned}$ | Local Authorities |  | ... 121 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Trams ... |  | ... 124 |
| Printers: |  |  | Lorry Drivers |  | ... 119 |
| Compositors | $\ldots$ | 113 | Boots |  | ... 121 |
| Dock Labourers | ... | 115 | Confectionery |  | ... 135 |
| Engineers: |  |  | Tailoring |  | ... 123 |
| Fitters... |  | 120 | Shirts .. |  | ... 123 |
| Labourers |  | 126 | Tobacco. |  | ... 123 |
| Shipbuilders |  | 129 | Coal |  | 139 |
| Railwaymen |  | 118* | Agriculture |  | ... 173 |
| Cotton |  | 135 |  |  |  |
| Wool | ... | 129 | Weighted aver | age | 126 |

It is interesting to compare the movements of the Wage-rate and the Cost-of-Living Index numbers, though both are in fact crude measurements.

INDEX NUMBERS.

| INDEX NUMBERS. |  |  |  |
| :--- | :---: | :---: | :---: |
| Wage Rates | Cost of Living |  |  |
| August, 1939 | $\ldots$ | 100 | 100 |
| August, 1940 | $\ldots$ | 113 | $119 \frac{1}{2}$ |
| August, 1941 | $\ldots$ | 121 | $128 \frac{1}{2}$ |
| Apris lst, 1942 | $\ldots$ | - | $128 \frac{1}{\frac{1}{2}}$ |
| April 15th, 1942 | $\ldots$ | $126 \frac{1}{2}$ |  |

## EARNINGS IN 1938, 1940 and 1941.-

 The recent White Paper (An analysis of the[^4]Sources of War Finance, etc., Cmd. 6347) contains the following estimates:-

| PERSONAL INCOMES. £Mn. |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Calendar years | 1938 | 1940 | 1941 | $1938 \text { to } 1941$ |
| Rents, Profits \& Interest | 1500 | 1673 | 1706 | 14 |
| Salaries | 1081 | 1176 | 1216 | 18 |
| Wages | 1790 | 2484 | 3021 | 69 |
| Other Personal Income.. | 277 | 263 | 264 | -5 |
| Total, before |  |  |  | - |
| deduction of taxes | 4648 | 5596 | 6207 | 34 |

Here Salaries and Wages include the pay and allowances in cash and kind of officers and other ranks respectively in H.M. Forces and Auxiliary Services. Other personal income consists of pensions, unemployment and health payments, etc.

When the whole year 194I is compared with the whole year 1938 there is found an increase of $69 \%$ in total wages so computed. This can be regarded as the result of four factors : first, increase of numbers employed in civil life, which on the rough basis of Employers' Contributions to the Unemployment Insurance Fund (tabulated below) may be put at $16 \%$; second, increase of wage-rates, $22 \%$; third, gain of earnings on wages in principal industries, which from October, 1938, to July, 1941, was found to be I9\% (from I I9 to I42, Bulletin, January, p. 7); fourth, increase in total payment to ranks in H.M. Forces, etc. The first three factors aggregated show an increase of $68 \%$, which would probably be reduced slightly if we could include agriculture, coal and railways in the third factor. Thus nearly the whole increase ( $69 \%$ ) can be accounted for without H.M. Forces. The reconciliation between these figures may lie in the virtual reduction of the second and third factor since the cost of a soldier (pay and allowances) is commonly less than he would earn in civil employment.

When we compare 194I with 1940 we find that the wage-rates and civil employment indices had increased $9 \%$ and $13 \%$ respectively, in the aggregate $23 \%$, while the total wage bill (including H.M. Forces) increased $22 \%$. This suggests that (with the increased withdrawals to the Forces) the excess of earnings over wagerates was lower in 194I than in 1940, a result not unexpected in view of the great production effort in the summer of 1940.

UNEMPLOYMENT. - The figures of unemployment show that the pre-war seasonal movement, in which employment increased before Christmas and unemployment was severe in January and February, has been nearly eliminatedThis year there was only a slight increase in

January, and the severity of the February weather is only shown by a small addition to the "temporarily stopped." It is noteworthy that the number temporarily stopped in recent months has been almost negligible.

The Ministry of Labour now issues additional statistics which may be summarised as follows :-

March 16th, 1942

| Wholly unemployed | Males | Females |
| :---: | :---: | :---: |
| $\begin{aligned} & \text { Unft } \\ & \text { Fit } \end{aligned}$ | 25,973 | 1,709 |
|  | 67,437 | 54,209 |
|  | 93,410 | 55,918 |
| Temporarily Stopped | 4,16' | 4,069 |
| Casual Workers ... | 5,627 | 253 |
| Total | 103,204 | 60,240 | * Classified by interviewing panels as "unsuitable for

ordinary (or normal full-time) industrial employment." These
are excluded from figures in brackets below.


UNEMPLOYMENT FUND.
A. Expenditure on Benefits. B. Contributions by Employees Weekly averages, $£ 000$ 's.

| Qtr. ending | A | A | Qtr. ending | A | B |
| :---: | :---: | :---: | :---: | :---: | :---: |
| May 27th, 1939... | 867 | 410 | Nov. 30th, 1940... | 444 | 448 |
| Aug 26th, 1939... | 630 | 449 | Feb. 22nd, 1941... | 388 | 474 |
| Nov 25th, 1939... | 637 | 423 | May 24th, 1941... | 195 | 478 |
| Feb. 24th, 1940 | 825 | 403 | Aug. 30th, 1941... | 128 | 502 |
| May 25th, 1940 $\ldots$. | 490 | 401 | Nov. 29th, 1941... | 87 | 477 |
| Aug. 31st, 1940 $\ldots 341$ | 435 | Feb. 28th, 1942 | 89 | 492 |  |

RETAIL SALES. - The movement of retail sales has been greatly affected during the past two years by the purchase tax and by the rationing of clothing. The normal seasonal reduction from January to February (after the January sales) has been damped down, and the Christmas increase and subsequent fall are much less than pre-war. There is normally some increase from January to February in the sales of food. Comparison with a year before is affected by the disturbances due to enemy action in February, 1941, and also by the consideration that at that date a fairly large proportion of merchandise was still tax-free.

Summary figures are as follows :-

INDEX NUMBER OF SALES. (Value) Average daily sales in $1937=100$. Great Britain

|  | $\begin{aligned} & 1940 \\ & \text { Dec. } \end{aligned}$ | $\begin{gathered} 1941 \\ \text { Jan. } \end{gathered}$ | $\begin{aligned} & 1941 \\ & \text { Feb. } \end{aligned}$ | $\begin{aligned} & 1941 \\ & \text { Dec. } \end{aligned}$ | 1942 | 1942 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Total | 132 | 102 | 98 | 126 | 106 | 05 |
| Food \&Perishables | 126 | 110 | 111 | 123 | 108 | 113 |
| Other Merchandise | 137 | 91 | 84 | 126 | 102 | 94 |
| Apparel | 139 | 92 | 82 | 120 | 108 | 93 |
| Household Goods | 86 | 77 | 66 | 99 | 83 | 77 |

INCOMES.-The recently issued White Paper gives important statistics on the distribution by amount of individual incomes in the year 1940-4I, gross and net after taxation at the current rates of income and sur-tax.

It is found that Pareto's Law applies closely to the figures over a considerable range, with the index 1.69 , which is higher than before the war and indicates a less unequal distribution. On the assumption that the Pareto equation is valid for interpolation, we can compile the following Table :-
DISTRIBUTION OF INDIVIDUAL INCOMES IN 1940-1.

| Range of Incomes | No. of Incomes | Aggregate Income | Aggregate | Aggregate | Average |
| :---: | :---: | :---: | :---: | :---: | :---: |
| £000's |  |  |  |  | Income |
| 1.5-2.0 | 68400 | $£ 118 \mathrm{Mn}$. | $£ 48 \mathrm{Mn}$. | £70 Mn. | £1020 |
| 2.0-2.5 | 34320 | 76 | 32 | 44 | 1290 |
| 2.5-3.0 | 19910 | 55 | 25 | 30 | 1500 |
| 3.0-4.0 | 21220 | 73 | 36 | 37 | 1740 |
| 4.0-5.0 | 10630 | 47 | 25 | 22 | 2060 |
| 5.0-6.0 | 6120 | 34 | 19 | 15 | 2350 |
| 6.0-8.0 | 6610 | 45 | 28 | 17 | 2620 |
| 8.0-10 | 3286 | 29 | 19 | 10 | 3030 |
| 10 \& over | 7194 | 176 | 137 | 39 | 5400 |
| Total | 177700 | 653 | 370 | 284 | 1600 |

These figures are on the hypothesis that each person has the allowances for wife, one child and on $£ 1,500$ earned income. In the higher ranges of incomes variations in the allowances are relatively unimportant.

On this hypothesis, to obtain a net income of $£ 2,000$ it is necessary to have a gross income of $£, 4,240$. The number of persons with so large an income is estimated at 30,630 and their aggregate income at $£ 95.4 \mathrm{Mn}$. If each person was taxed so as to leave him only $£ 2,000$, the addition to the tax would be $£, 34 \mathrm{Mn}$. This corresponds to the Chancellor of the Exchequer's estimate of " about $£ 30 \mathrm{Mn}$."

To the lower net income of $£ \mathrm{i}, 000$, the corresponding gross income is $£ 1,590$. The number of persons with so much as this is estimated at 164,000, and their aggregate net income at $£ 276 \mathrm{Mn}$. If these were all cut down to $£_{I}, 000$, the addition to taxation would be a further $£_{\mathrm{J}} 76 \mathrm{Mn}$., that is $£_{\mathrm{I}} \mathrm{IIO} \mathrm{Mn}$. in all.

Pareto's Law also fits net incomes well over a considerable range with the same larger index 2.6, showing a more equal distribution of income.

I am indebted to Mr. Nicholson at the Oxford University Institute of Statistics for most of the computations here used.

# THE BUDGET AND THE WHITE PAPER. 

By G. L. Schwartz.

The Government Revenue and Expenditure figures compare as follows :-

|  |  | Estimates | Actual | Estimates |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1941-2 | $1941-2$ | $1942-3$ |
|  | £Mn. | £Mn. | £Mn. |  |  |
|  |  |  |  |  |  |
| Expenditure | $\ldots$ | $\ldots$ | 4206 | 4776 | 5286 |
| Revenue | $\ldots$ | $\ldots$ | 1786 | 2074 | 2627 |

The above estimate of revenue for the forthcoming year includes a contribution of $£ 225 \mathrm{Mn}$. from the Canadian Government. Receipts from taxation were estimated at $£ \mathrm{I}, 759 \mathrm{Mn}$. for 1941-42 and actually reached $£ 1,961 \mathrm{Mn}$. For 1942-3 taxation is estimated to bring in $£ 2,361$ Mn . The additional yield of $£ 400 \mathrm{Mn}$. is to be derived as follows. No important change is made in direct taxation, but with the expansion in the national income and the full-year operation of the ios. rate, income-tax and sur-tax are expected to yield an additional $£ 143 \mathrm{Mn}$. and the excess profits tax an additional $£ 156 \mathrm{Mn}$. Increases in certain customs and excise duties will bring a net increase of $£ 100 \mathrm{Mn}$. in this category, more than offsetting declines resulting from the growing restriction in the supplies of other dutiable commodities.


The excess of Government expenditure over revenue in 1942-3 is estimated at $£ 2,659 \mathrm{Mn}$. as compared with the deficit of $£ 2,702 \mathrm{Mn}$. in the previous year. The White Paper (Cmd. 6437) accompanying the Financial Statement gives an interesting analysis of the sources from which the deficit is filled. The figures are for the calendar year, thus interpolating between the financial years, but this does not affect their significance. For the calendar year 194I the following calculations are provided :-

```
SOURCES OF WAR FINANCE
```

Calendar Year, 1941
£Mn.
Central Government Revenue
Extra - budgetary funds and local authority surpluses
Compensation received in respect of war risks and war damage claims
Savings and undistributed profits, including reserves against taxation
Residue from other sources

The meaning of this table can be elaborated as follows: The Government requiring an
income of $£ 4,620 \mathrm{Mn}$., the funds were drawn from these sources:-about $£ 800 \mathrm{Mn}$. was obtained by selling gold and foreign investments, the holders of the latter putting the proceeds at the disposal of the Government. The community yielded up over $£ \mathrm{I}, 800 \mathrm{Mn}$. through taxation and other channels of central Government revenue, subscribed a balance of $£ 220 \mathrm{Mn}$. through the medium of extra-budgetary funds such as the unemployment and health insurance schemes, lent back (it is assumed for convenience of statistical presentation) the whole of the $£_{250} \mathrm{Mn}$. received in compensation for war damage and invested its savings, undistributed profits and tax reserves to the extent of $£_{1} 1,028$ Mn . in Government loans. Left over after its expenditure on consumption the community had funds at its disposal derived in the following ways :-The sale of fixed assets to the Government, the earmarkings of businesses for sinking and depreciation funds, monies not reinvested in stocks and working capital. It could have placed all these funds at the disposal of the Government but some were employed for new investment, renewals and the restoration of property damaged or destroyed by war action. It is calculated that on balance $£ 500 \mathrm{Mn}$. was not so employed but furnished the residue shown in the above table.

By relating the total of Government expenditure to estimates of the national income various calculations have been made of the proportion of national effort devoted to the waging of the war. The frequent implication is that this proportion is a measure of the sacrifice involved, and various percentages have been mooted as representing the equitable and the physical or psychological limit. $50 \%$ is a favourite figure for the first and $70 \%$ for the second. It can be said that apart from the difficulties (indicated in the White Paper) of deciding on the appropriate calculation for the national income, such estimates would not bear the interpretation of a measure of sacrifice, for example, of welfare as indicated by the curtailment of peace-time consumption. A not inconsiderable part of Government expenditure finances consumption of a peace-time character. Examples are the subsidies on foodstuffs, billetting allowances, family allowances for service men, provision of housing accommodation and the feeding and clothing of the armed forces. A decision to provide an essential or an amenity through the medium of the Budget would increase the proportion of Government expenditure without imposing an additional real sacrifice on the community as a whole.

Some estimates of the real burdens involved can be hazarded from the statistics furnished in the White Paper. Table C in the Paper gives the figures for personal expenditure on consumption. The figures include an estimate of the income received in kind (food, clothing, lodging, etc.) by the personnel of H.M. Forces and the Auxiliary Services, and by domestic servants. They relate therefore to the whole population. The adjusted figures are $£ 3,584 \mathrm{Mn}$. for 1938 and $£ 3,863 \mathrm{Mn}$. for 1941. No satisfactory index of prices can warrantably be applied to reduce the 194I figure to the 1938 basis, but if an increase of $30 \%$ is assumed the adjusted I94I total is about $£ 3,000 \mathrm{Mn}$., showing a $16 \%$ quantitative reduction on the peace-time volume of consumption. If this adjustment is accepted the real sacrifice on the consumption side can be presented as follows. In return for greater effort and strain, which can be subsumed as a sacrifice of leisure, the community has in addition suffered a quantitative reduction in consumption of onesixth, and a further unmeasurable qualitative reduction represented by limitation of choice and reduction in the standard of still available goods and services, as manifested, for example,
by the added discomfort of transport and the use of substitute and inferior materials.

In addition there is the encroachment upon material capital. An estimate can be derived from the White Paper table quoted above. In I94I assets of gold and overseas investment were realised to the extent of $£ 800 \mathrm{Mn}$., the damage and destruction of property figures at $£ 250 \mathrm{Mn}$. and the net depletion of fixed equipment, stocks and working capital at $£ 500 \mathrm{Mn}$. This gives a total capital loss of over $£ 1,500 \mathrm{Mn}$. for that year. Against this must be set the expenditure by the Government on capital equipment which will have an economic value after the war. Such things as sites will have an undoubted value, buildings and machinery a possible value. If the generous figure of $£ 400-£_{500} \mathrm{Mn}$. were allowed, this would correspond to the net peace-time increment in capital ( $£ 406 \mathrm{Mn}$. in 1938). Thus in one year the legacy to posterity of actual and potential capital was reduced by $£ 1,500 \mathrm{Mn}$. and to that extent the future will bear the real cost of the war in that year. Hence for 1941 a current reduction in consumption valued at $£ 600 \mathrm{Mn}$. at pre-war prices and a depletion of actual and potential capital by $£ 1,500 \mathrm{Mn}$. would represent the real burden imposed by the war.

## WHOLESALE PRICES.

See Supplements for March, fune, September and December in 1938-39; before 1938 see Bulletins for these months.

## COMPARATIVE INDEX NUMBERS FOR 5 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 The figures for 12 countries in the table on p.35, which are derived from the League of Nations monthly bulletin, are affected by differences of content and method of calculation.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{\|c} \hline \begin{array}{r} \text { Base } \\ 1913 \\ =100 \end{array} \\ \hline \text { Year } \\ 1925 \end{array}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1941 |  |  |  |  |  |  |  |  |  | 1942 |  |  |  |
|  | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |  |
| FOOD- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United K'gdom $\ddagger$ U.S.A. | 84 70 | 83 73 | 83 75 | 83 75 | 85 75 | 86 78 | 86 83 | 87 79 | 87 81 | 90 88 | 92 93 | 99 | 108 | 159 151 |
| Canada ......... | 75 | 76 | 77 | 80 | 82 | 85 | 85 | 83 | 81 | 82 | 85 |  |  | 158 |
| New Zealand.. | 99 | 98 | 100 | 101 | 102 | 103 | 105 | 106 | 106 | 105 |  |  |  | 158 |
| S. Africa ...... | 93 | 94 | 94 | 95 | 97 | 99 | 101 | 104 | 107 | 107 | 109 |  |  | 122 |
| MATERIALSUnitedK'gdom** ${ }^{*}$ + | 110 | 112 | 112 | 112 | 112 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 157 |
| U.S.A. ........ | 75 | 76 | 78 | 79 | 82 | 83 | 83 | 83 | 83 | 84 | 85 | 113 | 113 | 175 |
| Canada ......... | 77 | 78 | 80 | 82 | 84 | 85 | 86 | 86 | 86 | 86 | 86 |  |  | 170 |
| New Zealand.. | 107 | 107 | 108 | 108 | 109 | 109 | 109 | 109 | 110 | 110 |  |  |  | 165 |
| S. Africa ...... | 102 | 104 | 106 | 108 | 111 | 113 | 116 | 117 | 118 | 118 | 118 |  |  | 161 |
| WOTAL- ${ }^{\text {United }}$ Kingdom | 100 | 100 | 100 | 100 | 101 | 102 | 102 | 103 | 103 | 104 | 105 | 107 | 111 | 158 |
| U.S.A. ........ | 73 | 75 | 77 | 77 | 79 | 80 | 83 | 81 | 82 | 86 | 88 | 107 |  | 165 |
| Canada ......... | 76 | 77 | 79 | 81 | 83 | 85 | 86 | 85 | 84 | 84 | 86 |  |  | 164 |
| New Zealand.. | 104 | 103 | 105 | 105 | 106 | 107 | 107 | 108 | 108 | 108 |  |  |  | 162 |
| S. Africa ...... | 98 | 100 | 101 | 103 | 105 | 107 | 110 | 112 | 114 | 114 | 114 |  |  | 145 |

INDEX NUMBERS OF PRICES IN 12 COUNTRIES.
As quoted in the Monthly Bulletin of the League of Nations. See also table on p. 34.

| $\begin{aligned} & \text { g } \\ & \text { \$ } \\ & \text { 名 } \\ & \text { s. } \end{aligned}$ |  |  |  |  |  |  | $\stackrel{\text { む̃ }}{\text { T }}$ |  | $\begin{aligned} & \text { d } \\ & \text { d } \\ & \text { d } \\ & \text { Un } \end{aligned}$ |  | $\dot{4}$ 0 0 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

I. WHOLESALE, \% OF 1929

II. RETAIL, COST OF LIVING, \% OF 1929

84
83
87
89
89
89
89
89
89
89
90
91
92
93
94
95
96
95
95
95
$\begin{array}{rr}95 & 94 \\ 98 & 94 \\ 103 & 97 \\ 104 & 98 \\ 105 & 98 \\ 105 & 98 \\ 105 & 98 \\ 105 & 99 \\ 105 & 100 \\ 106 & 101 \\ 106 & 101 \\ 106 & 102 \\ 106 & 103 \\ 107 & 102 \\ 107^{*} & 102 \\ 107^{*} & 102 \\ 108^{*} & 103 \\ & 103 \\ & 105^{*}\end{array}$
$\begin{array}{rrr}92 & 82 & 110 \\ 93 & 82 & 123 \\ 96 & 84 & 143 \\ 94 & 85 & 144 \\ 93 & 85 & 144 \\ 94 & 85 & 144 \\ 94 & 85 & 143 \\ 92 & 86 & 143 \\ 94 & 86 & 144 \\ 95 & 86 & 145 \\ 96 & 87 & 146 \\ 97 & 87 & - \\ 99 & 88 & 145 \\ 100 & 88 & 145 \\ 100 & 87 & 144 \\ 102 & 86 & - \\ 104 & 86 & 145 \\ & 86 & 148\end{array}$

$(f)$
106
108
123
128
130
132
137
138
140
141
142
142
143
143
145
145
147
148


III. RETAIL, FOOI) ONLY, \% OF 1929

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1938 Average | $\ldots$ | 92 | 85 | 77 | 98 | 93 93 | 91 92 | 78 | 103 | 114 | 83 85 | 98 95 |
| 1939 Average | ... | 92 | 89 | 75 | 104 | 93 |  | 82 | 138 | 137 | 94 | 97 |
| 1940 Average | ... | 107 | 90 | 78 | 106 | 96 |  |  |  |  |  |  |
| 1940-Oct. ... |  | 112 | 91 | 81 | 107 | 98 | 89 | 81 | 137 | 144 | 98 | 73 |
| Nov. .. | $\ldots$ | 112 | 92 | 81 | 107 | 96 | 88 | 81 | 135 | 147 | 100 | 72 |
| Dec. ... | $\ldots$ | 112 | 92 | 81 | 107 | 96 | 90 | 81 | 136 | 150 | 101 | 73 |
| 1941-Jan. | $\ldots$ | 111 | 93 | 81 | 106 | 96 | 90 | 82 | 134 | 156 | 103 | 74 |
| Feb. . | ... | 110 | 91 | 81 | 106 | 98 | 88 | 82 | 134 | 158 | 103 | 74 |
| Mar. ... | ... | 110 | 91 | 82 | 107 | 99 | 89 | 82 | 135 | 159 | 103 | 74 |
| Apr. ... | ... | 110 |  | 81 | 108 | 101 | 92 | 83 |  | 162 | 107 | 76 |
| May ... | ... | 110 |  | 84 | 108 | 102 | 94 | 83 |  | 162 | 110 | 77 |
| June ... | ... | 108 |  | 86 | 108 | 103 | 96 | 84 |  | 160 | 114 | 80 |
| July ... | ... | 108 |  | 90 | 109 | 106 | 98 | 86 |  | 161 | 115 | 81 |
| Aug. ... |  | 108 |  | 92 | 108 | 104 | 99 | 85 |  | 162 | 116 | 82 |
| Sept. ... |  | 107 |  | 92 | $110{ }^{\text {\% }}$ | 103 | 99 | 82 |  | 163 | 116 | 84 |
| Oct. |  | 107 |  | 82 | 110* | 104 | 103 | 81 |  | 164 | 118 | 84 |
| Nov. . | $\ldots$ | 107 |  | 97 | 112* | 106** | 107 | 81 |  | 170 | 121 | 86 |
| Dec. ... | $\ldots$ | 108 |  | 93 |  | 106* |  | 81 |  | 178 | 121 | 86* |
| 1942-Jan. ... | . | 106 |  | 92 |  | 107* |  |  |  |  |  | 89** |
| Feb. ... | ... | 105 |  | 92 |  |  |  |  |  |  |  | 80* |
| Mar. | ... | 104 |  |  |  |  |  |  |  |  |  |  |

(c) Excl. rent.
(d) Excl. rent and clothes.
Provisional.
(f) \% of Sept., 1931.
(a) $\%$ of 1935.

FINANCE．

|  | STOCKS \＆SHARES |  |  |  | MONEY＊ |  | NEWCAPITALISSUES |  | OTHER BANKING． |  |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { TREASURY } \\ & \text { BILLS. } \end{aligned}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Industrials |  | Fixed <br> Interest |  |  |  |  |  | Bank of England． |  |  | Nine Clearing Banks． |  |  |  |  |  |  |  |  |  |
|  | $\begin{aligned} & \text { \% } \\ & \text { H. } \\ & 0 \\ & \text { ond } \\ & \% \end{aligned}$ |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { 玉⿹\zh26灬 } \\ & \text { مث } \end{aligned}$ <br> ${ }^{2} \mathrm{Mn}$ ． |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | \％ |  |  | $\begin{aligned} & \text { for } \\ & \text { U.K. } \\ & \text { £ Mn. } \end{aligned}$ |  |  |  |  |  |  |  | £Mn． |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1924 Av．．．． | 100 |  | 100 | 100 | 2.43 |  | $7 \cdot 4$ | 11.2 |  |  | 390 | 1632 | 242 |  | 791 | 324 | $11 \cdot 7$ | 48.5 | 1442 | 159 | $\frac{2 \mathrm{Mn}}{601}$ |
| 1929 Av ． | 139 |  | $96 \cdot 3$ | 104．0 | $4 \cdot 57$ | $5 \cdot 31$ | $13 \cdot 3$ | 7.9 | 62 | 50 | 361 | 1762 | 226 |  | 974 | 242 | 10 | 55 | 521 | 239 |  |
| 1934 Av．．． | 125 |  | $132 \cdot 5$ | $75 \cdot 7$ | 81 | 81 | 8.9 | $3 \cdot 6$ | 102 |  |  |  |  |  |  |  |  |  |  |  |  |
| 1935 Av．． | 139 | － | 136.2 | 73.6 | 73 | 57 | $13 \cdot 5$ | 1.7 | 102 | 54 51 | 378 | $\begin{aligned} & 1842 \\ & 1961 \end{aligned}$ | $\begin{aligned} & 228 \\ & 264 \end{aligned}$ |  | 740 | 543 | $\begin{aligned} & 11 \cdot 3 \\ & 10 \cdot 8 \end{aligned}$ | $40 \cdot 2$ 38.5 | 473 473 | 377 393 | 850 |
| 1936 Av．．． | 161 | － | 136.9 | $73 \cdot 2$ | 75 | 61 | 15.9 | $2 \cdot 2$ | 96 | 54 | 432 | 2104 | 312 |  | 825 | 598 | 10.8 10.3 | 38.5 39.2 | 473 576 | 393 225 | 866 |
| 1937 Av．． | 150 |  | $12{ }^{\prime} \cdot 7$ | 78.4 | －75 | ． 59 | 11.6 | $2 \cdot 7$ | 97 | 58 | 479 | 2172 | 276 |  | 825 | 607 | $10 \cdot 3$ 10.3 | 39.2 41.9 | 576 | 225 229 | 801 789 |
| 1938 Av．．．． | 123 | － | 126.6 | 79.0 | －75 | 61 | $7 \cdot 7$ | $2 \cdot 1$ | 104 | 56 | 485 | 2161 | 274 |  | 930 | 593 | 10.3 10.6 | $41 \cdot 9$ 43.0 | 560 | 229 330 | 789 |
| 1939 Av．．．． | 114 | － | 116.3 | 86.2 | $1 \cdot 05$ | 1.20 | 3.6 | $1 \cdot 9$ | 103 | 58 | 507 | 2129 | 246 |  | 943 | 564 | 10.9 | $44 \cdot 3$ | 488 | 582 | 8870 |
| $\begin{aligned} & 1940 A_{V} \ldots . . \\ & 1938 \end{aligned}$ | 95 |  | 123.0 | $81 \cdot 6$ | 1.0 | 1.04 | $0 \cdot 3$ | $0 \cdot 0$ | 107 | 77 | 574 | 2.377 | 357 |  | 906 | 621 | $10 \cdot 7$ | 38.3 | 488 | 582 | $\begin{aligned} & 1070 \\ & 1708 \end{aligned}$ |
| JULY | 125 | $+7.5$ | $130 \cdot 1$ | 76.9 | 75 | 52 | 11.2 | $4 \cdot 0$ | 113 | 49 | 8 | 2193 | 295 |  | 934 | 589 |  |  |  |  |  |
| AUG． | 122 | － 24 | 128.6 | $77 \cdot 9$ | 75 | 53 | 1.8 | $\cdot 4$ | 106 | 54 | 488 | 2183 | 298 |  | 935 | 589 | 10.6 | 42.4 | 568 | 303 | 870 |
| SEPT． | 117 | －65 | 121.2 | 81.0 | $\cdot 75$ | ． 72 | 1.6 | － | 100 | 58 | 479 | 2154 | 283 |  | 923 | 698 | 10.5 10.3 | 42.4 $42 \cdot 8$ | 555 | 303 334 | $\begin{aligned} & 858 \\ & 877 \end{aligned}$ |
| OCT． | 119 | $+1.4$ | 123.7 | $80 \cdot 9$ | $\cdot 75$ | －72 | 1.8 | 8 | 95 | 65 | 496 | 2140 | 261 |  | 923 | 602 | 10.4 | 42.8 43.1 | 526 | 384 | 871 910 |
| NOV． | 123 | $+2.7$ | 123.8 | $80 \cdot 9$ | 75 |  | $10 \cdot 9$ | 1.9 | 89 | 70 | 479 | 2131 | 265 |  | 915 | 599 | 10.4 | 43.0 | 517 | 407 | 924 |
| DEC. | 116 | $-4.5$ | 121.7 | $82 \cdot 3$ | $\cdot 75$ |  | $9 \cdot 3$ | 3 | 100 | 52 | 495 | 2135 | 243 |  | 920 | 592 | $10 \cdot 8$ | 43.1 | 507 | $465 \ddagger$ | 972 |
| JAN． | 115 | $-05$ | 121.4 | 82.5 | 75 | 56 | 10.3 | 3 | 118 | 56 | 476 | 2112 | 248 |  | 922 | 581 | 11.2 |  | 9 | 525 | 974 |
| 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 | 381 | 525 | 883 |
| MAR． | 126 | ＋94 | $120 \cdot 5$ | 83.2 | －75 | ． 53 | 2.6 | － 2 | 106 | 46 | 477 | 2038 | 186 |  | 941 | 567 | 10.8 | $4{ }^{4} \cdot 1$ | 351 | 503 | 885 |
| APR． | 115 | $-10.0$ | $114 \cdot 3$ | $87 \cdot 6$ | －75 | 1.57 | 1.2 | 6 | 98 | 59 | 490 | 2040 | 178 |  | 946 | 567 | 10.7 | 46.4 | 394 | 512 | 906 |
| MAY． | 119 | ＋ 3.2 | 116.2 | 86.1 | $\cdot 75$ | 66 | 1.5 | $5 \cdot 1$ | 100 | 58 | 495 | 2052 | 194 |  | 942 | 561 | 11.0 | $45 \cdot 9$ | 429 | 510 | 939 |
| JUNE | 118 | － 0.5 | $117 \cdot 2$ | $85 \cdot 6$ | －75 | $\cdot 74$ | $17 \cdot 4$ | 6.5 | 100 | 58 | 495 | 2101 | 241 |  | 942 | 557 | $10 \cdot 6$ | $44 \cdot 9$ | 469 | 542 | 1011 |
| JULY | 115 | －2．8 | $116 \cdot 7$ | $85 \cdot 9$ | $\cdot 75$ | －81 | $1 \cdot 7$ | $1 \cdot 1$ | 87 | 66 |  | 2122 | 269 |  | 934 | 554 |  |  |  |  |  |
| AUG． | 118 | ＋ 2.0 | $115 \cdot 7$ | 86.6 | ． 75 | －67 | 17 | 4.6 | 95 | 63 | 508 | 2127 | 271 |  | 937 | 556 | 10.4 | 44.1 | 497 | 563 | 1057 |
| SEPT． | 106 | $-9.1$ | $1112^{\circ}$ | $90 \cdot 0$ | 2.79 | 3.67 | 1 | － | 110 | 53 | 553 | 2160 | 226 |  | 462 | $5 \cdot 9$ | 11.8 | 44.5 | 500 | 652 | 1152 |
| OCT． | 104 | － 2.5 | 111.0 | $90 \cdot 1$ | 1.87 | $2 \cdot 14$ | 1 | － | 117 | 51 | 535 | 2206 | 278 |  | 961 | 561 | 11.0 | 43.6 | 531 | 700 | 1231 |
| NOV | 106 | ＋ 20 $+\quad 0.2$ | 116.0 | $86 \cdot 3$ | 1.0 | $1 \cdot 24$ | 1 | － | 107 | 58 | 528 | 2221 | 341 |  | 944 | 567 | 10.5 | 42.5 | 605 | 696 | 1301 |
| $\begin{gathered} \text { DEC. . } \\ 1940 \end{gathered}$ | 105 | ＋ 0.2 | 116.6 | 86.1 | 1.0 | 1.24 | 2 | － | 88 | 86 | 545 | 2313 | 321 |  | 951 | 566 | 11.2 | $41 \cdot 1$ | 740 | 706 | 1446 |
| JAN． | 104 | ＋ 1.6 | $120 \cdot 1$ | $83 \cdot 3$ | 1.0 | 1.09 |  |  | 102 | 79 |  | 2285 |  |  |  |  |  |  |  |  |  |
| FEB． | 106 | ＋ $2 \cdot 1$ | 124.9 | $80 \cdot 2$ | 1.0 | 1.05 |  |  | 106 | 80 | 527 | 2244 | 340 |  | 949 | $568$ | 10.5 | 41.5 42.3 | 785 | 690 | 1475 |
| MAR． | 109 | $+2.8$ | $124 \cdot 7$ | $80 \cdot 3$ | 1.0 | 1.03 | $2 \cdot 7$ |  | 114 | 78 | 535 | 2239 | 325 |  | 954 | 567 | 10.5 | 42.6 | 761 | 674 | 1435 |
| APR． | 106 | $-1.9$ | $123 \cdot 9$ | $80 \cdot 8$ | 1.0 | 1.03 |  | 04 | 115 | 68 | 537 | 2233 | 328 |  | 935 | 573 | 108 | 41.9 | 701 | 708 | 1409 |
| MAY． | 97 82 | $-10 \cdot 1$ -17.4 | $122 \cdot 8$ | 81.5 $81 \cdot 3$ | 1.0 | 1.03 |  |  | 106 | 76 | 546 | 2288 | 394 |  | 916 | 589 | 10.7 | 40.0 | 685 | 722 | 1407 |
| JUNE | 82 | $-17 \cdot 4$ | $119 \cdot 3$ | $81 \cdot 3$ | 1.0 | 103 |  |  | 103 | 83 | 578 | 2341 | 372 |  | 913 | 592 | 10.9 | $39^{\circ} 0$ | 740 | 842 | 1582 |
| JULY | 84 | －67 | 1209 | $83 \cdot 1$ | 10 | 103 |  |  | 79 | 107 | 609 | 2328 | 403 | 25 | 883 | 612 | 10.7 |  |  |  |  |
| AUG．．．．．． | 84 | 6.4 +6.3 | $121 \cdot 7$ | $82 \cdot 6$ | 1.0 | 1.03 |  |  | 108 | 79 | 614 | 2355 | 416 | 25 | 872 | 636 | $11 \cdot 1$ | 37.0 | 836 | 1043 | 1879 |
| SEPT．．．． | 87 | ＋ 4.3 | 121.9 | 82.4 | 1.0 | 1.03 | $0 \cdot 8$ |  | 108 | 63 | 609 | 2466 | 387 | 86 | 889 | 652 | 11.1 | 36.0 | 836 | 1085 | 1921 |
| NOT． | 91 | +3.2 $+\quad 6.9$ | $122 \cdot 9$ | 81.8 79.5 | 1.0 | 1.03 | 0.8 | 0.2 | 109 | 72 | 598 | 2527 | 361 | 173 | 886 | 677 | $10 \cdot 1$ | $35 \cdot 1$ | 840 | 1146 | 1986 |
| NOV．．．．．．． | 97 95 | a +6.9 -1.4 | 126.0 | 79.5 79.0 | 1.0 | 1.03 |  |  | 115 | 70 | 594 | 2566 | 327 | 226 | 876 | 697 | 106 | $34 \cdot 2$ | 845 | 1239 | 2084 |
| $1941$ | 95 | － 1 | 126.6 | $79 \cdot 0$ | 1.0 | 1.03 |  |  | 116 | 68 | 604 | 2658 | 254 | 301 | 857 | 724 | 11.6 | $32 \cdot 2$ | † | † | 2152 |
| JAN． | 98 | +2.8 | 128.3 | $78 \cdot 1$ | 1.0 | 1.03 |  |  | 119 | 69 | 603 | 2617 | 258 | 325 | 864 | 741 | 10.2 | 33.0 | 845 | 1341 | 2186 |
| FEB．．．．．．． | 96 | －2．8 | 128.6 | 78.0 | 1.0 | 1.03 |  |  | 111 | 79 | 602 | 2571 | 203 | 3158 | 854 | 762 | 10.5 | 33.2 | 845 | 1369 | 2214 |
| MAR．．．．．． | 92 | －2．9 | $129 \cdot 1$ | $77 \cdot 6$ | 1.0 | 1.03 | $1 \cdot 0$ | $0 \cdot 2$ | 110 | 67 | 608 | 2625 | 187 | 3598 | 862 | 767 | 10.4 | $32 \cdot 9$ | ＋1 | ＋1 | 2212 |
| APR． | 93 | +0.3 +0.4 | $129 \cdot 5$ | $77 \cdot 4$ $76 \cdot 8$ | 1.0 | 1.03 |  | 02 | 115 | 68 | 622 | 2686 | 182 | 4408 | 840 | 765 | $10 \cdot 5$ | $31 \cdot 3$ | 865 | 1370 | 2235 |
| MAY | 93 96 | +0.4 $+\quad 3.7$ | $130 \cdot 6$ $130 \cdot 3$ | 76.8 77.0 | 1.0 | 1.03 |  |  | 115 | 66 | 629 | 2677 | 163 | 4528 | 829 | 7931 | 10.4 | 31.0 | 905 | 1410 | 2315 |
| JUNE | 96 | $+37$ | $130 \cdot 3$ | $77 \cdot 0$ | 1.0 | 103 |  |  | 123 | 58 | 637 | 2794 | 184 | 4658 | 816 | 8221 | 10.5 | 29.2 | 十 | † | 2357 |
| JULY | 102 | ＋ 8.2 | 132.5 | $75 \cdot 8$ | 1.0 | 1.03 |  |  | 108 | 79 | 651 | 2838 | 262 | 4598 | 811 | 8431 | $10 \cdot 2$ | 28.6 | 960 | 1492 | 2452 |
| AUG．．．．．．． | 107 | ＋ 8.9 | 1318 | 762 | 1.0 | 1.03 |  |  | 96 | 87 | 668 | 2842 | 250 | 4507 | 796 | 8761 | 10.5 | 28.0 | 970 | 1525 | 2495 |
| SEPT．．．． | 109 | ＋ 4.6 | 132.6 | $75 \cdot 7$ | 1.0 | 1.03 | 0.9 | 0.2 | 128 | 62 | 670 | 2955 | 2995 | 5097 | 785 | 8801 | 10.6 | 26.6 | ＋1 |  | 2577 |
| NOT． | 107 | － $1 \cdot 3$ | 132.6 | $75 \cdot 7$ | 1.0 | 1.03 | 09 | 02 | 128 | 65 | 686 | 3011 | 2545 | 5707 | 783 | 9261 | 10.3 | $26^{\circ}$ | 975 | 1559 | 2534 |
| DEC． | 109 | +1.3 +1.6 | $133 \cdot 5$ 132.5 | $75 \cdot 2$ 75.8 | 1．0 | 1.03 1.03 |  |  | 139 | 61 | 704 | 3042 | 231 | 6237 | 769 | 9361 | $10 \cdot 3$ | $25 \cdot 3$ | 975 | 1575 | 2550 |
| 1942 | 110 | ＋1．6 | 132.5 | $75 \cdot 8$ | 1.0 | 1.03 |  |  | 121 | 64 | 740 | 3158 | 1637 | 7257 | 766 | 9331 | 11.0 | $24 \cdot 3$ | 卜 | ＋ | 2547 |
| JAN．．．．．．． | 112 | $+3.8$ | 1359 | $73 \cdot 8$ | 10 | 1.03 |  |  | 134 | 53 | 744 | 3058 | 1527 | 7087 | 772 | 9421 | $10 \cdot 2$ | $25 \cdot 2$ | 945 | 1584 |  |
| FEB．．．．．． | 107 | $-3.9$ | $135 \cdot 1$ | 74.5 | 1.0 | 1.03 |  |  | 122 | 68 | 750 | 2925 | 108 | 6187 | 785 | 9501 | $10 \cdot 32$ | 26.8 | 905 | 1613 | 2518 |
| MAR ．．．．．．． APL． | 105 | － 2.3 +0.9 | 135.6 135.8 | 74.0 73.9 | 1.0 1.0 | 1.03 1.03 |  |  | 118 | 73 | 754 | 2913 | 159 | 4517 | 797 | 9831 | $11 \cdot 32$ | $27 \cdot 3$ | ＋ | ＋ | 2621 |
| ＊Bank Rate 2\％to 24th Aug．； $4 \%$ to 28 th Sept．； $3 \%$ to 26 th Oct．，1939； $2 \%$ since． <br> $\pm$ Exclusive of Investments in Affliated Banks．${ }^{\circ}$ Official Mininum Prices． <br> $\ddagger$ Dec．10th．\｜Includes Whitsun． <br> ${ }_{* *}{ }^{\dagger}$ Exclusive Ings．for Union Bank <br> ＊＊Inc．figs．for Union Bank Manchester Ltd．，incorp．in Barclavs Bank Ltd．，1st Jan．， 1940. <br> For Note on Exchanges see January issue， 5．5，last paragraph． $\dagger \dagger$ Not available． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

STOCKS \＆SHARES－
NEW GAPITAL ISSUES－
BANK OF ENGLAND－
PRINCIPAL BANKS－
men mon 154 level；on month．
Issues during month in Gt，Britain（a），for U．K．（b），for Abroad，excluding Government loans，etc．－As published
THE MIDLAND BANK，LTD．1940－41 Six－months＇totals．
Deposits．11th－17th of month．
Bank Notes and Currency Notes in circulation 11th－17th of month．Issues amalgamated，November $22 \mathrm{nd}, 1928$.
Current Deposit and other accounts，＂etc．Before September，1939，averages for the month of 9 clearing banks month．
TREASURY BILLS－

MONEY－
Issued by tender．Total of Bills issued by tender during 13 weeks preceding date of Exchequer Return．
0 therwise 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．

## PRICES AND WAGES.



PRICE OF GOLD-
PRICE OF SILVER-
Average (cash) price of bar silver for week ending 15th of month.-ECONOMIST.
BOARD OF TRADE INDEX—Geometrio Mean of Wholesale Prices (averages for month) of 200 commodities as percentage of 1924 average -Geometrio Mean of Wholesale Prices (averages for month) of 200 commodities as per
Based on new index frst published in January, 1935.-BOARD OF TRADE JOURNAL
STATIST (SAUERBECK)
Average wholesale prices of 19 foodstuffs and 26 raw materials on last day of month, as percentage of average NDICES-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 1st of month, but placed against previous month-e.g., reading for March 1st is shown against February-to facilltate comparison with " Statist " Index.
RETAIL FOOD PRICES-
WAGE INDEX As above, for food only.
For description see Special Memo., No. 12.

OUTPUT AND INTERNAL ACTIVITY.


[^5]
# RECENT MOVEMENTS IN UNITED STATES. 

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

## March 25th, 1942.

GENERAL SURVEY.-Despite the severe disruption of normal activity in important lines of industry, which has accompanied the conversion of the country's resources from a peace-time to a war-time basis, general business in the United States during the opening months of 1942 has held close to the high level attained by the end of last year. Industrial production in the aggregate has continued to expand as increased output of military products has more than offset declines in the manufacture of goods for civilian use. Several civilian-goods industries, which had been operating for a considerable period under government orders limiting their output, have in recent weeks been ordered to convert their entire facilities to the production of war materials. In the automobile industry, the output of passenger cars and light trucks for civilian use was brought to an end at the middle of February; the mechanical refrigerator industry is to cease production of civilian goods at the close of April ; and manufacturers of radio sets and of typewriters have been notified that they must shift their activities to armament production within a few months. Certain non-durablegoods industries-for example, wool textilesare increasing their output for military needs and limiting their production of goods for civilian users.

Total employment, after allowance has been made for seasonal changes, is reported to have remained about the same as at the end of last year. Factory payrolls have been higher as hours of work, overtime payments, and wage rates have increased. Larger consumer incomes, together with impending shortages in many lines, have resulted in marked advances in civilian demand for goods. Consequently, prices in wholesale and retail markets have risen sharply.

On January 30th, the Emergency Price Control Act of 1942, which had been under consideration by the Congress for six months, became a law. The act provides for the appointment of a Price Administrator with authority to establish maximum prices for commodities and also maximum rentals for dwellings in defence areas. For agricultural prices, the law designates minimum prices below which no ceiling price may be established ; and the Price Administrator
cannot set ceiling prices for agricultural commodities without first receiving the approval of the Secretary of Agriculture.

At the middle of January, the War Production Board was organised to expedite the country's vast production programme. To the Chairman of this Board was delegated wide authority over every aspect of war production-authority to decide how each industry is to fit into the pattern of war production, to direct the distribution of materials, to supervise purchasing policies, to settle problems of civilian supply.

Federal expenditures for national defence in February amounted to $\$ 2,201 \mathrm{Mn}$., a total $\$ 100 \mathrm{Mn}$. greater than that for January. For the first eight months of the current fiscal year, defence expenditures have been more than $\$ 12,550 \mathrm{Mn}$., compared with $\$ 6,30 \mathrm{I} \mathrm{Mn}$. in the complete fiscal year ending June 30th, 194I.*

BUSINESS VOLUMES. - That general business activity has advanced irregularly during recent months is evidenced by the seasonallyadjusted figures for bank debits at selected centres outside New York City. By December, 1941, this index had attained a new high level. January brought some decline from the December peak; but in February this movement was reversed, although as the month closed the December level had not been regained. Data for the first two weeks of March indicate that declines have again occurred.

The seasonally-adjusted index of industrial production rose to 173 (\% of 1935-39) in February, compared with 171 in January, and an average of 165 for the final quarter of 1941. The advance this year has been due entirely to increased output of manufactured durable goods ; the indices for non-durable manufactures and for output of minerals have remained practically the same as in the closing months of last year. For individual industries directly connected with the output of war materials, no data have been published since the entry of the United States into the war ; and, in addition, figures for industries whose output has been subject to considerable civilian demand have not been released during the past few months. Thus indices are not available for aircraft, railroad

[^6]

EMPLOYMENT, INTERNAL ACTIVITY, TRADE.

cars, locomotives, shipbuilding, silk deliveries, cane sugar meltings, and rubber consumption. Group indices, however, have been computed by the Federal Reserve Board, and these data indicate continued sharp advances this year in production of transportation equipment, machinery, lumber, stone, clay, and glass products, textiles, and chemicals. For iron and steel, non-ferrous metals, manufactured food products, and tobacco products, output has averaged about the same as in the closing months of last year.

Employment in manufacturing industries, which had increased almost continuously throughout 1941, declined somewhat in January, 1942, the latest month for which data are available; but since the decrease was less than usually occurs between December and January, the seasonally-corrected index advanced. The advance, however, reflected a rise in the adjusted index for employment in the durable-goods industries, particularly transportation equipment, machinery, and stone, clay, and glass products. The decline for non-durable-goods industries as a group was greater than seasonal, with sharp reductions occurring in industries where shortages of raw materials caused contraction of activity: hosiery, carpets and rugs, rubber tyres and tubes.

The adjusted index of income payments reached the new high figure of 150.3 (\% of 1935-39) in January, compared with 148.8 in December and 121.3 in January, 194I. Salaries and wages, which comprise the greatest proportion of total income payments, exceeded those in January of last year by more than $20 \%$. The Department of Commerce index of sales of all retail stores, corrected for seasonal changes, rose from 138.4 (\% of 1935-39) in December to 149.0 in January, a figure practically the same as the peak figure reached last August. Announcements that the distribution of new tyres and tubes, new automobiles, and sugar would be rationed, and that materials for use in the manufacture of certain products, such as men's clothing and shoes, would be limited, stimulated retail sales. The February sales index for all retail stores is not yet available; but the index for sales at department stores, which have moved similarly to retail sales in general, dropped considerably more than usual from January to February. Total freight car loadings in January which generally is a month of seasonal decline actually increased a little this year, since ship ments of grain, forest products, coal, and miscellaneous freight were exceptionally large. While February brought some decline from the

January high point, the seasonally-adjusted index remained above the average for the fourth quarter of last year.

The value of construction contracts awarded during the first two months of 1942 amounted to $\$ 750.4 \mathrm{Mn}$., an increase of $30 \%$ over the first two months of 1941. Almost one-half of this year's total is for projects connected with the war construction programme. Contracts for each of the three major classes of construction have been substantially above those in the first two months of 1941 : non-residential building has increased $40 \%$; public works and utilities, $35 \%$; and residential building, $19 \%$. Contracts for publicly-owned projects comprised $68 \%$ of total contracts in January and February this year, compared with $40 \%$ in the corresponding period a year ago.

COMMODITY PRICES.-Rapid increases in wholesale commodity prices raised the general index of the Bureau of Labor Statistics from 92.2 (\% of 1926) in the first week of December to 96.9 in the first week of March. As shown by data in the accompanying table, most of this increase took place in December, and the sharpest rise occurred in prices of farm products. The relatively small rise in prices of industrial products reflects the action taken by the government, both before and after the entry of this country into the war, to establish maximum prices for selected commodities. When the Emergency Price Control Act of 1942 became a law on January 30th, approximately 100 maximum price schedules, which had been issued before that date, remained in effect. More than half of this number had been issued after the first week of December and covered mainly commodities whose output had been curtailed or prohibited by the government.

Since February, 194I, the index of the cost of living has risen month by month, and in February of this year it was I12.6 (\% of 1935-39), compared with $100 \cdot 8$ a year ago. (See table, page 40.) While costs have increased for all of the commodity groups that comprise the index, the advances have been most marked for food, clothing and house furnishings. Each of these three groups has risen about $18 \%$ or $19 \%$; rents have advanced $3 \%$; fuel, electricity and ice, $3.5 \%$; and miscellaneous items (which include transportation costs, medical care, household services, recreation, etc.), $6.5 \%$.

MONEY AND CREDIT. - Total earning assets of reporting member banks rose more than $\$ \mathrm{I}, 300 \mathrm{Mn}$. between December 3rd and March 18th. Most of this increase represents larger
U.S.B.L.S. INDEX OF WHOLESALE COMMODITY PRICES.

\left.| By Groups, for Selected Dates.* |  |  |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | :---: |
| (\% of 1926) |  |  |  |  |  |  |$\right]$

* Source: U.S. Bureau of Labor Statistics. The index is based on quotations for approximately 900 commodities.
holdings of government obligations ; on March 18th, such holdings amounted to $\$ 15,800 \mathrm{Mn}$., $60 \%$ of which were Treasury bonds. The increase that occurred in member bank loans was due entirely to a rise in commercial, industrial, and agricultural loans; loans for purchasing and carrying securities, and " other" loans (real estate loans, loans to banks, open market paper, etc.), fell considerably. Adjusted demand deposits, reflecting the larger volume of loans and investments, advanced approximately $\$ 700 \mathrm{Mn}$. to $\$ 25,000 \mathrm{Mn}$. on March I8th.

During the first three weeks this year, excess reserves of member banks rose fairly sharply, chiefly because of a decline in Treasury deposits at federal reserve banks, but also, in part, because of a return of money in circulation following the Christmas holiday season. This decline in circulating currency, however, was halted at the middle of January ; and the subsequent increase has amounted to more than $\$ 400 \mathrm{Mn}$. Between the end of August, 1939, and early December, 1941, the increase of currency in circulation averaged about $\$_{130} \mathrm{Mn}$. per month; and the monthly increase that has occurred since the

United States entry into the war has averaged more than $\$ 200 \mathrm{Mn}$. The persistent rise in the volume of currency in circulation has been an important influence in the decline of excess reserves since January. While Treasury deposits at the reserve banks increased late in February, reflecting proceeds of a new bond issue offered during the month, they have dropped fairly steadily and sharply thus far in March.

## SPECULATION AND FINANCE.-Stock

 prices this year have failed to reflect the high level of business activity. After the low of 1941 was reached in late December, prices recovered somewhat in the early part of January ; but unfavourable war news, pending tax legislation, and anticipation of restricted business profits have brought renewed declines during the past two months. The New York Stock Exchange price index of all listed stocks for February was the lowest in many years. The total volume of shares traded on the New York Stock Exchange was the smallest of any month since August, 1940, and of any February in over 25 years. Corporate bond prices have fluctuated within narrow limits, a small net increase occurring between early January and the third week of March.Security flotations for the first two months of 1942 were some $3 \%$ below those of the first two months of 194I, a reduction due entirely to a smaller volume of refunding issues; both corporate and governmental issues to raise new capital were greater than a year ago. Of the new corporate issues, $50 \%$ comprised flotations of industrial and manufacturing companies; $38 \%$, public utilities; and $10 \%$, railroads. The volume of Treasury financing during this period was almost twice that of a year ago, with approximately two-thirds of this year's total representing new indebtedness.

## CANADA.

## Information communicated by our Canadian Correspondent.

## March 24th, 1942.

EMPLOYMENT in production continues to rise on the strength of rising war expenditures. In January, 1941, Canadian war expenditures (excluding aid to Great Britain) were $\$ 88 \mathrm{Mn}$. In January, 1942, they were \$145 Mn., and the Minister of Finance has asked the House of Commons for $\$ 2,000 \mathrm{Mn}$. for Canadian war expenditures in the fiscal year beginning April, 1942. Employment in manu-
facturing continues to increase. The seasonallyadjusted index has risen without interruption since March, 1940.

During the past three months there has been an intensification of war-time controls over the use of scarce commodities. Scarcities have been precipitated or intensified by Japanese successes in the Pacific, by the intensification of the submarine campaign on the Atlantic, and by the rapid acceleration of the American war pro-
gramme. The number of materials subjected to import restrictions, export licences, or domestic allocations, grows every day. The production of a number of semi-luxury consumer goods is being sharply curtailed by direct action in addition to such restrictions as result from curtailment of component materials. Motor cars, washing machines, stoves, radios and similar articles can now be produced in very limited quantities, if at all.

The shortage which has probably become most apparent to the average Canadian is that of rubber. In December all sales of tyres to the public were temporarily discontinued, and in January a rough system of rationing was introduced. It is now possible for doctors and a number of other classes of the population to obtain tyres to replace those which are worn out, but otherwise none are available to the civilian population.

Another restriction on the use of automobiles will arise with the introduction of formal coupon rationing for gasoline on April Ist, 1942. For the past eight or nine months there have been recurrent threats of gasoline shortages in various parts of the North American continent. In the summer of 194I, the Canadian Oil Controller introduced a number of restrictions on retail sales and distribution of gasoline, and initiated a publicity campaign designed to persuade the public to reduce consumption. In subsequent months the new gasoline rationing plan has been evolved. It will probably be the first system of coupon rationing ever introduced on this continent. The amounts available to the ordinary consumer may be varied under the plan, but for the time being, in the absence of any severe shortage, it seems likely that motorists will be able to buy sufficient to drive something like 5,000 miles a year.

In the case of sugar, a type of rationing has already been introduced. The Canadian scheme was introduced at the end of January at the same time as an American announcement, emanating from the Office of Price Administration, that formal sugar rationing with coupons would be introduced in the United States. Under the Canadian system a consumer is at present limited to a consumption of threequarters of a pound a week, and it is illegal for him to buy any sugar if he has at least two weeks' supply on hand. No system of coupons or ration books has been instituted. Ultimately, the responsibility lies with the consumers themselves to obey the law. There have been a few prosecutions in cases where consumers were discovered to be buying large quantities. However, there seems to have been widespread
compliance with the Government's policy and practically no hoarding. At the same time that the final consumer was limited, the chief industrial users were compelled to reduce their use of sugar by $20 \%$.

The Wartime Prices and Trade Board has continued to maintain an almost unyielding front in the face of demands from many quarters that specific retail prices should be permitted to rise ; the slight increase that has occurred in the cost of living is attributable to movements of fresh fruits and vegetables which are exempt from the "ceiling." This unyielding policy results in a "squeeze" on manufacturers, wholesalers and retailers, because, at the time when the retail price ceiling was imposed, wholesale prices had risen to a level which was out of line with retail prices. The process of evening out the squeeze, as described in the previous communication from Canada, is continuing, and fresh squeezes continue to arise from increases in the prices of domestic farm products and imported goods of many sorts. Special measures are being taken to alleviate the position in which many industries and trades find themselves. A Simplification Division of the Board is sponsoring simplification of production and elimination of competitive wastes. In this way the rigid price ceiling is becoming an important force in moulding the Canadian economic system to its wartime shape-a function that was probably not foreseen by the sponsors of the ceiling policy. In other cases, where it is impossible to introduce economies adequate to meet the squeeze, the Commodity Prices Stabilisation Corporation will grant bonuses. This policy is general in regard to non-luxury imports, and it is becoming increasingly clear that many bonuses are likely to be paid on domestic production. In recent weeks prices have been fixed for vegetables and small fruits during the summer canning season of 1942 , and arrangements made whereby the Corporation would purchase any surpluses that arose. The prices of these commodities to the canners will be higher than last year, in order to maintain production in the face of increasing agricultural costs and diminishing labour supply, and subsidies will be required if the prices of canned goods are not to rise.

The most important price increase, however, is that of wheat. According to a Bill which the Government has introduced into Parliament, this price will be raised from 70 to 90 cents a bushel. This will involve considerable subsidies by the Commodity Prices Stabilization Corporation if the price of bread is to be kept stable. It is not clear as yet whether the

|  | FINANCE． |  |  |  |  | PRICES． |  |  |  | TRADE AND PRODUCTION |  |  |  |  |  |  | EMPLOYMENT． |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
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| 1926 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| Average | － | 100 | 253 | 125 | 195 | 100 | 100 | 100 |  | 84 | 107 | 63 | 100 | 100 | 272 |  | 100 | 100 | 00 |
| 1934 Av． | － | 84 | 274 | 111.5 | 195 | 59 | 73.5 | 71.5 |  | 43 | 55 | 26 | 94 | 36 | 193 | 88.8 | 109 | 91 | 96 |
| 1935 Av ． | 84 | 1078 | 263 | 104 | 208 | 63 | 73 | 72 | 96.2 | 46 | 62 | 26 | 103 | 51.5 | 197 | $91^{\prime}$ | 97 | 98 | 100 |
| 1986 Av． | 109 | 98 | 299 | 91.5 | 221 | 70 | 74 | 74 | $98 \cdot 1$ | 53 | 80 | 39 | 115 | 46 | 208 | 96.5 | 87 | 104 | 104 |
| 1937 Av ． | 116 | 102 | 293 | 96 | 235 | 87 | 80 | 85 | $101 \cdot 2$ | 67 | 84 | 32 | 127 | 58 | 220 | 104.5 | 101 | 115 | 115 |
| 1938 Av． | 95 | 96 | 258 | 98 | 242 | 74 | 78 | 78 | 102.2 | 56 | 71 | 26 | 115 | 52 | 202 | $101 \cdot 2$ | 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 |
| 1940 Av． | 77 | 100 | 287 | 113 | 275 | 67 | 82 | 83 | 105.6 | 90 | 100 | 32 | 134§ | 161 § | 235 | 116.6 | 92 | 133 | 126 |
| 1938 |  |  |  |  |  | 71 | 78 | 79 | 102 | 56 | 67 | 24 | 110 | 51 | 187 | $99 \cdot 3$ | 128 | 110 | 112 |
| JULY | 97 | 46 | 247 | 99 | 239 | 64 | 78 | 76 | $103 \cdot 1$ | 57 | 70 | 22 | 111 | 53 | 213 | 98.4 | 134 | 114 | 115 |
| AUG．．． | 101 90 | 96 | 237 | 98 102.5 | 242 | 64 | 78 76 | 74 | $102 \cdot 1$ | 56 | 73 | 29 | 121 | 53 | 250 | 101.2 | 143 | 112 | 117 |
| SEPT． | 90 | 98 | 268 | 102.5 105 | 248 | 64 64 | 75 | 74 | 1017 | 64 | 89 | 40 | 121 | 62 | 257 | $100 \cdot 9$ | 123 | 111 | 115 |
| OCT．．． | 100 | 97 95 | 298 | 103 | 250 | 65 | 74 | 73 | 101.5 | 63 | 87 | 38 | 128 | 48 | 219 | 101．1 | 113 | 110 | 114 |
| NOV．．． | 101 77 | 94 | 291 | 100 | 250 | 65 | 74 | 73 | $101 \cdot 1$ | 44 | 70 | 29 | 118 | 63 | 178 | $99 \cdot 9$ | 96 | 104 | 108 |
| 1939 |  |  |  |  |  |  |  |  | $101 \cdot 1$ | 44 | 71 | 27 | 114 | 40 | 171 | $100 \cdot 3$ | 89 | 106 | 106 |
| JAN ．．． | 94 | 94 | 251 | 98 | 246 | 65 | 73 73 | 73 73 | $100 \cdot 7$ | 40 | 58 | 19 | 114 | 56 | 160 | 99．2 | 94 | 107 | 106 |
| FEB ．．． | 95 | 94 | 205 | 98 | 247 | 65 | 73 | 73 | $100 \cdot 6$ | 58 | 70 | 21 | 115 | 47 | 191 | 98.1 | 92 | 107 | 105 |
| MAR．．． | 94 88 | 92 | 243 | 101 | 249 | $65 \cdot 5$ | 73 | 73 | 100.6 | 42 | 51 | 14 | 119 | 51 | 179 | 103.4 | 94 | 108 | 106 |
| APRIL | 88 90 | 94 | 284 | 102 | 252 | 65 | 73 | 74 | 100.6 | 73 | 81 | 28 | 123 | 49 | 215 | 103.0 | 115 | 111 | 113 |
| MAY | 88 | 93 | 283 | 101 | 254 | 63 | 73 | 73 | $100 \cdot 5$ | 64 | 78 | 26 | 124 | 59 | 195 | $105 \cdot 4$ | 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 | $76 \cdot 5$ | 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 | $111{ }^{1}$ | 118 | 122 | 124 |
| NOV．．． | 94 | 103 | 293 | 116 | 281 | 65 | 80 | 80 | 103.8 | 85 | 98.5 | 43 | 139 | 40 | 248 | 1071 | 84 | 122 | 123 |
| DEC．．． | 92 | 104 | 306 | 114 | 277 | 69 | 81 | 82 | 103.8 | 72 | 102 | 53 | 138 | 62 | 199 | $112 \cdot 3$ | 69 | 118 | 116 |
| 1940 |  |  |  |  |  |  |  |  |  | 71 | 91 | 36 | 124 | 95 | 210 | 110.8 | 58 | 120 | 114 |
| JAN．．． | 91 | 103 | 267 | 112 | 276 | 70 | 81.5 82 | 83 | 103.8 | 71 | 72 | 26 | 117 | 116 | 199 | 111.5 | 55 | 123 | 113 |
| FEB．．． | 90 90 | 102 | 295 | 116 | 277 | 71 | 82 | 83 | 104.6 | 77 | 83.5 | 32 | 115 | 116 | 195 | $112 \cdot 3$ | 60 | 123 | 112 |
| MARRIL | 90 | 102 | 294 | 112.5 | 274 | 73 | 81.5 | 83 | 104.6 | 86 | 85 | 27 | 134 | 180 | 219 | $110 \cdot 0$ | 68 | 126 | 114 |
| MAY．．． | 73 | 100 | 334 | 111 | 278 | 68 | 81 | 82 | $104 \cdot 9$ | 100 | 111 | 43 | 129 | 140 | 237 | 113.7 | 90 | 129 | 121 |
| JUNE | 66 | 101 | 268 | 111 | 271 | 64 | 80 | 82 | 104.9 | 91 | 112 | 31 | 132 | 157 | 240 | 116.6 | 105 | 130 | 125 |
| JULY | 66 | 101 | 262 | 109 | 267 | 65 | 81 | 83 | 105.6 | 90 | 101.5 | 29 | 132 | 130 | 248 | 114.5 | 114 | 134 | 128 |
| AUG．．． | 69 | 100 | 246 | 110 | 269 | 63 | 81.5 | 83 | $105 \cdot 9$ | 97 | 113 | 32 | 144 | 169 | 256 | 119.8 | 121 | 138 | 132 |
| SEPT． | 76 | 99 | 257 | 114 | 280 | 64 | 82 | 83 | 106.4 | 86 | 103 | 31 | 149 | 223 | 252 | 116.5 | 121 | 144 | 136 |
| OCT．．． | 74 | 99 | 353 | 118 | 278 | 65 | 82 | 83 | $107{ }^{\circ} 0$ | 109 | 107 | 30 | 146 | 143 | 281 | $120 \cdot 0$ | 121 | 145 | 139 |
| NOV．．． | 74 | 98 | 305 | 117 | 276 | 67 | 82 | 84 | $107 \cdot 8$ | 102 | 118 | 40 | 147 | 278 | 259 | $123 \cdot 1$ | 106 | ． 145 | 139 |
| DEC．．． | 70 | 97 | 321 | 115 | 281 | 67 | 83 | 84 | 108.0 | 102 | 99 | 28 | 141 | 187 | 231 | $130 \cdot 9$ | 83 | 143 | 134 |
| JAN1 | 71 | 96 | 294 | 113 | 287 | 67 | 83 | 85 | $108 \cdot 3$ | 98 | 89 | 21 | 145 | 239 | 229 | 124.5 | 83 | 147 | 135 |
| FEB ．．． | 67 | 96 | 254 | 114 | 299 | 68 | 84 | 85 | $108 \cdot 2$ | 80 | $100 \cdot 5$ | 30 | 139 | 220 | 250 | $130 \cdot 5$ | 83 | 151 | 135 |
| MAR．．． | 67 | 96 | 284 | 115 | 297 | 69 | 84 | 86 | 108.2 | 108 | 103 | 25 | 135 | 136 | 250 | $129 \cdot 3$ | 100 | 158 | 141 |
| APRIL | 66 | 96 | 298 | 114 | 306 | $69 \cdot 5$ | 85 | 87 | $108 \cdot 6$ | 106 | 118 | 40 | 141 | 178 | 252 | $135 \cdot 2$ | 120 | 162 | 145 |
| MAY．．． | 64 | 96 | 327 | 116 | 305 | 70 | 87 | 88.5 | $109 \cdot 4$ | 128 | 163 | 55 | 145 | 179 | 276 | $134 \cdot 5$ | 140 | 168 | 153 |
| JUNE | 64 | 96 | 424 | $132 \cdot 5$ | 308 | 71 | 89 | 90 | $110 \cdot 5$ | 115 | 147 | 48 | 150 | 287 | 271 | $134 \cdot 3$ | 150 | 173 | 157 |
| JULY | 68 | 96 | 324 | 131 | 307 | 72 | 90 | 91 | 111.9 | 128 | 171 | 48 | 149 | 131 | 277 | $134 \cdot 9$ | 161 | 177 | 161 |
| AUG．．． | 68 | 95 | 315 | 129 | 303 | 72 | 91 | 92 | 113.7 | 138 | $150 \cdot 5$ | 43 | 155 | 145 | 279 | 146.5 | 157 | 181 | 163 |
| SEPT． | 71 | 95 | 330 | 127 | 304 | 73 | 92 | 93 | 114.7 | 137 | 143 | 35 | 169 | 166 | 294 | 136.4 | 155 | 185 | 166 |
| OCT．．． | 69 | 95 | 363 | 127 | 301 | 74 | 93 | 94 | $115 \cdot 5$ | 141 | 140 | 36 | 155 | 146 | 312 | 138.0 | 148 | 187 | 168 |
| NOV．．． | 69 | 94 | 343 | 125 | 304 | 74 | 93 | 94 | 116.3 | 134 | 164 | 56 | 143 | 130 | 286 |  | 143 | 188 | 169 |
| DEC．．． | 67 | 94 | 369 | 120 | 310 | 75 | 92 | 94 | 115.8 | 126 | 152 | 51 | 154 | 184 | 294 |  | 125 | 187 | 166 |
| JAN．．． | 67 65 | 94 | 323 | 116 | 310 | 77 78 | 92 92 | 94 95 | 115.4 115.7 | 142 | 152 | 43 | 152 | 126 | 272 |  |  |  |  |

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 share－ holders＇equity in 95 companies（\％of 1935－33）．
includes partly and fully manufactured products in some cases made
＂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 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． ＂9．－Comprises separate groups for food，fuel，lighting，rent，clothing，home furnishing，sundries（including services）．Base $1935-9=100 \%$ ．
＂II．－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；
from imported raw materials，e．g．，rubber products．
Col．13．－Adjusted for seasonal variation．Includes 4I 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．
5．－Revenue freight only ；excludes cars received from U．S．connections． －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 chieny 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．
subsidies would be paid at the point of milling or baking.

In the field of finance there have been two striking incidents. The first was the announcement in January of Canada's gift to Britain of $\$ 1,000 \mathrm{Mn}$. This amount is apparently to be made available to the British to finance their purchases in Canada during the fiscal year beginning April, 1942. In addition to this gift, arrangements have been made for funding the greater part of the sterling balances which Canada had accumulated into a loan of $\$ 700 \mathrm{Mn}$. free of interest for the duration of the war. Further arrangements have been made for the repatriation of most of the outstanding security issues of the Dominion Government and the Canadian National Railways in Great Britain, amounting approximately to $\$ 295 \mathrm{Mn}$.

The second striking financial incident was the unexpected success of the Second Victory Loan. The campaign ran from February 16th to March 7th, when inclement weather and impending income taxes might have increased canvassers' difficulties. The loan originally called for $\$ 600 \mathrm{Mn}$., but early in the final week of the campaign the objective was raised to
$\$ 900 \mathrm{Mn}$., and even that was exceeded before the campaign closed. The final amount announced at the close of the loan was $\$ 979 \mathrm{Mn}$. raised from $\mathrm{I} \cdot 5 \mathrm{Mn}$. subscribers. Both figures were record breaking. There were three types of securities offered. Two were for cash or conversion: I2-year bonds bearing interest at $3.07 \%$, and 6 -year bonds bearing interest at $2 \cdot 25 \%$. A third type of bond was sold for conversion only, maturing in $2 \frac{1}{2}$ years and yielding $\mathrm{I} \cdot 5 \%$. Two maturing issues available for conversion amounted to $\$ 155 \mathrm{Mn}$.

In the field of labour, the most important event of the last few months has been the failure of the strike in one of the two chief gold-mining areas-Kirkland Lake, Ontario. This strike was called on November 18th, 1941, and its chief object was to secure recognition by the mine operators of the local branch of the miners' union. The mine owners steadfastly refused to recognise the union and exercised their legal right of refusing to comply with the unanimous recommendation of a conciliation board that they should do so. They would have nothing to do with a labour organisation which had associations with the C.I.O. in the United States.

## SOUTH AFRICA.

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

## February 2Ist, 1942.

Government Finance and Currency.-On October 13th last, the Government invited subscriptions to a $3 \%$ Local Registered Stock 1956-61,* for defence and for railways and harbours and other public works, and to a $2 \frac{1}{4} \%$ Local Registered Stock 1947,^ for defence. When the lists were closed on November 4th, the $3 \%$ had yielded $£_{1} 18.4 \mathrm{Mn}$., and the $2 \frac{1}{4} \%$ $\mathrm{f}_{\mathrm{I} 2 \cdot \mathrm{I}} \mathrm{Mn}$. But to bring its loan receipts within some $£ .4 \mathrm{Mn}$. of its budgetary requirements of £. 49 Mn . (cf. loan estimates, April, 1941, Bulletin), the Government relied upon the Public Debt Commissioners for $£ 8.0 \mathrm{Mn}$. (of the $£ 30 \cdot 5 \mathrm{Mn}$.) contributed to the two loans, $f_{12} .0 \mathrm{Mn}$. already subscribed to special (1951 $3 \%$ ) issues, and perhaps $£_{2} \cdot 25 \mathrm{Mn}$. pensions contributions still to be invested. Moreover, of the $£_{3} 3 \cdot 5 \mathrm{Mn}$. subscribed to the two loans, $£_{14} \cdot 3 \mathrm{Mn}$. $£_{2} 2 \cdot 6 \mathrm{Mn}$. to the $3 \%$ and $£_{11} \cdot 7 \mathrm{Mn}$. to the $2 \frac{1}{1} \%$ ) was contributed by the commercial banks. As the commercial banks' private advances were not appreciably reduced at the time, the Government borrowing appears to have involved an addition of some $£ 14 \mathrm{Mn}$. to the local currency.

It is apparent also that the repatriation of Government loans has not so far very substantially offset the recent rise in the volume of local currency (referred to in earlier Bulletins and below). Following the Finance Minister's promise (see October, 194I, Bulletiv), the Government on the 13th October issued a $3^{\frac{1}{4}} \%$ Local Registered Stock,* a I2-year loan to be known as the Savings Bond Issue. Besides having the same purpose as the other two loans, this issue was intended to acquire funds for the redemption of Union Government stock domiciled in London. (The maximum individual holding was fixed at $£_{, 5,000 \text {. The lists were to }}$ remain open indefinitely.) On November Ioth, a further "tap," issue of $3 \%$ Local Registered Stock, 1956-6I (Redemption Issue) ${ }^{\star}$ was opened, its purpose being solely the redemption of Union Government Stock domiciled in London. By January 3ist these two issues had yielded only $£_{3} \cdot \mathrm{I} \mathrm{Mn}$. and $£_{2} \cdot 8 \mathrm{Mn}$. respectively $\dagger$ (wholly from private investors). (Later, in the Budget statement, the expectation was expressed

[^7]
that by March 3ist the two issues would have brought in $£ 12.7 \mathrm{Mn}$., which, with the addition of $£ 6 \mathrm{Mn}$. from the 194I-42 surplus on revenue account, would make possible the cancellation of $£ 18 \cdot 7 \mathrm{Mn}$. of repatriated stock.) Meanwhile, the uncancelled balance of repatriated government securities is taken over by the Reserve Bank in place of overseas balances, without reduction of money in circulation..

Over 194I as a whole, the increase in bank advances plus investments, gold accumulation and/or the balance of external payments» has increased the volume of money (considered as Government and private deposits with the Reserve and commercial banks and notes in circulation) by over $£ 40 \mathrm{Mn}$. to nearly $£ 200 \mathrm{Mn}$. Since August, 1939, the volume has increased by about $£ 80 \mathrm{Mn}$.

In considering either the mounting volume of money within the country, or the aim of diverting resources to the war effort, it is difficult to refrain from noticing the increasingly anomalous position of the Union's chief industry - gold production. In so far as the allied countries can now (since the entry into the war of the U.S.A.) be regarded as a single and largely closed economic unit acknowledging the war effort as the aim to which others are subordinate, it does seem to be futile that such a large amount of resources should be expended upon the mere manufacture of currency. Even the application to the gold-mining interests, by the Allies bearing the burden jointly, of some scheme of compensation for reducing output might be deemed to offer a net advantage in releasing resources (e.g., explosives and new equipment ; engineers and workers skilled in blasting operations) for urgent alternative purposes. But the Minister of Mines is reported to have stated recently that it was the Government's policy to maintain output of gold.

Regulation of Trade and Industry.Import and export are now largely subject to permit, though trade with the Empire is relatively unrestricted. The regulations involve the following restrictions, but the controlling authority has power to grant exemptions. In respect of certain enumerated imports (including various food products, drink and tobacco, and some household goods), permits are required, and are issued only if the goods are produced in and imported from the Commonwealth countries, other than Canada and Newfoundland. Other

[^8]imports are, generally speaking, admitted without permit if produced in that area, but only under permit otherwise. Exports of certain scheduled goods, ${ }^{\star}$ including iron and steel, aluminium and zinc, rough and uncut diamonds (except by registered post to London) always require permits. Of the remainder, most goods^ do not require permits if they are going to the United Kingdom, Canada, Australia, New Zealand, India or any British Colony, Possession, Protectorate or Mandated Territory; otherwise they generally do. A few goods, including ships' stores, do not require permits at all.

Within the country, direct control of industry and trade has been extended either by placing additional industries-stevedoring and boot and shoe manufacture-under the authority of the Controller of Industrial Manpower, or by regulating, in some cases by specially-appointed controllers, the movement and use of particular commodities (iron and steel, paper, petrolwhich is now rationed-and lubricating oils, rubber and pneumatic tyres and tubes, tin and tinplate, aluminium, zinc, glycerine, electric wire and flex $\dagger$ ). The earlier measures to deal with shipping congestion were followed by the appointment of a Controller of Ship Repairs. Private building construction without permit has been further restricted-to $£ 250$ for any job in the principal urban areas. Further evidence of scarcity of engineering labour, and the rationing of it by regulation, is found in rules which prohibit employers from attracting labour by individually bidding up wages and from engaging telegraph and telephone electricians and mechanicians, and which require them to take additional apprentices.

Price Control.-In the extension of price control to virtually all goods sold in stores, several methods have been developed. In some cases specific maximum prices, in others maximum percentages of profit, are fixed. But the general principle, intended to be gradually extended in its application, is the restriction of profit by the fixing of a mark-up according to a sliding-scale which reduces the permitted percentage mark-up below that of the six months ending August, 1939, as the cost price to the seller rises higher than 10\% above the August, 1939, level. $\ddagger$ This modified mark-up is allowed to an importer or a local manufacturer

[^9]and to a first subsequent dealer ; but if a commodity passes to a second dealer, he can add only transport costs to the first dealer's permitted price. The Controller has the power to attach the goods of a person holding "excessive" stocks.

So long as they fall short of comprehensive rationing of supplies*-a development which would extend further the ever-growing bureau-cracy-it is doubtful how far the controls employed can offset the dangers to economy which lie in the increasing volume of money in the hands of the people. The direct regulation of supplies is doubtless conserving some goods for the uses considered most urgent. Pricecontrol is no doubt having the shock effect of diverting attention from buying and selling to the carrying out of the regulations ; the reducingmargin system would seem to be likely to cause dealers to buy less than they otherwise would as cost-prices rise. $\dagger$ But as shortages occur in face of increasing monetary demand, buyers may turn to articles less affected-perhaps more rapidly as they observe increasing shortage.

Christmas shopping appears to have indicated a high propensity to spend, particularly, it has been suggested, by people in the lower incomegroups. The increased activity in transactions in real estate, at which the Finance Minister pointed a deprecating finger last December, is also significant. The industrial employment indices are steadily rising, in spite of the release of men for active service. A recent provision to make strikes and lockouts illegal, in war and essential industries, on the appointment of an arbitrator in labour disputes, will not necessarily have put a serious check upon the augmentation of wages through the medium of Industrial Councils and the Wage Board, and through the application of the provisions of the Factories Act which the Government passed last session. Steadily-increasing activity is suggested by a number of other indices. The note circulation was at the end of 1941 some $60 \%$ above pre-war level. Average monthly bank clearings, for six towns other than Johannesburg, for the fourth quarter of the year, rose from $£ 34.6 \mathrm{Mn}$. in 1939 to $£ 41 \cdot \mathrm{I} \mathrm{Mn}$. in 1940 and $£ 52 \cdot 5 \mathrm{Mn}$. in

[^10]194I. The amount of electric current generated daily by the principal undertakings has increased by about $30 \%$ since 1938. Railway traffic records appear not to depend entirely upon traffic immediately connected with the war effort.

Wool farmers on the whole appear to be satisfied with the agreement with the United Kingdom Government. The 1941-2 clip is estimated at 250 Mn . lbs., as compared with 24 I Mn . for the previous season. The disposal of the current maize crop is likely to give less difficulty than might have been expected; local consumption appears to have increased recently by 4 or 5 Mn . bags a year (partly, no doubt, owing to the price-rebates given to stockfeeders), and drought will have greatly reduced the crop.* Wheat farmers are to receive an increase in price from 22 - a bag to $26 / 9$; but the Government is paying a subsidy rather than allow the price of standard bread ( 6 d . the $2-\mathrm{lb}$. loaf, delivered) to be raised. The difficulty of exporting fruit is leading to increased bureaucratic price-fixing and price-discrimination.

February 28th, 1942.
A Note on the Budget (presented February 25th, 1942). -Instead of the deficit of $£ 2 \cdot \mathrm{I} M n$. indicated by the original estimates and additional appropriations, the Minister of Finance now expected a surplus for $1941-2$ of $£ 6 \cdot 2 \mathrm{Mn}$. Regarding the surplus as a sign that a higher proportion of defence expenditure might in future be derived from revenue, he provided for $50 \%$ of $£ 80 \mathrm{Mn}$., instead of $40 \%$ of $£ 72 \mathrm{Mn}$. in the previous year, to come from revenue in 1942-3; and budgeted for an expenditure including the defence vote of $£ 88.3 \mathrm{Mn}$. + compared with $£ 73.8 \mathrm{Mn}$. for 194I-2. To meet this expenditure, without taking into account the surplus brought forward, called for additional taxation to raise between $£ 9 \mathrm{Mn}$. and $£$, 10 Mn ., which it was proposed to provide, for the most part, by a Trade Profits Special Levy (to raise $£ 4 \mathrm{Mn}$.) ; an increase of the gold mines' "special contribution" from $16 \%$ to $20 \%\left(£_{\mathrm{I}} \cdot 6 \mathrm{Mn}\right.$.) ; increased duties on cut tobacco and petrol ( $£_{\mathrm{I}} \cdot 6 \mathrm{Mn}$.) ; a surcharge on income tax ( $£ 0.9 \mathrm{Mn}$.) ; a special flat-rate tax on individuals ( $£ 0.6 \mathrm{Mn}$.) ; a Land Sales Profit Tax ( $£ 0.4 \mathrm{Mn}$.); and additional estate duty.

[^11]The Trade Profits Special Levy is an offshoot of the Excess Profits Duty. The E.P.D. may be roughly described as a $13 / 4$ (formerly 10/-) in the $£$ tax on the increase in profits beyond a standard level. For new concerns, the standard is a statutory percentage- $8 \%$ for new companies; old companies have the option of choosing a pre-war standard based on past profits. In deference to criticism which pointed to the advantage enjoyed by a company with a high pre-war standard, it was decided this year, instead of increasing the E.P.D. rate further, to raise further revenue by imposing the Trade Profits Special Levy upon the difference between the amount of the assessed profit for Excess Profits Duty and the amount that would be the assessed profit if the statutory percentage, instead of the pre-war standard, were used in the calculation. The rate to be levied on this difference rises to a maximum of $6 / 8$ in the $£$, to be paid by concerns with profits at or above the pre-war standard level. The T.P.S.L., as well as the E.P.D., is to be a deduction from income before assessment for income tax and super tax. (This description omits mention of a number of complications.)

A further contribution will be required from the surcharge and flat rate taxpayers by way of compulsory saving. In the coming financial year they will be required to pay amounts equivalent to the amounts demanded of them under the $10 \%$ surcharge on normal tax payments and the flat rate taxes, except that married men with incomes between $£ 250$ and $£ 300$ will pay $£^{2}$ each. Special Union Loan Certificates (or stock certificates for income taxpayers required to save over $£ 20$ ) will be issued, repayable in six years and carrying interest at $3 \%$. The holders of the special Union Loan Certificates will, however, be permitted to cash them at a discount-for 18/in the $£$ in the first year, 19/- in the second, $20 /-$ in the third, and thereafter with interest.

The net expenditure on 1941-2 loan account had also been overestimated. Unexpectedly high receipts, including diamond revenue and repayments of capital sums advanced to farmers, reduced the sum required to be borrowed to about $£ 44.3 \mathrm{Mn}$., which had been covered by the October flotations and the issues to the Public Debt Commissioners. For 1942-3, loan
account expenditure (including the other $£ 40 \mathrm{Mn}$. for defence) was estimated at $£ 51 \cdot 5 \mathrm{Mn}$., and loan account revenue at $£ 7.9 \mathrm{Mn}$., leaving approximately $£ 43.5 \mathrm{Mn}$. to be found by borrowing.* According to present estimates, the total public debt (internal and external) which at March 31st, 1939, was $£ 278.9 \mathrm{Mn}$. (less sinking fund $£ 7.9 \mathrm{Mn}$.), will, by March 3Ist, 1942, be $£ 374 \cdot 7 \mathrm{Mn}$. (less sinking fund $£ 9.4 \mathrm{Mn}$.). The internal debt, which at March 3Ist, 1939, was $£_{177} \cdot 8 \mathrm{Mn}$., will be $£ 314 \mathrm{Mn}$., including some $£ 34 \mathrm{Mn}$. Treasury Bills.

In the course of his budget speech, the Minister disclosed certain figures relating to the Union's external trade. Imports of merchandise excluding Government stores in 194I were about $£ 100 \mathrm{Mn}$. (compared with $£ 85 \mathrm{Mn}$. in 1939 and $£ 96 \mathrm{Mn}$. in 1940). The United States, sending $£ 38 \mathrm{Mn}$. (compared with $£ 30 \mathrm{Mn}$. from the United Kingdom), had become the principal supplier. Exports $\dagger$ other than gold and wool were $£ 3 \mathrm{IMn}$. (compared with $£ 24 \mathrm{Mn}$. in 1939 and $£ 28 \mathrm{Mn}$. in 1940).

The Railways and Harbours Budget (presented on the following day) and the Minister's commentary upon it, provided confirmatory evidence of booming internal industry and trade. 1941-2 revenue having risen far beyond the budgeted amount, it was now expected that the year's working would provide a surplus 0 , $£ 6 \cdot 3 \mathrm{Mn}$. to be devoted to reduction of capitalf and to rates equalisation, renewals and other funds. Of the estimated revenue of $£ 48 \cdot$ I Mn ., only about $£ 2.5 \mathrm{Mn}$. accrued from the Defence Department. The shipping of coal, the increased requirements of local industries, exports of manganese, chrome ore and iron ore, greatly increased trade with the Rhodesias, and increased tourist traffic were specially mentioned as important factors in the traffic increases. 1941 figures of passengers carried, tonnage of goods traffic, and train and engine miles were the highest in the history of the railways. Gross ton mileage was now double that of ten years ago.

[^12]
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# LONDON $\mathfrak{E}$ CAMBRIDGE ECONOMIC SERVICE 

VOL. XX.

## TABLE OF CONTENTS



## UNITED KINGDOM. THE ECONOMIC POSITION.

fuly 27th, 1942.

DURING the second quarter of the year total Government expenditure, inclusive of interest payments, has continued at approximately the same rate as during the first quarter, with expenditure on the supply services rather lower. The average weekly deficit has increased by about $£ 24 \mathrm{Mn}$., but this only reflects the normal falling off of tax receipts from the high levels of the last quarter of the financial year. Less satisfactory is the decline in the volume of savings placed directly at the disposal of the Government, as shown in the weekly figures for " large" and "small" savings. The effect of these changes on the size of the floating debt has been masked by the funding of Canadian and Savings Bank short-term loans; but despite substantial help which may be presumed to have been received from the investment of official funds, it was necessary to extend bank


As at the end of the preceding quarter, bank deposits show an increase of about $1 \mathrm{I} \%$ over the position twelve months earlier, but they are still lower than at the end of December. The note circulation has continued its steady expansion, and is now $25 \%$ higher than a year ago.

Wholesale prices are for many commodities stabilised, but the general index has continued to rise slowly, about $2 \%$ during the past six months, till it stood in June at $63 \%$ above the pre-war level. The cost-of-living index, on the other hand, has only moved up or down less than I\%
during the past twelve months, and on July ist was only $28 \%$ above the level of three years before. This stationariness is made possible by subsidies, which neutralise even the increase in tobacco and alcohol duties.

With the considerable increase in coal-miners' wages in June, the wage-index, which measures the general change without any allowance for change of occupation or overtime, has caught up the movement of the cost-of-living index measured from August, 1939. The additions have varied greatly among industries; and partly for this reason there are numerous demands for further increases where the rise has been small, and in the absence of any definite policy of stabilisation no doubt demands will continue. Recent awards have been partly based on the principle of setting an adequate minimum, partly on flat rate increases to all grades which, while giving an unnecessary bonus to well-paid workers, disturb the traditional ratio between wage-rates for different occupations. A Report on earnings, as distinct from rates, shows that in the principal industries earnings had increased twice as fast as rates from 1938 up to January this year ; but, as with rates, there is great variety between industries, so that one quarter of the 95 industries included had increased less than $29 \%$, one quarter more than $42 \%$. Since earnings in the larger industries had increased most, the increase for all persons employed averaged more, namely, nearly $50 \%$; part of this increase is due to transference to the better-paid industries.

## EVENTS OF ECONOMIC IMPORTANCE.



# FINANCE \& BANKING IN THE SECOND QUARTER OF 1942. <br> By P. B. Whale. 

Government Finance. - Total ordinary expenditure during the quarter was approximately the same as during the preceding quarter, with a weekly average just under $£_{1}$ Ioo Mn. Expenditure on the Supply Services averaged $£ 92 \mathrm{Mn}$. weekly, as against $£ 96 \mathrm{Mn}$. With the decline in revenue to be expected in the new financial year, the average weekly deficit increased from $£ 33 \mathrm{Mn}$. to $£ 57 \mathrm{Mn}$., and would have been $£ 7 \frac{1}{2} \mathrm{Mn}$. higher but for the inclusion of $£ 98 \mathrm{Mn}$., part of the $\mathrm{I}, 000 \mathrm{Mn}$. dollar gift of the Canadian Government. In comparison with the corresponding quarter of last year, the revenue figures show an increase of $74 \%$, and represent $21 \%$ of the estimate for the fiscal year, as against $18 \%$.
GOVERNMENT REVENUE AND

Revenue. \begin{tabular}{c}
EXPENDITURE <br>
Expenditure. <br>
Supply

 (£Mn.) 

(£.) <br>
Deficit
\end{tabular}

The total deficit, or surplus of ordinary expenditure over ordinary revenue, for the quarter was $£ 740 \cdot 7 \mathrm{Mn}$., and the amount to be found by borrowing was raised to $£ 743.4 \mathrm{Mn}$. by sinking fund payments and an excess of miscellaneous issues.
GOVERNMENT BORROWING. SECOND QUARTER, 1942.

|  | (£Mn.) |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| 1 | $\begin{gathered} \text { April } \\ \text { (25days) } \end{gathered}$ | $\begin{gathered} \text { May } \\ \text { (35days) } \end{gathered}$ | $\begin{gathered} \text { June } \\ \text { (31 days) } \end{gathered}$ | Total for Quarter |
| Nat. Savings Certificates | 19.5 | 12.0 | 16.4 | 47.8 |
| 3\% Defence Bonds ... | 11.9 | $17 \cdot 5$ | $3 \cdot 3$ | 8 |
| $3 \%$ Savings Bonds | 29.6 | 36.2 | 29.1 | .9 |
| $2 \frac{1}{2} \%$ Nat. War Bonds ... | $15 \cdot 3$ | 21.8 | 25.8 | $62 \cdot 8$ |
| Other Debt ... ... | 0.2 | $22 \cdot 3$ | 158.5 | 181.0 |
| term debt ... | $76 \cdot 4$ | 109•8 | 233.0 | 417.0* |
| Tax Reserve Certificates | $+18.6$ | $+371$ | + 34.5 | + 90.3 |
| Treasury Deposits | - 9.5 | + 31.5 | + 73.0 | + 95.0 |
| Treasury Bills ... ... | + 56.9 | +103.0 | $-142.1$ | +17.9 |
| W.\& M.Adv. Govt. Depts. | + 56.5 | + 3.1 | $(+27 \cdot 3)$ | + 86.9 ) |
| tal sho | $+139 \cdot 6$ | $+1578$ | 29.0 | +326.4 |
| Total | $216 \cdot 1$ | 267.5 | 262.0 | $743 \cdot 4$ |

[^13]In this table the transaction by which $£_{121} \cdot 7 \mathrm{Mn}$. Funding Loan was issued in June
in cancellation of shorter-term loans of savings bank funds has been ignored: the Funding Loan is not included in the longer-term borrowings, and Departmental Ways and Means Advances for that month have been corrected to show an increase of $£ 27 \mathrm{Mn}$. in place of a decrease of $£ 94 \mathrm{Mn}$. in the official figures. During the quarter the addition to savings bank deposits amounted to $£ .57 .5 \mathrm{Mn}$. This amount may be added to the sum of the first four items in the table to give $£ 296 \mathrm{Mn}$. as the total of "Large" and "Small Savings." This is less than half the total of the same items in the preceding quarter, when the "Warships Week" campaign was in full swing and about $£_{1} 130 \mathrm{Mn}$. was made available by the repayment of Canadian and Indian securities. The increase in Other Debt is largely accounted for ( $£ 157.3 \mathrm{Mn}$.) by the conversion of Canadian sterling balances into an interest-free loan.

Floating Debt.-Tax Reserve Certificates increased by a further $£ 90 \mathrm{Mn}$. and Treasury Deposits, resuming their increase after April, rose by $£ 95 \mathrm{Mn}$. Departmenta Ways and Means Advances, corrected as explained above, increased by $£ 30 \mathrm{Mn}$. more than the current increase in savings bank deposits. 'Tap' Treasury bills may be presumed to have been reduced $£ 157.3 \mathrm{Mn}$. by the funding of Canadian balances referred to above. The end-of-theweek figures for 'tender' bills show an increase of $£, 70 \mathrm{Mn}$. during the quarter ; but separate 'tap' and 'tender' figures are not available for the terminal dates. With $£ 36 \mathrm{Mn}$. Bank of England Ways and Means to assist 'window dressing' at the end of this quarter, and the possibility that the opposite course of taking up new bills a few days before the maturity of the old was adopted at the end of the previous quarter, the volume of 'tender' bills may not have changed much as between March 3Ist and June 30th. In this case the disappearance of the Canadian-owned bills would be balanced, or more than balanced, by issues through the 'tap' to other holders. The increase in the fiduciary issue in April might account for $£ 50 \mathrm{Mn}$.

Bank of England.-The increase in the note circulation, though not as rapid as during the last part of 1941, has been considerably greater than that of the preceding quarter, and the rate of increase has continued to rise in July. In the three months since the April increase in the
fiduciary issue, $£ 45 \mathrm{Mn}$. out of the $£ 50 \mathrm{Mn}$. have been absorbed, so that a further extension of the limit is to be expected very soon.

The increase in the note circulation has been compensated for the most part by an increase in assets in the form of Government securities, for a smaller part by a lower level of deposit liabilities. During the quarter there has been less call for special assistance to the market than during the previous quarter ; but extensive help was given at the end of the half-year.

Clearing Banks.-Eliminating as far as possible "balances with other banks" and "items in transit" from the total of deposits, the following table shows the Net Deposits of nine clearing banks (omitting the District and National).


The increase of $£_{173} \mathrm{Mn}$. over the quarter still leaves Net Deposits below the level reached
at the end of last December. Despite the introduction of the Tax Reserve Certificates, however, the rate of increase during the last quarter was slightly higher than that of the corresponding quarter of last year, which in turn was considered rather more than could be explained by seasonal influences. During June the increase has been more rapid than during the earlier months.

Amongst the assets of these banks the most marked increase was in bills ( $£ 117 \mathrm{Mn}$.) followed by Treasury Deposits ( $£ 69.5 \mathrm{Mn}$.). Advances decreased once more (by $£ 36 \mathrm{Mn}$.). The ratio of liquid assets to deposits was again raised above $40 \%$ at the end of June.

Security Prices.-The security indices reflect the fortunes of war in an interesting manner. They register both confidence in the ultimate outcome of the war, and at the same time the varying chances of its duration. A setback in the campaign tends to weaken industrials and strengthen gilt-edged, the former because the return of peace-time activities seems to be further postponed, the latter because the flow of investment is increasingly restricted to and concentrated upon. Government stock. The security movement from June to July, covering the setbacks in Libya and Russia, are an example of this dual effect of adverse war news.

## PRICES, WAGES AND EMPLOYMENT, Etc.

By A. L. Bowley.

WHOLESALE PRICES. - The general index of wholesale prices continued till May its rather slow rate of increase, which has averaged about $\frac{1}{2} \%$ monthly since the end of 1940. Recent changes have been confined to the food group. Cereals, especially barley, had risen considerably till May, but in June there was a reduction, owing to a fall in the price of barley which had been very high. Owing to the increased tobacco duty, the other food and tobacco index rose from March to May. Among materials most of the prices have been stabilised for several months.

| BOARD OF IRADE TOTAL | INDEX |  |  |
| :---: | :---: | :---: | :---: |
| August, 1939... | $\ldots$ | $\ldots$ | 100 |
| December, 1939 | $\ldots$ | $\ldots$ | 125 |
| December, 1940 | $\ldots$ | $\ldots$ | 151 |
| December, 1941 | $\ldots$ | $\ldots$ | 159 |
| March, 1942 $\ldots$ | $\ldots$ | $\ldots$ | 162 |
| June, 1942 | $\ldots$ | $\ldots$ | $\ldots$ |


| CHANGES | IN PRINCIPAL GROUPS. |  |  |  | 1942 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1939 | 1941 | 1941 | 1942 |  |
|  | Aug. | Aug. | Dec. | Mar. | June |
| Cereals | 100 | 180 | 200 | 240 | 232 |
| Meat, fish, eggs | 100 | 138 | 138 | 138 | 138 |
| Other food and tobacco | 100 | 167 | 167 | 165 | 176 |
| Total, Food, \&c. | 100 | 161 | 1.66 | 175 | 178 |


| Coal | 100 | 138 | 139 | 139 | 139 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Iron and Steel | 100 | 141 | 141 | 142 | 142 |
| Non-ferrous metals... | 100 | 123 | 123 | 125 | 125 |
| Cotton | 100 | 172 | 175 | 177 | 176 |
| Wool | 100 | 166 | 168 | 168 | 168 |
| Other textiles | 100 | 167 | 171 | 171 | 172 |
| Chemicals and Oils... | 100 | 138 | 139 | 144 | 145 |
| Miscellaneous | 100 | 177 | 180 | 177 | 178 |
| Total, Materials, \&c. | 100 | 153 | 155 | 155 | 156 |
| Grand total | 100 | 156 | 159 | 162 | 163 |

RETAIL PRICES. - The only changes since the end of February in the food items included in the Cost-of-Living Index are reductions in the price of milk and eggs, which bring the food index down $2 \%$, and in spite of increases in the prices of clothing, tobacco, etc., the whole index down $\mathrm{I} \%$. Since in the basis of the index Io eggs weekly per family is assumed, the reduction is illusory ; eggs are now in fact given a weight of $3.4 \%$ in the whole construction of the Cost-of-Living Index. Figures for a year ago are given for showing the change uninfluenced by the season. It is seen that many reductions have been made in food prices, partly to compensate for the rise in flour. By
means of subsidies the index has hardly changed for 15 months. But the application of the index is limited because of the exclusion of fruit and vegetables, apart from the other changes necessitated by war conditions.

If taxes on sugar, tobacco, etc., and the purchase tax are subtracted, the index for May 3Ist, 1941, would show a rise of $24 \%$ instead of $29 \%$ over September, 1939, and to $21 \%$ instead of $28 \%$ on June Ist, 1942. The subsidies are, therefore, given to a perceptible extent in relief of taxation, a somewhat paradoxical proceeding.

COST-OF-LIVING INDEX-NUMBER.
INCREASE OR DECREASE \% SINCE 1st SEPT., 1939.

|  |  | $\begin{gathered} 1941 \\ \text { May 31st } \end{gathered}$ | $\begin{aligned} & 1942 \\ & \text { Feb. } 28 \text { th } \end{aligned}$ | $\begin{aligned} & 1942 \\ & \text { June 1st } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Beef, British | ... | 17 | 18 | 18 |
| ," Imported | ... |  | 30 | 30 |
| Mutton, British | ... | 11 | 11 | 11 |
| ") Imported | ... | 9 | 9 | 9 |
| Bacon Fish | $\ldots$ | 96 | 42 | 42 |
| Flour | $\ldots$ | -1 | 15 | 14 |
| Bread | ... | 3 | -3 | -3 |
| Tea | ... | 7 | 7 | 7 |
| Sugar (Gran.) | $\ldots$ | 33 | -1 | -1 |
| Milk | ... | 25 | 32 | 24 |
| Butter | $\ldots$ | 20 | 20 | 20 |
| Margarine ... | ... | 29 | 30 | 30 |
| Cheese |  | 12 | 12 | 12 |
| Eggs | ... | 44 | 27 | 1 |
| Potatoes | ... | 46 | 29 | 29 |
| All Food | ... | 24 | 17 | 15 |
| Rent |  | 1 | 1 | 5 |
| Clothing ... | ... | 77 | 91 | 95 |
| Fuel -.. | $\ldots$ | 24 | 26 | 26 |
| Miscellaneous | ... | 27 | 31 | 47 |
| All items ... | $\ldots$ | 29 | 29 | 28 |

WAGES AND EARNINGS.-Apart from the increase in coalminers' wages discussed below, there have been only minor changes since April of this year.

CHANGES IN WAGE RATES

| Bricklayers ... ... | , as perce | Local Authorities |  |
| :---: | :---: | :---: | :---: |
| Brich Labourers | .... 123 | Trams | 124 |
| Printers: |  | Lorry Drivers | 119 |
| Compositors ... | 113 | Boots | 121 |
| Dock Labourers | 115 | Confectionery | 135 |
| Engineers: |  | Tailoring | ... 123 |
| Fitters... | .. 120 | Shirts ..., | ... 137 |
| Labourers | 126 | Tobacco ... | 123 |
| Shipbuilders | 129 | Coal | 158 |
| Railwaymen | ... 121 | Agriculture | 173 |
| Cotton | ... 135 |  |  |
| Wool | ... 138 | We |  |

A comparison with the crude Cost of Living Index may be set out as follows :-

| INDEX |  |  |  |
| :--- | :---: | :---: | :---: | | NUMBERS. |
| :--- |
| Wage Rates |$\quad$ Cost of Living

Thus with the increase of coalminers' wages, the wage-rate index has caught up with the Cost of Living Index.

Before discussing the new report on average earnings, it is convenient to deal with three principal industries which are not included in that report, viz., coal, agriculture and railways. These together account for $25 \%$ of the original weights assigned to industries. Since August, 1938, they show an increase of about $38 \%$ to January, 1942, while the wage-rates in the industries included in the earnings report give in the aggregate an increase of about $24 \%$ in the same period.

Coal.-Average cash earnings per shift of all workers in the second quarter of 1939 were stated in the Ministry of Labour Gazette to be II.5s. For the third and fourth quarters of 1941 Mr . Grenfell named 15.5 s . and 15.7 s . (House of Commons, April 28th, 1942). Of this increase, $4 \cdot 2 \mathrm{~s}$. flat rate increments account for about 3.3 s ., leaving nearly is. for the effect of changes in pricerates or other causes. In fact, changes in pricerates (on which our index-number has been based during the two or three years during which average earnings were not stated) suggest an increase of only 2 d . per shift, so that we may infer the existence of other changes in the industry.

There were reductions in rates in July and August, 1939, and the average earnings per shift immediately before the war were probably iIs. Since there was no change of importance in the first five months of 1942, the increase in earnings from August, 1939, to May, 1942, was from IIs. to 15.7 s ., that is, 4.7 s . or $43 \%$.* The recent award of an additional $2 / 6$ per shift for adults, with a minimum of 83 s . weekly underground, 78 s . on the surface, will presumably increase earnings per shift to about 18.2s., that is, about $65 \%$ above earnings immediately before the war, or about $58 \%$ above the second quarter of 1939. When more complete information is available about the effect of the recent addition, these figures may be slightly modified, and in any case, slight adjustments have been necessary in our general index-number of wage-rates.

These statistics suggest that coal miners in the aggregate had benefited by increased rates, before the recent increase, by a larger percentage than any of the other industries, except Agriculture, shown in the table above. The recent increase was presumably granted, because facilities for earning on overtime in munition industries made them attractive, or because

[^14]earnings in mines prior to the war were considered inadequate. It should be added that the average for miners, and for all the industries in the general statements of earnings discussed here, include in varying proportions wages for highly-skilled and for unskilled work.

Agriculture. - It will be remembered that the minimum for ordinary agricultural labourers was raised to 48 s . in July, 1940 (having averaged 34 s .9 d . before the war), and to 60 s . in December, 194I (having averaged 57s. od. in November, 194I.) Since December there has been no significant change. As in the case of miners, this large relative increase was necessary, or was justified, on the two grounds that wages before the war were unduly low, and that labour was depleted by the greater monetary attraction of other industries.

Railways.-During the war four flat rate additions have been granted (4s. in January, 1940, 3s. in June, 1941, 4s. in January, 1942, and 4 s . for some $90 \%$ of men in March, 1942). The fixing of higher minimum rates has been of minor importance. Average earnings before the war were rather less than 70s., and the increments named are equivalent to about $2 \mathrm{I} \%$ on these earnings. No doubt overtime has, in fact, increased earnings beyond what these figures indicate.

Earnings in Principal Industries, Jan. 1942
In the Ministry of Labour Gazette, June, 1942, an account is given of earnings in the principal industries in January, 1942, on precisely the same lines as in the previous reports for July, 1941, and July, 1940 (see Bulletin, January, 1942, p. 7).

The general averages shown for men are lower than would be normal, owing to the interruption of work in building and some other outdoor industries caused by severe weather in January. Thus, for the building and contracting industries average earnings for men were 84 s . 2 d . for the last week in January, while in July, 194I, they were 97s. Id. During these six months there had been no change in wage-rates. If we assume that earnings in these industries would in normal weather have been the same as in July (though in any case overtime would have been reduced by earlier darkness), we find that the increase in earnings for men, youths, women and girls was in each case $6 \%$ or $7 \%$, while wage-rates rose about $3 \frac{1}{2} \%$.

When a similar comparison is made with 1938, it is found that earnings of all employed in the aggregate of the industries included increase $50 \%$ ( $47 \%$ if builders' earnings are
included as actually returned), while the wage index for the same group rose about $24 \%$. The difference between these results is due partly to overtime and the increase of payment by price instead of time, partly to the relative increase in numbers in the higher-paid occupations. If the relative numbers in each industry had been the same as in 1938 and average earnings as recorded, the following figures are obtained (taking builders' earnings as recorded ${ }^{\star}$ ) :-

PERCENTAGE INCREASE IN EARNINGS.

| October, 1938 |  |  |  |
| :--- | :---: | :---: | :---: |
| to January, 1942. |  |  |  |
| Unchanged |  |  |  |
| Numbers |  |  |  |$\quad$| Actual |
| :---: |
| Numbers. |

For all persons it appears that of the excess of average earnings over rates, about seventenths is attributable to increased overtime, etc., in unchanged occupations, and about three-tenths to the growth of the better-paid industries.

The shifting to better-paid work is more pronounced for women than for men. On the other hand, in unchanged occupations earnings of men have increased more rapidly than those of women who work less overtime.

The average weekly earnings at the four dates were:-

|  | Men | Youths under 21 yrs. | Women | $\begin{gathered} \text { Girls } \\ \text { under } 18 \text { yrs. } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| October, 1938 | 69.0 s . | 26.1 s . | 32.5 s . | 18.6 s . |
| July, 1940 | $89 \cdot 0$ | $35 \cdot 1$ | 38.9 | $22 \cdot 3$ |
| July, 1941 | 99.4 | $41 \cdot 9$ | $43 \cdot 9$ | $25^{\circ}$ |
| January, 1942 | $102 \cdot 0$ | 42.5 | $47 \cdot 5$ | 26.8 |
| ,, raised | $103 \cdot 5$ | 43.0 | - | - |

for builders, etc.
These figures do not suggest any extravagant payments for boys or girls. In the detail of 95 industries the highest averages for boys is 57 s .2 d . in non-ferrous metal manufacture, 5 Is .4 d . for aircraft and 50s. 3d. at blast furnaces, and in July, 1942, the averages were 63 s . Id. in contracting, 48 s .4 d . in building. For girls the highest average is in Government industrial establishments, 36s. 2d. For women the highest averages are 62 s .7 d . on trams or buses, 6Is. IOs. in Government industry, 6Is. Iod. for aircraft, etc. But in the majority of industries the earnings are not far from the general average.

There is great variety in the percentage increases since 1938.

| PER | IN 95 INDUSTRIES |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
| Quartile | 31 | 36 | 26 | 33 | 29 |
| Median | 38 | 49 | 35 | 44 | 34 |
| Quartile | 47 | 62 | 48 | 52 | 42 |

* Figures in brackets are rather hypothetical corrections for builders' earnings.

For men the smallest percentages are in printing 13, tailoring 16 or 17, tobacco 17 . For youths in tobacco 5, chocolate, etc., 13. For women tailoring 4 , dyeing and cleaning 17 . For girls tailoring 15 , drink industries 18 .

Thus, it appears that in several industries both wage-rates and earnings have not kept pace with the increase in the cost of living ; in the central majority, moderate overtime has resulted in increases round about $40 \%$; while in some of the munitions industries working under high pressure with much overtime increases are mainly $55 \%$ to $65 \%$.

It has already been indicated that, on the whole, earnings continued to gain on wage-rates from July, I94I, to January, 1942, while the cost of living was stationary ; but in fact food may have become more expensive in the winter in commodities not included in the index. We have no record of the relation of earnings to wages since January.

UNEMPLOYMENT.-There has been a reduction in the numbers registered at the Labour Exchanges each month this year till on June 25th the total was 132,000, of whom 26,000 were classified as unfit for ordinary or
full-time employment. The number temporarily stopped (included above) was halved from March till June, and at 3,670 persons must be near the minimum possible. As usual, at the end of term there was an increase in the numbers of boys and girls registered in April, but the June figures are lower than those for March. Details are given in the table on page 61 .

RETAIL SALES.-From the table below it will be seen that the sales of food have been -maintained at a level higher than in 1941, though the retail prices included in the Cost-ofLiving Index had hardly changed. There was a considerable increase in purchases of apparel at Easter, as last year, but a reduction in May this year brought down the average for the quarter. For household goods there was also a fall in May.


## WHOLESALE PRICES. COMPARATIVE INDEX NUMBERS FOR 5 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. The figures for 12 countries in the table on p. 58, which are derived from the League of Nations monthly bulletin, are affected by differences of content and method of calculation.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{gathered} \text { Base } \\ 1913 \\ =100 \\ \hline \text { Year } \\ 1925 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1941 |  |  |  |  |  |  | 1942 |  |  |  |  |  |  |
|  | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June |  |
| FOOD- ${ }^{\text {d }}$, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| United K'gdom $\ddagger$ U.S.A. | 83 75 | 85 75 | 86 78 | 86 83 | 87 79 | 87 81 | 90 88 | 92 93 | 99 93 | 108 92 | 106 94 | 107 94 | 105 | 159 151 |
| Canada .......... | 80 | 82 | 85 | 85 | 83 | 81 | 82 | 85 | 85 | 85 | 86 |  |  | 158 |
| New Zealand.. | 101 | 102 | 103 | 105 | 106 | 106 | 105 | 108 | - | 107 |  |  | . | 158 |
| S. Africa ...... | 95 | 97 | 99 | 101 | 104 | 107 | 107 | 109 | 109 | 109 |  |  |  | 122 |
| MATERIALS- ${ }_{\text {M }}$ | 112 | 112 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 114 | 114 | 157 |
| U.S.A. ......... | 79 | 82 | 83 | 83 | 83 | 83 | 84 | 86 | 86 | 87 | 87 | 88 |  | 175 |
| Canada ........ | 82 | 84 | 85 | 86 | 86 | 83 | 86 | 86 | 87 | 87 | 87 |  |  | 170 |
| New Zealand.. | 108 | 109 | 109 | 109 | 109 | 110 | 110 | 110 | - | 110 |  |  |  | 165 |
| S. Africa ...... | 108 | 111 | 113 | 116 | 117 | 118 | 118 | 118 | 119 | 119 | 4 |  |  | 161 |
| TOTAL- |  |  |  | 102 | 103 | 103 | 104 | 105 | 107 | 111 | 110 | 111 | 110 | 158 |
| United Kingdom | 100 | 101 79 | 102 80 | 102 83 | 103 81 | 103 82 | 104 86 | 105 89 | 107 | 89 | 110 90 | 111 90 | 110 | 165 |
| Canada .......... | 81 | 83 | 85 | 86 | 85 | 84 | 84 | 86 | 86 | 86 | 87 |  |  | 164 |
| New Zealand.. | 105 | 106 | 107 | 107 | 108 | 108 | 108 | 109 | 115 | 109 |  |  |  | 162 |
| S. Africa ...... | 103 | 105 | 107 | 110 | 112 | 114 | 114 | 114 | 115 | 115 |  |  |  | 145 |

[^15]** Excluding Wood and Wood pulp.

INDEX NUMBERS OF PRICES IN 12 COUNTRIES．
As quoted in the Monthly Bulletin of the League of Nations．${ }^{+}$See also table on p． 57 ．

|  |  |  | 啠 | $\begin{aligned} & \text { च } \\ & \text { 亗 } \\ & \text { N } \\ & \text { z } \end{aligned}$ |  | $\begin{aligned} & \text { 㕆 } \\ & \text { En } \\ & \text { 范 } \end{aligned}$ | E． | แ | F | 矿 |  | S |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

I．WHOLESALE，\％OF 1929

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1938 Average | ．．． | 89 | 89 | 82 | 105 | 90 | 109 | 77 | 114 | 99 | 111 | 76 | 82 |
| 1989 Average | $\ldots$ | 90 | 90 | 79 | 108 | 88 | 112 | 78 | 126 | 100 | 115 | 79 | 81 |
| 1940 Average | ．．． | 120 | 98 | 87 | 121 | 98 | 128 | 80 | 142 | 126 | 146 | 101 | 82 |
| 1941－Jan．．．． | $\ldots$ | 131 | 100 | 88 | 129 | 102 | 129 | 81 | 143 | 142 | 162 | 118 | 85 |
| Feb． |  | 131 | 99 | 89 | 130 | 102 | 129 | 81 | 144 | 145 | 165 | 119 | 85 |
| Mar． | ．．． | 132 | 99 | 90 | 130 | 103 | 131 | 81 | 147 | 146 | 169 | 121 | 86 |
| Apr．．．． | $\ldots$ | 132 | 99 | 91 | 131 | 104 | 135 | 82 | 148 | 147 | 170 | 124 | 87 |
| May ．．． | $\ldots$ | 132 | 100 | 93 | 132 | 105 | 138 | 82 | 148 | 147 | 171 | 128 | 89 |
| June ．．． | ．．． | 133 | 100 | 94 | 133 | 105 | 144 | 82 | 151 | 147 | 173 | 131 | 91 |
| July ．．． | ．．． | 134 | 102 | 95 | 135 | 107 | 150 | 82 | 152 | 145 | 173 | 133 | 93 |
| Aug．．．． | $\ldots$ | 134 | 104 | 96 | 134 | 109 | 159 | 82 | 151 | 146 | 174 | 134 | 95 |
| Sept．．．． | $\ldots$ | 135 | 106 | 97 | 135 | 110 | 165 | 82 | 153 | 148 | 175 | 135 | 96 |
| Oct．．．． | ．．． | 135 | 107 | 98 | 136 | 112 | 169 | 82 | 153 | 149 | 176 | 137 | 97 |
| Nov．．．． | ．．． | 136 |  | 98 |  | 114 | 172 | 82 | 155 | 151 | 178 | 140 | 97 |
| Dec． | ．．． | 136 |  | 98 |  | 113＊ | 176 | 82 | 158 | 152 | 179 | 141 | 88 |
| 1942－Jan． | ．．． | 137 |  | 99 |  | 114＊ | 181 | 85 | 160 | 157 | 181 | 143 | 100 |
| Feb．． | $\ldots$ | 138 |  | 99＊ |  |  | 184 | 83 | 160 | 160 | 183 | 145 | $101 *$ |
| Mar．．．． | ．．． | 139 |  |  |  |  | 186 | 83 | 161 |  | 184 | 146 | 102 |
| Apr．．．． | $\ldots$ | 140 141 |  |  |  |  |  | 83 |  |  |  | 147 | $10{ }^{*}$ |
| June ．．． |  | 111 |  |  |  |  |  |  |  |  |  |  |  |

II．RETAIL，COST OF LIVING，\％OF 1929

|  |  |  |  |  |  |  |  |  | （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 |
| 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． | $\ldots$ | 121 |  | 89 | 105 | 100 | 94 | 86 | 144 | 92 | 140 | 102 | 86 |
| Apr． | ．．． | 122 |  | 90 | 106 | 101 | 95 | 86 | 145 | 93 | 141 | 105 | 87 |
| May | $\ldots$ | 122 | ¢ 98 | 91 | 106 | 101 | 96 | 87 | 146 | 92 | 142 | 106 | 87 |
| June ．．． | $\ldots$ | 121 |  | 92 | 106 | 102 | 97 | 87 | － | 93 | 142 | 109 | 88 |
| July ． | ．．． | 121 |  | 93 | 106 | 103 | 99 | 88 | 145 | 95 | 143 | 110 | 89 |
| Aug．． | ．．． | 121 | 99 | 94 | 107 | 102 | 100 | 88 | 145 | 97 | 143 | 110 | 89 |
| Sept．． | ．．． | 122 |  | 95 | 108 | 102 | 100 | 87 | 144 | 99 | 145 | 111 | 91 |
| Oct． | ．．． | 122 |  | 96 | 108 | 103 | 102 | 86 | － | 101 | 145 | 113 | 92 |
| Nov． | $\ldots$ | 123 | 101＊ | 95 | 109＊ | 104 | 104 | 86 | 145 | 104 | 147 | 114 | 93 |
| Dec． | $\ldots$ | 122 |  | 95 | 109＊ | 104＊ | 104 | 86 | 148 | 106 | 148 | 114 | 93 |
| 1942－Jan． | ．．． | 122 |  | 95 | 109＊ | 105＊ | 102 | 87 | 148 | 107 | 149 | 116 | 94 |
| Feb． |  | 122 |  | 95 |  |  | 103 | 88 | 148 | 109 | 150 | 117 | 95 |
| Mar． |  | 121 |  | 95 |  |  | 104 | 88 |  |  | 152 | 117 | $96 *$ |
| Apr．．．． |  | 122 |  | 95 |  |  |  | 89 |  |  | 153 | 119 | 9＇，${ }^{\text {＊}}$ |
| May ．． | ．． | 121 |  |  |  |  |  |  |  |  |  |  | 88＊ |
| June ．．． | ．．． | 122 |  |  |  |  |  |  |  |  |  |  |  |

III．RETAIL，FOOI ONLY，\％OF 1929


[^16]

STOCKS \& SHARES-
NEW CAPITAL IS8UES-
BANK OF ENGLAND-
PRINCIPAL BANK8-

TREABURY BILL8-

MOEEY-

Index Nos, of Prices and Yield as percentage of 1924 level; on 15th of month.
Sensitive Index.-Geometric Mean of monthly Dercentage changes.
(surinding Government loans, etc, - As published by THE MIDLAND BANK, LTD. 1940-41 Six-months' totals.
Deposits. 11th-17th of month
Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November 22nd, 1928 ,
"Current Deposit and other accounts," otc. Before September, 1939, averages for the month of gelearing banks ( e- ercluding the National Bank, Ltd., and the District Bank), afterwards, data for last making up day of the month.
UD 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
Otherwise lasued. 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.


PRICE OF GOLD-
Untll September, 1939, average (London) price per fine oz. for week ending 15th of month.-ECONOMIST.
PRICE OF SILVERAverage (cash) price of bar silver for week ending 15th of month.-ECONOMIST.
BOARD OF TRADE INDEX-Geometrio Mean of Wholesale Prices (averages for month) of 200 commodities as percentage of 1924 average. Based on nev index first published in January, 1935,-BOARD OF TRADE JOURNAL
STATIST (SAUERBECK) 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 1 st of month, but placed against previous month-e.g., reading for March 1st is shown against February-to facilitate comparison with "Statist" index.
RETAIL FOOD PRICES-
WAGE INDEX-

As above; for food only.
For description see Special Memo., No. 28 .

## INTERNAL ACTIVITY.



RETAIL Index of value of sales in Departmental Stores, co-operatives, 1937 for the category to which it relates. Index numbers are derived from the percentage movements of the daily sales for any month as compared whe ( month of the prevlous year. For discussion see Board of Trade Journal, Feb.
POST OFFICE RECEIPTS-UNEMPLOYMENT-

## RECENT MOVEMENTS IN UNITED STATES.

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

GENERAL SURVEY. - The six month since the entry of the United States into the war have brought unprecedented developments in the economy of the country. Total Governmental expenditures in May exceeded $\$ 3,900$ Mn . ; and of this amount, $\$ 3,600 \mathrm{Mn}$. were for military requirements. For the entire fiscal year ending June 30th, 1942, war expenditures are estimated at $\$ 26,000 \mathrm{Mn}$., compared with a total of $\$ 6,300 \mathrm{Mn}$. for national defence in the fiscal year 1941. Official estimates indicate a rise of military expenditures to $\$ 70,000 \mathrm{Mn}$. in the fiscal year ending June 30th, 1943, and an increase in the public debt to $\$ 125,000 \mathrm{Mn}$.

In view of the extraordinary volume of financing necessitated by the war programme, the Treasury has adopted some new methods of issuing and distributing Government obligations.

Policies followed by the Treasury in its borrowing programme are formulated with a view to raising the necessary funds to as large an extent as possible by selling securities to investors other than commercial banks. The purpose of this policy is twofold : first, to divert a portion of the public's growing income from the purchase of commodities and property to helping in the war effort, and, second, to reduce as much as possible the expansion of the already large volume of bank deposits. The active promotion of the sale of non-negotiable savings bonds and of tax notes has been an important part of this programme during the past year. Promotion of sales of marketable and of restricted issues of securities in large amounts to institutional and other large non-banking investors is another aspect of the programme. It is recognised, nevertheless, that a considerable amount of new securities will have to be sold to commercial banks, and an increasing volume of securities of the types best adapted to the requirements of banks of deposit have been issued.*

The war production programme has brought a rapid advance in employment and substantial increases in consumer incomes; consumer expenditures for goods and services have risen considerably at the same time that the supplies of goods available for purchase by consumers either have not expanded, or have been curtailed sharply. The resulting pressure on commodity prices was reflected in steady increases in

[^17]wholesale and retail prices. On April 27th, the President presented to Congress a programme for halting the upward movement of prices in general. This programme included the following points: (I) that personal and corporate earnings must be taxed heavily ; (2) that ceilings must be set on prices, and that maximum rentals must be designated in those areas which have felt the pressure of war industries ; (3) that remuneration received by individuals for their work must be stabilised ; (4) that prices of agricultural commodities must be stabilised ; (5) that all persons must be encouraged to purchase War Bonds with their earnings, instead of using those earnings to buy non-essential commodities; (6) that all essential commodities which are scarce must be rationed ; (7) that credit and instalment buying must be discouraged, while the paying-off of debts, mortgages and other obligations must be encouraged.

On April 28th, the Office of Price Administration, under the powers granted by the Emergency Price Control Act of 1942 (passed by Congress last January), issued the General Maximum Price Regulation to fix ceiling prices on most commodities and services that had not previously been placed under control. The regulation stipulated that, with certain exceptions, wholesale prices on May inth should be set at levels no higher than those existing in March, 1942 ; and that a similar regulation should apply to retail prices, beginning May 18th, and to services beginning July ist. Certain commodities and services that were excepted from the regulation had been specified in the Emergency Price Control Act of 1942 . This group includes some agricultural commodities, books, magazines, newspapers, etc. Other commodities have been excluded because of administrative impracticability, the frequency and small size and character of the transactions involved, or other pertinent factors.

On May 6th, the Board of Governors of the Federal Reserve System announced an amendment to the original regulation governing consumer credit, which had become effective on September ist, 194I. The intent of the amendment, which broadened the scope of the original regulation, was to reduce further the volume of consumer credit outstanding.

In May, the first consumer ration cards ever distributed throughout the entire country were
issued, when purchases of sugar by consumers were brought under Government control. Later, consumer purchases of gasoline were rationed in the eastern section of the country.

BUSINESS VOLUMES.-During the first quarter of the current year, the seasonallyadjusted index of industrial production showed little change from month to month, despite the sharp increases of activity in industries directly connected with the war effort. This flattening out of the advance of production in general, which had been in progress since the middle of 1940, was due to declines in the output of nondurable manufactured goods and of minerals at the same time that the manufacture of durable goods was increasing rapidly. In April and May, the index for non-durable goods production remained the same as in March; that for durable goods continued to advance ; and the mining index rose once more to the level attained at the beginning of the year. The May index for total industrial production, adjusted for seasonal changes, was 176 (\% of 1935-39), compared with 154 in May, 1941, 167 last December, and 171 in the first quarter of this year. Since May, 1940, the index has advanced more than $50 \%$. (See Table, p. 65.)

These all-inclusive indices fail to show the rapid diversion of activity from the output of civilian goods to the production of materials essential for the war effort. The contrast between the two groups is well illustrated by adjusted indices for output of producers' durable goods and of consumers' durable goods, compiled by the Federal Reserve Bank of New York. Throughout 1939 and the first half of 1940, the two indices moved fairly closely together. At mid1940, the index for producers' durable goods began to rise much more rapidly than that for consumers' durable goods, although the latter also moved upward until a peak was reached in June, 1941. In that month, the index for consumers' durable goods attained the level of 115 (normal $=100$ ), and the index for producers' durable goods advanced to 125 . The second half of 1941 marked the beginning of an uninterrupted decline in the consumers' goods index. By May of this year, the index had dropped to 45 ; in the same month, the producers' goods index rose to 168 .

Non-agricultural employment + in April (the latest month for which data are available) was about $7 \%$ greater than in April last year. Close to $50 \%$ of the increase represented a rise in the

[^18]number of manufacturing workers, and about $30 \%$ reflected an advance in the number of Government employees. The only group reporting a decline since last year was wholesale and retail trade. At least part of this decline may be attributed to Government restrictions affecting the sale of automobiles, tyres, clerical appliances, and other commodities. The index of factory pay rolls in April rose to 186.4 (\% of 1923-25), compared with 134.7 in April, 194I. Average hourly earnings in April amounted to $8 \mathrm{I} \cdot 9$ cents, with workers in durable manufacturing industries averaging 91.0 cents per hour, and those in non-durable goods industries, 71.4 cents. The average number of hours worked per week in manufacturing industries was 42.4 , an advance of $6.6 \%$ over April, 1941. The large increases in employment and pay rolls over the past year or two have resulted in an unprecedented rise in total income payments to individuals. Since the middle of 1940, such payments-with allowance made for seasonal changes-have advanced without interruption. In the first four months of this year, total income payments were some $23 \%$ greater than in the first four months of 1941 .

Retail trade has dropped off sharply since January. The Department of Commerce adjusted index of sales at all retail stores in April was 136.9 (\% of 1935-39), compared with the peak figure of 146.7 in January. As indicated in the last report for this Bulletin, the high figure for January represented, to a great extent, buying in anticipation of impending shortages of supplies and of price advances. That the decline of total retail sales continued into May is indicated by the seasonally-corrected index for department store sales, which was $9 \%$ lower than in April. The downward movement reflects in part reaction from the high level of buying at the beginning of the year, and in part the unavailability of certain commodities due to Government restrictions. Seasonally-adjusted loadings of freight in May were higher than in the first quarter of the year, chiefly because of substantial increases in loadings of coal, coke and iron ore.

The value of construction contracts awarded in the first five months was $26 \%$ greater than in the corresponding period of 194I. That the increase has been due to intensification of the war construction programme is evidenced by a comparison of the figures for publicly-owned and privately-owned construction. Public contracts in the five-month period were more than double those a year earlier, while private contracts declined about $40 \%$. All classes of construction have shared in the gains this year,


[^19]EMPLOYMENT, INTERNAL ACTIVITY, TRADE.

with non-residential building showing the greatest increase ( $40 \%$ ), and residential building the smallest ( $9 \%$ ).

COMMODITY PRICES.-By April, 1942, the "all commodities" index of the Bureau of Labor Statistics had risen to 98.7 (\% of 1926), the highest figure since October, 1926. Although prices had begun to increase in September, 1940, the greater part of the advance to the April, 1942, level had occurred after February, 1941. During the 14-month period from February, 1941, through April, 1942, prices of farm products rose $49 \%$; prices of foods, $34 \%$; and prices of industrial commodities, $13 \%$. The relatively modest increase in prices of industrial commodities reflected the Government's policy of selective price control, which was aimed at stabilising the prices of commodities basic to the rearmament effort. By the end of March, 112 formal price control schedules had been issued.

On May IIth, the maximum price regulation, which stipulated that prices should not rise above the highest levels reached in March, 1942, became effective for wholesale prices. Although prices of the major agricultural products, and a large percentage of food products, are not subject to the maximum price regulation, the indices of the prices of farm products and foods have shown only narrow fluctuations since the first week of May. The index for industrial products has remained unchanged since the week that the price regulation became effective.

The cost of living index of the Bureau of Labor Statistics by the middle of May had risen to 116.0 (\% of 1935-39), an increase of $15 \%$ since early 1941. (See Table, p. 64.) Maximum retail prices for commodities became effective May 18th. The ceiling prices, like wholesale prices for commodities, were set at the highest levels of March, 1942 ; and retail prices for about $60 \%$ of the foods and about $75 \%$ of other goods and services are reported to be covered by the regulation. On June 2nd, the B.L.S. index of the cost of living declined a little from the figure of mid-May, the first decrease since November, 1940. The index for food prices, and that for prices of fuel, electricity and ice, rose above the levels of May 15th, while the indices for clothing, rents and house-furnishings declined. All prices of clothing and of house-furnishings are subject to control under the maximum price regulation, and rents in certain areas have been lowered by the regulation.

MONEY AND CREDIT.-Large purchases of Government securities of reporting member banks in the first half of 1942 were reflected in the increase of $\$_{1,500} \mathrm{Mn}$. in the banks' total
earning assets. On June 24th, holdings of Government obligations amounted to $\$ 17,400$ Mn., compared with $\$ 15,000 \mathrm{Mn}$. on December 3ist. Purchases of Treasury bonds in this period increased by $\$ 1,700$ Mn., bills and certificates by $\$ 1,200 \mathrm{Mn}$., and notes by $\$ 300$ Mn., while holdings of Government-guaranteed obligations declined. This decrease in Govern-ment-guaranteed securities reflects the retirement of maturing issues and of issues that had been called for payment, in accordance with the Treasury's plans for refinancing guaranteed debt, which were announced last year. $\ddagger$

Total loans of reporting member banks have shown a net decline between December 3Ist and June 24th. The rapid increase that had occurred throughout I94I and in the early months of 1942 came to a halt at the middle of March, when loans amounted to $\$_{11}, 400 \mathrm{Mn}$. The decline since then has been chiefly in commercial, industrial and agricultural loans, although "other loans," which include consumer instalment loans, also have fallen sharply. Security loans, which had decreased considerably in the first quarter of the year, have fluctuated narrowly during the past three months. Adjusted demand deposits on June 24 th amounted to $\$ 25,900 \mathrm{Mn}$. As the volume of bank deposits has increased, thus causing a rise in required reserve balances, and as the volume of circulating currency has become larger, excess reserves of member banks have declined. On June 24th, such reserves were estimated to be $\$ 2,600 \mathrm{Mn}$., compared with \$3,100 Mn. on December 3ist.

## SPECULATION AND FINANCE.-Late

 in April, stock prices were at the lowest level in many years. Subsequently some improvement has appeared ; and as the half-year ends, prices for industrial and utility stocks are a little higher than at the close of the first quarter, but prices of rails remain below quotations at the end of March. Throughout the second quarter, however, price movements continued to be unimportant, and the daily volume of trading was extremely small. Corporate bond prices have pursued a fairly steady course, with little net change occurring from month to month. Government bond prices in the second quarter averaged somewhat above prices in the first three months this year, but lower than in most of 1941.Total security flotations, excluding those of the U.S. Treasury, in the five months JanuaryMay, were below those of the corresponding period of any year since 1938. United States Treasury financing in the five months amounted to approximately $\$_{15,600} \mathrm{Mn}$., with $\$_{10}, 800 \mathrm{Mn}$. representing new indebtedness.

[^20]
§ New base, \% of 1935-9.
Dates of Shries: Cols. $4,5,16-18$, end of month; 1-2, 6-8, averages; 9, beginning of month. Source : Dominion Bureau of Statistics.

Col. I.-"Investors' Index." Index of current market valuation
valuation of shareholders' equity in 95 companies (\% of 1935-39).
" 2.-Weighted index of yield to maturity or call date (whichever gives
" 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 provincial and municipal governments.
" 5.-Includes governmental deposits. Excludes all deposits with provincial, 6-8.-Col 6 comprises 70 items .
9.-Comprises separate sroups for fuel , " furnishing, sundries (including services). Base $1935-9=100 \%$.
" 11 .-Excludes all exports of both monetary and non-monetary gold since
1937 ; includes gold in small quantities only, shipped as dust, quartz
" 12.-CComprises "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 4I 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 department, "variety," and chain stores only, representing chiefly urban sales. Base-1935-9 = $100 \%$. Monthly series commenced January, 1929. Annual estimates from 1923
17.-Includes workers on relief projects.
9.- Establishments with over 15 employees only. Includes part-time workers on same basis as run-time. Excludes farm labourers and civil servants and underweights the service industries.

## SOUTH AFRICA.

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

I 5 th fune, 1942

TTHE returns of the Union's external trade in foodstuffs disclose the following average annual values for 1935-9:-

$a$ Including $£ 0.38 \mathrm{Mn}$. live animals from South-West Africa.
b Including £0 18 Mn . butter and cheese from South-West Africa c Including maize $£ 1.69 \mathrm{Mn}$. and maize meal $£ 0.51 \mathrm{Mn}$. $d$ Including rice $£ 0.48 \mathrm{Mn}$.

It might seem that the Union's population of io Mn. (including 2 Mn . " Europeans ") need not have feared any general food shortage arising out of wartime interruptions of external trade in foodstuffs; and that safety in this respect could have been further secured by a judicious and early relaxation of the special regulations which, for a long time, had enforced or encouraged export. By March of this year, however, the Japanese invasions had cut off or threatened important sources of supply of the Union's tea and rice, and a local drought, as well ${ }^{-}$as having had repercussions upon the supply of meat and dairy produce, had seriously affected the growing maize. Although, two or three years ago, the 15 Mn . bags ${ }^{\star}$ at which the forthcoming maize crop was currently estimated would have been deemed sufficient, it was now regarded as being anything from 4 to 8 Mn . bags below local requirements; and the carry-over from the previous season, after the Maize Board's disposal of the "surplus" to Great Britain, was estimated at only I Mn. bags. These seem to be the most obvious features in the foreground when the Government appointed a Controller of Food Supplies.

A question of concern to the long-period observer is whether the powers given to the Controller of Food Supplies (who, significantly

[^21]enough, is the Minister of Agriculture) will be used to consolidate the agricultural marketing monopolies and to apply their methods in other spheres. The bestowal upon him of powers to determine who shall receive supplies of seed, fertilisers and other farming requisites, and who shall dispose of primary food products, to cut off or limit supplies of products to any area, place (including markets of local authorities) or person, to control cold-storage facilities, and to fix the prices to be paid for primary foodstuffs, appears to furnish the means of checking the expansion of output which is apt to follow and defeat the aim of monopolistic price-fixation, of eliminating by fiat both private traders who buy from farmers and those who sell to the public, and of restricting supplies to particular markets in order to maintain prices there. For these consequences to follow would merely be for an existing policy to be intensified.

Should the Controller yield to the perennial demand for the further suppression of the middleman, and should the distribution of foodstuffs become more erratic and costly in consequence, the search for the elusive "remunerative" average price may bring an intensification of price-raising and "surplus "-dumping (and/or possibly crop restriction by fiat). It is true that the consumer is supposed, for the present, to be safeguarded by a different authority-the Price Controller-but it is unlikely, the political sway of agriculture being what it is, that he will be allowed to exercise power to the end of defeating discriminating practices prescribed or approved by the Controller of Food Supplies.

An outlet for "surpluses" of foodstuffs is perceived in the demand for provisions by passing ships (and it is, of course, possible that the Government has obligations to supply some of these ships with foodstuffs for undisclosed destinations, and that it may have been influenced by these obligations in appointing a Controller of Food Supplies). The Controller of Food Supplies has a specific power to regulate the supply to, or to reserve to himself the sole right to supply, this market, as well as State institutions and the forces. It is understood that the market will be used as an outlet by a special buying

* Average of Jan. 1st and July 1st.
+ Including $£ 1^{\circ} 5 \mathrm{Mn}$. British Treasury Bills.
$\|$ Excl. wool from this date.
© Estimate.
x Excl. Gold from this date. / Excl. Gold Specie from this date. $\dagger \dagger$ Publication suspended. ${ }^{\circ}$ Excl. extraordinary shipments of gold specie, May-July, $£ 2 \% \mathrm{Mn}$.
5 Provisional.
commission appointed to absorb, carry and eventually dispose of " surpluses." Here, too, is a threat to the private trader ; and here, too, is an institution which may come to be relied upon as a safeguard of the farmer's income, but whose efficacy may decline if eventually its market declines relatively to the quantities it is expected to absorb-as the efficacy of pools has failed before.

The Union's imports from the East (which were increasing after 1939-see earlier Bulletins) included a number of important supplies which are now cut off or threatened, and which it may now be difficult to replace, amongst them flax, hemp and jute products (including bags and sacks required for farm products), as well as motor-spirit, fuel and other oils and rubber, and the rice and tea mentioned above. In general, the new interruption to imports involves increased pressure upon the residue, after allowing for the prior claims of their Governments, of the productive capacity (and shipping space) of the U.K. and America, and is doubtless a contributory cause of the recent limitation of import essentiality-certificates to higher priority ratings than before. The supersession of the South African Purchasing Commission in the U.S.A. by a mission consisting solely of Mr. John Martin (a member of the Executive Committee and past President of the Transvaal Chamber of Mines) probably reflects the difficulty of obtaining supplies (particularly steel, apparently), and, possibly, the significance of the gold mining industry in the Union's economy. (The gold mining company reports are referring to a shortage of steel and to arrangements to pool resources.)

The controls of internal trade have been extended. The Director-General of War Supplies has been empowered to order any person he deems capable of doing so, to supply or manufacture goods needed for the efficient prosecution of the war, and to fix prices for the work. The purchase and retreading of tyres for private cars in ordinary personal use, and the use of rubber for many other purposes, has been prohibited. Agricultural machinery and requisites (including bags), machine tools, building materials, corrugated iron, soaps and oils, alcohol and molasses, diamonds, additional non-ferrous metals, glass and industrial chemicals have been added to the list of materials placed under special controllers. The scarcity of goods, official restriction and unofficial rationing of supplies (falling short, for the most part, of official rationing of the final consumer), price control and the plentifulness of money are producing the phenomena that might be expected: retailers complaining of the
volume of custom for the restricted supplies, selling to non-regular customers only small quantities at a time, and some of them closing their doors for more days a week than usual; non-regular customers moving from shop to shop to accumulate small purchases. In one instance a textbook example of the likely results of the control of the price of a commodity in short supply has been enforced by regulation : cash purchasers of tea in quantities over $\frac{1}{4} \mathrm{lb}$. are obliged to buy other goods at the same time! People have complained, through the Press, of finding themselves becoming unwilling hoarders of other goods. Latterly, hoarding has been made a criminal offence.

The last Parliamentary session produced a number of Acts indicative of the trend of industrial policy. Provision was made for the increase of the capital of the South African Iron and Steel Industrial Corporation, Ltd., by $£ 6.5 \mathrm{Mn}$. for extensions expected to increase capacity to 650,000 tons of raw steel per annum (or two-thirds of South Africa's pre-war steel requirements). The use of the capital of the Industrial Development Corporation of South Africa, Ltd., having been slower than was originally anticipated, the period for the disposal of the first $£ .5 \mathrm{Mn}$. was extended until six months after the cessation of the war. At the same time, the Corporation was given power to go beyond financial assistance to the point of carrying on industrial undertakings. Linked, through some of its personnel, to these corporations and to the Industrial and Agricultural Requirements Commission is a Social and Economic Planning Council, which was appointed by the Government in March. Other legislation had the following aims : to restrict rents of dwellings to $8 \%$ of the value of the building and $6 \%$ of the value of the land; to extend widely the scope of the existing Unemployment Benefit Act ; to hasten Wage Board determinations ; to compel private owners to allow the development of base minerals ; to vest in the State the right to prospect and mine for natural oil ; to compel third-party motor insurance in respect of bodily injury, and to empower the Government to set up a Corporation to undertake the insurance if private companies failed to do so. A new Banking Act (not yet promulgated), stated to be for the protection of depositors, lays down for the commercial banks new capital and liquid asset requirements with which the three oldest commercial banks (Barclays, Standard, Netherlands) would, according to their recent returns, for the most part easily comply, even without the four years of grace allowed for conformance with some of the major provisions. A require-
ment to provide local assets (including defined local capital and reserve liabilities) appears to be the most exacting of the provisions. The Act also aims at restriction (e.g., by laying down capital and liquid asset requirements for "People's Banks," prohibiting branch banking by them, and limiting the size of their loans) of creditgiving by miscellaneous deposit-receiving institutions other than the recognised commercial banks.

By May I5th, the Reserve Bank had paid $£ 32 \cdot 9 \mathrm{Mn}$. for the repurchase of Government loans from abroad (c.f. April Bulletin); but a net increase of only $\AA_{12} 12 \mathrm{Mn}$. in its " investments" over the period of purchase reflected the redemption by the Treasury, out of funds raised internally, of about $£ 20.6 \mathrm{Mn}$. of the stock so acquired. In spite of the cancellation
of $£ 20.6 \mathrm{Mn}$. of its assets by the redemption, the Bank's total assets showed no net fall over the period (November 28th to May 15th), the loss of the $£ 32.9 \mathrm{Mn}$. reserves having been offset by current accumulations of gold and bills (to the extent of over $£ 20 \mathrm{Mn}$.) and the remaining $£_{\mathrm{I} 2.2} \mathrm{Mn}$. of repatriated stock.

On June 5th, the Treasury announced that the subscriptions to the Savings Bond and Redemption loans issued in October and November, 1941, having reached $£_{23.7} \mathrm{Mn}$., it had been decided to close the lists for the Redemption Loan to make room for a loan, to be issued shortly, to meet the current year's loan expenditure. At the same time the Treasury lowered its discount rate for 12 months' bills from $\mathrm{I} \frac{1}{2} \%$ to $\mathrm{I} \frac{1}{4} \%$.

By J. Steindl.

$$
\text { ist fuly, } 1942 .
$$

MANPOWER.-A statement by Mr. Curtin in May, 1942, contained some figures which make it possible to judge the extent of the mobilisation of manpower for war purposes. It appears that between June, 1939, and the time of this statement the total employment in Australia and the strength of the armed forces taken together increased by 500,000 . ${ }^{\star}$ At the same time civil employment was reduced by 205,000 . The number of persons in the armed forces and those in defence employment (i.e., those contributing directly or indirectly to the production of armaments) taken together increased therefore by 705,000 in this period.

To get the absolute extent of mobilisation reached by the summer of 1942 the peace-time strength of the armed forces of about 50,000 has to be added. The total number of persons engaged in the war effort by mid-1942 was therefore 750,000 .

| EMPLOYMENT |  | T IN | AUSTRALIA (1,000 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total |  | Employment |  |  |  | Factory |
|  | Employ- | exclusi |  |  | nd dom |  |  |
|  | ment. | Total. | Male. | $\%$ | Femal |  |  |
| July, 1939 | 2120 | 1726 | 1306 | 76 | 420 | 24 |  |
| July, 1940 | 2173 |  |  |  | 20 |  |  |
| July, 1941 | 2298 | 1907 | 1396 | 73 | 511 | 27 |  |
| * Source: | Commo | vealth | Bureau | C | ensus a | S |  |

As total employment in June, 1939, was about 2.1 millions, the total number of persons in employment and the armed forces by mid-1942 was $2,650,000$. The number contributing to the war effort is about $28 \%$ of this total. It will be interesting to add to these figures a comparison with the working population (defined as the population in the age groups 15 to 65 ). According to Census Bureau estimates, this working population is increasing by 50,000 a year, and is about 4.87 millions at present, so that the proportion of the working population in employment and in the forces is $55 \%$. A further increase in this proportion will to a large extent mean greater employment of women; as the above table on employment shows, the proportionate employment of women in all occupations, except rural and domestic ones, increased in the first two years of war from $24 \%$ to $27 \%$. Very

[^22]probably a further increase will take place; compulsory powers and registration have not been applied so far, and the main effort has been directed towards convincing the trade unions of the advisability of greater employment of women.

The plans for further mobilisation of manpower involve the drafting of an additional 318,000 persons ( 269,000 men and 49,000 women) into war work and the armed forces up to the end of 1942.


This will bring the total of armed forces and war workers to $1,070,000$ at the end of the year, or about $40 \%$ of the total manpower in employment and the forces. A great part of the additional manpower (188,000 persons) will be provided by a reduction of civilian employment ; this is being carried through by prohibition of certain non-essential manufactures, the elimination of non-essential building, reduction in retail services, and by concentration of industries. The reduction of civilian employment, as compared with the pre-war level, will amount to somewhat less than $20 \%$ at the end of 1942.

It is not known exactly how great a proportion of the total manpower contributing to the war effort is in the armed forces, but on the basis of reports about the strength of the fighting forces it may be assumed that at least one-half of the 1,070,000 persons so employed at the end of 1942 will be in the services. The ratio of "war workers" to armed forces will therefore be I: I, or even smaller. This proportion indicates one of Australia's most serious problems. It may be admitted that the equipment of a modern army requires a substantially greater amount of manpower engaged in the production of armaments than in the fighting forces. Australia has therefore a serious quantitative deficiency in armaments production, quite apart from the deficiency in particular types of heavy armament which cannot well be produced there. This deficiency must be made up by imports of armaments. Since Australia is receiving lease and lend assistance from the United States, there
is no financial problem involved. But the imports constitute a demand on shipping space which is especially heavy because of the great distance involved. Australia is in a rather similar position to Great Britain, with the one great difference that she does not need food imports : her main problem is to reduce the demand for shipping space by organising her economy so as to minimise imports of both armaments and nonessential goods. This can be done by drawing on all available reserves of manpower and by reducing consumption.

War Expenditure.-The necessity for a full war effort has been realised only slowly. This can be illustrated by the figures of war expenditure.

| WAR | $\begin{aligned} & \text { from J } \\ & \text { 1938-9 } \end{aligned}$ | $\begin{gathered} \text { aly 1st t } \\ 1939-40 \end{gathered}$ |  | Mn.*) $1941-42$ 中 |
| :---: | :---: | :---: | :---: | :---: |
| Total War Expenditure | 12 | 54 | 170 | 222 |
| In Australis ... | - | 45 | 127 | 163 |
| Overseas ... | - | 10 | 43 | 59 |
| Total Revenue | 85 | 112 | 151 | 186 |
| Civilian Expenditure out of revenue ... | 86 | 84 | 85 | 104 |
| War Expenditure Financed by taxation | 8 | 28 | 66 | 82 |
| War Expenditure |  |  |  |  |
| Financed from other sources ... (cash balances, loans) | 4 | 26 | 104 | 140 |
| of which |  |  |  |  |
| Loans from Great Britain | - | 8 | 15 | - | Source : Quarterly Summary of Australian Statistics and

Budget Speeches. ${ }^{*} £ \mathrm{~A}=£ 0 \cdot 8 \mathrm{Stg} . \quad+$ Budget Estimate.

The estimate of war expenditure for 1941-42 was later increased to $£ \mathrm{~A} 250 \mathrm{Mn}$. For 1942-43 war expenditure of $£ \mathrm{~A} 360 \mathrm{Mn}$. was predicted. In proportion to the net national income which was estimated at $£ \mathrm{Ar}, 000 \mathrm{Mn}$. for 194I-42, $\dagger$ the war expenditure is $25 \%$ (and will be $36 \%$ in the financial year 1942-43). These proportionate figures are lower than the corresponding figures for Great Britain, but such a comparison is of little value, in view of the different industrial structure; in peace-time about $25 \%$ of the income produced was primary income (mainly agricultural) and the manufacturing industry was comparatively small. The possibilities of its expansion, however, must not be underestimated; there are substantial raw material supplies (coal, iron ore, but no oil) and it was reported that the peace-time steel producing capacity of over a million tons has been increased to two million tons.

What the present expenditure amounts to in real terms can be only roughly indicated. $£ \mathrm{~A}_{2} 50 \mathrm{Mn}$. are nominally equal to $£ \mathrm{Stg} .200 \mathrm{Mn}$;

[^23]The level of wages is somewhat higher in Australia than in Great Britain, so that, in terms of " labour-purchasing-power " the present Australian expenditure is equivalent to something less than $£ 200 \mathrm{Mn}$. expenditure in Great Britain. If differences in productivity are disregarded this gives an idea of the expenditure in real terms.

Finance of Expenditure.-Up to late ig4I the finance of the war did not involve any major difficulties ; taxation could be raised considerably from a very low peace-time level, and there was much " slack" to be taken up, by absorbing the unemployed and thereby increasing national income and the saving out of it. Direct taxation, which accounted for a rather small part of the revenue in peace-time, has been considerably increased, much more than indirect taxation (see Table on Revenue).


The difficult problem of Federal Finance (arising out of the taxing of income by the States at very different levels in different States) was solved only a short time ago ; following the precedent of Canada, the States were induced to give up their right to tax incomes for the duration of the war, against a compensation from the Commonwealth. Income tax will therefore be levied at a uniform rate throughout Australia in the next financial year, which will result in some additional yield.

Saving and Inflation Danger.-The time of easy solutions of the financial problems was over by the end of 194I ; in view of the increase in war expenditure the National Government proposed to extend direct taxation to lower income levels. This led to a political crisis and to the formation of a Labour Government. The course of prices and wages so far could not give rise to any anxieties. From the third quarter of 1939 to the third quarter of I94I the cost of living index (in six capital cities) rose by $10 \%$, and the index of nominal wage rates (adult males, six states) by $8 \%$. But the recent increase in ex-
penditure and borrowing makes it necessary to apply measures against the danger of inflation.

The gross investment of Australia in peacetime (1937-38) was estimated at $£ \mathrm{Ar}_{70} \mathrm{Mn} .^{\star}$; if the negative balance of payments on current account of $£ \mathrm{~A} 24 \mathrm{Mn}$. (see Table) is subtracted, the gross saving appears to have been of the order of $£ \mathrm{Ar} 50 \mathrm{Mn}$. On account of the rise of the national income (from $£ \mathrm{~A} 8 \mathrm{I} 4 \mathrm{Mn}$. in 1937-38 to an estimated $£$ Ar,000 Mn . in 1941-42) the gross saving must have increased substantially since. A first step to provide adequate finance of the war expenditure is the elimination of a good deal of the peace-time investment, a policy which is now being carried out (e.g., by licensing of building). The next step is reduction in consumption.

|  | Exports. | Imports. | Gold Production. | Interest Payments. | Capital Imports. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1937-38 | 142 | 140 | 13 | 39 | 24 |
| 1938-39 | 123 | 124 | 15 | 39 | 26 |
| 1939-40 | 150 | 145 | 18 | 39 | 17 |
| 1940-41 | 135 | 136 | 16 | 40 | 25 |

* Source : Queensland Yearbook 1941.

The problem of inflation was recognised by the announcement of a plan for total war organisation in February, 1942. The main features of this plan were the pegging of all prices of goods and services, and of wage rates at the ruling level, and the establishment of a

[^24]maximum rate of profit of $4 \%$ on paid-up capital and reserves. The last part of this plan, the limitation of profits, has encountered very strong resistance and it appears that it has been practically dropped. The Government has made considerable progress in the meantime in limiting the production of non-essential goods. A serious drawback of the plan was the absence of rationing. It is of first importance for Australia to conserve stocks of essential goods, and the introduction of price control without simultaneous rationing necessarily implies the danger of wasting away these stocks. This error has since become obvious in a particular field, that of clothing. The supplies have been reduced to one-third of their value in 194I (in quantity probably onequarter), while the Government, not being ready with their rationing scheme, only announced that there would be rationing in future. The consequence was a major run on retail shops, which has obviously defeated the purpose of the future rationing scheme for some time, because it made an equitable distribution of the available clothing impossible.

Australia's main problem in the future remains that of shipping space. The plan for full mobilisation and cutting of private investment and consumption has come rather late, but it is essential for her defence that it should be carried out, so that as much equipment as possible should become available within her borders, and the demand on shipping for munitions should be reduced.

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# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

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OCTOBER, 1942

## TABLE OF CONTENTS



# UNITED KINGDOM. <br> THE ECONOMIC POSITION. 

24th October, 1942.

THERE was no marked change in the rate of government expenditure during the last quarter : in comparison with the previous quarter supply expenditure was somewhat higher, but total expenditure was rather lower and below the average of $£ 100 \mathrm{Mn}$. a week. This contrasts with a marked rise in expenditure during the third quarter of the preceding year. Revenue receipts have shown a seasonal improvement, and the returns for the first half of the financial year appear to be ahead of expectations. Reviewing the position in September, the Chancellor of the Exchequer estimated that government expenditure on goods and services would have risen from $44 \%$ of " national resources" in 1940 to $54 \%$ in 1942.

With a smaller deficit to be financed, and improved subscriptions under the categories of " large and small savings," the banks have been called upon to provide less: for eleven clearing banks the decline in advances has made room for $£ 26 \mathrm{Mn}$. and there has been a net expansion of deposits (after eliminating inter-bank balances and transit items) of $£ 120 \mathrm{Mn}$. Over twelve months to the end of September the increase in deposits has been $8 \%$ in comparison with $11 \%$ at the end of June. But the peak figure of last December has now been surpassed. Moreover, now that the Tax Reserve Certificates have reached a substantial sum, it may be expected that they will have less effect in the future in retarding the growth of deposits. The note circulation has continued its expansion, the in-
crease over twelve months to the end of September being $24 \%$.

There has been a remarkable stationariness in wholesale and retail prices and in wage-rates in recent months. The contrast between the movements in the third years of the last and the present wars is shown on p. 78 below. During the years 1914-1917 increases were uninterrupted, and they were followed by further rapid upward movements in the fourth year ; the end of the third year (August, 1917) was a critical period in these respects. Wholesale prices of materials, etc., have increased only about $2 \%$ in the past twelve months ; those of food after a rise of $4 \%$ from February to May, 1942, have returned to the February level. The Cost-of-Living Index has hardly varied since April, 194I, owing to the manipulation of controlled prices with the help of subsidies. The wage-rate index has been nearly stationary since the increase to coal miners last June, but applications for increases are before the Tribunals. Retail sales, so far as recorded, have as a whole been nearly the same (with seasonal fluctuations) in the summer months of I941 and 1942, a slight increase in food sales balancing a reduction in other expenditure. Budgetary investigations suggest that the increase in food expenditure is not due to change in price, but to an improvement in diet especially among families with small incomes. There is no recent information about the relation of earnings to wage rates. Unemployment after a long, rapid and continuous reduction till June, 1942, has fallen more slowly since that month.

## EVENTS OF ECONOMIC IMPORTANCE.

| 1942 |  |  |
| ---: | ---: | :--- |
| July | 23rd | Canada |
| " | 25th | U.K. |
|  |  |  |
| " 29 th | U.K. |  |
| " | 29th | U.K. |

Aug. 9th India

| 10th | Pacific | $\ldots$ |
| :--- | :--- | :--- |
| 17th | U.K. | $\ldots$ |
| 22nd | Brazil | $\ldots$ |
| 3Ist | U.S.A. | $\ldots$ |

Sept. 3rd U.K. .. U.S.A. .

6th U.K.
6th U.K.
9th International

Ioth U.K.
Ioth U.K.

20th U.K.
Oct. 2nd U.S.A.
"

Commons agree to Bill applying conscription for overseas service.
Orders issued controlling prices of cloth, clothing, household textiles and bedding, and utility boots and shoes.
Limit on the note circulation raised by another $£ 50 \mathrm{Mn}$.
Orders approved providing for increase in supplementary allowances under Old Age and Widows' Pension Act ( $2 / 6$ a week for persons of 16 years and $\mathrm{I} /$ - for each child. First payments to be made on August 18th).

Arrest of Gandhi and other Congress leaders after All-India Congress Committee had adopted resolution calling for withdrawal of British power under threat of passive resistance.
Landing of U.S. forces in the Solomon Isles announced.
Order controlling prices of new and second-hand furniture comes into force.

Brazil declares war on Germany and Italy.
Price to be paid for imported silver raised from 35 to 45 cents an ounce. Treasury's free stocks of silver to be "lease-lent" to industry.

Exchange of notes between U.K. and U.S. Governments regulating British lease-lend aid to the United States.

Further restriction of travel facilities announced.
Scheme for bonus on output in coal mines comes into operation.
International Tin Agreement signed : International Sugar Agreement extended for two years.

Vote of Credit for further $£_{\mathrm{I}}^{\mathrm{I}, 000 \mathrm{Mn} \text {. }}$
Increases in pay and allowances for armed forces voted by Commons.

Increase in the price of bread : Id. per 4 lb . loaf.
Anti-Inflation Bill signed by the President. Economic Stabilisation Board established with comprehensive powers including control of wages and farm prices.
9th U.K. .. .. Announcement that U.K. and U.S.A. Governments have agreed to abandon extra-territorial rights in China after the war.

Vote of Credit for another $£ 1,000 \mathrm{Mn}$.

# FINANCE \& BANKING IN THE THIRD QUARTER OF 1942. 

By P. B. Whale.

Government Finance.-The rate of expenditure has remained under $£ 100 \mathrm{Mn}$. a week on the average during the third quarter : the weekly average for total ordinary expenditure was somewhat lower than in the preceding quarter ( 98.8 against 99.6) although the figure for Supply Services alone was slightly higher ( 93.5 against 92.2). With revenue averaging $£ 46.3 \mathrm{Mn}$. a week against $£ 42.6 \mathrm{Mn}$. in the previous quarter, the average weekly deficit declined from $£ 57 \mathrm{Mn}$. to $£ 52.5 \mathrm{Mn}$.

| GOVERNMENT REVENUE AND EXPENDITURE |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | E. <br> Revenue. <br> Expenditure. | (£Mn.) <br> Dupply |
| Deficit |  |  |

The revenue and expenditure totals for the first six months of the financial year represent respectively $44 \%$ and $49 \%$ of the estimated figures for the complete year. The figures for the same period of the year 194I-42 turned out to be $36 \%$ and $47 \%$ of the actual totals for that year. On this rough showing one might expect this year's estimates to be exceeded on both sides, with the greater excess on the side of revenue.

The total deficit, or surplus of ordinary expenditure over ordinary revenue, for the

GOVERNMENT BORROWING. THIRD QUARTER, 1942.

|  | $\begin{aligned} & \text { (£Mn.) } \\ & \text { July } \\ & \text { (25 days) } \end{aligned}$ | Aug. (35 days) | Sept. (32days) | Total for Quarter |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates | $10 \cdot 6$ | $14 \cdot 3$ | $17 \cdot 7$ | 42.6 |
| 3\% Defence Bonds | 6.8 | $7 \cdot 5$ | $7 \cdot 6$ | $21 \cdot 9$ |
| $3 \%$ Savings Bonds | $44 \cdot 7$ | $30 \cdot 5$ | $30 \cdot 6$ | $105 \cdot 8$ |
| $2 \frac{1}{2} \%$ Nat. War Bonds ... | $64 \cdot 4$ | $27 \cdot 1$ | $48 \cdot 9$ | $140 \cdot 4$ |
| Other Debt ... ... | $-1.4 *$ | $-0.3$ | $30 \cdot 8$ | $29 \cdot 1$ |
| Total long \& medium term debt ... | $125 \cdot 1$ | $79 \cdot 1$ | 135.5 | $339 \cdot 8$ |
| Tax Reserve Certificates | $+29.7$ | $+35.4$ | $+30.5$ | + 95.6 |
| Treasury Deposits | + 63.0 | + 41.0 | + 650 | +169.0 |
| Treasury Bills ... | - 8.9 | $+14.0$ | + 49.7 | + 54.8 |
| W.\& M.Adv. Govt. Depts. ,, Bank of England | $\begin{array}{r} 6.4 \\ +36.3 \end{array}$ | + 87.6 | $\begin{array}{r} 28.8 \\ +\quad 5.5 \end{array}$ | $\begin{array}{r}\text { + } 65.2 \\ -30.8 \\ \hline\end{array}$ |
| Total short-term debt... | + 53.9 | $+178.0$ | $+121.8$ | +353.7 |
| Total | +179.0 | $+257.2$ | $+257 \cdot 3$ | +693.5 |

quarter was $£ 690 \mathrm{Mn}$., and with the balance of other transactions, particularly sinking fund payments, the amount raised by borrowing was $£ 693.5 \mathrm{Mn}$.

If we add the increase in savings bank deposits, about $£ 55 \mathrm{Mn}$., to the total of the first four items in this table, we get a " large and small savings" total for the quarter of about £366 Mn. This figure shows an improvement against the corresponding figure of $£ 296 \mathrm{Mn}$. for the previous quarter but compares unfavourably with the (admittedly rather artificial) figure of $£ 619 \mathrm{Mn}$. for the first quarter of this year.

Floating Debt.-The steady increase in Tax Reserve Certificates, despite substantial redemptions, may indicate that these are being used as an alternative to other forms of loan subscriptions. (It has always been a question whether they were more properly to be classed with medium term or floating debt.) The most striking change in the floating debt has been the increase in Treasury Deposits, amounting to nearly one quarter of all borrowings. The weekly offer of Treasury Bills for tender remained unchanged during the quarter. Separate figures for the " tap " and " tender" issues outstanding at the end of the quarter are not available, but in view of the change in Bank Ways and Means advances, more than half of the total increase might be due to the lapsing of the end of June window-dressing operations, and the increase in " tap " issues might not be more than $£ 24 \mathrm{Mn}$. This, together with the $£$ ro Mn. by which the increase in Departmental Ways and Means exceeded the increase in savings bank deposits, amounts to no more than the increase in the note circulation. On the other hand, the share of tender bills carried by the Clearing Banks would appear from their returns to have declined.

Clearing Banks.-The movement of total deposits of nine clearing banks (omitting the District and National) is shown by the following table:-


The increase of $£ 115 \mathrm{Mn}$. in Net Deposits during the quarter is well below the increase in the previous quarter and also that in the corresponding quarter of the previous year. It has brought the total, however, to $£ 66 \mathrm{Mn}$. above the peak figure of last December. For the three years of war, the increase in deposits is $50 \%$.

The Treasury Deposits of these banks increased by substantially more than the increase in their deposits ( $£ 144 \mathrm{Mn}$.) ; Investments increased more or less in the same proportion as deposits; Advances, Discounts and Call money declined respectively $£ 24 \mathrm{Mn}$., $£ 17 \mathrm{Mn}$., and $£ 21 \mathrm{Mn}$., and there was also some decline in Cash from the end of June position. The September Cash ratio was $10.4 \%$; thanks to the Treasury Deposits the liquid asset ratio was raised again to $43 \%$.

Bank of England.-The note-issue limit was again raised by $£ 50 \mathrm{Mn}$. at the end of July. In the three months from mid - June to mid-September the actual circulation of notes increased by $£ 38 \mathrm{Mn}$., about the same amount as the increase during the previous three months. This represents a somewhat higher rate of increase than the average for the war period. Over the three years of war the note circulation has increased by roughly $60 \%$.

Ignoring the exceptional end-of-the-quarter figures, the Bank of England's assets have expanded during the quarter by approximately the same amount as the note circulation.

Security Prices.-After sagging in the first half of the year, our index of industrial security prices has in recent months resumed the upward movement of last autumn. The October figure is the highest of the war period, indeed the highest since March, 1939. Fixed interest securities on the other hand have remained fairly steady at a level slightly lower than those reached last January.

## RECENT MOVEMENTS

During the seventeen days covered by the first two revenue returns of the new quarter, government expenditure and deficits have been running substantially higher than during the previous quarter. On the other hand, a spurt in War Bond subscriptions which roughly doubled the weekly figure for Large Savings at the close of the quarter, was maintained for the first week in October. Low Public Deposits and the maintenance of Bank of England credit at a figure above that of the end of the quarter have helped to keep conditions easy in the money market. Between mid-September and mid-October the note circulation increased by a further $\int_{i} 15 \mathrm{Mn}$. For the week ending October 17th, the offering of Treasury Bills for tender was raised from $£ 75 \mathrm{Mn}$. to $£ 80 \mathrm{Mn}$. - the first advance to a new maximum since April of last year ; and for the last two weeks of the month the issue is to be further raised to $£ 85 \mathrm{Mn}$. The main purpose of this may be to provide a large volume of bills maturing in the next quarter when the flow of revenue into the Exchequer is heaviest.

## PRICES AND WAGES IN THREE YEARS OF WAR.

By A. L. Bowley.

The problems resulting from the pressure of high prices and of acute demand on wages have been similar during the past three years to those in the period 1914-1917, and it is of considerable interest to compare the movements of the relevant index-numbers as in the following table :-



| Railwaymen 110 120 |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| A | ... | 110 | 120 | 155 | 195 |
| B | ... | 110 | 116 | 121 |  |
| Agriculture NS N * 189 |  |  |  |  |  |
| A |  | 112 | N.S. | N.S.* | 189 |
| B |  | 139 | 140 |  |  |
| Cotton |  |  |  |  |  |
| A | $\ldots$ | $\begin{aligned} & 103 \\ & 122 \end{aligned}$ | $\begin{aligned} & 107 \\ & 132 \end{aligned}$ | $\begin{aligned} & 119 \\ & 135 \end{aligned}$ | 157 |
| Wool |  |  |  |  |  |
| A | ... | 115 | 126 | 144 | 164 |
| B | ... | 119 | 129 | 138 |  |
| Printers' Compositors 156 |  |  |  |  |  |
| A | ... | 100 | 105 | 120 | 156 |
| B | ... | 107 | 107 | S. $=$ Not |  |

The index numbers used are based on almost exactly the same formulae at the two dates. The Statist Index for Wholesale Prices is available throughout, and though its basis has hardly been changed for more than 70 years, it moved closely parallel to the Economist and Board of Trade numbers in both periods. The Cost of Living Index and that of Retail Food are still on the 1914 basis, and it has been ascertained that their movements in recent years would be little affected if the weights obtained from the 1937-38 budget collections had been used. The Wagerates are for the same twelve occupations at both dates ; in 1939-42 their weighted average is practically the same as that of the more extensive group which yields the wage-index now currently published. In 1914-I8 it was not possible to use precise weights and the results were given with a wide margin.*

WHOLESALE PRICES.-From 1914 to 1917 the index moved upwards nearly regularly at about $2 \%$ monthly, and the rate of increase was less in the fourth year. In the first five months of the present war the index rose more rapidly; after that the increase was slower and intermittent and there has been no significant change during the most recent six months. In both periods the scope of the index is somewhat uncertain, since many prices were fixed and the Government was the principal or sole buyer.

RETAIL PRICES.-In both periods the budget on which the Cost of Living Index was based could not in fact be purchased owing to rationing and shortages. The relationship of this Index to any other measurement of the effective change of prices is similar ; the following passages, $\dagger$ that refer to 1914-18, are also applicable to-day. "When the usual articles of consumption are unobtainable persons try to increase their purchases of others, and these if uncontrolled rise rapidly in price, and if controlled in price and not rationed are soon exhausted,

[^25]unless new sources of supply become available." " In the United Kingdom such supplies (now termed black-market) have generally been soon exhausted or brought under control, so that expenditure on them cannot have been great or enduring. But there must have been a continual tendency on the part of people who had spare money to try to make good deficiencies in their food budget." In 1918 an investigation was made on actual working-class expenditure, and this, combined with information about consumption from the Ministry of Food, led to a modified index of expenditure, as contrasted with the usual index on a fixed budget. The resulting figures were $\ddagger$ :-

| INDEX NUMBERS. |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | \% of July, 1914.0 y years

The Committee on the Cost of Living in 1918 found that in that year the calorie content of the expenditure budget was about $3 \%$ lower than in 1914, while the expenditure index on food was 184 as compared with 210 , the official retail food price index. We have no complete information of this sort for the present period, but there are indications that expenditure since 1939 has risen more rapidly than the Cost of Living Index, so that an expenditure index on necessary classes of commodities might in 1942 be $135-140$, instead of the 129 shown in the official indez. Thus it is probable that whereas in 1914-18 expenditure increased less rapidly than the price index, the reverse is true in 1939-42. In both periods retail prices rose less than did wholesale, but in the present period the rise is much less, owing to the greatly increased subsidies and the wider spread of rationing and control.

WAGE RATES.-Earnings have generally increased more rapidly than rates of wages for normal hours and work, as has been discussed in previous Bulletins. We have no adequate statistics for comparing the present with the earlier period in this respect. The table above shows a great contrast. From 1914-18 wagechanges lagged far behind prices, while in 1940 and 194I the difference was not great, and the Wage and Cost of Living Indexes showed equal increases over the whole period 1939-42. Between the first three years of the two wars there was not much difference in the general movement of wage-rates ; though there was a more rapid increase in 1939-40 than in 1914-15, the reverse is the case in the three years as a whole.

[^26]The table contains a serious warning for the fourth year of the war. Owing mainly to the continued great rise in retail prices, there was a great increase in wage-rates from 1917-18, so that the index rose to 180 ( 260 in 1920). Though there have been inequalities in the increases in different occupations since 1939, the statistics of prices of necessaries cannot support arguments for any movement comparable with that of the fourth year of the last war.

In both periods the wages of industrial labourers rose by a greater percentage than did those of artisans, but only in the present war have agricultural labourers and coal-miners received specially favourable treatment. The greater rise in textile wages, 1939-1940, may be attributed to the low rates that had been reached in the prewar years. In both wars the demand for woollen goods was acute and wage-rates rose rather more than the average. Railwaymen's wages kept pace with others in 1914-1918; since 1939 the increases have been relatively low, though minimum rates have been levelled up ; there is no information to show how far there has been compensation by increased overtime. The demands of printers' compositors on time-rates were relatively modest in both periods.

BOARD OF TRADE TOTAL INDEX.

| August, 1939... | $\ldots$ | $\ldots$ | 100 |
| :--- | :---: | :---: | :---: |
| December, 1939 | $\ldots$ | $\ldots$ | 125 |
| December, 1940 | $\ldots$ | $\ldots$ | 151 |
| December, 1941 | $\ldots$ | $\ldots$ | 159 |
| March. 1942 $\ldots$ | $\ldots$ | $\ldots$ | 162 |
| June, 1942 $\ldots$ | $\ldots$ | $\ldots$ | 163 |
| September, 1942 | $\ldots$ | $\ldots$ | 163 |


| Cereals | IN PRINCIPAL |  | GROUPS. |  | 1942 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Aug. | Aug. | Mar. | June | Sept. |
|  | 100 | 180 | 240 | 232 | 223 |
| Meat, fish, eggs | 100 | 138 | 138 | 138 | 138 |
| Other food and tobacco | 100 | 167 | 165 | 176 | 170 |
| Total, Food, \&c. | 100 | 161 | 175 | 178 | 173 |
| Coal | 100 | 138 | 139 | 159 | 139 |
| Iron and Steel ${ }^{\text {- }}$ | 100 | 141 | 142 | 142 | 142 |
| Non-ferrous metals... | 100 | 123 | 125 | 125 | 125 |
| Cotton | 100 | 172 | 177 | 176 | 176 |
| Wool | 100 | 166 | 168 | 168 | 170 |
| Other textiles | 100 | 167 | 171 | 172 | 174 |
| Chemicals and Oils... | 100 | 138 | 144 | 145 | 145 |
| Miscellaneous | 100 | 177 | 177 | 178 | 180 |
| Total, Materials, \&c | c. 100 | 153 | 155 | 156 | 158 |
| Grand total | 100 | 156 | 162 | 163 | 163 |

Since July, 1942, there have been no important changes in prices. The Retail Food Index for October ist includes the increase in the price of bread and flour, compensated by a reduction in that of potatoes. The only wage changes that affect our index from July to October 16th were an increase in time rates of
provincial compositors, and an increase in the minimum rate for women in the boot trade.

COST-OF-LIVING INDEX-NUMBER. INCREASE OR DECREASE \% SINCE 1st SEPT., 1939.

|  |  | $1940$ <br> Oct. 1st | $1941$ <br> Oct. 1st | $1942$ |
| :---: | :---: | :---: | :---: | :---: |
| Beef, British | $\ldots$ | 18 | 18 | 19 |
| ," Imported | ... | 28 | 28 | 28 |
| Mutton, British | $\ldots$ | 10 | 11 | 11 |
| ", Imported | ... | 7 | 8 | 8 |
| Bacon ... | ... | 23 | 36 | 37 |
| Fish | ... | 55 | 41 | 42 |
| Flour ... | ... | -1 | -1 | 23 |
| Bread | ... | 3 | 2 | 9 |
| Tea | $\ldots$ | 7 | 7 | 7 |
| Sugar (Gran.) | ... | 64 | 32 | -1 |
| Milk | $\ldots$ | 17 | 32 | 33* |
| Butter | $\ldots$ | 21 | 22 | 22 |
| Cheese | .. | 29 | 30 | 30 |
| Margarine ... | ... | 12 | 12 | 12 |
| Eggs | $\ldots$ | 70 | 26 | 1 |
| Potatoes | ... | 23 | 31 | 6 |
| All Food | ... | 22 | 20 | 17 |
| Rent | , | 1 | 1 | 1 |
| Clothing ... | ... | 44 | 87 | 87 |
| Fuel ... | ... | 18 | 26 | 32 |
| Miscellaneous | ... | 22 | 29 | 49 |
| All items ... | $\ldots$ | 22 | 28 | 29 |

CHANGES IN WAGE RATES.
October 1942, as percentage of August, 1939.

| Bricklayers ... ... |  | 118 | Local Authorities | ... 123 |
| :---: | :---: | :---: | :---: | :---: |
| Labourers |  | 123 | Trams | ... 124 |
| Printers: |  |  | Lorry Drivers | ... 119 |
| Compositors ... | ... | 115 | Boots | ... 126 |
| Dock Labourers | .. | 115 | Confectionery | ... 134 |
| Engineers: |  |  | Tailoring | ... 137 |
| Fitters... |  | 120 | Shirts .. | ... 137 |
| Labourers |  | 126 | Tobacco... | ... 123 |
| Shipbuilders | ... | 129 | Coal | . 158 |
| Railwaymen | ... | 121 | Agriculture | 173 |
| Cotton .. |  | 135 |  |  |
| Wool ... |  | 138 | Weighted average | 130 |

UNEMPLOYMENT FUND
Weekly Averages $£ 000$ 's.

| Benefits |  |  |  |  | Employees' Contributions |  |  |  |
| :---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Qrs. | 1939 | 1940 | 1941 | 1942 | 1939 | 1940 | 1941 | 1942 |
| 1 | 1126 | 784 | 330 | 91 | 408 | 409 | 483 | 493 |
| 2 | 781 | 383 | 160 | 68 | 421 | 437 | 485 | 495 |
| 3 | 617 | 389 | 112 | - | 474 | 414 | 485 | - |
| 4 | 699 | 432 | 83 | - | 417 | 455 | 486 | - |
| Rates of Contributions increased in August, |  |  |  |  | Limiting Income raised in September, 1940. |  |  |  |

The figures for the Unemployment Fund are no longer published monthly ; but a quarterly account was given in the Ministry of Labour Gazette for July.

In the first half of 1938 employers' contributions were about $£ 9,000 \mathrm{Mn}$. weekly greater than those of employees, presumably including contributions in respect of Old Age Pensioners. Subsequently the totals stated for employers' and employees' contributions were the same.

In the second half of 1940 the contributions were raised Id. weekly for persons over I8 years and the exemption limit for non-manual workers was raised from $£ 250$ to $£ 420$ per annum. The Government Actuary estimated that the increased receipts from the two changes would be $£ 9.4 \mathrm{Mn}$.
per annum (Ministry of Labour Gazette, 1940, p. 184), which is equivalent to $£ 60,000$ weekly from employees. The importance of this change was underestimated in previous Bulletins, and in particular the calculations in the Bulletin, April 1942, p. 3I, 2nd column, require amendment. The increase in the numbers employed in civil life cannot be put (as there) at $16 \%$ from 19381941 ; it has been estimated by Mr. Kalecki at $4 \%$. The rather hazardous balance there suggested, would, revised, leave about $£ 300 \mathrm{Mn}$. of income to be accounted for by payments in cash and kind to H.M. Forces, excluding officers; but none of the factors can be evaluated at all exactly.

INDEX NUMBER OF SALES. Value.
Average daily sales in $1937=100$.

|  | Great Britain. 1941 |  |  |  | 1942 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | July | Aug. | Sept. | July | Aug. | Sept. |
| Total | 101 | 98 | 99 | 104 | 98 | 101 |
| Food and Perishables | 110 | 106 | 99 | 117 | 110 | 105 |
| Other Merchandise | 89 | 90 | 101 | 89 | 86 | 100 |
| Apparel | 86 | 85 | 105 | 89 | 85 | 102 |
| Household Goods | 83 | 91 | 88 | 75 | 77 |  |

It is noticeable that expenditure on food was higher in the summer of 1942 than in that of 194I, though the retail food price index was practically the same at the two dates. The budgets collected by the Oxford University Institute of Statistics confirm this change for a section of the working class and indicate that it is due to an improvement of diet rather than to any concealed increase of prices.

## WHOLESALE PRICES.

## COMPARATIVE INDEX NUMBERS FOR 5 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 The figures for 12 countries in the table on p. 82, which are derived from the League of Nations monthly bulletin, are affected by differences of content and method of calculation.

|  | Base $1925=100$ |  |  |  |  |  |  |  |  |  |  |  |  | Base <br> 1913 <br> $=100$ <br> Year <br> 1925 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1941 |  |  |  | 1942 |  |  |  |  |  |  |  |  |  |
|  | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. |  |
| FOOD- |  |  |  |  |  |  |  |  |  |  |  |  | 94 |  |
| United K'gdom $\ddagger$ U.S.A. | 86 83 | 87 79 | 87 81 | 90 88 | 92 | 99 93 | 108 | 106 94 | 107 94 | 105 91 | 100 90 | 93 92 | 94 | 159 151 |
| Canada .......... | 85 | 83 | 81 | 82 | 85 | 85 | 85 | 85 | 86 | 88 | 89 | 88 |  | 158 |
| New Zealand.. | 105 | 106 | 106 | 105 | - 108 | - | 107 | 105 | 106 | 107 |  |  |  | 158 |
| S. Africa ...... | 101 | 104 | 107 | 107 | 109 | 109 | 109 | 108 | 110 | 112 | 113 |  |  | 122 |
| MATERIALS- UnitedK'gdom** | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 114 | 114 | 116 | 116 | 116 | 157 |
| U.S.A. ......... | 83 | 83 | 83 | 84 | 86 | 86 | 87 | 87 | 86 | 85 | 86 | 85 |  | 175 |
| Canada ......... | 86 | 86 | 85 | 86 | 86 | 87 | 87 | 87 | 87 | 87 | 87 | 87 |  | 170 |
| New Zealand.. | 109 | 109 | 110 | 110 | 110 | 119 | 110 | 110 | 110 | 111 |  |  |  | 161 |
| S. Africa ..... | 116 | 117 | 118 | 118 | 118 | 119 | 119 | 119 | 122 | 123 | 124 |  |  | 161 |
| TOTAL- ${ }^{\text {United Kingdon }}$ | 102 | 103 | 103 | 104 | 105 | 107 | 111 | 110 | 111 | 110 | 110 | 107 | 107 | 158 |
| United Kingdon U.S.A. ........ | 102 83 | 103 81 | r82 | 104 | 105 89 | -89 | 89 | - 90 | 89 | 87 | 88 | 88 |  | 165 |
| Canada ......... | 86 | 85 | 84 | 84 | 86 | 86 | 86 | 87 | 87 | 87 | 88 | 87 |  | 164 |
| New Zealand.. | 107 | 108 | 108 | 108 | 109 | - | 109 | 108 | 108 | 109 |  |  |  | 162 |
| S. Africa ...... | 110 | 112 | 114 | 114 | 114 | 115 | 115 | 115 | 117 | 119 | 120 |  |  | 145 |

[^27]** Excluding Wood and Wood pulp.

INDEX NUMBERS OF PRICES IN 12 COUNTRIES．
As quoted in the Monthly Bulletin of the League of Nations．$\dagger$ See also table on p．8r．



|  |  |  |  |  | $\mathrm{L}, \mathrm{C}$ | I Ol | IVI |  | $\begin{array}{r} 1929 \\ (c) \end{array}$ | （d） | （f） |  | （g） |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1938 Average | $\ldots$ | 95 | 87 | 84 | 95 | 94 | 92 | 82 | 110 | 86 | 106 | 85 | 86 |
| 1939 Average | ．．． | 96 | 89 | 84 | 98 | 94 | 93 | 82 | 123 | 81 | 108 | 86 | 84 |
| 1940 Average | $\ldots$ | 113 | 93 | 87 | 103 | 97 | 96 | 84 | 143 | 85 | 123 | 94 | 85 |
| 1941 Average |  | 121 | 98 | 92 | 107 | 102 | 98 | 86 | 145 | 96 | 142 | 108 | 89 |
| 1941－Apr．．． | ．．． | 122 | $)$ | 90 | 106 | 101 | 95 | 86 | 145 | 93 | 141 | 105 | 87 |
| May | $\ldots$ | 122 | \} 98 | 91 | 106 | 101 | 96 | 87 | 145 | 92 | 142 | 106 | 87 |
| June ．．． |  | 121 | ， | 92 | 106 | 102 | 97 | 87 | 146 | 93 | 142 | 109 | 88 |
| July |  | 121 | ） | 93 | 106 | 103 | 99 | 88 | 145 | 95 | 143 | 110 | 89 |
| Aug．． | ．．． | 121 | \} 98 | 94 | 107 | 102 | 100 | 88 | 145 | 97 | 143 | 110 | 89 |
| Sept．． |  | 122 | ， | 95 | 108 | 102 | 100 | 87 | 144 | 99 | 145 | 111 | 91 |
| Oct．． |  | 122 | ） | 96 | 108 | 103 | 102 | 86 | 144 | 101 | 145 | 113 | 92 |
| Nov． |  | 123 | \} 100 | 95 | 109 | 104 | 104 | 86 | 145 | 104 | 147 | 114 | 93 |
| Dec．．．． |  | 122 |  | 95 | 110 | 104 | 104 | 86 | 148 | 106 | 148 | 114 | 93 |
| 1942－Jan．． |  | 122 |  | 95 | 109 | 106 | 102 | 87 | 148 | 107 | 149 | －116 |  |
| Feb． |  | 122 | \} 102 | 95 | 107＊ | 107 | 103 | 88 | 148 | 109 | 150 | 117 | 95 |
| Mar．．．． |  | 121 | \} 102 | 95 | 107＊ | 108 | 104 | 88 | 148 | 110 | 152 | 117 | 96 |
| Apr． |  | 122 |  | 95 | 108＊ | 108 | 104 | 89 | 148 | 113 | 153 | 119 | 97 |
| May |  | 121 |  | 96 | 109＊ | 109 | 104 | 89 | 148 | 115 | 154 | 119 | 97 |
| June |  | 122 |  | 97 | 109＊ | 110 | 105 | 90 | 149 | 117 | 154 | 120 | 98＊ |
| July |  | 123 |  | 97 |  | 110＊ | 104 | 91 | 149 | 117 | 156 | 121 | 98＊ |
| Aug．．．． |  | 122 |  |  |  |  |  | 90 | 149 |  | 157 | 121 | 99＊ |
| Sept．．．． |  | 122 |  |  |  |  |  |  |  |  |  |  |  |

III．RETAIL，FOOI）ONLY，\％OF 1929

| 1938 Average |  | 92 | 85 |
| :---: | :---: | :---: | :---: |
| 1939 Average | ．．． | 92 | 89 |
| 1940 Average | ．．． | 107 | 90 |
| 1941 Average | ．．． | 108 | 91 |
| 1941－Apr． | $\ldots$ | 110 | 91 |
| May ．．． | ．．． | 110 | 90 |
| June ．．． | ．．． | 108 | 89 |
| July | ．．． | 108 | 89 |
| Aug．．．． | $\ldots$ | 108 | 90 |
| Sept．．．． | ．．． | 107 | 90 |
| Oct． | ．．． | 107 | 91 |
| Nov．．．． | ．．． | 107 | 91 |
| Dec．．．． | ．．． | 106 | 92 |
| 1942－Jan． | $\ldots$ | 106 | 93 |
| Feb．．．． | ．．． | 105 |  |
| Mar． | 相 | 104 | 96＊ |
| Apr．．．． | $\ldots$ | 104 |  |
| May ．．． | $\ldots$ | 103 |  |
| June ．．． | ．．． | 104 |  |
| July ．．． | ．．． | 104 |  |
| Aug．．．． | $\ldots$ | 104 |  |
| Sept．．．． | ．．． | 105 |  |

77


|  |  |  |
| :---: | :---: | ---: |
| 91 | 78 | $(b)$ |
| 92 | 79 | 123 |
| 93 | 82 | 153 |
| 97 | 83 | 153 |
| 92 | 83 | - |
| 94 | 83 | 154 |
| 96 | 84 | 154 |
| 98 | 86 | 154 |
| 99 | 85 | 153 |
| 99 | 82 | 153 |
| 103 | 81 | 152 |
| 107 | 81 | 151 |
| 106 | 81 | 154 |
| 103 | 82 | 156 |
| 104 | 83 |  |
| 107 | 84 |  |
| 107 | 85 |  |
| 107 | 86 |  |
| 108 | 87 |  |
| 106 | 89 |  |
|  | 88 |  |

（b）


| めぃ\％べ్ |  |
| :---: | :---: |
|  |  |

FINANCE.


[^28]STOCKS \& SHARES-
NEW CAPITAL ISSUES-
BANK OF ENGLAND-
PRINCIPAL BANKS-

TREASURY BILLS-

Index Nos of Prices and Yield as percentage of 1924 level; on 15th of month.
Sensitive Index. Geometric Mean of monthly percentage changes.
Issues during month in Gt, Britaln (a), for U.K. (b), for Abroad, exc ${ }^{1,1}$ ding Government loans, etc. - As published by THE MIDLAND BANK. LID. 1940-41 Six-months' totals.

Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November 22nd, 192 s ,
"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 Mank), afterwards, data for last making up day of the month.
Up to June, 1940, 11th-17th of month, thereaftor end of month
issued by tender. Total of Bills issued by tender during 13 weeks preceding date of Exchequer Return
therwise 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.

## PRICES AND WAGES.



PRICE OF GOLD-
PRICE OF SILVER-
BOARD OF TRADE INDEX
TATIST (SAUERBECK)
ECK) INDICES-for 1924.-STATIST

Until September, 1939, average (London) price per fine oz. for week ending 15 th of month.-ECONOMIST, Average (cash) price of bar silver for week ending 15th of month.-ECONOMIST.

Average wholesale prices of 19 foodstuffs and 26 raw materials on last day of month, as percentage of average
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 1st is shown against February-to facilitate comparison with "Statist" indes.

As above, for food only.
For description see Special Memo., No. 28 .

INTERNAL ACTIVITY.

|  | RETAIL SALES. |  |  |  | UNEMPLOYMENT EXCHANGES. NUMBERS ON REGISTER. GREAT BRITAIN. |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | ※̈\#茄\%\% |  |  | Wholly Unemployed. 000 's. |  |  |  | Temporarily Stopped. 000's. |  |  |  | Unemployed Casual Workers. 000's. | Total.$000 \text { 's. }$ |  |
|  |  |  |  |  | Men 18 and over | Boys $14-17$ | Women 18 and over | $\begin{gathered} \text { Girls } \\ 14-17 \end{gathered}$ | Men 18 and over | $\begin{aligned} & \text { Boys } \\ & 14-17 \end{aligned}$ | Women 18 and over | Girls $14-17$ |  |  |  |
| 1939 |  |  |  |  |  |  |  |  | 129 |  | 76 | 4 | 52 |  | 1232 |
| AUG.. | 83 | 103 | 94 | 144 | 730 | 35 | 168 | 55 | 116 | 3 | 102 | 7 | 52 |  | 1321 |
| SEPT | 103 | 114 | 109 | 139 | 661 | 42 | 292 | 58 | 116 84 | 2 | 102 | 3 | 63 |  | 1431 |
| OCT . | 106 | 113 | 109 | 142 | 759 | 39 | 350 | 57 | 79 | 1 | 53 | 3 | 54 |  | 1403 |
| NoV.. | 98 | 108 | 103 136 | 146 | 764 | 34 | 325 | 48 | 89 | 2 | 50 | 3 | 48 |  | 1362 |
| DEC... 1940 | 146 | 125 | 136 | 194 |  |  |  |  |  |  |  |  |  |  | 1519 |
| JAN .. | 100 | 104 | 102 | 137 | 805 | 38 | 320 | 56 | 185 | 3 | 58 | 3 | 50 |  | 1519 |
| FEB .. | 83 | 107 | 95 | 133 | 759 | 33 | 299 | 50 | 254 | 6 | 53 | 3 | 48 |  | 1121 |
| MAR. | 100 | 115 | 108 | 138 | 628 | 24 | 273 | 40 | 69 | 2 | 37 | 2 | 46 |  | 973 |
| APRIL | 106 | 114 | 111 | 146 | 539 | 22 | 243 | 36 | 55 | 1 | 33 43 | 2 | 47 |  | 881 |
| MAY.. | 113 | 118 | 115 | 178\|! | 469 | 16 | 218 | 28 | 56 39 | 1 | 43 | 2 | 37 |  | 767 |
| JUNE . | 99 | 110 | 105 | 168 | 382 | 14 | 226 | 26 | 39 | 1 | 40 | 2 | 37 |  |  |
| JULY | 106 | 118 | 113 | 180 | $\frac{344}{336}{ }^{\text {* }}$ | 18 | 248 | 34 | 77 | 3 | 69 | 4 | 37 |  | $\frac{835}{827}{ }^{*}$ |
| A ${ }_{\text {ÜGG. }}$ | 101 | 108 | 104 | 167 | 304 | 27 | 235 | 47 | 75 | 3 | 72 | 4 | 32 |  | 799 |
| SEPT. | 110 | 101 | 103 | 168 | 318 | 25 | 227 | 43 | 98 | - 3 | 79 | 5 | 31 |  | 830 |
| OCT ... | 128 | 107 | 117 | 175 | 309 | 26 | 257 | 44 | 93 | 3 | 72 | 4 | 28 |  | 835 |
| NOV.. | 99 | 107 | 104 | 177 | 286 | 22 | 255 | 40 | 94 | 3 | 63 | 4 | 25 |  | 791 |
| DEC.. | 137 | 126 | 132 | 240 | 248 | 17 | 244 | 33 | 82 | 2 | 54 | 3 | 22 |  | 705 |
| 1941 | 91 | 110 | 102 | 175 | 237 | 22 | 222 | 40 | 90 | 2 | 57 | 3 | 22 |  | 696 |
| FEB... | 84 | 111 | 98 | 172 | 200 | 17 | 197 | 34 | 68 | 2 | 43 | 2 | 18 |  | 581 |
| MAR. | 98 | 113 | 106 | 174 | 160 | 13 | 165 | 26 | 41 | 1 | 32 | 2 | 18 |  | 458 |
| APR. | 109 | 116 | 112 | 175 | 140 | 17 | 133 | 28 | 41 | 1 | 32 | 2 | 16 |  | 411 |
| MAY. | 110 | 113 | 111 | 177 | 128 | 14 | 122 | 26 | 27 | 1 | 36 | 2 | 13 |  | 369 |
| JUNE | 106 | 106 | 106 | 180 | 110 | 11 | 102 | 20 | 18 | - | 28 | 1 | 11 |  | 302 |
| JULY | 89 | 110 | 101 | 183 | 102 | 12 | 89 | 17 | 20 | 1 | 24 | 1 | 12 |  | 273 |
| AUG... | 90 | 106 | 98 | 183 | 99 | 17 | 82 | 21 | 15 | - | 21 | 1 | 13 |  | 270 |
| SEPT. | 101 | 99 | 99 | 183 | 88 | 12 | 79 | 18 | 8 | - | 15 | 1 | 10 |  | 230 |
| OCT .. | 98 | 107 | 103 | 189 | 86 | 11 | 73 | 16 | 7 | - | 13 | 1 | 10 |  | 216 |
| NOV. | 97 | 107 | 102 | 190 | 86 | 9 | 64 | 13 | 6 | - | 9 | 1 | 11 10 |  | 199 |
| DEC... | 126 | 123 | 126 | 251 | 84 | 8 | 62 | 11 | 4 | - | 8 | 1 | 10 | A | 188 |
| JAN.. | 102 | 108 | 106 | 183 | 88 | 12 | 56 | 15 | 7 | - | 7 | - | 9 | $165 \ddagger$ | 195 |
| FEB.. | 94 | 113 | 103 | 179 | 89 | 10 | 51 | 12 | 10 | - | 6 | - | 9 | $\overline{160}$ | 188 |
|  |  |  |  |  | $63 \dagger$ | 10 | $49{ }^{\dagger}$ | 12 | 10 | - | 6 | - | 9 | 160 135 | $\overline{163}$ |
| MAR. | 104 | 118 | 112 | 183 | 58 | 9 | 44 | 10 | 3 | - | 3 | - | 4 | 127 | 155 |
| APR. | 110 | 117 | 113 | 185 | 55 55 | 14 | 35 33 | 13 | 3 | - | 3 | 二 | 3 | 118 | 145 |
| JUNE | 106 | 111 | 108 | 187 | 54 | 9 | 29 | -8 | 2 | - | 2 | - | 3 | 106 | 132 |
| JULY | 89 | 117 | 104 | 10 | 56 | 10 | 27 | 9 | 2 | - | 1 | - | 2 | 107 | 132 |
| AUG. | 86 | 110 | 98 | 189 | 56 | 16 | 24 | 12 | 2 | - | 2 | - | 3 | 114 | 138 |
| SEPT: | 100 | 105 | 101 |  | 52 | 12 | 24 | 11 | 2 | - | 1 | - | 3 | 104 | 128 |

* Upper figure and those for previous dates include men in attendance at Government Training Centres, who are excluded from the
lower and subsequent figures. $\ddagger$ Computed from Ministry of Labour Gazette, February. I| Increased postal rates May lst.
$\dagger$ Col. B and upper figure for February, and those for previous dates include those classified by interviewing panels as " unsuitable
for ordinary (or normal full time) industrial employment;" Col. A and lower line and subsequent figures exclude these.

RETAIL SALES- Index of value of sales in Departmental Stores, Co-operatives, multiple and independent shops. Each index is based on average daily sales during the whole of 1937 for the category to which it relates. Index numbers are derived from the percentage movements of the daily sales for any month as compared with the corresponding month of the previous year. 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. MINISTRY OF LABOUR GAZETTE.

## RECENT MOVEMENTS IN UNITED STATES.

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

10th October, 1942.

GENERAL SURVEY.- During the third quarter of the year, business in general rose to new high levels, as activity in industries producing materials and equipment essential for the war effort continued to increase. Industries manufacturing products chiefly for civilian consumption followed the generally horizontal course characteristic of these industries since the early part of the year. Despite the fact that production of war materials has risen sharply, output still remains well below requirements. Shortages of raw materials have been the principal limiting factors. During recent months, seasonally adjusted indices of output of such important materials as steel ingots, non-ferrous metals, and lumber either have shown little improvement or have declined.

The total number of persons employed has been increasing month by month, with manufacturing industries accounting for the largest part of the gain. According to estimates of the Department of Commerce, 54 million persons-out of a total labour force of 56 to 57 millions-were gainfully employed in August. Average weekly earnings have risen sharply, reflecting higher rates of pay, a longer working week, and remuneration for overtime work. Incomes received from wages and salaries in July (the latest month for which data are available) were estimated to be at the annual rate of $\$ 78,000 \mathrm{Mn}$,, in contrast with $\$ 62,000 \mathrm{Mn}$. in July, 194I. Total income payments in July this year were at an annual rate of nearly $\$$ II5,000 Mn .

On 2nd October, Congress passed "An Act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes." On 3rd October, the President issued an executive order establishing the Office of Economic Stabilization, to be headed by an Economic Stabilization Director. The Director was ordered to " formulate and develop a comprehensive national economic policy relating to the control of civilian purchasing power, prices, rents, wages, salaries, profits, rationing, subsidies, and all related matters-all for the purpose of preventing avoidable increases in the cost of living, co-operating in minimizing the unnecessary migration of labour from one business, industry or region to another, and facilitating the prosecution of the war." The order decreed that notices of all increases or decreases in wage rates
should be filed with the National War Labour Board, and that the Board should not " approve any increase in the wage rates prevailing on I5th September, 1942, unless such increase is necessary to correct maladjustments or inequalities, to eliminate substandards of living, to correct gross inequities, or to aid in the effective prosecution of the war." Similarly, wage rates for any particular work are not to be decreased below the highest wages paid for that work between Ist January and I5th September, 1942. Also, under this executive order, prices for agricultural commodities-which have been in a large part responsible for the advance since mid-May of the "all commodities" index of wholesale prices-are to be "stabilized, so far as practicable, on the basis of levels which existed on I5th September, 1942."

Estimates of the Department of Agriculture indicate that agricultural production, which includes crops, livestock, and livestock products, will reach a new high level this year. Output for 1942 is anticipated to be substantially above that for 1941, and nearly $40 \%$ above the low level of 1935. The cotton crop is expected to be the largest since 1937; corn output, the greatest since 1920 ; and wheat production, in excess of that for any year since 1915.

Governmental expenditures for war activities in July, August, and September amounted to $\$ 4,400 \mathrm{Mn} ., \quad \$ 4,900 \mathrm{Mn}$. and $\$ 5,400 \mathrm{Mn}$., respectively. Thus by September such expenditures were at the rate of $\$ 65,000 \mathrm{Mn}$., annually, compared with an annual rate of $\$ 16,000 \mathrm{Mn}$. in September last year. To meet the increasing expenditures, large-scale borrowing by the Treasury has been essential. Estimates of the Federal Reserve Board indicate that in recent months purchases of government securities by commercial and federal reserve banks have amounted to about three-fifths of the increase in marketable securities outstanding and about two-fifths of the increase in the total governmental debt. Thus, while investors other than banks have been taking a large proportion of the Treasury offerings, banks apparently are the chief purchasers of marketable securities.

BUSINESS VOLUMES.-General business activity, as measured by Barron's index of production and trade (see Table, p. 89), after fluctuating narrowly during the first five months of this year, rose sharply in each of the three
months June, July, and August. This index, which is based upon data for manufacturing activity, mining activity, freight carloadings, building activity, and electric power production, is adjusted for seasonal influences, long-term industrial growth, and population changes. At the new peak reached in August, the index stood at 129.7, compared with 117.7 in August last year, and 81.5 in August, 1939.

The Federal Reserve Board seasonally adjusted index of industrial production has risen without interruption since the first quarter of the year; in August, the level of 183 (\% of 1935-39) was attained. (See Table, p. 89). During the past year, durable-goods manufactures have increased between $25 \%$ and $30 \%$, while output of non-durable goods on the whole has changed little from month to month. The most pronounced increases have been in those industries manufacturing the implements of war, such as the machinery and transportation industries (the latter includes shipbuilding and aircraft), and in those producing the basic materials to be used for war purposes, such as steel. The minerals index has fluctuated irregularly, in a sidewise direction, for the past year ; the August adjusted index this year was $1 \frac{1}{2} \%$ above that for August, 1941.

The number of workers employed in manufacturing establishments increased in August by 337,000 persons, bringing the total number of factory employees to $14,978,000$. This figure is $12 \%$ higher than that for August, 194I, and nearly $45 \%$ above that for mid-1940, which marked the beginning of the sharp upward movement in industrial activity. Over the past year, employment in the durable goods industries has risen close to $20 \%$, while that among nondurable goods industries has declined $1 \%$. In addition to the manufacturing group, other nonagricultural establishments that reported gains in August compared with the corresponding month in 1941 were federal, state, and local government services, the transportation and public utilities group, and the finance, service, and miscellaneous group. Declines occurred in mining, building, construction and trade. The labour turnover rate has risen sharply, in part because of the migration of workers to higher paying industries. A step to prevent frequent shifting was taken early in September when the War Manpower Commission issued an order forbidding workers in the non-ferrous metals and the lumber industries in 12 western states to leave their employment and to seek employment elsewhere without securing "certificates of separation" from the U.S. Employment Service.

For both the durable and the non-durable goods industries, factory payroll indices in August this year were well above those for August, 1941, the increase amounting to $36 \%$ for manufacturing industries as a whole. During the past year, the average hourly wage rate in manufacturing industries has risen more than $14 \%$, and average weekly earnings, $23 \%$.

The index of retail sales, after allowance for seasonal changes, in July (the latest month for which data are available) was well above the average for the second quarter of this year, although it remained below the peak figure reached last January. Estimates of total retail sales in the seven months from January through July are $\$ 30,300 \mathrm{Mn}$., compared with $\$ 30,100$ Mn . in the corresponding period of last year. Since prices this year are higher than a year ago, the physical volume of goods sold apparently has decreased. Changes in retail sales during August and September are indicated by the data for department store sales: in August the increase that occurred exceeded seasonal expectations, whereas in September sales failed to show the usual seasonal improvement.

On the whole, the value of construction contracts awarded has been considerably higher each month this year than in the corresponding month of 1941. As the year has progressed, non-residential contracts have formed an increasingly greater proportion of total contracts, while residential building has declined. In the January-August period, non-residential contracts amounted to $47 \%$ of the total ; residential building represented $23 \%$; and public works and utilities comprised $31 \%$. These percentage figures may be compared with percentages for the first eight months of 194I, when nonresidential building, residential building, and public works and utilities amounted to $38 \%$, $36 \%$, and $26 \%$, respectively, of total contracts. Although non-essential construction has been curtailed sharply in recent months because of the demands of the war construction programme, additional steps to limit non-essential building were taken in September, when the War Production Board reduced considerably the amount of civilian construction that could be undertaken without specific authorization of the Board.

COMMODITY PRICES. - Between the second week of May, when the General Maximum Price Regulation became effective, and the final week of September, the wholesale price index of the Bureau of Labor Statistics advanced $1 \%$. At the close of September the index, which was $9 \%$ above the figure for September, 194I, was


higher than at any time since 1926. Advancing prices of farm products and of foods caused the rise of the index after mid-May; prices of industrial commodities remained practically unchanged, because of government regulation. During September-when Congress was debating the President's proposal, of September 7th, to stabilize the prices of farm products-prices of many agricultural products rose sharply : marked increases were recorded for grains; butter prices reached the highest level in more than a decade; hog prices were reported to be the highest in 22 years.

Between the middle of May and the middle of August, the cost of living increased $1.2 \%$.* (See B. L. S. Index in Table, p. 88). This advance reflected a sharp rise in prices for foods that were not subject to the maximum price order ; controlled food prices declined slightly during the three-month period. As rents in an increasingly greater number of cities were brought under federal control, the Bureau of Labor Statistics index of rents dropped steadily; between May and August, the decline amounted to $2.1 \%$. Changes during recent months in the indices for clothing, house furnishings, fuel, electricity, and ice, and miscellaneous commodities (including services) have been small.

MONEY AND CREDIT.- Since the beginning of the year, total loans and investments of reporting member banks have risen $\$ 5,900 \mathrm{Mn}$. or about $20 \%$. Increased holdings of governmental obligations, associated with the rise of governmental debt, have been the cause of the substantial advance in total earning assets. Holdings of securities other than those of the federal government have shown a net contraction during the nine month period; and total loans, also, have declined. Since the middle of March, commercial, industrial and agricultural loans have decreased fairly steadily; at the close of September, such loans were $\$ 765 \mathrm{Mn}$. less than at the March peak, and $\$ 452 \mathrm{Mn}$. below the

[^29]figure for the final week of December, 1941. Adjusted demand deposits on September 30th amounted to $\$ 27,400 \mathrm{Mn}$., an increase of $\$ 3,800$ Mn . since the year-end.

Excess reserves of member banks have fallen sharply this year, the decline since April being particularly great. On 30th September, excess reserves were estimated to be approximately $\$ \mathrm{I}, 700 \mathrm{Mn}$. One of the chief causes of the sharp downward movement has been the rapid advance of money in circulation ; since the first of the year, circulating currency has risen more than $\$ 2,500 \mathrm{Mn}$., to the high figure of $\$ 13,700 \mathrm{Mn}$. on 30th September. Federal reserve operations directed toward offsetting the reduction in excess reserves have included increased purchases of government securities by the Reserve Banks, and a lowering of reserve requirements against net demand deposits at the Central Reserve City banks (i.e., the principal New York and Chicago banks), where the greater part of the shrinkage in total excess reserves has taken place.

SPECULATION AND FINANCE.-During recent months stock prices have moved upward irregularly, and early in October they reached the highest level since last December. For all classes of stocks-industrials, railroads, and utilities-the gains that have occurred since the low point, to which they had fallen last April, have been substantial. Prices of high-grade corporate bonds have shown only small net changes from month to month, although on the whole some increase has occurred since the spring.

Security flotations each month this year have been considerably below those of the corresponding month of 1941. For the complete eight-month period now available, total issues were $63 \%$ less than in the January-August period of last year. Both private and public issues have shared this decline, with public issues-other than those of the federal government-showing by far the greater decrease. Financing operations of the federal Treasury for the year through August totalled $\$ 30,000 \mathrm{Mn}$. ; four-fifths of this amount represented new indebtedness.

# THE ECONOMIC POSITION OF EIRE. 

By A. G. Duncan.

## 20th October, 1942.

I. In regard to both its political and economic aspects the consequences of the war for Eire have been to a remarkable extent an accentuation of trends already familiar. The population had endured a semi-war economy since 1932, and was becoming habituated to its incidents-the disappearance of familiar goods and their replacement by worse and dearer substitutes; scarcities and rising prices, followed by black markets, racketeering and smuggling; an immense proliferation of administrative orders prohibiting, licensing, regulating and controlling, often hastily applied, imperfectly adapted to their objectives, poorly co-ordinated with one another, requiring frequent amendment, and accompanied by all the usual apparatus of petty officialdom and petty graft ; competition for government favour between antagonistic interests, and the government's impossible attempt to satisfy all of them 0 with the normally consequent deterioration in commercial, political and administrative morality; and the arbitrary destruction of people's livelihoods. Not even censorship and the arbitrary powers which administration, police and military must enjoy in an emergency were novelties.
2. Continuing previous trends, government expenditure has been stepped up from £ $£ 34.6 \mathrm{Mn}$. in 1938-9 to $£ 43.5 \mathrm{Mn}$. in 1941-2, and is running at much the same level during the current year. Most of the increase ( $£ 6.4 \mathrm{Mn}$.) is due to the Army, and a share to the continued expansion of the Department of Revenue, Industry and Commerce, and Supplies. There is nothing disquieting in this total, which is still less than $25 \%$ of the national income, but it is a more open question, discussion of which is prevented by the Censorship, whether value is being got for the money-e.g., whether armed forces of the sort this State can raise, train and equip could offer any effective resistance to a serious attack. Gross revenue receipts have been stepped up from $£ 32$. I Mn . to $£ 37.4 \mathrm{Mn}$., and are running at a markedly higher level during the current year, as the increased rates of taxation take effect. While the further growth of public expenditure, apart from internal subsidies (for the purpose, e.g., of keeping down the price of bread while putting up the price of wheat), is conditioned largely by a contracting availability of supplies, the budgetary problem is not simple. The national income is not expanding ; only one-third of the total revenue comes from the direct taxes,
and a half from regressive taxes on consumption, which are in present circumstances bound to be precarious as well. The yield of Customs duties has been astonishingly well maintained: with the value of imports running about $75 \%$, and their volume about $40 \%$, of pre-war levels, the yield of duty is some $8 \%$ higher, representing $37 \%$ of the value of imports, against $24 \%$ in 1938-9 and $12 \%$ in 1929-30; but it is doubtful whether this favourable position can last. The government has met a commendably large fraction of the increased costs due to the emergency out of taxation, and out of direct taxation ( $£ 4 \mathrm{Mn}$. in 1941-2, and probably at least $£ 5 \mathrm{Mn}$. in 1942-3), but the direct taxation afflicts only a very small minority of the population. The ascertainable public debt has increased with relative moderation, from $£ 75.5 \mathrm{Mn}$. to $£ 87.1$ Mn . in three years, a rate of increase not significantly greater than the average over the whole period since the state was created. The standard rate of income-tax has been raised to 7s. 6 d . (a rate which, owing to differences in allowances, approximates in severity to the United Kingdom rate for some incomes) ; the rates of Sur-tax and of the Estate Duties have been sharply stiffened (to levels still markedly lower than those current in the United Kingdom) ; and the Corporation Profits Tax has been modified to include a levy on "excess" profits. There has, however, been no systematic effort to drain away all profits arising from the emergency, in order to reduce the inflationary pressure upon prices.
3. Before the war the concentration of official propaganda on a physically impossible selfsufficiency, and disingenuous claims about the progress made in achieving it, had obscured (and still obscure, even in the minds of Ministers, if one may judge by recent pronouncements) the vital rôle of foreign trade in procuring as economically as possible the infinite range of natural materials and their products not accessible in a region so small and so poorly endowed by nature as Eire. The war has but clamped down more rigorously an exclusion from essential foreign materials already pursued by government policy. As with pre-war government policy, its burden also has fallen most heavily on the poor, in the form of deprivation of cheap food and clothing. Surprisingly enough, it was not until the autumn of 1940 that the volume of imports was seriously affected, when it dropped sharply to some $40 \%$ of the
pre-war volume, a level which it now seems to be maintaining. During the earlier months of the war, Allied licensing of exports to this country and allocations of shipping-space were extraordinarily liberal, but have of necessity contracted stringently in the last two years, and article after article has progressively disappeared from the shops, sometimes into a black market. At present little appears to be coming in except what is carried in ships registered in Eire. A government organisation - Irish Shipping, Ltd. - was created for the purpose of buying and / or chartering additional ships, which have inevitably been few, bad and dear. Freights and insurance have risen enormously, but no statistical data are available. In the absence of detailed figures as a result of the statistical black-out which descended in Augus1, 1939, it is possible to give only an impressionistic account of the vanished imports: those whose disappearance is most obvious include:-grains for human and animal consumption, tea, cocoa and chocolate, spices, sugar, coal, mineral and vegetable oils, timber, iron and steel products, machinery, fresh and dried fruits, paper, cotton and woollen yarns and goods, sacking, rubber and rubber products, fertilisers and seeds, and the whole range of semi-processed or nearlyfinished goods which formed the " materials" of most of the industries established under "protection" since 1932. Only occasional cargoes of these things now arrive and, with surviving stocks, permit the expectation of restricted supplies for some months longer (e.g., no more motor tyres will be possible after July, 1943).
4. The development of this situation was foreseen by the economists, and could have been foreseen by the government, from at least the Axis invasion of Spain in July, 1936; but the ruling politicians in Eire, as elsewhere in Western Europe, lacked the foresight and resolution to develop any systematic policy to meet it. The most deplorable feature of Eire's economic position in the last few years has been the complete absence of "planning," and reliance on haphazard and makeshift measures, often " too little and too late," to meet emergencies as they matured. Much stocking-up was done by private concerns, but there was no public policy to assist and encourage it, except pious exhortation ; no attempt was made to imitate the Scandinavian Governments in making Supply and Shipping agreements on matters of joint interest with the Allied governments; few shortages were anticipated by rationing-indeed, Ministers often seemed quite unwarrantably surprised as each new one
emerged ; preparations for comprehensive rationing were only begun in the autumn of 1941, and as yet are only being applied in a piece-meal manner; so far, while the export of certain materials such as iron and steel scrap and sheepskins has been prohibited, no allocation of priorities for the use of scarce materials has been attempted; every means has been used to induce the domestic production of substitutes where possible (e.g., wheat, beet, anthracite, rock phosphate, paper), and private enterprise, assisted by the Universities and the Emergency Scientific Research Bureau, has succeeded in developing a number of alternative scientific processes and products. Governmental machinery is founded on the Emergency Powers Act, passed on September 3rd, 1939. On September 16th, 1939, a new Ministry of Supplies was created. Rationing, price control and licensing have been effected by Orders made under this Act, by the Ministers for Supplies, Agriculture, and Industry and Commerce. Personal ration books have been issued, and a growing list of articles is now rationed: petrol (none now for private consumption), paraffin (very limited quantities for persons with no other source of light), tea ( $\frac{1}{2} \mathrm{oz}$. per week), butter ( $\left(\frac{3}{4} \mathrm{lb}\right.$. per week, affecting only Dublin City and County, Kingstown Borough and Bray : but butter costs 2/per lb., there is no margarine at all, and fats such as lard and dripping are very hard to get, so the poor suffer severely), sugar ( $\frac{1}{2} \mathrm{lb}$. per week), soap (I oz. per week, or 2 ozs. of soap powder), clothing of all kinds except hats (it is not possible in this space to compare the severity of the restriction with that in the United Kingdom; "utility" clothing is foreshadowed here also), household fuel (coal does not exist ; one ton of turf per two-month period; gas is limited in Dublin to $5 \frac{1}{2}$ hours per day, the last period being 6-7 p.m., and in Cork ; consumption of electricity is now permitted to the same level as last year, having been cut down during the summer to $75 \%$ ). In addition, many other commodities have been formally or informally restricted, or are hard to get-bread (even though wheat is milled $100 \%$ ), bacon, cocoa, cigarettes, candles, bicycles and accessories, all kinds of rubber manufactures, newsprint (the daily papers are only four pages of very poor quality paper). The prices of a range of commodities too wide to detail here have been controlled by Order, and the purchase and sale of many subjected to license: practically every trader in anything is now registered. There is however, a noticeable black market with the usual fantastic prices (35/- for a bicycle tyre, I/- per oz. and more for tea). Naturally, among the articles traded in the
black market are licenses of all descriptions (with the complaisance of petty officials). Retail prices have risen steeply: in the absence of a proper index, they are imperfectly reflected in the official cost-of-living index :-

| Year (August) | 1924 | 1929 | 1934 | 1937 | 1938 | 1941 | 1942 |
| :--- | :--- | :--- | :---: | :---: | :---: | :---: | :---: |
| Food ... | .. | 100 | 90 | 72 | 83 | 86 | 109 |
| All Items | .. | 100 | 95 | 83 | 93 | 95 | 125 |

Compared with the United Kingdom, food has risen more and other items less, the result partly of the Purchase Tax and partly of the United Kingdom Government's greater pre-occupation with nutrition.
5. The export trade has not been the " easy money " that it was in 1914-18, and that many people naively expected it to be again, owing to the facts that the United Kingdom control of imports and prices has been much more complete, that none of Eire's exports is really essential to the United Kingdom's war-effort, and that domestic productiveness has suffered from the effects of the war (apart from the prolonged outbreak of foot-and-mouth disease in 1941). Nevertheless the experience of the last war has been repeated on a smaller scale. Export prices doubled from 1938-1942, while the volume of exports, continuing the previous trend, shrank to two-thirds. Some of the causes of this shrinkage are mentioned below. The effect has been that Eire's persistent import surplus, the reflection of its creditor position in the world, was for 1941, and probably will be for 1942, changed into an export surplus-i.e., like the other Dominions, Argentina, etc., it is accumulating sterling balances as a result of continuing to export a greater value than it can import. This is reflected further in the change in the balance of international payments, as shown by the incomplete statistics available, from a current debit balance of several million pounds in the pre-war years to a current credit balance of $£_{\mathrm{I} 2 \mathrm{Mn} \text {. in 1941, and in the expansion of the }}$ net sterling assets of the banking system, including the Currency Commission, from $£ 72 \mathrm{Mn}$. in 1938 to $£ 109 \mathrm{Mn}$. in 1942. Before the war, the balance of trade was intimately connected with the terms of trade, which the economic war swung violently in disfavour of Eire. It looks as if the Country's export capacity had not recovered from the deep damage inflicted by the economic war so lightly undertaken. The statistical black-out prevents more than an impressionistic statement of the changes in the composition of exports-bacon and butter have disappeared ; eggs and poultry shrunken ; alcoholic liquors, canned meats and rabbits have increased their share. The prognosis is not good-increasing difficulties in maintaining the
volume of production for export, with little expectation of compensating price-increases. The present precarious prosperity has been maintained only by a United Kingdom demand for store cattle which consorts more with sectional interests than with the public interest of a United Kingdom intent on winning the war; after the war, the easy "cattle-on-the-hoof" trade will be increasingly menaced by new scientific developments in the way of dehydrated and frosted meats, of which few people in Eire have even heard yet. There is so far, no realisation whatever of the frightfully weak competitive poşition Eire will enjoy in the post -war markets, and no evidence whatever of either a wish or a capacity in public policy to persuade or compel its economy along the lines of maximum advantage, namely, the production of the protective foodstuffs (milk, butter and eggs) and of the cattle and other stocks wherewith to repopulate Europe. Public policy still thinks in early 18th century terms. Naturally enough, the differential shortages and prices in Northern Ireland and Eire have encouraged a flourishing smuggling trade : in some cases the temptation has been diminished by the too tardy relaxation of quota, license and import duty restrictions.
6. In agriculture, the war has reinforced government policy in perverting agricultural patterns into cereal tillage. This is, of course, an emergency necessity of the first order: the error has lain in the political assumption that " hot-house" cereal tillage before the war is the best method of ensuring an adequate cereal supply during the war. The problem has been the replacement of the lost imports of wheat, feedingstuffs and sugar, complicated by the serious lack of fertilisers and by the low condition into which grass lands had been allowed to fall by slack farming. By steadily increasing the prices guaranteed for wheat (now 50/- per barrel), beet (now 70/- per ton), etc., and by resorting to compulsory tillage proportions (now $25 \%$ reinforced by the Minister's power, freely exercised, to occupy and operate any holding that he deems to be improperly exploited), the area under crops (including fruit and first-year hay) has been squeezed up from $1,850,000$ acres in 1938 to 2,700,000 in 1942, the area under more permanent hay and pasture falling from 9.8 to 8.7 Mn . acres in the same period, so that the global margin of cultivation has shrunk by some 250,000 acres. The acreage under corn has increased from 921,000 to $1,658,000$; under potatoes and beet from 378,000 to 504,000 ; under other crops shrunk from 549,000 to 540,000 . Outputs of wheat and beet have fallen well short of meeting
the pre-war consumption of flour and sugar, and there is little prospect of acreages and yields being squeezed and kept up high enough to supply these quantities. On the livestock side, the picture is much blacker. So far, the numbers of cattle have maintained themselves surprisingly well, and the impossibility of completely replacing imported feeding stuffs has affected the number of milch-cows and the milk-yield rather than the total number of cattle (whose price is dependent on export agreements with the United Kingdom Ministry of Agriculture). Correspondingly, although its wholesale price has been pushed up to $207 / 8-214 / 8$ per cwt. and its retail price to 2/- per lb ., the output of butter has shrunk alarmingly, and its export surplus disappeared. The most catastrophic decline has been in pig production (which had in any case been languishing for several years under the care of the Pigs and Bacon Marketing Boards, recently amalgamated), the population having fallen to barely half of what it was before the war, and bacon having not only disappeared from export but become very scarce and expensive (3/- per lb., back rashers) at home : in April-June, 1942, the weight of pigs received for curing at bacon factories was barely one-third of the quantity previously ruling. Sheep also have fallen by one-sixth and poultry by one-fifth (the " professional " feeder having been squeezed out by lack of feed). Agricultural prices, having recovered-with the assistance of the Agreement of April, 1938-from the pit (equal to $52 \%$ of 1924 levels) into which they had been forced by the economic war to a level equal to $70 \%$ of 1924 rose steeply to $110 \%$ in 1942 . The increases, following pre-war government policy, were much greater in crop-prices than in those of livestock and livestock products, and the increases in the prices of the farmer's materialsfeedingstuffs, fertilisers, seeds and equipmentwere noticeably greater still. In consequence, the money value of gross agricultural output climbed to surpass, in 1940-41, the peak of 1929-30, but the volume went on falling, and reached only $93 \%$ of the 1929-30 level. A Commission of experts is now considering the post-war conditions which agriculture will have to face.
7. There is little space left to say anything about industry, transport, banking and population, but they are of much less importance than the matters previously treated. Industry has necessarily suffered from the shortage of " materials" and fuel, and all the indices show a declining
volume of employment : in some industries, e.g., assembly of vehicles, it has been great, but on the whole it has so far been much less than might have been anticipated: it will probably accelerate in the near future. The disemployment and unemployment data are not very satisfactory, but they also indicate a volume growing indeed, but less rapidly than might have been expected. The great safety valve has, of course, been the extraordinary flow of people to the United Kingdom to join the armed forces or get jobs in war industry. No figures whatever are available in relation to the first part, and censorship forbids all mention of it or of the exploits of its members; certain portions of the latter are controlled by the requirement of permits to travel, whose grant is dependent on being unemployed. In the twelve months ended September, 1941, 27,000 such permits were issued, and in the next twelve months 51,000 . Transport has been ambiguously affected. The disappearance of private vehicles has put up passenger receipts of railways, tramways and omnibuses from $£ 3.8 \mathrm{Mn}$. in 1939 to $£ 4.7 \mathrm{Mn}$. in I94I, but the summer of 1942 shows some relapse. Goods train receipts similarly jumped from $£_{2} 2.6 \mathrm{Mn}$. to $£_{03} .6 \mathrm{Mn}$., and are now running still higher. On the other hand running costs mounted as fuel deteriorated, and services became extremely uncertain. This year has seen some improvement in the quality of service, if not in the financial results. The government has already replaced the directorate of the Great Southern Railways by a practical "dictator," and, in face of declining supplies of petrol and rubber, is taking steps to "concentrate" the road-transport of goods under the control of the G.S.R. In Eire as in the United Kingdom the outstanding phenomenon is liquidity, founded chiefly on the accumulation of sterling assets through surplus exports and emigrants' remittances (the latter rising to $£_{2.6} \mathrm{Mn}$. in 194 I , from $£ 0.6 \mathrm{Mn}$. before the war-from the United Kingdom). From December, 1938, to June, 1942, the monetary circulation, which had previously been rising steadily, increased by another $44 \%$; liquid resources, previously fairly stable, doubled in amount, and rose from $13 \%$ to $20 \%$ of total liabilities; investments rose from $£ 88 \mathrm{Mn}$. to £I3I Mn., i.e., from $44 \%$ to $50 \%$ of total liabilities; while advances shrank noticeably both within Eire and elsewhere. Deposits within Eire rose from $£_{\mathrm{II}} \mathrm{I} 4 \mathrm{Mn}$. to $£_{\mathrm{I}} \mathrm{I} 44 \mathrm{Mn}$., and elsewhere from $£ 43 \mathrm{Mn}$. to $£ 58 \mathrm{Mn}$.

TABLE I.
PUBLIC FINANCE (£ Mn.).

|  | 1924-5 | 1929-30 | 1934-5 | 1937-8 | 1938-9 | 1941-2 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Total Issues from Exchequer* | $27 \cdot 9$ | $27 \cdot 3$ | 31.7 | 33.4 | $34 \cdot 6$ | $43 \cdot 5$ |
| (i) Central Fund \& Supply Services ... | 27.5 | $25 \cdot 1$ | 31.2 | $32 \cdot 1$ | $33 \cdot 1$ | $40 \cdot 6$ |
| Including <br> (a) Army | 3.0 | $1 \cdot 3$ | $1 \cdot 3$ | 1.5 | 1.8 | 8.2 |
| (b) Depts. of Revenue, Supplies, \& Industry \& Commerce | 0.7 | 0.7 | $0 \cdot 8$ | 1.2 | 1.3 | 1.7 |
| (c) Debt Service $\dagger$.. | 0.9 | 1.7 | $2 \cdot 3$ | $1 \cdot 7$ | $2 \cdot 2$ | $2 \cdot 7$ |
| (ii) Other Issues * | 0.4 | $2 \cdot 2$ | 0.5 | $1 \cdot 3$ | 1.5 | 2.9 |
| Total Revenue Receipts $\ddagger \ldots$ | $26 \cdot 9$ | $24 \cdot 2$ | $29 \cdot 1$ | 31.4 | $32 \cdot 1$ | 37.4 |
| Including (a) Direct Taxes § | 7.0 | $5 \cdot 5$ | 6.6 | 76 | $7 \cdot 7$ | 11.6 |
| (b) Customs Duties (c) Excise Duties | 7.7 | $7 \cdot 3$ | $9 \cdot 4$ | 9.7 | 10.1 | 10.9 |
| (c) Excise Duties | $7 \cdot 5$ | 6.4 | $5 \cdot 6$ | 5.9 | 61 | 7 |
| Balance Borrowed ... ... | $1 \cdot 0$ | $3 \cdot 1$ | $2 \cdot 6$ | 2.0 | 2.5 | 6.1 |
| Total Debt at end of Year \\| | 13.4 | $27 \cdot 1$ | $50 \cdot 6$ | 59.5 | $71 \cdot 5$ | $87 \cdot 1$ |

* Excluding debt redemption.
$\dagger$ A portion only of the total, other large sums being provided in the votes for the Post Office and the Department of Lands and of Local Government and Public Health.
$\ddagger$ Including advances repaid.
§ Estate, etc., Duties ; Property and Income Tax; Corporation Profits Tax ; Excess Profits Duty.
Includes-debt charged on the Central Fund; liabilities of the Exchequer in respect of telephone capital, land purchase and housing: loans guaranteed by the Government, except Land Bonds and Local Loans. Excludes the annuities payable to the Government of the United Kingdom.

TABLE II.
EXTERNAL TRADE.

|  |  | 1924 | 1929 | 1934 | 1937 | 1938 | 1941 | 1942* |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Values in £ Mn. Total Import |  | $68 \cdot 9$ | $61 \cdot 3$ | $39 \cdot 1$ | $44 \cdot 1$ | 41.4 | 29.5 | $23 \cdot 8$ |
|  |  | 51.6 | $47 \cdot 9$ | $17 \cdot 9$ | $22 \cdot 8$ | 24.2 | 31.8 | 21.0 |
| Balance of Trade | $\ldots$ | $-17 \cdot 3$ | $-13 \cdot 4$ | $-21 \cdot 2$ | $-21 \cdot 3$ | $-17 \cdot 2$ | $+2 \cdot 3$ | $-2 \cdot 8$ |
| Price Indices |  |  | 87 | 62 | 74 | 72 | 126 | 146 |
| Import Prices |  | 100 | 96 | 56 | 68 | 79 | 135 | 156 |
| Terms of Trade | ... |  | 110 | 90 | 92 | 110 | 107 | 107 |
| Volume of Trade (index) |  | 100 | 102 | 92 | 87 | 83 | 34 | 36 |
| Imports |  |  | 102 97 | 62 | 65 | 59 | 46 | 38 |
| Exports ... |  |  |  | $-6 \cdot 3$ | $-7 \cdot 4$ | $-2 \cdot 7$ | $+12.0$ | § |
| Balance of Payments ( $£ \mathrm{Mn}$.) $\dagger$ | $\ldots$ | § | S |  |  |  |  |  |
| Net Sterling Assets ( $£ \mathrm{Mn}$.) $\ddagger$ | $\ldots$ | § | § | $80 \cdot 1$ | $77 \cdot 8$ | $72 \cdot 4$ | $102 \cdot 0$ | 108.7 |

* January-August only.
+ Known current items only.
+ Assets outside Eire of the joint-stock banks operating in Eire, AINUs their external liabilities, PLUS the assets of the Currency

Commission: December quarter in each year, except 1942 (June).
Non-banking assets (such as the holdings of the Trustee and Post
Non-banking assets (such as the Savings Banks, Government funds, private firms and individuals) are not included.
§ Not available.

Eire].
TABLE III.
BANKING (£ Mn.)*

| Year $\dagger$ | 1932 | 1934 | 1937 | 1938 | 1941 | 1942 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Total Monetary Circulation $\downarrow$ | $14 \cdot 3$ | 14.9 | $17 \cdot 1$ | 18.2 | 26.0 | $26 \cdot 3$ |
| Current Deposit and Other Accounts: <br> (i) Within Eire <br> (ii) Elsewhere | $\begin{array}{r} 121 \cdot 5 \\ 39 \cdot 7 \end{array}$ | $\begin{array}{r} 119 \cdot 8 \\ 45 \cdot 1 \end{array}$ | $\begin{array}{r} 117.0 \\ 44 \cdot 1 \end{array}$ | $\begin{array}{r} 114.0 \\ 43.0 \end{array}$ | $\begin{array}{r} 139 \cdot 2 \\ 55 \cdot 7 \end{array}$ | $\begin{array}{r} 143.8 \\ 57.9 \end{array}$ |
| Liquid Resources § | 25.7 | 25.2 | $24 \cdot 2$ | $25 \cdot 9$ | $50 \cdot 4$ | $52 \cdot 3$ |
| Bills $\\|$, Loans and Advances <br> (i) Within Eire <br> (ii) Elsewhere | $\begin{aligned} & 50 \cdot 8 \\ & 30 \cdot 0 \end{aligned}$ | $\begin{aligned} & 50 \cdot 2 \\ & 26 \cdot 1 \end{aligned}$ | $\begin{aligned} & 50 \cdot 7 \\ & 25 \cdot 9 \end{aligned}$ | $\begin{aligned} & 51 \cdot 3 \\ & 26 \cdot 5 \end{aligned}$ | $\begin{aligned} & 49-9 \\ & 22.0 \end{aligned}$ | $\begin{aligned} & 48 \cdot 9 \\ & 20.8 \end{aligned}$ |
| Investments : <br> (i) Within Eire 9 <br> (ii) Elsewhere | $\begin{array}{r} 4.7 \\ 80 \cdot 0 \end{array}$ | $\begin{array}{r} 7.4 \\ 87 \cdot 0 \end{array}$ | $\begin{array}{r} 8.0 \\ 86.5 \end{array}$ | $\begin{aligned} & 10 \cdot 5 \\ & 77 \cdot 6 \end{aligned}$ | $\begin{array}{r} 11 \cdot 0 \\ 110 \cdot 5 \end{array}$ | $\begin{array}{r} 11 \cdot 3 \\ 119 \cdot 2 \end{array}$ |
| Balance Sheet Totals | 198.6 | 204.0 | 203.2 | $200 \cdot 4$ | 253.8 | $262 \cdot 5$ |
| Proportions to Liabilities (\%): <br> (i) Of Liquid Resources <br> (ii) Of Investments | $\begin{aligned} & 12 \cdot 9 \\ & 42 \cdot 6 \end{aligned}$ | $\begin{aligned} & 12 \cdot 4 \\ & 46 \cdot 3 \end{aligned}$ | $\begin{aligned} & 11 \cdot 9 \\ & 46.0 \end{aligned}$ | $\begin{aligned} & 12.9 \\ & 44.0 \end{aligned}$ | $\begin{aligned} & 19 \cdot 9 \\ & 47 \cdot 9 \end{aligned}$ | $\begin{aligned} & 19 \cdot 9 \\ & 49 \cdot 7 \end{aligned}$ |

* Including Currency Commission. Complete segregation of business within Eire and business elsewhere is impossible, as the bank's operations in both constitute an integrated whole.
$\dagger$ The figures relate to December in each year except 1932 (January) and 1942 (June).
$\ddagger$ Excluding United Kingdom notes and coins.
§ Cash, Balances with London Agents and Other Banks, Money at Call and Short Notice, Government Bills outside Eire and Currency Commission's " Other Assets."
|| Non-government
- Including Government bills.

TABLE IV.
AGRICULTURE.


[^30]
## THE WAR EFFORT IN FREE FRENCH AFRICA.

By a Correspondent.

21 st October, 1942.

FREE French Africa, that is to say, the colonies which rallied to Fighting France in the summer of ig4I to continue the war on the side of the Allies, includes French Equatorial Africa proper (the colonies of Ubangi Shari, Middle Congo, Gabon and Chad Territory), and the mandated territory of the Cameroons. It has an area of over one million square miles and a population of about six millions.

French Equatorial Africa was one of the poorest colonies of the French Empire. The Cameroons, although richer, had not reached a degree of development comparable with that of the neighbouring British colony of Nigeria. The economic contribution of French Equatorial Africa to the Allied war effort is therefore necessarily limited. But it can be said that all possible supplies have been obtained from her. The economic importance of the territory to the Allies has risen significantly since the Netherlands East Indies and British Malaya fell into Japanese hands. Two commodities which the Allies lack to-day are produced there in modest quantitiespalm oil and rubber.

Large palm plantations are found in French Equatorial Africa and in the Cameroons. In 1938, the former exported 14,000 metric tons of palm oil and palm kernel oil, and the latter 24,000 metric tons,* together a total of $4.6 \%$ of world exports. By way of comparison it might be noted that in the same year the Netherlands East Indies exported 242,000 metric tons of palm oil ( $29.5 \%$ of world exports) and British Malaya 60,000 metric tons ( $7.3 \%$ of world exports). The production of French Equatorial Africa represents a higher proportion of the consumption of the United Kingdom and United States, which in 1937 was of the order of 450,000 metric tons. The following table shows the exports since the beginning of the war:-

EXPORTS OF PALM OIL AND PALM KERNEL OIL.*

|  | Metric tons. |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | 1938 | 1940 | 1941 |
| French Equatorial Africa | ... | 14,000 | 7,700 | 7,250 |
| Cameroons |  | 24,000 | 12,200 | 17,137 |

There was a considerable fall in 1940 as a result of the development of circumstances both in French Equatorial Africa and in the Camer-

[^31]oons. But a very clear recovery was effected in the Cameroons in 194I, and it is probable that the 1942 figures will be higher than those for last year, and perhaps even higher than those of 1938. In the Cameroons the exportable surplus will exceed 30,000 metric tons.

Before the war the Cameroons and French Equatorial Africa played only a minor part in the rubber market. In 1938 the total exports of the two territories amounted to only 2,050 tons, whilst the total shipments of the producing countries reached 910,000 tons. Thanks to the efforts of the local administration the production to-day is up to 6,000 tons and a systematic policy of development is in force. In the Cameroons, for example, absolute priority in respect of labour is given to rubber over all other production, with the exception of food production essential to the population. Transport is regulated in the interest of the producing centres. Periodic markets have been instituted for grading the quality of the products brought. The price control policy provides for a system of premiums on quality. Finally, an educational campaign has been instituted amongst the natives with the object of improving the quality and quantity of production.

Amongst the other commodities of French Equatorial Africa likely to be of value to the allied war effort we might mention rutile, a titanium ore, which in the Cameroons is found in large quantities easily worked ; 8,000-10,000 metric tons could be extracted annually. Titanium is of particular importance for solder. Finally Free French Africa produces relatively important quantities of valuable timber, especially teak, used particularly in ship construction.

Whereas 9,200 metric tons of ground nuts had been exported in 1938, production reached 14,000 metric tons in 1941. Cotton production rose in the same year to 20,000 metric tons, compared with Io,000 metric tons in 1938. Also, reference might be made to lead and zinc extracted in small quantities, wax, and above all industrial diamonds, the demand for which is growing, and exports of which were more than 16,000 carats in 1938 and 24,000 carats in 1941.

The economic activity of French Equatorial Africa depends largely upon the agreements concluded between the Free French National Committee and the British Government. The
latter has contracted for 1941-42 to buy the entire cotton crop to the extent of 20,000 metric tons, the whole output of palm kernels (and palm oil), ground nuts, sesame, 7,000 metric tons of coffee, a certain quantity of timber, and 14,000 metric tons of bananas. It has similarly undertaken to guarantee the disposal of a quantity of titanium equivalent to 1,200 metric tons of rutile. It is clear that these purchases are of two kinds. Some correspond to current real needs on the part of the Allies, and the commodities of this group will be moved as soon as available shipping permits. The other goods are simply intended to maintain the economic life of the colonies, and these purchases will be stored locally.

French Equatorial Africa is confronted by the same economic difficulties as the other allied colonies in the same region. There is an essential shortage of sacks, barrels, motor vehicles, motor fuel, and equipment for the processing and storage of the various crops. It suffers equally from a growing disparity between the prices of merchandise produced for export, which have remained near pre-war levels, and the prices of imported goods, which are often trebled or quadrupled in price.

But if one wishes to draw up an exact account of the contribution brought by French Equatorial Africa to the Allied war effort, one should not forget the essential item on the credit side, namely the facilities which she can give for the transport of men and war materials to East Africa and the Middle East. Geographically, French Equatorial Africa appears as a wedge between Nigeria and French West Africa on one side,
the Belgian Congo and Anglo-Egyptian Sudan on the other. In the north, Chad Territory touches Libya. It was from Chad Territory that mobile French columns left to capture and destroy the Italian positions of Koufra, Mourzouk, etc.

Above all French Equatorial Africa is valuable for air transport to Egypt. Aerodromes have been established at Fort Lamy, Fort Archambault, Bangui, etc. In addition there are three land routes which have been considerably improved since the Colonies rallied to the Allied cause, but which, because of their length, are still unsuitable for bulky traffic.
(i) The northern route, which leaving Lagos follows the Nigeria Railway to Kano, then goes to Fort Lamy, Abechr, El Fasher, El Obeid, Khartoum. A railway line links Khartoum to Port Sudan on the Red Sea. This route is duplicated further to the south by another route, which leaves Duala in the Cameroons and joins the first at Abeché in Chad Territory.
(ii) The centre route, which goes by Duala, Yaunde, Bangui, Bangassu, Juba. From Juba, merchandise and passengers can be taken down the Nile to Khartoum or continue by land to Mombasa in Kenya.
(iii) The southern route follows the railway line from Pointe-Noire to Brazzaville, whence goods and passengers ascend the Congo and a tributary to Albertville on the shore of Lake Tanganyika.

Numerous transverse roads provide a great variety of routes according to traffic needs.

## I N D E X

## OF THE BULLETINS OF VOL. XX (1942)

Pages
$11,36,59,83$ ..... $11,36,59,83$
Banking-Statistics
Budget and The White Paper, The (Special Article) ..... 33
Cost of Living-Ministry of Labour Index12, 37, 60, 84
Index Numbers for 12 countries ..... $9,35,58,82$
Notes on ..... $6,30,54,79$
Earnings in 1938, 1940 and 1941, Notes on ..... 31
Earnings in Principal Industries, Notes on ..... 56
Economic Position, The3, 27, 51, 75
Employment-See Unemployment
Events of Economic Importance, November, 1941-October, 1942 ..... 2, $28,52,76$
Finance and Banking-Quarterly Survey ..... 3, 28, 53, 77
Recent Movements, January, April, October ..... 6, 30, 78
Statistics.. ..... $11,36,59,83$
Incomes, Notes on
Index Numbers-See Prices, Retail Sales, Stocks and Shares, Wage Rates
Money Rates11, 36, 59, 8311, 36, 59, 83
New Capital Issues ..... $11,36,59,83$
Post Office Receipts ..... 13, 38, 61, 85

- Pages
Prices-Gold . ..... 12, 37, 60, 84
Retail Food, Ministry of Labour Index ..... 12, 37, 60, 84
Index Numbers for 12 countries 9, 35, 58, 82
Silver ..... 12, 37, 60, 84
Wholesale, Board of Trade Index ..... 12, 37, 60, 84
Comparative Index for 5 Countries ..... 8, 34, 57, 81
Index Numbers for 12 Countries 9, 35, 58, 82
Notes on ..... $6,30,54,79$
Statist Index $12,37,60,84$
Retail Sales-Index ..... 13, 38, 61, 85
Notes on ..... $10,32,57,81$
Stocks and Shares-Index Numbers ..... $11,36,59,83$
Unemployment-
Fund ..... 10, 32, 80
Notes on ..... 10, 31, 57
Registered Numbers Unemployed, Wholly and Temporarily ..... 10, 32, 61, 85
Wage Rates-Index ..... $12,37,60,84$
Notes on ..... 7, 31, 55, 78
Wages and Earnings, Notes on ..... 7, 55
OVERSEAS SECTION.
Reports and Statistics on
Australia ..... 72
Canada ..... 19, 43, 67
Eire ..... 91
Free French Africa ..... 97
South Africa ..... 46, 68
U.S.A. ..... $14,39,62,86$
U.S.S.R. ..... 23

27. Ohmmbise Prass (1940) ITVD, Portugal St., Kingaway,

London, W.0.2.


[^0]:    $\dagger$ Unweighted averages of price quotations for 10 materials compared with their levels in May, 1940-Timber, Leather, Newsprint, Non-ferrous Metals, Petroleum, Linseed Oil. : Excluding Rye. ** Excluding Wood and Wood pulp.
    $\dagger \dagger$ Petroleum said to have risen by over $130 \%$ from February to March.

[^1]:    
    PIG IRON, STEEL
    INGOTS \& CASTINGS FEDEILATION. INGOTS \& CASTINGS
    ELECTRICITY-
    ARTIFICIAL SILK-
    ARTIFICIAL SILK
    RETAIL SALES-
    POST OFFICE RECEIPTS-
    MOTOR SPIRIT-
    NEW REGISTRATIONS-
    RAILWAY TRAFFIC-
    WEIGHT
    RECEIIT Output of authorised undertakings-BRECTIHCITY COMMIRSION
    
     discussion see Board of Trade Jourasl, Feb, Pth, 183s,-11ANK OF KNGLANTS
     Cars taxed on H.P. In Great Britain. Minktry of Traneport Heturns.
    
    Monthly receipts for goods trafic, exoloding cost of collection and delivert until 1924, In other Mars eximaing receipts for collection and delivery,-MININTIT OF THANEINOHT

[^2]:    * We do not know how deeply the German army penetrated in Donetz region in which there is concentrated over $50 \%$ of the total iron and steel production of Ukraine.

[^3]:    $\star$ We do not know the extent of the destruction of the Engineering Industry in the Donetz basin or in the
    Leningrad and Moscow areas.

[^4]:    $\dagger$ (In some other industries there was a decrease in February because of the recent fall in the index.)

[^5]:    OUTPUT-COAL
    PIG IRON, STEEL........
    INGONS,
    ELECTRICITY
    CASTINGS
    Total for 4 weeks ending approximately at end of month.-BOARD OF TRADE JOURNAL.
    Output for standard four-week month, based upon monthly figures issued by the BRITISH IRON AND STEEL FEDERATION.
    Output of authorised undertakings.-ELECTRICITY COMMISSION
    Rayon, yarn and waste, derived from Excise Statistics.-BOARD OF TRADF 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
    POST OFFICE RECEIPTSDally averages, ex telegraph, telephone, savings bank and postal OF ENGLAND
    MOTOR SPIRIT-
    NEW REGISTRATIONS-
    RAILWAY TRAFFIC-
    WEIGHT
    Cars taxed on H.P. in Great Britain. Ministry of Transport Returns. Not published after March, 1941.
    RECEIPTS
    Tonnage of goods carried on the Railways of Great Britain during the month, excluding free-hauled. Monthly recelpts for goods traffic, excluding cost of collection and delivery until 1924, in other years excluding recelpts for colleotion and dellvery,-MINISTBY OF TRANSPORT.

[^6]:    * The federal government fiscal year covers the 12 -month period ending June 30 th.

[^7]:    $\star$ Issued at $£ 100 \%$.
    $\dagger$ Exchequer Receipts.

[^8]:    * The Union's external payments will, of course, be decreased in future by the amount of the interest on the Government stock formerly domiciled in London-and on other securities (e.g., mining shares) repatriated.

[^9]:    $\star$ (9.iii.42.) A recent addition to the schedule of a long list of miscellaneous goods considerably restricts export without permit even to the Empire.
    $\dagger$ (9.iii.42.) And motor vehicles and paraffin wax.
    $\ddagger$ Where the increase in cost price is $170 \%$ or more, the percentage mark-up is reduced to $50 \%$ of the level of the six months ending August, 1939.

[^10]:    * (9.iii.42.) The appointment of a Food Controller has just been announced. But the fact that the Minister of Agriculture is to be the Controller, an intimation that he may be led to fix minimum prices, and a proposal to establish a Purchasing Commission to buy and store food for convoys, suggest that at least a secondary motive behind the appointment may be the desire to pursue further the Government's restrictive and discriminatory agricultural marketing policy.
    $\dagger$ (9.iii.42.) The shortening of hours of opening of stores is already beginning.

[^11]:    $\star$ (9.iii.42.) Shortage rather than superfluity seems to be the present concern. Wide powers given to the Maize Board to acquire and sell current production and stocks are extended also to cover the possibility of import.
    $\dagger$ The expenditure estimates include new votes of $£ 0.6 \mathrm{Mn}$. to meet the increase in the price of wheat, and $£ 0.3 \mathrm{Mn}$. agricultural subsidies (including $£ 0.2 \mathrm{Mn}$. in respect of deciduous fruit).

[^12]:    * (9.iii.42.) Municipalities are being allowed to compete for funds. A Johannesburg $£ 3 \mathrm{Mn}$. loan and a Cape Town $£^{2} \mathrm{Mn}$. loan (both $3 \frac{1}{4} \%$ Local Registered Stock 1962-7 at $£ 99 \%$ ) floated on March 4th, were fully subscribed in a few hours. Two further loans of $£ 2 \mathrm{Mn}$. and $£ 1 \mathrm{Mn}$., Durban and Port Elizabeth, are anticipated.
    + Apparently not total figures.

[^13]:    * Deducting $£ 2.2 \mathrm{Mn}$. repayment of National Savings Bonds and not counting $£ 121 \cdot 7 \mathrm{Mn}$. Funding Loan issued to Savings Banks.

[^14]:    * Given as $39 \%$ in our April Bulletin, p. 31, where the reduction in the summer of 1939 had not been taken into account.

[^15]:    : Exoluding Rye.

[^16]:    （a）$\%$ of 1935
    （c）Excl．rent．（d）Excl．rent and clothes．（c）\％of 1935－1939．（f）\％of Sept．， 1931.
    Figures are averages for month，or mid－month or end of month figures．

[^17]:    * Federal Reserve Bulletin, June, 1942, p. 525.

[^18]:    $\dagger$ The groups included are (1) manufacturing, (2) mining, (3) construction, (4) transportation and public utilities, (5) trade, (6) financial, service, and miscellaneous, and (7) Government employees.

[^19]:    
    

[^20]:    $\ddagger$ See this Bulletin for January, 1942, p. I8.

[^21]:    * I bag $=236 \mathrm{lbs}$. approx.

[^22]:    $\star$ According to Mr. Curtin there was an absorption of 248,000 unemployed, of 150,000 persons normally not seeking employment, and of 102,000 persons which became available through the increase in the working population. See Financial News, 28th May, 1942. It appears from this statement that the pre-war unemployment had been greater than usually assumed.

[^23]:    $\dagger$ See Monthly Summary of the National Bank of Australasia, September, 1941.

[^24]:    * Isles, Economic Record, December, 1940.

[^25]:    * All the earlier figures are from Prices and Wages in the United Kingdom, I914-18. Carnegie Endowment for International Peace.
    $\dagger$ Loc. cit., p. 4r.

[^26]:    \# Loc. cit., p. ro6.

[^27]:    : Excluding Rye.

[^28]:    * Bank Rate $2 \%$ to 24 th Aug.; $4 \%$ to 28 th Sept. ; $8 \%$ to 26 th Oct. 1939 ; $2 \%$ since.
    $\dagger$ Exclusive of Investments in Affliated Banks. ofrial Minimum Prices.

[^29]:    $\star$ This index is based upon the following groups : (1) foods (2) clothing (3) rents (4) fuel, electricity and ice (5) house furnishings (6) miscellaneous commodities

[^30]:    $\dagger$ Years 1929-30, 1934-5, 1937-8, 1938-9, 1940-1.
    $\ddagger$ Not available.

[^31]:    * Exports of palm oil and palm kernel oil include the export of palm kernels reduced to $45 \%$, which represents roughly the oil content.

