## LONDON \& CAMBRIDGE ECONOMIC SERVICE



## BULLETIN I.

JANUARY, 1944.

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## LONDON \& CAMBRIDGE ECONOMIC SERVICE

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JANUARY, 1944

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## UNITED KINGDOM.

## THE ECONOMIC POSITION.

Ist February, 1944.

FTOR some months government expenditure has only varied moderately, more often below than above the rate of $£ 110 \mathrm{Mn}$. a week, without a discernible tendency to increase. On the other hand the general trend in the revenue figures would still seem to be upward In the present phase, therefore, the dangers from deficit financing appear less formidable than they did twelve months ago.

The revenue returns for the first few weeks in January have been particularly good. Actually in the last quarter of 1943 the receipts were less than in the previous quarter, and with some falling off in loan subscriptions the expansion called for in bank credit was greater. Over the whole year the rate of credit creation has been about the same as in previous years when allowance is made for the effects of the Tax Reserve Certificate system-its large initial effect and its smaller continuous effect in keeping down the volume of bank deposits; from the close of 1942 to the close of 1943 the increase in deposits was about $12 \%$. In the note circulation the expansion was particularly marked in the last quarter of 1943, and, despite the check earlier in the year, the increase over twelve months was about $18 \%$.

The movements of wholesale prices have again been slight, and the index numbers are about $\mathrm{I} \%$ above the level of December, 1942 and $5 \%$ above that of December, 1941. The Cost of Living Index has been kept constant by small compensating changes in the prices of items, at $28 \%$ above August, 1939. On the other hand, after a pause during the summer the wage-rate index has risen, till in January, 1944, it was about $6 \%$ higher than in December, 1942, and nearly $40 \%$ above August, 1939. The principal increases have been in agriculture and coal, the two industries which already showed a remarkable rise during the war, and in cotton, where also the war-time increase was higher than the average. The coal award follows the precedents set for railway and engineering in raising minimum rates, and so diminishing the difference in payment for different grades of skill. On a larger scale the increase in the agricultural minimum lessens the difference between town and country work. These modifications, which are similar in effect to the changes in relative wages in 1915-1918, are likely to lead to demands for higher wages for skilled men. Meanwhile the tendency towards the establishment of minimum weekly wages throughout industry is noteworthy.

## EVENTS OF ECONOMIC IMPORTANCE.

1943

,, 22-26 International...
26 U.S.S.R.
28 International...
Dec. 1 U.K.

```
4-6 International...
8 U.K. .. 12 Czechoslovakia-
U.S.S.R.
```

.. Moscow conference ends-full agreement reached on measures to hasten defeat of Germany.
... Board of Trade announces reduction in commodity insurance war risk rate as from December 3rd.
... Kiev captured by Russians.
... House of Commons approved supplementary vote of credit for $£ 1,250 \mathrm{Mn}$.
... U.N.R.R.A. created.
... French troops arrest President and members of government.
... Leros garrison surrenders.
... French Committee of National Liberation announce re-instatement of the President.
... R.A.F. begins series of heavy raids on Berlin.
... Reduction ( $50 \%$ ) of war risk rate between U.S. and Africa comes into force.
Cairo Conference (Mr. Churchill, President Roosevelt, General Chiang Kai-Shek).
... Russians announce capture of Gomel.
Teheran Conference (Mr. Churchill, President Roosevelt, Marshal Stalin).
Agricultural Wage Board makes orders for increase in wages from December 12 th (increase of 5 s . a week for ordinary male workers).
... Meeting of Mr. Churchill, President Roosevelt and President Inonu at Cairo.
Increase of $£ 50 \mathrm{Mn}$. (to $£ 1,150 \mathrm{Mn}$.) in fiduciary issue announced.
Agreement of friendship and post-war co-operation signed.
... Coup d'état overthrows Government under General Pinaranda.
Government announces decision to redeem at par the 31 $\%$ loan maturing January 1st, 1944.
"Scharnhorst" sunk.
... 8th Army captures Ortona.
... Ministry of Supply announces $£ 25$ per ton increase in the price of tin, to $£ 300$ per ton.
... Capture of Sarny announced (first major town in Poland).
... Announcement that rationing is to start in Calcutta on January 31st (rice, wheat, sugar).
... Text issued of Bill for reinstatement in civil employment after the war of men and women in the forces and in civil defence.
Forest fires.
... Severe earthquake.
... Announcement that First Victory Loan of $£ \mathrm{~A} 150 \mathrm{Mn}$. is to be launched on March 9th.
... Russians capture Novgorod.
... Russians capture Mga.
... Coal and coke prices to be increased 3s. per ton from February 1st.
... 5th Army makes successful landing south of Rome.
... National Reference Tribunal announces minimum $£ 5$ wage for underground miners, and $£ 410$ s. for surface workers. No change in piece rates.
... House of Commons passes Votes of Credit- $£ 1,000 \mathrm{Mn}$. to end of financial year and $£ 750 \mathrm{Mn}$. supplementary.
... Government breaks off diplomatic relations with Germany and Japan.

# FINANCE \& BANKING IN THE FOURTH QUARTER OF 1943. 

By P. B. Whale.

Government Finance. - The rate of government expenditure during the last quarter of 1943 was somewhat higher than during the previous quarter and roughly the same as in the second quarter of the year : expressed as weekly averages Supply Expenditure was $£ 100.8 \mathrm{Mn}$. and Total Expenditure $£ 108.5 \mathrm{Mn}$. It is noteworthy that these figures are distinctly below those for the last quarter of 1942, and also that there has not been the same increase in 1943 between the third and fourth quarters. The weekly average of ordinary revenue receipts declined by about
 for the previous quarter ; and the average weekly deficit was $£ 7 \mathrm{Mn}$. higher, but nearly $£ 4 \mathrm{Mn}$. less than a year earlier.

| GOVERNMENT REVENUE AN <br> Revenue. |  | D EXPENDITURE (£Mn.) |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Supply |  |  |
| Weekly Averages. 1939-Oct.-Dec. | $\begin{gathered} \text { Total. } \\ 15 \cdot \end{gathered}$ | $\begin{aligned} & \text { Services. } \\ & 35^{\circ} 6 \end{aligned}$ | $\begin{aligned} & \text { Total. } \\ & 41.8 \end{aligned}$ | 25.9 |
| 1940-Jan.-Mar. | 38.8 | $45 \cdot 1$ | 48.0 | 9.2 |
| April-June | 14.5 | $47 \cdot 1$ | $53 \cdot 4$ | 38.9 |
| July-Sept. | 20.1 | 66.6 | $69 \cdot 6$ | $49 \cdot 5$ |
| Oct.-Dec. | $22 \cdot 8$ | 77.0 | 83.5 | 60.7 |
| 1941-Jan.-Mar. | 51.0 | 88.5 | $90 \cdot 1$ | 39.1 |
| April-June | $24 \cdot 5$ | 75.8 | $82 \cdot 6$ | 58.1 |
| July-Sept. | 32.2 | 85.4 | $89 \cdot 3$ | $57 \cdot 1$ |
| Oct.-Dec. | 37.2 | 89.8 | $96 \cdot 9$ | 59.7 |
| 1942-Jan.-Mar. | $66 \cdot 3$ | 96.2 | 99.5 | 33.2 |
| April-June | $42 \cdot 6$ | $92 \cdot 2$ | 99.6 | 57.0 |
| July-Sept. | $46 \cdot 3$ | 93.4 | 98.8 | $52 \cdot 5$ |
| Oct.-Dec. | $45 \cdot 9$ | 103.7 | $111 \cdot 2$ | $65 \cdot 3$ |
| 1943-Jan.-Mar. | $81 \cdot 9$ | 117.0 | $121 \cdot 9$ | $40 \cdot 0$ |
| April-June | $41 \cdot 3$ | $100 \cdot 3$ | 108.0 | $66 \cdot 7$ |
| July 1-31 | 56.8 | 103.7 | 109.3 | $52 \cdot 4$ |
| Aug. 1-28 | $53 \cdot 6$ | 89.7 | $99 \cdot 1$ | $45 \cdot 5$ |
| Aug. 29-Sept. 30 | 30-45.8 | $103 \cdot 3$ | $109 \cdot 3$ | $63 \cdot 5$ |
| Oct. 1-30 | $50 \cdot 8$ | $104 \cdot 9$ | 1137 | $62 \cdot 9$ |
| Oct. 31-Nov. 27 | 77.8 | $101 \cdot 8$ | 107.7 | 59.9 |
| Nov. 28-Dec. 31 | 1421 | -6.3 | 104.6 | 61.4 |

For nine months of the current financial year expenditure has amounted to $73.5 \%$ of the estimate for the complete year, whilst ordinary revenue receipts have equalled about $63 \%$ of the year's estimate. In the year 1942-43 the expenditure of the first nine months proved to be about $72 \%$ of the actual expenditure for the whole year, and the revenue of the first nine months (after eliminating the contributions of the Canadian Government) was $59 \%$ of the year's total (similarly corrected). On this basis one should expect the estimate to be again exceeded on both sides, but the deficit to be rather less than anticipated. It must be remembered, however, that the rate of expenditure is not rising sharply as it was a year ago. On the other side certain transitional arrangements in connection with the adoption of the Pay-as-youFarn system may be expected to hold back the
yield of income tax during the next two months. Thus the final figures may be fairly close to the estimates.

The total deficit or surplus of Ordinary Expenditure over Ordinary Revenue for this quarter was $£ 807 \mathrm{Mn}$. and, with Sinking Fund and War Damage payments to be financed, the amount raised by borrowing was $£ 815 \mathrm{Mn}$.

| GOVERNMENT BORROWING. |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | (£Mn.) | FOURTH QUARTER, 1943. |

Subscriptions to the four categories of tap loans open to the public amounted during the quarter to (nearly) $£ 259 \mathrm{Mn}$. and with an increase of about $\AA_{6} 6 \mathrm{Mn}$. in Savings Bank deposits, the total of " large and small savings" was $£ 326 \mathrm{Mn}$. This is a comparatively poor figure $-£ 50 \mathrm{Mn}$. lower than that for the previous quarter and $£ 30 \mathrm{Mn}$. lower than that for the last quarter of 1942. For the calendar year 1943 the total of large and small savings in this sense was $£_{1}, 85 \mathrm{I} M$. in comparison with $£ \mathrm{I}, 637 \mathrm{Mn}$. in 1942.

Of the quarter's increase of $£ 492 \mathrm{Mn}$. in short term debt (apart from savings bank deposits) more than half ( $£ 286.5 \mathrm{Mn}$.) was provided by Treasury Deposits. Tax Reserve Certificates increased by nearly $£ 64 \mathrm{Mn}$. and Departmental Ways and Means by $£ 40 \mathrm{Mn}$. more than the increase in savings bank deposits. Treasury Bills and Bank Ways and Means provided the balance of roughly $£_{100 \mathrm{Mn} \text {. Taking }}$ into account the increase of $£ 40 \mathrm{Mn}$. over the quarter in the end-of-the-week figures of tender bills outstanding and the existence of Ways and Means indebtedness to the Bank of $£ 65 \mathrm{Mn}$. at the end of the quarter, it would appear that tap bills outstanding had increased by $£ 60 \mathrm{Mn}$. Looking at the matter from another angle, with $£ 428 \mathrm{Mn}$. floating debt to be financed (after deducting the increase in Tax Reserve

Certificates as well as that in savings bank deposits), the increase in bank deposits (eleven clearing banks) plus the increase in note circulation would account for about $£ 323 \mathrm{Mn}$., leaving a balance of about $£ 105 \mathrm{Mn}$. to be found from other sources.

Bank of England. - The note circulation increased rapidly during the quarter. From mid-September to mid-December the increase was $£ 86 \mathrm{Mn}$. The limit on the note issue was raised another $£ 50 \mathrm{Mn}$. as from the return of December 8th. Comparing the last returns of the year, the increase over twelve months to the end of 1943 has been $£ 165 \mathrm{Mn}$.

Apart from the special measures adopted at the end of the year, the earning assets of the Bank, government securities in particular, have increased broadly speaking to keep pace with the note circulation and leave a certain margin for extra reserve requirements of the clearing banks. But the process has not been perfectly smooth and, apart from the interventions of the official buyer, Ways and Means Advances have been called for at the end of each month. In the last fortnight of the year, the Bank's assets were expanded by more than $£ \mathrm{I} 00 \mathrm{Mn}$., partly to cover an increase in circulation of $£ 21 \mathrm{Mn}$., mainly to provide reserves in the clearing banks' December 3ist balance sheet.

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


The increase of $£ 217 \mathrm{Mn}$. in the Net Deposits of these banks is nearly twice the increase in the previous quarter ( $£ 113 \mathrm{Mn}$.), but not very much more than the increase in the last quarter of 1942 ( $£ 190 \mathrm{Mn}$.). For the complete year 1943 the increase has been $£ 372 \mathrm{Mn}$. in comparison with $£ 256 \mathrm{Mn}$. in 1942, but the comparison is vitiated to a certain extent by the effect of the introduction of Tax Reserve Certificates in 1942 : in 1943 net subscriptions to these were $£ 177 \mathrm{Mn}$., as against $£ 453 \mathrm{Mn}$. in 1942. In 194I the increase in the

Net Deposits of the nine banks had been $£ 475$ Mn . ; but this again is not wholly comparable with the 1943 figure, since sums were then held on deposit which in 1943 would have been put into certificates. All that can be said perhaps is that monetary expansion does not show acceleration, but that it still goes on.

In the assets of the banks the Treasury Deposits account for more than the whole of the increase in Net Deposits with an increase of $£^{261 ~ M n}$., and they have now displaced Investments from the leading position. Discounts show a fall largely to be ascribed to "windowdressing." Advances show a small increase for once, but have declined further relatively and are now less than $20 \%$ of the assets. The cash position is normal, and thanks to the Treasury Deposits the liquid asset ratio reached $50 \%$ at the end of the year.

Bank Clearings. - The combined total of clearings at the London Clearing House (Town, Metropolitan and Country) for 1943 showed an increase of $17 \%$ over the previous year. On the other hand the aggregate clearings at eleven provincial centres showed a decline of $21 \%$. In the first six months the decline in provincial clearings (in comparison with a year earlier) was between $6 \%$ and $7 \%$; in the first quarter the decline was fairly general, in the second the movements were more diverse : Bristol and Hull showed the most marked decline in both. In July a reduction in the area served by several of the provincial centres altered the distribution of the figures between London and the provinces, and this affects the annual figures and the table. The provincial figures are relatively small in any case, however, and if we combine all the clearing figures, London and provincial, we get an increase of $16 \%$ for 1943 over 1942.

| Provincial | London <br> Clearings |  | Av. Current <br> Clearings |  | Account <br> Deps sits of |
| :---: | :---: | ---: | ---: | ---: | ---: | ---: |
| Clearing Banks |  |  |  |  |  |
| Clof of |  |  |  |  |  |

Security Prices-The 1943 peak of industrial security prices was already recorded in our previous issue since a sharp decline set in at the end of October and the subsequent rally did not bring a full recovery by the end of the year. Paradoxically but rationally the setback was attributed to good war news which shortens the period for discounting postwar industrial uneertainties. Over the year the index rose by by about $8 \%$ compared with a $15 \%$ rise over
1942. From the slump level of mid-1940 the index has about doubled. The index of fixed interest securities remained stable for the greater part of 1943 and the average for the year was only slightly (less than I \%) above that for 1942.

## RECENT MOVEMENTS.

The seasonal increase in Revenue receipts has been especially marked in the first weeks of January this year, whilst Government Expenditure has not risen greatly. With record receipts
 $\mathrm{f}_{18 \mathrm{Mn}}$. was attained, and there has been a
smaller surplus of $£ 4.9 \mathrm{Mn}$. in the third week. Subscriptions to the longer-term tap loans having been good also, the seasonal process of contracting the floating debt has set in. The volume of tender Treasury bills outstanding will have been reduced $£ 40 \mathrm{Mn}$. by early February, and Treasury Deposit changes have been in the downward direction. It may be expected that there will be a net contraction of Tax Reserve Certificates during the month. In the Bank of England returns the note circulation had gone back to the mid-December position by the middle of January ; Bankers' Deposits, on the other hand, still showed a gain over the month.

# PRICES AND WAGES. 

By A. L. Bowley.

WHOLESALE PRICES.-The general stationariness of wholesale prices was not disturbed during the latter months of 1943.

| BOARD OF TRADE TOTAL INDEX. |  |  |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| August, 1939... | $\ldots$ | 100 | December, 1942 | $\ldots$ | 164 |  |
| December, 1939 | $\ldots$ | 125 | March, 1943 | $\ldots$ | 165 |  |
| December, 1940 | $\ldots$ | 151 | April, May, June | $\ldots$ | 166 |  |
| December, 1941 | $\ldots$ | 159 | July, $\ldots$ | $\ldots$ | $\ldots$ | 167 |
| March. $1942 \ldots$ | $\ldots$ | 162 | August | $\ldots$ | $\ldots$ | 165 |
| June, 1942 $\ldots \ldots$ | $\ldots$ | 163 | Sept., Oct., Nov. | $\ldots$ | 166 |  |
| September, 1942 | $\ldots$ | 162 | December | $\ldots$ | $\ldots$ | 167 |

WHOLESALE PRICES CHANGES IN PRINCIPAL GROUPS. August, $1939=100$ throughout

|  | $\begin{aligned} & 1942 \\ & \text { Sept. } \end{aligned}$ | $\begin{gathered} 19+3 \\ \text { July } \end{gathered}$ | $\begin{aligned} & 1943 \\ & \text { Aug. } \end{aligned}$ | $\begin{gathered} 1943 \\ \text { Oct. } \end{gathered}$ | $\begin{aligned} & 1943 \\ & \text { Dec. } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cereals | 212 | 216 | 202 | 202 | 202 |
| Meat, fish, eggs | 138 | 144 | 144 | 144 | 144 |
| Other food and tobacco | 170 | 189 | 182 | 179 | 182 |
| Total, Food, \&c. | 170 | 181 | 175 | 174 | 176 |
| Coal | 153 | 158 | 158 | 158 | 158 |
| Iron and Steel | 142 | 142 | 142 | 142 | 142 |
| Non-ferrous metals... | 125 | 125 | 125 | 125 | 125 |
| Cotton ... | 172 | 167 | 167 | 167 | 168 |
| Wool | 170 | 170 | 174 | 178 | 178 |
| Other textiles | 174 | 180 | 179 | 178 | 180 |
| Chemicals and Oils... | 148 | 156 | 156 | 162 | 162 |
| Miscellaneous | 180 | 184 | 184 | 185 | 187 |
| Total, Materials, \&c. | 158 | 160 | 160 | 161 | 162 |
| Grand total | 162 | 167 | 165 | 168 | 16 |

RETAIL PRICES.-For the Cost of Living index the price of sugar was increased by id. per lb . during September. In the same month the price of potatoes fell, as did the index for clothing, so that the general index remained at $28 \%$ above the level of August 1939.

COST-OF-LIVING INDEX-NUMBER.
INCREASE OR DECREASE \% SI $\triangle C E$ 1st SEPT., 1939


* Jan. 1st., 5-no other changes from Dec. 1st.

WAGES.- The only important movements in the months Oct.-Dec., 1943, have been increases for Compositors and for Agricultural Labourers. There was no general change in Compositors' time-rates between the summer of 1923 and September 1940, at which date rates were raised 5 s . a week. Another 5s. was added in November 1941 and 7s. 6d. in November 1943. In addition to these general increases there has been an upgrading of towns where the rates were specially low. The average increase since 1924 or 1939 has been about $25 \%$; but in London the increase was $20 \%$ and in the towns graded lowest $40 \%$ to 87 s . 6 d .

The average of the county minima for ordinary Agricultural Labourers was 28s. weekly in 1924, 30s. in 1925. There were local variations during the following years and a slow upward movement from 1934. In August 1939 the average was 34 s . 9d. Wages rose more rapidly during the first half of 1940, with some upgrading of the lower-paid counties, till in June the average was 37 s . IId. In July, 1940, all the rates were raised to at least 48 s ., a few to 50 .


There were subsequent increases in some counties which brought the average to 5Is. in November, 194I, and in December, 1941, there
was a general increase to 60 s. After that date there was no significant change till December, 1943, when 65s. was fixed as the general minimum.

RETAIL SALES.-The value of average daily sales of food increased during the autumn of 1943 as it had in 1942. From August to December the rise was $11 \%$ in 1942 and $16 \%$ in 1943, and in December, 1943, alone was 6\% higher than a year before. Meanwhile there was a very considerable decrease after the high figure for September (132) in expenditure on apparel, which is dominated by the dates of availability of coupons. The average for the 4 months September to December was 112 in 1942 and $107 \frac{1}{2}$ in 1943 (\% of 1937). The monthly movement of the general index for all sales is shown in the Table on p. 12.

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

| Great Britain. |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1941 | 1942 | 1942 | 1942 | 1943 | 1943 | 1943 |
|  | Av. | Oct. | Nov. | Dec. | Oct. | Nov. | Dec. |
| Total | 105 | 112 | 106 | 123 | 109 | 106 | 126 |
| Food \& Perishables | 110 | 113 | 113 | 122 | 117 | 119 | 129 |
| Other Merchandise | 100 | 112 | 99 | 123 | 100 | 92 | 120 |
| Apparel ... . | $10 z$ | 125 | 103 | 117 | 104 | 88 | 106 |
| Household Goods | 82 | 81 | 69 | 81 | 76 | 64 | 82 |

# THE WAGE-RATE INDEX-NUMBER. 

By A. L. Bowley.

Since enquiries are frequently made on the subject of our wage-index and its nature is sometimes misunderstood, it is advisable to describe again its purpose and construction in some detail. The index-number in its present form + was initiated in 1929* and worked back to a base in 1924 ; it superseded an earlier and less comprehensive index based on 1914. Since 1929 there has been no change in its structure.

It was not intended to continue after its original statement ${ }^{\star}$ the publication of the entries for the industries separately; for like many other index-numbers its aim is to indicate only the general movement, while its basis is a selection of particular classes, persons or things, the changes in which are combined in such a way as to give a fairly accurate description of the general trend, while individual discrepancies are averaged away. But so many requests have been made for the estimates of changes in separate industries, that in recent times these have been published, without perhaps sufficient explanation of their limitations.

The data were selected, not to give a full
expression of changes in separate industries, but to include in due proportion the wages of skilled and unskilled, men and women, and payments by time and piece. Twenty occupations (or groups of occupations in an industry) were chosen, the choice being limited by the necessity of obtaining monthly returns (by the courtesy of the Ministry of Labour) and the convenience of rapid handling. In many cases the figures are based on the averages for different localities, while in others, measurement is of movement common to a whole industry (flat time-rate changes or general percentage additions to piece-rates). Details are described below.

The system of weighting the 20 items was thus described*: " The ideal weights would be proportional to the weekly wage-bill in each industry in the country in 1924. These have been roughly estimated for each of the twenty industries or occupations included, but they have been adjusted so as to give women's wages as a whole approximately the correct proportion, and so to give the three groups-Coal, Agriculture, All Others-the right proportion."

[^0]That, at least when wages were changing slowly, the sample so selected was typical of industry as a whole is indicated by the consistence of the index with that published from time to time in the Ministry of Labour Gazette, which was based on much more numerous entries.

Like the Cost-of-Living Index-number, this wage index ignores all changes in the relative importance of the different entries which may have taken place, except in so far as they are shown by the percentage movements; that is, the weights and the base year are unchanged. The index shows what would have been the change if the constitution of the labour force had not altered in respect of the relative numbers employed in the different industries or occupations, just as the Cost-of-Living Index-number shows the change of expense if the same quantities of commodities were purchased monthly since its base year.

It is essential to distinguish clearly between wage-rates and realised earnings.

The original memorandum gives a list of six factors which affect changes in average earnings, as follows :
(a) Changes in time rates; (b) changes in piece rates; (c) facilities for earning on piece-rates; (d) weekly hours of work; (e) shifting of relative numbers and regrading within an industry; $(f)$ shifting of relative numbers between industries.
To these should perhaps have been added explicitly ( $g$ ) overtime or short-time ; but it is best not to include unemployment, except in a separate category. Our index number is intended to include only (a) and (b) directly, but since in most cases the entries are for the normal week (d) is also implicitly taken into account.

Prior to 1935 there is evidence that none of the factors $(e),(f)$ or $(g)$ had a significant effect on the average, while that of (c) was not important. In fact, it is on record that the changes in average earnings in the periods 1924 to 193I and I93I to 1935, as shown by the general returns by the Ministry of Labour at those dates, are almost exactly the same as those already shown by the index-number of wage-rates. But from the beginning of the development of the armament programme and increasingly during the war, there has been an extension of piece work, a great shifting of the working force between industries, and within industries considerable re-grading, new types of work and change of personnel. Hence the index which measures changes in wage-rates has become increasingly out of touch with the movements of earnings,
which, indeed, it never professed to measure. Hence again, it is analogous with the Cost-ofLiving index, which relates to the cost of a fixed budget, that has become unrealistic in present circumstances.

But the wage-index number has a definite importance in measuring the change of two or more of the seven factors which affect earnings. Its use in this connection has been shown in the articles in the Bulletins for 1943, January and July that have analysed the change of earnings, as shown in the Ministry of Labour's reports. In them it has been attempted to evaluate separately the effects of the factors $(e),(f)$ and (c) or (g).

There is a potential further use for the index. To the extent that industry returns to normal, in the sense that overtime, night-work and widely-spread payment by results cease, the difference between change in earnings and change in fixed time or piece rates will diminish. The index will then tend to measure the change in the cost of an ordinary job performed in ordinary time, though its system of weighting will need revision to take account of changes in the relative importance of occupations that may be found to have occurred since 1924 or 1939.

Compositors.-Weighted average of weekly time rates in seventeen towns.

Builders.-Unweighted average of hourly rates in eight towns for bricklayers, seven for labourers.

Engineers.-Average of straight time rates in principal centres. These were formerly stated from time to time in the Ministry of Labour Gazette. During the war the changes have been chiefly general flat-rate increases.

Dock Labourers. - Average for London (two entries) and four principal ports for in half-days each of four hours, without any special payments.

Railwaymen.-For December, 1924, the average of time rates of all traffic grades for a normal week was approximately known. The changes have been in most cases flat rate additions for all, but at some dates were modified by adjustment of minimum rates, and in 1942 the increase was less for drivers and firemen than for other grades.

Tram Drivers and Conductors, Lorry Drivers, Local Authority Labourers.-Average of rates in selected towns.

Agricultural Labourers. - Average of county minima for ordinary labourers, weighted by the presumed relative importance of the counties.

CONSTRUCTION OF THE WAGE-RATE INDEX NUMBER


Shipbuilders.-The pre-war changes were generally of the form $+4 \%$ for piece-workers and +2 s. weekly for time-workers. During the war general flat increases were granted. The actual average to which these changes refer is not independently known, but for purposes of computation it is taken as 50s. in 1942.

Cotton.-The changes are mainly by percentages on piece-rates separately for spinning and weaving, but there have been some more complicated adjustments, especially in 1935, and flat rate increases of different amounts for different sections in 1943. The results are a little uncertain. The percentages are applied to the average earnings estimated for a normal week in a general wage-report in 1924.

Wool.-Separate percentage changes for time-workers and piece-workers are available, and these are combined in a constant proportion.

Coal.-The basis has been the change in piece-rates in seven main districts weighted by their presumed importance, and before the war checked by published average earnings per shift. In the past four years there have also been flat rate increases and other complications which render
the resulting figures rather uncertain. Bonuses on production are not included.

The increase of $57 \frac{1}{2}$ applied to $11 / 6 \frac{1}{4}$, the average of all per shift in the second quarter of 1939, gives $18 / \mathrm{I}_{\frac{1}{2}}$ per shift, or nearly $100 /$ per assumed full week of $5 \frac{1}{2}$ shifts. These averages include surface and underground workers, boys and men. In I939 $23 \%$ of the employees were on the surface. There is no information at present about the number of men whose wages will be raised by the increase of the weekly minimum from $78 /-$ to $90 /-$ at the surface and $83 /-$ to $100 /$ - underground. If half of the men were affected to the extent of half the increase, the resulting increase would be about $4 \%$, bringing the index based on 1924 to 178 and the increase since 1939 to $63 \%$. The result on the wage-rate index for all industries would be an increase of $\frac{1}{2}$ from 137 to $137 \frac{1}{2}(1939=100)$.

Trade Board Minima. - The last five entries are the minimum time rates fixed by Trade Boards for women. They are introduced into the index number since otherwise women are only included in Cotton and Wool where the earnings are not typical of women's wages in general.

## INDEX NUMBERS OF PRICES IN I2 COUNTRIES.

Mainly based upon the Monthly Bulletin of the League of Nations. $\dagger$
The base period has been altered from 1929 to the first half of 1939 with a view to showing more clearly the changes which have occurred during the war. For monthly figures from July, 1939, on the old base, see Bulletins from January, I941, to October, 1943.

|  |  |  | 品 |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

I. WHOLESALE, \% OF JAN.-JUNE, 1939

| 1989 | 2nd half | ... | 112 | 99 | 105 | 104 | 103 | 110 | 100 | 107 | 107 | 110 | 111 | 103 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1940 | 1st | ... | 134 | 108 | 113 | 110 | 110 | 120 | 102 | 118 | 124 | 128 | 125 | 103 |
| 1940 | 2nd | $\ldots$ | 147 | 112 | 114 | 118 | 114 | 120 | 104 | 116 | 138 | 139 | 145 | 103 |
| 1941 | 1st | ... | 155 | 114 | 119 | 123 | 119 | 126 | 105 | 121 | 151 | 154 | 164 | 109 |
| 1941 | 2nd ," | ... | 159 | 120 | 127 | 128 | 128 | 155 | 105 | 127 | 155 | 161 | 182 | 120 |
| 1942 | 1st | $\ldots$ | 163 | 127 | 130 | 131 | 134 | 177 | 106 | 133 | 168 | 169 | 195 | 128 |
| 1942 | 2nd ," | ... | 165 | 136 | 131 | 139 | 144 | 188 | 108 | 135 | 186 | 177 | 201 | 130 |
| 1943 | Jan. | ... | 167 | 134 | 132 | 139 | 147 | 191 | 108 | 137 | 193 | 179 | 203 | 133 |
|  | Feb. | ... | 167 | 135 | 133 | 140 | 148 | 194 | 109 | 137 | 194 | 180 | 205 | 134 |
|  | Mar. | $\ldots$ | 167 | 137 | 134 | 140 | 148 | 195 | 109 | 137 | 222 | 180 | 205 | 135 |
|  | Apr. | ... | 167 | 137 | 135 | 143 | 148 | 196 | 109 | 141 | 225 | 180 | 206 | 136 |
|  | May | ... | 168 | 137 | 136 | 145 | 149 | 198 | 108 | 141 | 226 | 180 | 206 | 136 |
|  | June | ... | 168 | 138 | 136 | 145 | 149 | 199 | 109 | 142 |  | 180 | 206 | 136 |
|  | July ... | $\ldots$ | 169 | 139 | 136 | 145 | 150** | 199 | 109 |  |  | 179 | 205 | 135 |
|  | Aug. ... | ... | 167 | 138 | 137 | 145 | 150* |  | 109 |  |  |  | 205 | 135 |
|  | Sept. ... | ... | 167 |  | 138** |  | 150* |  |  |  |  |  |  | 135 |
|  | Oct. ... | $\ldots$ | 167 |  | 149** |  |  |  |  |  |  |  |  | 135 135 |
|  | Dec. ... | $\ldots$ | 163 |  |  |  |  |  |  |  |  |  |  |  |


|  |  |  |  | R | L, |  | LIVI | \% | JAN | $\begin{aligned} & \text { UN } \\ & \text { (c) } \end{aligned}$ | $\begin{array}{r} 1939 \\ (\boldsymbol{d}) \end{array}$ |  |  | (b) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1939 | 2nd half | ... | 108 | 100 | 101 |  | 99 | 101 | 100 | 107 | (f) | 103 | 102 | 100 |
| 1940 | 1st | ... | 117 | 102 | 104 | (e) | 102 | 105 | 102 | 119 |  | 113 | 107 | 101 |
| 1940 | 2nd ," | $\ldots$ | 124 | 106 | 106 | (f) | 104 | 103 | 104 | 122 |  | 120 | 114 | 101 |
| 1941 | 1st ", | $\ldots$ | 129 | 109 | 109 |  | 107 | 103 | 105 | 121 | 118 | 132 | 122 | 103 |
| 1941 | 2nd , | ... | 130 | 111 | 115 |  | 109 | 109 | 106 | 122 | 126 | 136 | 132 | 108 |
| 1942 | 1st | $\ldots$ | 130 | 117 | 115 |  | 115 | 112 | 108 | 124 | 133 | 143 | 139 | 114 |
| 1942 | 2nd ", | ... | 130 | 121 | 117 |  | 119 | 112 | 108 | 126 | 142 | 149 | 144 | 118 |
| 1943 | Jan. . | $\ldots$ | 129 | $\} 122$ | 116 | 101 | 121 | 113 | 109 | 127 | 146 | 150 | 148 | 120 |
|  | Feb. ... | ... | 129 |  | 117 |  | 122 | 113 | 109 | 129 | 148 | 150 | 148 | 121 |
|  | Mar. ... | $\ldots$ | 129 |  | 117 |  | 122 | 119 | 109 | 130 | 149 | 150 | 148 | 122 |
|  | Apr. ... | ... | 129 |  | 117 |  | 123 | 120 | 110 | 133 | 148 | 150 | 149 | 123 |
|  | May ... | ... | 129 | \} 124 | 118 | \} 100 | 125 | 119 | 110 | 133 | 153 | 149 | 149 | 124 |
|  | June ... | ... | 130 |  | 118 |  | 125 | 117 | 111 | 133 | 151 | 149 | 149 | 124 |
|  | July ... | $\ldots$ | 129 |  |  |  | 125* | 107 | 112 |  | . 153 | 149 | 150 | 122 |
|  | Aug. ... | $\ldots$ | 129 | 123* |  | 100 | 125** | 108 | 112 |  | 159 | - | 149 | 122 |
|  | Sept. ... | $\ldots$ | 129 129 |  |  |  |  |  |  |  |  | 149* |  | 122 |
|  | Nov. ... | $\ldots$ | 129 |  |  |  |  |  |  |  |  |  |  |  |
|  | Dec. ... | ... | 129 |  |  |  |  |  |  |  |  |  |  |  |

III. RETAIL, FOOI ONLY, \% OF JAN.-JUNE, 1939

| 19391940 | 2nd half | $\ldots$ | 110 | 99 | 104 | $98$ | $101$ | 101 | 111 |  | 104 | 104 | (a) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 1st ", | ... | 119 | 100 | 106 | 101 | 105 | 103 | 128 |  | 113 | 109 | 102 |
| 1940 | 2nd , | ... | 125 | 102 | 109 | 103 | 101 | 105 | 131 | (f) | 123 | 117 | 102 |
| 1941 | 1st ", | ... | 125 | 102 | 113 | 107 | 101 | 105 | 130 | 118 | 137 | 128 | 106 |
| 1941 | 2nd ", | ... | 121 | 102 | 125 | 117 | 113 | 105 | 131 | 128 | 143 | 142 | 117 |
| 1942 | 1st ", | ... | 118 | 109 | 127 | 119 | 117 | 108 | 134 | 136 | 152 | 151 | 126 |
| 1942 | 2nd ", | ... | 119 | 113 | 132 | 123 | 117 | 108 | 134 | 145 | 158 | 157 | 136 |
| 1943 | -Jan. | $\ldots$ | 121 | 110 | 129 | 127 | 118 | 107 | 136 | 150 | 159 | 161 | 141 |
|  | Feb. ... | ... | 122 | 111 | 130 | 129 | 117 | 108 | 140 | 152 | 159 | 161 | 141 |
|  | Mar. ... | ... | 122 | 113 | 131 | 129 | 128 | 108 | 140 | 151 | 159 | 162 | 145 |
|  | Apr. ... | ... | 122 | 113 | 132 | 130 | 123 | 110 | 146 | 151 | 159 | 162 | 149 |
|  | May ... | ... | 122 | 114 | 133 | 134 | 122 | 110 |  | 150 | 159 | 162 | 151 |
|  | June ... | ... | 124 | 114 | 134 | 134 | 117 | 111 |  | 149 | 159 | 162 | 150 |
|  | July ... | $\ldots$ | 123 | 114 | 135 | $132^{*}$ | 113 | 115 |  | 151 | 158 | 163 | 147 |
|  | Aug. ... | $\ldots$ | 122 |  | 136 | 133* | 114 | 114 |  | 158 |  | 162 | 145 |
|  | Sept. ... | ... | 124 | 110* | 135* |  |  |  |  |  | 157* |  | 145* |
|  | Oct. ... | $\ldots$ | 124 |  | 135* |  |  |  |  |  |  |  |  |
|  | Nov. ... | ... | 124 |  |  |  |  |  |  |  |  |  |  |
|  | Dec. ... | ... | 124 |  |  |  |  |  |  |  |  |  |  |

(a) B.L.S. Index.
(b) N.I.C.B. Index.
(c) Excl. rent.
(d) Excl, rent and clothes.
(e) New Index \% of December, 1942.
$(f)$ No comparable earlier figures. New Index.

+ Figures are averages for month, or mid-month or end of month figures.

* Bank Rate $2 \%$ to 24 th Aug.; $4 \%$ to 28 th Sept. ; $3 \%$ to 26 th Oct., $1939 ; 2 \%$ since.
$\dagger$ Exclusive of Investments in Affiliated Banks. ${ }^{\circ}$ Official Minimum Prices.
${ }_{* *}^{\dagger}$ Exclusive of Investments in Affiliated Banks. for Union Bank Manchester Ltd., incorp. in Barclays Bank Ltd., 1st Jan., 1940


|  | WHOLESALE. |  |  |  |  |  |  |  |  | RETAIL. |  |  |  | WAGES. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Price of <br> s. por <br> fine oz | Bar Silver (Cash). <br> d. per oz | Board General \% | Trade In <br> Food. <br> \% | $x$ Nos. <br> Materials, etc. \% | Statist (Sauerbeck) Index Nos. |  |  |  | M, of Labour. <br> Cost of <br> Living. <br> Food. |  |  |  | Index of Average Weekly Wages. $\%$ |
| 1924 A | $93 \cdot 69 \dagger$ | $34 \cdot 0$ | 100 | 100 | 100 | 100 | $\star$ | 100 | 100 |  |  | 100 |  | 100* |
| 1929 Av... | $84.95 \dagger$ | $24 \cdot 5$ | 82.2 | $87 \cdot 4$ | 79.4 | 84 | - | 81 | 82 | 94 | - | 94 | - | 994 |
| 1929 Av... | 137.65 $\dagger$ | 21.4 | $63 \cdot 3$ | $64 \cdot 8$ | $62 \cdot 4$ | 59.5 | - | 58 | 59 |  |  | $\begin{aligned} & 72 \\ & 73.5 \end{aligned}$ |  | $\begin{aligned} & 94 \\ & 95 \end{aligned}$ |
| 1935 Av... | $142 \cdot 101$ | 29.0 | 64.0 | 66.0 | 62.7 | 59 62 |  | 65 | 64 | 84 | - | 76.5 | - | $97 \%$ |
| 1936 Av... | $140 \cdot 29 \dagger$ | 20.2 | 67.9 | 69.9 77 | 78.0 | 71.5 | - | 75 | $73 \cdot 5$ | 88.5 | - |  | - | 100 |
| 1937 Av... | $140.76{ }^{+}$ | $20 \cdot 1$ | 78.2 72.9 | 74.1 | $72 \cdot 1$ | 65 |  | 66 | $65 \cdot 5$ | 89 | - |  | - | 1044 |
| 1938 Av... | $142 \cdot 49$ | 19.5 | $74 \cdot 1$ | 74.4 | $73 \cdot 6$ | 65 |  | 72 | 69 | 91 |  | $83 \cdot$ |  | 117 |
| 1939 Av... | $154 \cdot 99$ | 22.2 | 98.4 | $101 \cdot 4$ | 96.4 | 86 |  | $96 \cdot 5$ | 93 |  | - |  | - | 117 |
| 1940 Av... | 168.00 \$ | 23.4 | 1097 | 111.1 | 108.4 | 96.5 |  | 106 | $102 \cdot 5$ | 113.5 | - | ${ }_{95}^{98}$ | - | 127 |
| 1941 Av... | 168.00 § | 23.5 | 114.6 | 119.8 | 111.4 | 108.5 |  | 109.5 | 109•5 |  |  |  |  |  |
| 1940 |  |  |  |  |  |  |  | $92 \cdot 5$ | 89'5 | 101 | 100 | 94.5 |  | $110 \frac{1}{2}$ |
| JAN. . | 168.00 § | 22.0 | $\begin{aligned} & 90 \cdot 3 \\ & 92 \cdot 4 \end{aligned}$ | 93.2 | $90 \cdot 0$ | $82 \cdot 5$ | 82 | 93.5 | 89.5 | $102 \cdot 5$ | 101.5 |  | ${ }_{95} 95$ | 1114 |
| FEB. | $168.00{ }^{\text {c }}$ | $20 \cdot 6$ | $93 \cdot 1$ | $95 \cdot 4$ | 91.4 | $82 \cdot 5$ | 82 | $92 \cdot 5$ | 89 | 101 | 103 | ${ }_{93}{ }^{5}$ | ${ }_{96.5}^{95}$ | 1159 |
| APRIL | $168 \cdot 00{ }^{\text {S }}$ | $20 \cdot 7$ | 95.0 | 95.6 | 94.2 | $82 \cdot 5$ | 81 | 96 | 91 | 103.5 | 106 |  |  | $115 \frac{5}{4}$ |
| MAY | 168.00 | 21.7 | ${ }^{96} \cdot 1$ | 97.5 99.1 | 94.9 84.9 | 83 87 | 87.5 | ${ }_{97} 9$ | 93.5 | 107 | $108 \cdot 5$ | 98.5 | $100 \cdot 5$ | 116 |
| JUNE | 168.00 | $23 \cdot 3$ | 96.6 |  |  |  |  |  |  |  |  |  |  |  |
| JULY | 168.00§ | 21.7 | 100.4 | $102 \cdot 3$ | 99.0 | $83 \cdot 5$ | $88.5$ | $\begin{aligned} & 99 \\ & 98 \end{aligned}$ | $\begin{aligned} & 93 \\ & 94 \cdot 5 \end{aligned}$ |  | $\begin{aligned} & 107 \\ & 10 \% \cdot 5 \end{aligned}$ |  | $\begin{aligned} & 98 \\ & 98.5 \end{aligned}$ | $\begin{aligned} & 119 \\ & 119 \downarrow \end{aligned}$ |
| AUG. | 168.00 si | $23 \cdot 3$ | $100 \cdot 7$ | 103.1 | 98.5 | 89.5 | 905 | 98 | 94.5 | 108 | 107.5 |  | 98 | $119 \frac{1}{2}$ |
| SEPT. ... | 168.00 S | 23.4 23.4 | $102 \cdot 6$ | 108.9 | 99.0 | 90 | 91.5 | 98 | 95 | 109.5 | $10 \% \cdot 5$ | 101 | 98 | 120 |
| OCT. ...... | 168.00 168.00 | $23 \cdot 3$ | $105 \cdot 6$ | $108 \cdot 9$ | $103 \cdot 4$ | 90 | 91 | 98.5 | 95.5 | $111 \cdot 5$ | 108.5 | 101.5 | 98 | 120 |
| NOV. | 168.00 S | 22.5 | 106.8 | 109.9 | 104.7 | 92 | 92 | $99 \cdot 5$ | 97 | 112 | 110 | 101 | 98 | 121 |
| 1941 |  |  |  |  |  | 92 | 91.5 | 100 | 97 | $112 \cdot 5$ | 111.5 | $100 \cdot 5$ |  | 123 |
| JAN. | 168.00 S | $23 \cdot 3$ | 107.5 $107 \cdot 8$ | 109.8 | 108.4 | 92 | 91 | $101 \cdot 5$ | 98 | 112 |  | 99 |  | 125 ${ }^{\frac{1}{2}}$ |
| MEB. | $168.00{ }^{\text {1 }}$ | 23.4 | 108.4 | 109.6 | 107.2 | $92 \cdot 5$ | 92 | 103.5 | 99.5 |  | 1145 |  | $102 \cdot 5$ | 25 |
| APRIL | 168.00 | $23 \cdot 5$ | 108.5 | 109.5 | $107 \cdot 3$ | 95 | 93.5 | $105 \cdot 5$ | 103 | 114.5 | 117 | 100 | 10.5 | 126 |
| MAY.. | 168.00 | 23.6 23.4 | 1088 109.6 | $109 \cdot 9$ $110 \cdot 4$ | 107.6 108.6 | ${ }_{96} 5$ | ${ }_{97}{ }^{9}$ | 108.5 | 104 | 113.5 | 115.5 | 98 | 100 | 1274 |
| JUNE. | 168.00 S | 23.4 |  |  |  |  |  |  | 104.5 | 113 |  | 98 | 100 | 128 |
| JULY | 168.008 | $23 \cdot 3$ 23.4 | $110 \cdot 1$ $110 \cdot 1$ | $\begin{aligned} & 111 \cdot 3 \\ & 110 \cdot 9 \end{aligned}$ | $\begin{aligned} & 108 \cdot 9 \\ & 109 \cdot 1 \end{aligned}$ | 98 | $\begin{aligned} & 97 \\ & 99 \end{aligned}$ | 108 | 104.5 | $113 \cdot 5$ | 114.5 | 97 |  | 1284 |
| AUG...... | 168.00 168.00 | 23.5 | $110 \cdot 9$ | $111 \cdot 9$ | 109.8 | 98.5 | 99.5 | 108.5 | 104.5 | $113 \cdot 5$ |  | 97 |  | $128 \frac{1}{2}$ |
| SEPT. ..... | $168.00{ }^{\text {1 }}$ | 23.5 | 111.2 | 112.4 | $110 \cdot 0$ | 99 | 101 | 106 | 103.5 | $114 \cdot 5$ | 112 | 97 |  | 1284 |
| NOV. | 168.00 | $23 \cdot 5$ | $111 \cdot 6$ | 113.2 | $110 \cdot 2$ | $100 \cdot 5$ | 101.5 | 107 107.5 | 104.5 | 1114.5 | 112.5 | 96 | 93 | 132 |
| DEC. | 168.00§ | 23.5 | $112 \cdot 1$ | 114.7 | $110 \cdot 3$ | 102 | 102 |  |  |  |  |  |  |  |
| $1942$ |  | 23.5 | 112.4 | $115 \cdot 4$ | $110 \cdot 3$ | $104 \cdot 5$ | 104 | 108 | 107 | 114.5 |  |  |  | 32 |
| FEB. | 168.00 | 23.5 | $113 \cdot 9$ | $119 \cdot 4$ | $110 \cdot 7$ | 113 | 112 | 108 | $110 \cdot 5$ | 114.5 | 113.5 |  |  | ${ }_{133}$ |
| MAR. | $168 \cdot 00$ | $23 \cdot 5$ | 114.2 | $120 \cdot 1$ | $110 \cdot 6$ | 113 | $112 \cdot 5$ | 108 | 1111 | 1114 | 117 |  | $97 \cdot 5$ | $134{ }^{1}$ |
| APRIL | 168.005 168.008 | 23.5 23.5 | $114 \cdot 7$ 115.4 | $121 \cdot 6$ 123 | 110.6 110.7 | 114.5 | 113 | 111 | 112.5 | 113.5 | 116.5 |  | 97 | 134 |
| MAY.. | 168.005 168.005 | 23.5 | 114.7 | $122 \cdot 1$ | 110.6 | 114 | 114.5 | 109 | 111 | 114.5 | 116 | 94 | 96 | $137 \frac{1}{2}$ |
| JULY |  | 23.5 | 115.0 | 120.7 | 111.6 | $104 \cdot 5$ | 104\% | 109.5 | 108 |  | 116 | 94 | 95.6 | 138 |
| AUG. | 168.00 S | 23.5 | 114.2 | $117 \cdot 9$ | $111 \cdot 6$ | 104.5 | 105 | 109 | 107.5 | 114.5 | 115 | 94 | 95 | 38 |
| SEPT | 168.00 S | 23.5 | 114.2 | 117.2 | $112 \cdot 1$ | $104 \cdot 5$ | 106 | 109.5 | $107 \cdot 5$ | 114.5 | $5118 \cdot 5$ | 95 |  | 138 |
| OCT. | 168.00 S | 23.5 | $115{ }^{\circ} 0$ | 118.5 | 112.5 | 105 | 106.5 | 110 | 108 | 1114.5 | 51115 |  |  | 1384 |
| NOV | 168.00 | 23.5 23 | 115.6 116.0 | $120 \cdot 3$ 121.0 | 112.7 112.8 | 105 105 | 105 | 112 | 109.5 | $113 \cdot 5$ | $5111 \cdot 5$ | 96.5 | 93:5 | 1384 |
| 1943 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| JAN. . | 168.005 | 23.5 23.5 | $116 \cdot 5$ 116.5 | ${ }_{121.6}^{1215}$ | 113.4 | 107.5 | 106.5 | 112 | 110 | $113 \cdot 5$ | 113 |  |  | 1394 |
| FEB | 168.00 $168.00{ }^{\text {a }}$ | 23.5 23 | 116.6 | 121.7 | $113 \cdot 4$ | 107.5 | 107 | 112.5 | 111 | 113 | 114.5 | 97 | 99.5 | 142 |
| APPRIL | 1 18.00 | 23.5 | $117 \cdot 1$ | $122 \cdot 7$ | 113.7 | 108 | 106 | 113.5 | 111.5 | $113 \cdot 5$ | 5116 | 97 | 100.5 | 142 ${ }^{\frac{3}{4}}$ |
| MAY | $168.00 \leqslant$ | $23 \cdot 5$ | 117.4 | $123 \cdot 4$ | 113.7 | 108 | 106 | 114.5 | 112 |  | 116 |  | $100 \cdot 5$ | 143\% |
| JUNE | $168 \cdot 00$ § | $23 \cdot 5$ | $117 \cdot 3$ | $122 \cdot 7$ | 113.9 | $107 \cdot 5$ | 108 | 114 | 112 | 114.5 | 5116 | 98.5 | $100 \cdot 5$ | 143 ? |
| JULY | 168.00 S | $23 \cdot 5$ | 117.9 | $124 \cdot 8$ | 113.8 | 109 | 109 | 114 | 112.5 | $113 \cdot$ | 5115 |  | 100 | 144 |
| AUG. | 168.00 | 23.5 | 1166 | 120.4 | $114 \cdot 1$ | $105 \cdot 5$ | 106 | 114.5 | 111 | 13 | 11185 | $97 \cdot 5$ | 98:5 | 144 |
| SEPT. | $168 \cdot 00$ | 23.5 | 117.1 | $120 \cdot 8$ | $114 \cdot 7$ | $105 \cdot 5$ | ${ }_{106}^{107}$ | 114.5 | 111 | 113 | 5 118 | 98.5 | ${ }_{96} 97$ |  |
| OCT. | $168.00{ }^{\text {s }}$ | 23.5 23.5 | 116.8 | $119 \cdot 7$ | $114 \cdot 9$ | 105 | $106 \cdot 5$ | 1114 | 110.5 | 1113 | 51111 | 98.5 98.5 | ${ }_{95}^{96}$ | 1444 |
| NOV. | 168.008 168.008 | 23.5 23.5 | 117.0 117.5 | 119.6 120.5 | $115 \cdot 0$ 115.3 | $104 \cdot 5$ 104.5 | ${ }_{106}^{106}$ | 114.5 | 1110.5 | 113. | $5111 \cdot 5$ | - 98.5 | 96 96 | 1454 |
| $\begin{aligned} & 1944 \\ & \text { JAN. ..... } \end{aligned}$ | $168 \cdot 00$ § | . 23.5 |  |  |  |  |  |  |  |  |  |  |  |  |

```
PRICE OF GOLD-
    Untll September, 1939, average (London) price per fine oz. for week ending 15th of month.-ECONOMIST.
PRICE OF SILVER-
Average (cash) price of bar sllver 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 new index flrst published in January, 1935.-BOARD OF TRADE JOURNAL.
                                    Average wholesale prices of }19\mathrm{ foodstuffs and 26 raw materials on last day of month, as percentage of average
STATIST (SAUERBECK)ICES-for 1924.-STATIST.
COST OF LIVING INDEX-Ministry of Labour's Index showing movement since 1024 in cost of maintaining unchanged the standard of
                Iving prevalent in working-class households hefore Aug. 1914. For 1st of month, but placed against previous
RETAIL FOOD PRICES-
WAGE INDEX-
\Deltas above, for food only
For description see Special Memo., No, 28,
```

|  |  <br> 000 Tons | RETAIL SALES. |  |  |  | UNEMPLOYMENT EXCHANGES. NUMBERS ON REGISTER. GREAT BRITAIN. |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | $\begin{aligned} & \text { ذ゙ } \\ & \text { 由̀ } \\ & \text { \% } \end{aligned}$ |  | Wholly Unemployed. 000 's. |  |  |  | Temporarily Stopped. 000 's. |  | Unemployed Casual ers. 000 's. | Total. <br> 000 's. |  |
|  |  |  |  |  |  | $\begin{gathered} \text { Men } \\ 18 \text { and } \\ \text { over } \end{gathered}$ | $\begin{gathered} \text { Boys } \\ 14-17 \end{gathered}$ | $\begin{array}{\|c} \text { Women } \\ \text { 18 and } \\ \text { over } \end{array}$ | $\begin{gathered} \text { Girls } \\ 14-17 \end{gathered}$ | $\begin{aligned} & \text { Men } \\ & \text { and } \\ & \text { Boys } \end{aligned}$ | Women <br> and <br> Girls |  |  |  |
| ${ }_{\text {A }}^{1939}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| SEPT......... |  | 83 103 | 1114 | 94 109 | 144 | 730 661 | 35 42 | 168 <br> 292 | 35 58 | 132 119 | 80 108 |  |  | 1232 |
| OCT ......... |  | 106 | 113 | 109 | 142 | 759 | 42 | 358 | 63 | ${ }_{86}$ | 61 | 63 |  | 1431 |
| NOV......... |  | 98 | 118 | 103 | 146 | 767 | 39 | 350 | 57 | 80 | 55 | 54 |  | 1403 |
| DEC......... |  | 146 |  |  |  |  |  |  |  | ¢0 | 53 | 48 |  | 1362 |
| JAN ......... |  | 100 | 104 | 102 | 137 | 805 | 38 | 320 | 56 | 188 |  |  |  |  |
| FEB ......... |  | 83 100 | 107 | 95 108 | 133 | 759 628 | 33 | 229 | 50 40 | 259 | 56 39 | 48 |  | 1504 |
| MAR......... |  | 100 | 115 | 108 | 148 | 628 539 | 24 22 | 273 | 40 36 | 71 56 | 39 | 46 |  | 1121 |
| MAY......... |  | 113 | 118 | 115 | 178 \| | 469 | 16 | 218 | 28 | 58 | 45 | 47 |  | 973 881 |
| JUNE ...... |  | 99 | 110 | 105 | 168 | 382 | 14 | 226 | 26 | 40 | 42 | 37 |  | 767 |
| JULY ...... |  | 106 | 118 | 113 | 180 | $\frac{344}{336}$ | 18 | 248 | 34 | 80 | 74 | 37 |  | 835 |
| AÜG. ........ |  | 101 | 108 | 104 | 167 | 336 304 | 27 | 235 | 47 | 78 | 76 | 32 |  |  |
| SEPT. ..... |  | 110 | 101 | 103 | 168 | 318 | 25 | 227 | 43 | 101 | 84 | 31 |  | 850 |
| OCT ........ |  | 128 | 107 | 117 | 175 | 309 | 26 | 257 | 44 | 96 | 75 | 28 |  | 835 |
| NOV......... |  | 99 137 | 107 | 104 | 177 | 286 | 22 | 255 | 40 | 97 | 67 | 25 |  | 791 |
| DEC ......... |  | 137 | 126 | 132 | 240 | 248 | 17 | 244 | 33 | 85 | 57 | 22 |  | 705 |
| JAN........ |  | 91 | 110 | 102 | 175 | 237 | 22 | 222 | 40 | 92 | 60 | 22 |  |  |
| FEB........ |  | 84 | 111 | 98 | 172 | 200 | 17 | 197 | 34 | 70 | 45 | 18 |  | 581 |
| APR .......... |  | 109 | 116 | 112 | 174 | 160 | 13 17 | 165 | 26 28 | 42 | 34 <br> 34 | 18 |  | 458 |
| MAY........ |  | 110 | 113 | 111 | 177 | 128 | 14 | 122 | 26 | 28 | 38 | 13 |  | 369 |
| JUNE ...... |  | 106 | 106 | 106 | 180 | 110 | 11 | 102 | 20 | 18 | 30 | 11 |  | 302 |
| JULY ...... |  | 89 | 110 | 101 | 183 | 102 | 12 | 89 | 17 | 21 | 25 | 12 |  | 273 |
| A UG........ | 4080 | $\bigcirc$ | 106 | 98 | 183 | 99 | 17 | 82 | 21 | 16 | 32 | 13 |  | 270 |
| SEPT. ...... | 4147 | 101 | 99 | 99 | 183 | 88 | 12 | 79 | 18 | 8 | 16 | 10 |  | 230 |
| OCT | 4131 | 98 | 107 | 103 | 189 | 86 | 11 | 73 | 16 | 7 | 14 | 10 |  | 216 |
| DEV........... | 4197 3803 | 126 | 123 | 126 | 190 | 88 | 8 | 64 62 | 11 | 6 4 | 10 9 | 11 10 |  | 199 |
| 1942 |  |  |  |  |  |  |  |  |  |  |  |  | A | B |
| JAN .......... | $\begin{aligned} & 3825 \\ & 4028 \end{aligned}$ | 102 94 | 108 113 | 106 | 183 179 | 88 89 | 12 | 56 | 15 | 7 | 7 | 9 | $165 \ddagger$ | 195 |
| FEB........... |  |  | 113 | 103 | 179 | $\frac{89}{63} \dagger$ | 10 | $\frac{51}{49}+$ | 12 | 11 | 7 | $\begin{aligned} & 9 \\ & 9 \end{aligned}$ | $\overline{160}$ | 188 |
| MARA......... | 4075 | 104 | 118 | 112 | 183 | 58 | 9 | 44 | 10 | 4 | 4 | 6 | 135 | 163 |
| APR........ | 3740 | 110 | 117 | 113 | 183 | 55 | 14 | 35 | 13 | 3 | 3 | 4 | 127 | 155 |
| MA V........ | 4104 | 98 | 119 | 109 | 185 | 55 | 10 | 33 | 10 | 3 | 3 | 3 | 118 | 145 |
| JUNE ...... | 3725 3978 | 106 | 111 | 108 | 185 | 54 | 9 | 29 | 8 | 2 | 2 | 3 | 106 | 132 |
| JULY ...... | 3339 | 89 | 117 | 104 | 187 |  | 10 | 27 | 9 | 2 |  |  |  |  |
| AUG. ...... | 3979 4076 | 86 100 | 110 105 | 98 101 | 186 | 56 | 16 | 24 | 12 | 2 | 2 | 3 | 114 | 138 |
| SEPT. ....... | 4076 4124 | 100 112 | 105 113 | 101 | 187 | 52 | 12 10 | 24 25 | 11 | 2 1 | 1 | 3 3 | 104 101 | 128 |
| NOV......... | 4126 | 99 | 113 | 106 | 194 | 51 | 8 | 23 | 1 | 1 | 1 |  | 95 | 119 |
| $\begin{aligned} & \text { DEC......... } \\ & 1943 \end{aligned}$ | 3880 | 123 | 122 | 123 | 260 | 46 | 7 | 22. |  | 1 | 1 | 3 | 87 | 110 |
| $\begin{aligned} & \text { JAN } \\ & \text { JEB ............ } \end{aligned}$ | 3813 4016 | 85 81 | 110 112 | 99 96 | $\begin{aligned} & 186 \\ & 190 \end{aligned}$ | 48 | 10 | 26 | 9 | 1 | 2 | 2 | 99 | 112 |
| MAR......... | 4014 | 94 | 115 | 106 | 192 |  |  |  |  |  |  |  |  |  |
| APR......... | 405 | 114 | 118 | 98 | 209 | 44 | 7 | 19 | 7 | 1 | 1 | 2 | 80 | 102 |
| MAY........ | 3625 | 92 | 117 | 105 | 205 |  |  |  |  |  |  |  |  |  |
| JUNE ...... | $\begin{aligned} & 3937 \\ & 3580 \end{aligned}$ | 90 | 119 | 105 | 221 |  |  |  |  |  |  |  |  |  |
| JULY ...... | 3098 | 78 | 115 | 98 | 213 | 40 | 9 | 15 | 8 | 1 | - | 1 | 73 | 93 |
| AUG. ..... | 3768 | 79 | 111 | 96 | 207 |  |  |  |  |  |  |  |  |  |
| SEPT........ | 3819 3908 | 115 100 | 107 | 109 109 | 203 212 | 40 | 8 | 16 | 8 | - | - | 1 | 72 | 92 |
| NOV......... | 3815 | 92 | 119 | 106 |  |  |  |  |  |  |  |  |  |  |
| DEC......... | 3663 | 120 | 129 | 126 |  |  |  |  |  |  |  |  |  |  |

* 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. || Increased postal rates May 1st.
$\dagger$ 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.


## COAL OUTPUT <br> RETAIL SALES

POST OFFICE RECEIPTS-
UNEMPLOYMENT-

Weekly output of saleable coal for 4 -week periods. (Weekly Standard Tonnage 4,161,S00 tons).-THE ECONOMST Index of value of sales in Departmental Stores, Co-operatives, multiple and independent shops, Each index is based on average dally sales during the whole of 1937 for the category to which it relates. Index numbers are derived from the percentaze movements of the dally sales for any month as compared with the corresponding month of the prevlous year. For discussion see Board of Trade Journal, Feb. 9th, 1939.-BANK OF ENGLAND. Dally averages, ex telegraph, telephone, savings bank and postal orders.-BOARD OF TRADE JOURNAL MINISTRY OF LABOUR GAZETTE, After January, 1943, figures to be published only quarterly.

# RECENT MOVEMENTS IN UNITED STATES. 

Information communicated by Mr. ERIC SCHIFF, Washington.

19th December, 1943
GENERAL SURVEY. - The year 1943 saw the completion of what may be called the construction phase in the economic war programme of this country. Such changes in the productive machinery as were called for by the planned conversion from peace time production to war production are now by and large accomplished. The broad result may be seen from an estimate, given in October by the vice-chairman of the War Production Board, according to which the output of war materials will be about $\$ 63,000 \mathrm{Mn}$. in all 1943. From August to September the total volume of war production did not change much; in October and November the trend was moderately upward. Previous information about the share of war production in the periodic additions to industrial output has recently been supplemented by an estimate of the Federal Reserve Board which attempted to evaluate that percentage of total current industrial production which is directly or indirectly serving war purposes. The figure, estimated for October, 1943, was $70 \%$. So far as the technical and managerial side of the war production programme is concerned, it is now definitely possible to speak of a great success. Thanks partly to the development of ever new technical procedures, partly to improvements in supply organization, raw material shortages, which in 1942 were a serious threat to the war programme, have ceased to be a major problem. An important turning point has thereby been reached in the second half of 1943.

Another achievement of this year, which has in fact caused some surprise, is the degree to which the volume of business in civilian goods has been kept up. According to a computation made by the Federal Reserve Board on the basis of their revised index of industrial output, production of civilian goods, for which only a fraction of the country's industrial organization is now operating, in August and September 1943 nevertheless stood only $25 \%$ to $30 \%$ below the average of 1935-1939. Forecasts made by high officials early in 1943 to the effect that total civilian business during the second half of 1943 would be at least $20 \%$ below the corresponding period of 1942 proved wide of the mark. According to recent computations by the Department of Commerce, the aggregate value
of consumer expenditures for goods and services throughout 1943 will probably be about $\$ 90,000$ Mn ., some $11 \%$ more than in 1942. Since the increase in living costs was about $7 \%$ it appears probable, even if account is being taken of hidden price increases of one sort or other, that total consumer purchases, measured in stable dollars, were at least maintained at the 1942 level. Other recent computations contribute to make it almost certain that most previous predictions were unduly pessimistic. At the beginning of 1943 the Department of Commerce had predicted that sales of all retail stores during the year would be about $13 \%$ less than in 1942. The newest estimate by the same Department based on sales during the first nine months, puts the figure at $\$ 62,900 \mathrm{Mn} .-9 \%$ above the revised 1942 total of $\$ 57,800 \mathrm{Mn}$., and the highest value ever recorded. Allowing for price changes, the figure for 1943 is reduced to about $\$ 47,700 \mathrm{Mn}$., still I \% larger than the 1942 figure of $\$ 47,100 \mathrm{Mn}$., and higher than any previous annual figure except that for 194I. The maintenance of this level of "real" consumer purchases despite the fact that many everyday consumer goods are not obtainable now, is partially explained by a shift of consumer demand to higher-priced lines which in part are also those where buying is relatively unhampered. Drawing down of inventories has been another factor. Even so, the development of the physical volume of business in the civilian goods sphere during the last few months is a remarkable phenomenon, considering the unprecedented volume of the war output. Contributing factors were the relative independence of imports, of the American economy as well as the availability, when the economic war programme was started, of huge unused capacity reserves. Thanks to this latter circumstance the diversion of productive activities from pre-war civilian production, impressive though this diversion was, could be kept within relatively narrower limits than was possible in other belligerent countries. Hidden capacity reserves which gradually came to the surface have played their part besides those which had been known to exist. All in all, economic developments in wartime America so far have furnished another proof that the supply elasticity of a highly diversified economy in a great national emergency is substantially greater than is frequently assumed by those who


base their estimates on the experience of peacetime prosperities.

Nevertheless there were signs during the third quarter that the productive economy of the country was nearing absolute capacity limits. While in the first half of the year the trend of production in those industries not working for purely civilian needs had been more or less uniformly upward, this uniformity later gave way to a variety of tendencies, some moderately upward, some horizontal, some slightly downward. Shortage in manpower, the one "bottleneck" which has remained and has recently come to be more keenly felt, is mainly responsible for the fact that in some lines a phase has been reached where production gains in one quarter can be made only by diverting productive activity from other quarters. Chiefly because of the continuous withdrawal of men to the armed forces, the estimated civilian labour force, which in October 1942 stood at $54,000,000$, had shrunk to $52,600,000$ in October 1943. Total factory employment has also decreased somewhat during this twelve-months period, despite the fact that the remaining unemployment reserve was continuously drawn upon so as to shrink more than $56 \%$ over the period (from $1,600,000$ to 700,000 , according to the Department of Commerce). The number of acute labour shortage areas has increased from 59 on September ist to 77 on November ist ; in recent weeks the situation has improved somewhat. In an effort to intensify utilization of available manpower, the Office of War Mobilization on September 15 introduced a new labour programme on the West Coast, based on a system of labour priorities and determination of productive needs by local committees. The plan was later extended to other areas. Efforts to achieve the most effective utilization of existing manpower that is possible are regarded as all the more imperative as the remaining 700,000 unemployed, according to official statements, are almost entirely workers in transition from one job to another, and unemployables.

During the last two months, it is true, the effects of a counteracting force, which has been operating for some time, have begun to make themselves felt, and have somewhat brightened the outlook for the next phase in the manpower problem. Owing to the fact that in some lines the supply of war material has begun to outrun requirements, there has been some letup in the demand made upon war production by the armed services. To some extent the slower rate of increase in war production during the last few months was due to this development. As early
as August, some reductions in Army purchases, especially in textiles and canned food, were recorded. At the beginning of December, cancellations of War Department contracts were estimated to have grown to some $\$ 8,000 \mathrm{Mn}$. Cut-backs in procurement programmes are also reflected in the failure of Government expenditures during the third quarter to equal those of the second quarter. The June expenditure of $\$ 8,327 \mathrm{Mn}$., of which $\$ 7,469 \mathrm{Mn}$. was for war activities, has remained the peak thus far. As a result of the eased situation it may be possible in the near future to permit some enlargement in the production of a few civilian goods, such as certain types of household equipment. Consumers are being warned, however, not to expect too much in 1944. A recent enunciation by the vice chairman of the War Production Board to the effect that present plans for the 1944 war output provide for a net increase of about $20 \%$ above the 1943 level shows clearly enough that alleviations in the supply situation will primarily benefit those lines of war production where the need for more output continues to be felt.

Such enlargements in civilian production as will be authorized will of course help to mitigate the consequences of the currency inflation, should this latter go on. It is in this field that the majority of unsolved problems lies. While the rate of increase in total income payments to individuals has been slower in the last few months, pressure against the anti-inflation dams erected by the administration has continued all along. Strikes in 1943 were both more numerous and more serious than in 1942. Immediately after the end of the wage conflict in the bituminous coal industry, other groups of organised labour, arguing that the Government's original safety line for wage and price rises has been virtually abandoned anyway, have placed new demands on record. Their principal weapon in the current debate on the wage problem in wartime is the argument that the efforts of the government to keep the cost of living stable have not been successful, and that in the absence of full success in this field any programme of wage stabilization is impracticable. Public attention has thus been focused upon the question of the reliability of available measures of changes in costs of living a thorny problem under present conditions. It is generally recognized that costs of living have not risen nearly as much as they did during the first World War. After reaching a peak in May, 1943, the cost of living index of the Department of Labor declined slightly for three months, and only later resumed its upward movement. But in a large country, with great regional dis-
persion in retail prices, at a time when deteriorations in quality are of somewhat greater significance than normally and black markets are influencing the real situation in some regions, it is almost inevitable that the ability of a nationwide overall index to reflect the true development of living costs should occasionally be called into question by conflicting economic groups. Doubts in this respect could be heard repeatedly during recent strike movements. Upon invitation by the Department of Labor, experts appointed by the American Statistical Association have now made a study on the composition and reliability of the Department's index. Their conclusion was that despite some shortcomings which are hardly avoidable at present, the index reflects real conditions with reasonable accuracy.

The efforts of the government to finance the budgetary deficit in a strictly non-inflationary way have so far been only partially successful. The official estimate of the Federal deficit for the fiscal year 1944 has been revised downward from $\$ 67,700 \mathrm{Mn}$. to $\$ 56,800 \mathrm{Mn}$. Now as before, the Treasury holds that in covering the deficit the main emphasis should be on increases in direct taxation. Their new tax plan provides for some $\$ 10,500 \mathrm{Mn}$. new tax receipts, of which $\$ 6,500 \mathrm{Mn}$. are to be raised through higher rates of income tax on individuals. Congressional committees, however, impressed by the signs of an easier development in the budget situation, have countered the plan of the Treasury with a programme which would yield only some \$2,100 Mn. new tax receipts. At the same time, Congress voted against continuance of most of the subsidies which are now being paid, at a rate of about $\$ 800 \mathrm{Mn}$. annually, to fill the gap between ceiling prices and market prices of a few important foodstuffs such as milk, butter, cheese, Administration officials have expressed apprehension lest the anti-subsidy bill, should it become law, might lead to increases in living costs appreciable enough to make new wage demands inevitable.

Even in the second half of the year, Treasury borrowing has been on a large scale. In the first ten months of 1943, the total interestbearing and guaranteed Federal debt increased by $\$ 56,000 \mathrm{Mn}$. The size of this figure is explained by the fact that taxes and other nonloan receipts, which in the fiscal year 1941 had covered $60 \%$, and in the fiscal year 1942, $39 \%$, of Federal budget expenditures, covered only $28 \%$ of these outlays in fiscal 1943. The third war loan drive, which lasted from September 9 to October 2, 1943, showed the increased ability of the Treasury to rely on investors other than
commercial banks. In the first drive (December, 1942) $\$ 5,087 \mathrm{Mn}$., or about $39 \%$ of the total of $\$ 12,947 \mathrm{Mn}$., were taken by commercial banks. In the second drive (April, 1943) the quota allotted to commercial banks was $\$ 5,079$ Mn., or about $27 \%$ of a total of $\$ 18,555 \mathrm{Mn}$. In the third drive, with the highest total so far\$18,943 Mn.-commercial banks were excluded altogether, but were permitted to purchase $\$ 3,000 \mathrm{Mn}$. of new securities after the close of the drive. Of the amount absorbed by nonbank investors, $\$ 5,400 \mathrm{Mn}$., or some $30 \%$, were purchased by individuals (including partnerships and personal trust accounts), as compared with $\$ 3,300 \mathrm{Mn}$. or $25 \%$ in the second drive and $\$ 1,600 \mathrm{Mn}$. or $20 \%$ in the first drive. A particularly intensive publicity campaign, carried out by war finance committees in each state and supported by an unusually large number of volunteer workers, helped to bring about this success. The part played by payroll savings plans has assumed impressive proportions. According to information communicated by the Federal Reserve Board, nearly 184,000 firms and many government agencies had pay roll savings plans in operation at the time of the third drive ; the number of persons participating in such plans was $27,000,000$. By a fourth war loan drive, to run from January 18th until February isth, 1944, the Treasury plans to raise another $\$_{14,000}$ Mn ., with a $\$ 5,500 \mathrm{Mn}$. quota set for sales to individuals, and with commercial banks only permitted to make a limited investment of their time deposits.

While all this is indicative of definite progress on the road towards the goal of exclusively noninflationary borrowing, a substantial expansion of bank credit proved unavoidable in 1943 as well. Of the total additional debt raised during the first ten months, about $\$ 25,000 \mathrm{Mn}$., or $45 \%$, was taken by commercial banks and Federal Reserve Banks, compared with $\$ 23,500 \mathrm{Mn}$., or $49 \%$ of the accrued debt, in 1942. The sale of government securities to banks was by far the most important single factor in the continuous rise in the volume of liquid funds supplied to the national economy.

BUSINESS VOLUMES.-To give a fuller statistical weight to the structural changes which American industrial activity experienced as a result of the war, the Federal Reserve Board in October thoroughly revised their index of industrial production. About twenty new series were added ; the representation of those industries producing chiefly war material was placed on a new basis. The main result of the revision
is a substantial increase, compared with the old index, in the upward slope of the overall index since the middle of 1941. The divergence of movements, since middle 1940, between the index representing production of durable goods and the index reflecting production of nondurables has remained. But whereas the old non-durable goods index shows almost no increase since 194I, production of non-durables as represented by the new index exhibits a moderate but definite upward trend during the same period.

Record outputs of aeroplanes, ammunition, and ships were ranking foremost among the single components by which industrial activity was maintained at the high level of October and November. In the steel industry an all-time production peak was reached in the week ending October IIth with an output, according to the American Iron and Steel Institute, of 1,755,000 tons of unfinished or ingot steel, turned out by plants operating at $102.2 \%$ of rated capacity. During the last few weeks the situation has been easier ; there have even been a few instances of open-hearth steel furnaces being idle for lack of orders, and of excess ingots piling up at some places in the country. There was, however, no slackening in demand for flat-rolled products and finished steel articles. In the average of November and early December, capacity utilization in ingot production kept around $98-99 \%$, with only slight fluctuations. Total steel production in all of 1943 is now estimated at some $89,000,000$ tons. A major contributing factor in the achievements of the steel industry during the second half of 1943 has been the great improvement in the supply of minerals for ferro-alloys, which had been a tough problem during the period of acute shipping shortage. There has now been secured a steady and adequate inflow of manganese from Brazil, Africa, and India, vanadium from Peru, chromium from Rhodesia and Turkey, tungsten from China, Bolivia, and Brazil.

In bituminous coal mining, production reached new peaks when operation was resumed in full after the strike. Partly as a result of the increase in working hours which was provided by the new agreement (from 7 to 8 hours), production of soft coal in the week ending November 20 , the first full work week under the new agreement, was $12,700,000$ tons, compared with an average output rate of some $12,000,000$ tons in the preceding weeks and months. It is estimated, however, that it will be more than three months before this increase, should it be maintained, will have made up for the coal lost
during the October strikes. The average rate of crude oil production towards the end of November was 4.4 million barrels daily, which is $16 \%$ higher than the rate of November, 1942. Early in December, oil refineries were operating at $89.7 \%$ of capacity, as against $78.3 \%$ in the comparable 1942 week. In construction, the downward trend which had started late in 1942 continued during most of 1943. The rate of decline was slowed in recent months. The timber industry was increasingly handicapped by shortage of manpower in the forests. This situation has had its effects in a growing scarcity in paper, containers, and furniture. As for rubber, a new factor, whose influence on the domestic and perhaps on the world rubber market may well outlast the war, is now gradually being introduced with the erection of facilities for the production of synthetic rubber. At present it is definitely expected that all synthetic rubber plants provided for in the war programme will be in operation early next year. It is not assumed, however, that this will bring any substantial alleviation of the tyre shortage for civilians in 1944.

The railroads continue to operate under a pressure which has been steadily mounting. Time after time, freight traffic records are being exceeded. While the incomparably better performance of the railroads, as compared with World War I, is widely recognized, and their I943 earnings are expected to reflect the effects of the enormous increase in the volume of transportation, the growing difficulties in getting necessary replacements and renewals done are not being overlooked. As a result of the eased situation regarding war material procurements, the War Production Board in November was able to allot a big quantity of carbon steel for domestic railroad transportation. Further allocations are under consideration.

At the end of September, industrial inventories had risen $77 \%$ above their level at the end of 1938 ; in raw material inventories, the rise during the same period was almost $100 \%$. In some business quarters, concern is felt lest the existence of record inventories, when war production will come to an end or will be sharply curtailed, might cut deeply into business profits and might prevent post-war civilian demand from stimulating new production to the extent that is hoped for. Even in other respects, thoughts of business men during the last few months have turned increasingly to post-war problems. This was a psychological reaction, not only to the favourable war news, but also to the fact that some of these problems already have
begun to make themselves felt. This is true, e.g., of questions connected with the termination of war contracts and the reconversion of facilities for civilian use. These questions have been vividly discussed almost from the day the country entered the war ; but until recently they had been referred to exclusively as post-war problems. Instead, they have now become acute, if only on a limited scale, at a time when the end of the war is still far distant. Besides, business planning for peace-time production has received a powerful impetus by the new perspectives and possibilities opened up through the flood of technological innovations which the war effort has brought under way. In fact, plans are being laid and ideas are being developed for the satisfaction of new peace-time consumer desires far beyond the accumulated replacement demand that may be expected. Theorists who hold that the economic systems of industrial nations have reached the stagnation phase because production is no longer stimulated, as it was in the last century, by bold anticipations of potential future demand, cannot derive much support for their views from present tendencies in American industry. Seldom if ever has there been more "bold anticipation of potential future demand" than now, although, naturally, this stimulus cannot as yet produce its results.

COMMODITY PRICES.-During all 1943 changes in the Bureau of Labor Statistics index of wholesale prices have been remarkably small. Taking the war period as a whole, and comparing it with developments in the first World War, it may be said that farm products are the only major group of commodities where the rate of increase in wholesale prices so far has approximated that of 1917 and 1918. Since the summer months of 1943 the gap between farm products prices and wholesale prices for nonfarm commodities has been reduced as the former declined somewhat, partly in response to new Federal regulations which were issued with a view to stabilizing prices of live cattle and live hogs. Wholesale prices of industrial articles showed little change in recent months.

As in earlier phases of the war, the movement of retail prices has kept reasonably closely in line with that of wholesale prices. On the basis 1935-1939 $=\%$, the purchasing power of the dollar in September, 1943, was 78.I as measured by wholesale prices, 72.7 as measured by retail food prices, and 80.7 as measured by costs of living. Among the component groups in the cost of living index of the Department of Labor, prices for clothing and for miscellaneous items rose somewhat during the third quarter, whereas
prices for food showed slight declines and those for house furnishings and for fuel, electricity, and ice, remained practically unchanged. Owing to the rent ceilings now in operation in all large cities, the index of rents has since long remained completely " frozen" at 108.0\% of its 1935-1939 level.

In September, the Department of Commerce published an estimate of what may be called the net inflation gap in 1943, i.e., that portion of the difference between disposable consumer income in dollars and consumer expenditures at January I prices that was actually absorbed in price rises. Assuming that disposable income of individuals - income received minus personal taxes and certain non-tax payments which cannot be counted as voluntary expenditurewas $\$ 126,000 \mathrm{Mn}$., and consumer expenditures at prices of January I, 1943, $\$ 88,000 \mathrm{Mn}$., the excess of disposable consumer income over the available supply of goods and services as priced in January I money was found to be $\$ 38,000 \mathrm{Mn}$. -the "gross inflation gap." Of this amount, according to the Department's estimate, some $\$ 36,000 \mathrm{Mn}$., or $94.7 \%$, were saved, and $\$ 2,000$ Mn., or $5.3 \%$, were expended in paying higher prices. The Department estimated that in 1942 some $87.7 \%$ of what on the basis of January I, 1942, prices was the gross inflation gap in that year, was saved, whereas about $12.3 \%$ of it was absorbed in price rises. This shows that the income-earning population so far has done much to neutralize the excess supply of liquid funds. However, as it is uncertain whether the present saving rate will be maintained, the existence of the gross inflation gap is in itself a permanent threat to prices. As mentioned before, the threat has grown in recent months as the gross inflation gap has widened. Moreover, it must be remembered that a fraction of the redeemable war bonds which in the above computations are counted as savings, represents liquid funds which will not long remain unspent. In fact, redemptions of war bonds have increased somewhat in the last few weeks, although the sums cashed continue to be an exceedingly small proportion of the amounts outstanding.

## MONEY, CREDIT AND FINANCE.-

 Most of the recent changes in the volume and structure of deposits with banks have their origin in the third war loan drive. The decline, from August to September, in privately owned demand deposits with weekly reporting member banks (see Table) reflected the transfer of funds from individuals to the Treasury as a result of the war bond purchases. Since Treasury deposits are reserve-exempt, whereas reserves are requiredagainst private deposits, the transfer had the effect of temporarily increasing excess reserves of the member banks from $\$ \mathrm{I}, \mathrm{IOO} \mathrm{Mn}$. at the beginning of September to about $\$_{\mathrm{r}}^{\mathrm{r}}, 800 \mathrm{Mn}$. in mid-September. Later, as the Treasury began spending the funds obtained, money was transferred back from reserve-free government accounts to accounts on which reserves are required. As a result of this reversal in the inter-deposit flow of funds, excess reserves at the end of October again stood approximately at the August level (about $\$ \mathrm{I}, 000 \mathrm{Mn}$.). Throughout the year it has been the policy of the Federal Reserve Board to see to it that commercial banks have the reserves they need as a basis for purchasing such amounts of government securities as it will be inevitable to sell to them during the war emergency. A step in this direction was the substantial increase during 1943 in offerings of Treasury bills, which, thanks to certain measures taken last year, are now practically as liquid as excess reserves or bank balances.

During the drive there was an extraordinary expansion in bank loans on securities. In the relatively short period from September 8 to October 6, loans (other than to brokers or dealers) for purchasing or carrying securities rose from $\$ 352 \mathrm{Mn}$. to $\$_{\mathrm{I}, 126 \mathrm{Mn} \text {. The Treasury, sus- }}$
pecting that an undesirably high proportion of these lonas went to speculative purchasers who bought government securities to be sold soon at a profit, plans to have loans on government securities scrutinized more carefully on future occasions so as to eliminate some of the purely speculative buying.

Partly as a result of a deliberate open-market policy exercised by the Federal Reserve System to keep yields on marketable government securities at a stable level, fluctuations in bond prices were unimportant. Stock prices, too, showed only slight changes. The fact that the general trend of stock prices has been downward ever since August, i.e., during a period of favourable military news and rising industrial earnings, has provoked some comment. It would seem that the very facts which appeared to many to bring the end of the war nearer have led some investors to ponder more thoroughly over the difficulties which the termination of war contracts may create for a number of corporations. The ultimate effect, so far only incompletely known, of the re-negotiation of war contracts on the 1943 net income of many contractors is another uncertainty factor to which investors in the last few months may have given more thought than before.

## SOUTH AFRICA.

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

## 20th December, 1943

Currency and Government Finance.-In the four years to March, 1943, although Defence expenditure rose from a negligible amount to approximately $£_{100} \mathrm{Mn}$. per annum, the increase in the volume of local currency by more than $100 \%$ was not attributable to Government borrowings from the banking system: increases owing to Government borrowings from the commercial banks were offset by approximately equivalent decreases owing to Government retirement of external debt repatriated by the Reserve Bank. The increase occurred in spite, also, of a decline in private advances and discounts by the commercial banks. Its immediate explanation had to be sought in the effect of the sales of gold output to the Reserve Bank, coupled with the state of the Union's balance of external payments.*

During April/October, 1943, the volume of local currency $\dagger$ increased by a further $£ 33 \mathrm{Mn}$., the increase being accounted for in the main by a $£ 37 \mathrm{Mn}$. rise-which occurred in spite of a decline in gold-mining output-in the Reserve Bank's reserves of gold and foreign bills, less a $£_{7.5} \mathrm{Mn}$. decline in its investments resulting, presumably, from the excess of Government retirement of repatriated debt over the Bank's further repatriations. The Government appears to have retired about $£ 10.5 \mathrm{Mn} . \ddagger$ of this debt during the seven months.

In the first seven months of the financial year 1943/4, the Government had raised on loan, in addition to the $£ 10.5 \mathrm{Mn}$. used for the redemption of debt repatriated by the Reserve Bank, about $£ .30 \mathrm{Mn}$. of the $£ .57 .6 \mathrm{Mn}$. which had been estimated as the whole year's loan expenditure to be met by borrowings, or somewhat more than the $£_{2} 28.5 \mathrm{Mn}$. half-share of Defence Expenditure charged to Loan Account

[^1]for the seven months. On Revenue Account, receipts§ and expenditure were respectively $£_{50.1} \mathrm{Mn}$. and $£_{61 \text { r.I }} \mathrm{Mn}$. (including the other half-share of Defence Expenditure), compared with $£ 43.5 \mathrm{Mn}$. and $£ 56.8 \mathrm{Mn}$. for April October, 1942.

Prices. - While the increase in the volume of money has continued, intensified efforts to put a brake upon concomitant price-raising $\|$ in legal and illegal avenues of spending, are observed in increases in the range of price-regulation, the power of the authorities to demand information and the obligation upon people to provide it, and the severity of punishment for offence.

An avenue outside the sway of the Price-Controller-the real estate market-is, if official figures relating only to rural property are representative of the whole market, attracting an increased flow of spending, in spite of the land sales tax imposed early in 1942. The total values of rural immovable property transferred in the four years 1939/42 and in the period January/July, 1943 were, in $£$. Mn., 12.9, 12.6, $15.3,21.5$, and 14.0 respectively, the average values per morgen ${ }^{\star \star}$ being, in $£, 1.8,2.0,2.1,2.5$ and 2.9 .

Supply (Non - Food). - The Commodity Supply Directorate, working through a Board of Supply with three committees, exercises an increasingly comprehensive administration of civilian supplies. One committee took over control of imports and exports from the Department of Commerce and Industries. The Commodity Controllers, whose activities are coordinated by a Controllers' Executive Committee and who work with commercial and industrial advisory panels, regulate the acquisition, production and disposal of commodities inside the country, and sift, for the Imports and Exports Committee, applications for import permits and essentiality certificates. An Industrial Committee advises the Board upon the priority rationing of local manufacturing effort and its requisite materials. (Cf. Bulletin I, Vol. XXI.).

[^2]To meet the requirements of the U.S. and British authorities the supply organisation is "programming" ahead the country's requirements of some thousands of commodities.

With some improvement in supply from Great Britain and North America, fears were expressed that the eventual fulfilment of a large volume of unexecuted orders might cause embarrassment to traders. For several months from July, the issue permits for the import of textiles from South America was "suspended " in view of the large number of import permits already issued . . . against many of which firm orders have not been placed. At the beginning of September, the issue of future import permits and essentiality certificates was in general restricted to businesses which between 12th September, 194I and 3Ist January, 1943, were regularly importing the kind of goods to which the documents would apply.

The shift of the theatre of war appears to have temporarily interrupted the Government demand for war supplies, leaving manufacturers of some goods, e.g., boots and shoes, blankets and clothing, to concentrate to a greater extent upon civilian demand ${ }^{\star}$. More recently, however, Government demand is reported to have increased again.

Industrial Employment Indexes.- In 1942, the Transvaal Chamber of Mines was arranging the pooling of mining supplies, a co-ordinated ordering procedure and a greater standardisation of operating equipment. It was also providing for releases of skilled personnel for the Controller of Industrial Manpower's pool of mechanics, for ship repair work and for the Northern Rhodesian copper mines. The recruitment of " tropical" natives in Barotseland, Nyasaland and Bechuanaland was suspended "at the instance of the respective Governments, following heavy demands for native labour for military purposes." From the middle of 1942 , gold output was declining. The fall was accompanied by a heavy reduction in the number of natives employed by the mines, the reduction being reflected in the decline in the general index of non-European employment. If official figures of native employment in "selected industrial establishments " are representative, there was no ultimate net absorption of natives into "secondary " industry between June 1942 and June 1943.

[^3]General (i.e., including European) employment in these selected establishments fell by about $6 \%$ between August, 1942 and August, 1943, the most significant decline appearing in building and contracting.

Motor Transport.-The physical depreciation of the country's transport equipment has given rise to concern leading to emergency powers aimed at conservation of motor transport. These are exercised through a National Road Transportation Council. The Council, which has spent some months upon the preparation of a classificatory register of vehicles and at the same time urged the organisation of transport pools and zoned deliveries, is attempting, through local advisory officers and the licensing boards existing under the Road Motor Transportation Act, 1930, and through co-operation with the Petrol Controller, to curtail the use of commercial vehicles. A io p.m. "curfew" has been applied to bus services. "Lift Clubs" of private motorists are being organised with official sanction. Restrictions upon the retreading of tyres are being relaxed to augment the supply of vehicles by bringing back into use cars which have been taken off the road.

Housing $\dagger$ shortage is felt increasingly, and is rendered more acute by the presence of refugees and the increased propensity of people in other parts of Africa to use the Union as a holiday resort. A regulation restricting entrance of such people into the Cape Peninsula has preceded the seasonal influx of members of Parliament and civil servants into Cape Town.

Building restrictions have recently been relaxed somewhat. There have been suggestions that the Government contemplates initiating an extensive housing programme very soon.

Food Supply and Distribution.-The distribution of locally-produced foodstuffs has recently displayed, in one case, or another, an apparent inadequacy of quantities (of maize) previously considered sufficient for home consumption, the destruction of " surpluses" (of oranges) and acute local shortages (of meat). The influences at work are various; it is not

[^4]|  |  | RESERVE BANK |  |  |  | $\begin{aligned} & \text { COMMERCIAL } \\ & \text { BANKS } \end{aligned}$ |  |  |  |  |  |  |  |  |  | BUILDINGSCOMM＇CED |  |  |  | $\begin{array}{\|c\|} \hline \text { INDUST'LI } \\ \text { EMPL'M'T } \\ \text { INDEX } \\ \hline \end{array}$ |  |  <br> 000 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | £ Mn． | 중 $\stackrel{5}{0}$泉 む $£ \mathrm{Mn}$ ． | $£ \mathrm{Mn} .$ |  |  |  |  |  |  |  |  |  |  |  | £Mn． |  |  |  | ubadoang <br> \％of 19 | uвəđoxnti－uON July; $25$ |  |
| $\overline{1924}$ Av． | ｜ $120^{* *}$ | 2．51 | 10.7 | $10 \cdot 7$ | 5．2 | 37.0 | 58.2 |  |  | 108 | 168 |  | 50 | 51 | 1 17 |  |  | 14 | － |  |  | 180 |
| 1929 Av． | $117{ }^{*}$ | 7.2 | $7 \cdot 9$ | 9.0 | 4.9 | $49 \cdot 3$ | 61.5 | 118 |  | 107 | 147 | 82 | 7.0 | $5 \cdot 2$ | 3.7 | ＇47 | 42 | 2.4 | 2.9 | 120 | 112 | 194 |
|  | 206 | 16.5 | $13 \cdot 7$ | 9.8 | $22 \cdot 4$ | 34.9 | $72 \cdot 6$ | 112 |  | 93 | 118 | 52 | $4 \cdot 1$ | $2 \cdot 2$ | 5.6 | 24 | 21 | 2.1 | 17 | 117 | 106 | 231 |
| 1933 Av． | 267 | 16.1 | $19 \cdot 4$ | 11.8 | 25.1 | 39.7 | 82.8 | 141 | $2 \cdot 7$ | 95 | 117 | 64 | 5.5 | $2 \cdot 2$ | 6.0 | 66 | 30 | 2.4 | $3 \cdot 3$ | 133 | 120 | 252 |
| 1935 Av． | 303 | 7.0 | 26.3 | $12 \cdot 9$ | 26.4 | $45 \cdot 7$ | 84.7 | 133 | 1.2 | 94 | 116 | 58 | $6 \cdot 3$ $7 \cdot 2$ | 2.6 | 6.4 6.6 | .82 1.02 | － 36 | 2.7 2.9 | 38 4.7 | 147 | 152 | 378 |
| 1936 Av． | 304 | $7 \cdot 8$ | 24.4 | 14.7 | $23 \cdot 7$ | 48.8 | 87.6 | 166 | 2.8 | 91 | 113 | 70 | 7.2 8.6 | 2.7 3.5 | 66 69 | 1.02 1.12 | －36 | 2.9 3.1 | 4.0 | 172 | 161 | 301 305 |
| 1937 Av． | 272 | 6.0 | $24 \cdot 7$ | 16.4 | $19 \cdot 5$ | ！6．4 | $92 \cdot 8$ | 179 | 2.6 1.0 | 97 100 | 123 | 63 | 8.6 8.0 | 3.7 2.7 | 7＊ | ＋ 90 | －46 | 30 | $4 \cdot 1$ | 115 | 167 | 324 |
| 1938 Av ． | 272 | 6.7 | 24.2 | 17.2 | 20.5 | 56.8 | 94.1 | 169 | $\begin{array}{r}1.0 \\ \\ \hline\end{array}$ | 100 | 122 | 63 | 8.6 7 | $2 \cdot 8$ | 8.3 | － 71 | － 41 | $3 \cdot 1$ | 3.5 | 177 | 168 | 327 |
| 1939 Av ． | 257 | $7 \cdot 0$ | 27.7 36.9 | 19.0 | $22 \cdot 6$ | $53 \cdot 5$ | $96 \cdot 5$ 110.4 | 158 | － 8 | 100 | 149 | 74 | 7.6 8.8 | 3.3 | 8.8 | 39 | $\cdot 31$ | $3 \cdot 3$ | $2 \cdot 1$ | 178 | 178 | 361 |
| 1940 Av． | 238 | 3.9 | $36 \cdot 9$ $49 \cdot 8$ | $21 \cdot 3$ | 34.7 $50 \%$ | 49.6 41.2 | 1135.2 | 195 | － 3 | 108 | 169 | ， | 8 | 3 | 100 | 46 | 30 | 3.6 | $2 \cdot 3$ | 185 | 189 | 376 |
| 1941 Av． | － 240 | 3.2 .9 | 49.8 59.5 | 25.6 33.4 | $50 \%$ 69.5 | 41.3 | $165 \cdot 7$ | 218 | 9 | 117 | 187 |  |  |  | $\frac{y^{\prime} y}{}$ |  |  | 3.8 | ＇ 8 | 190 | 195 | $\overline{-53}$ |
| 1942 Av． 1940 | 215 | 9 | 59 |  |  |  |  |  |  |  |  |  |  |  | $9 \cdot 5$ | 34 | 32 | $3 \cdot 3$ | 3.0 | 178 | 166 | 337 |
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| FEB． | 249 | 8.0 | $32 \cdot 5$ | $17 \cdot 7$ | 30.9 | 54.5 | $103 \cdot 3$ | 183 | 1 | 102 | 143 | ${ }^{74}$ | 88 | 3.5 | 9.6 | 50 | 41 | 31 | 26 | 179 | 178 | 363 |
| MAR．．． | 254 | 8.2 | 33.0 | $20 \cdot 3$ | 241 | 52.4 | $98 \cdot 9$ | 172 | 5 | 102 | 144 |  | 8 | 3.5 | 9.8 9.8 | 44 | －42 | 32 | 2.6 | 180 | 180 | 367 |
| APRIL | 259 | 8.2 | 33.8 | 18.9 | 27.5 | 51.5 | 101.4 | 171 | 8 | 103 | 145 |  | 10.4 | 4.4 | 9.8 | 44 | ． 37 | 3.1 | 2.0 | 180 | 181 | 368 |
| MAY ．． | 256 | 8.2 | 36.2 | $21 \cdot 3$ | $29 \cdot 1$ | 51.2 | $104 \cdot 1$ | 160 | $-1.0$ | 103 | 148 | \} 76 | 8.5 | 3. | 10.7 | 1 | 37 | 3.2 | 1.3 | 178 | 180 | 365 |
| JUNE．． | 220 | 1.5 | 36.7 | $22 \cdot 8$ | $38 \cdot 3$ | 51.2 | $111 \cdot 3$ | 179 | $1 \cdot 1$ | 104 | 149 |  | $9 \cdot 1$ | 3. | 97 | 44 | 31 | 32 | 13 | 178 | 180 | 365 |
| JULY | 195 | 14 | 37.0 | $21 \cdot 8$ | $40 \cdot 0$ | 50.9 | 113.7 | 169 | $-1$ | 104 | 150 |  | 9.5 | 2.9 | $10 \cdot 1$ | 33 | 31 | 3.5 | $1 \cdot 3$ | 176 | 179 | 361 |
| AUG．．． | 211 | 8 | $37 \cdot 3$ | $23 \cdot 7$ | $40 \cdot 6$ | $49 \cdot 1$ | $110 \cdot 5$ | 196 | 3 | 103 | 150 | ¢71 | 100 | 2.7 | $10 \cdot 1$ | 32 | 16 | 3.4 | 1.5 | 177 | 179 | 366 |
| SEPT．．． | 225 | 7 | 38.1 | $22 \cdot 8$ | 36.6 | $47 \cdot 8$ | $115 \cdot 6$ | 145 | 1.0 | 104 | 152 |  | 7.8 | 2.6 | $9 \cdot 8$ | ＇26 | 26 | $3 \cdot 3$ | 17 | 177 | 180 | 368 |
| OCT．．．． | 234 | 7 | $39 \cdot 8$ | 21.0 | 38.8 | $45 \cdot 7$ | $117 \cdot 2$ | 162 | $4 \cdot 8 a$ | 105 | 152 |  | 9.0 | $2.5 \mid$ | 10.2 | 32 | 51 | 3.4 | 2.0 | 177 | 180 | 366 |
| NOV． | 244 | 8 | $42 \cdot 6$ | $23 \cdot 5$ | $40 \cdot 3$ | 43.5 | $120 \cdot 5$ | 165 | 1.4 | 105 | 155 | 75 | 8.2 | 3.2 | 10.0 | 36 | －23 | 3.5 | $2 \cdot 2$ | 178 | 179 | 363 |
| DEC． | ， 251 | 8 | 44.6 | $23 \cdot 7$ | 45.6 | 42.6 | $125 \cdot 3$ | 179 | 2 | 104 | 156 |  | $7 \cdot 0$ | 3.0 | 9．9 | 34 | ＇16 | 3.6 | 2.1 | 179 | 179 | 359 |
| 1941 | 240 | 5 | $45 \cdot 6$ | $23 \cdot 7$ | 46.2 | 41.5 | $127 \cdot 0$ | 177 | 5 | 105 | 157 |  | 8.1 | $2 \cdot 8$ | 10.2 | 39 | 28 | 3.6 | 2.5 | 180 | 180 | 376 |
| FEB．．． | 233 | 6 | $47 \cdot 1$ | $23 \cdot 8$ | $42 \cdot 5$ | 40.2 | $121 \cdot 1$ | 195 | $-3$ | 105 | 158 |  | $6 \cdot 7$ | 2.7 | 9.5 | 39 | ． 33 | 3.2 | $2 \cdot 3$ | 181 | 186 | 384 |
| MAR．．．． | 229 | 5 | 48.7 | $23 \cdot 6$ | $45 \cdot 2$ | $40 \cdot 1$ | 125.6 | 172 | － | 106 | 159 | H | $9 \cdot 2$ | $2 \cdot 7$ | 101 | 47 | ＇35 | 37 | 3.5 | 182 | 188 | 383 |
| APRIL | 232 | 7 | $50 \cdot 1$ | $22 \cdot 5$ | $51 \cdot 3$ | 39.6 | 130.5 | 164 | 8 | 107 | 162 |  | $8 \cdot 3$ | 3.2 | 9．9 | 65 | － 32 | 3.4 | 2.0 | 183 | 188 | 382 |
| MAY ．．． | ． 235 | 5 | $50 \cdot 7$ | 26.2 | $51 \cdot 7$ | $39 \cdot 9$ | 132.7 | 169 | $-1 \cdot 7$ | 108 | 164 |  | $\dagger+$ | ＋ | $10 \cdot 3$ | 60 | ． 39 | 3.6 | 2.4 | 184 | 189 | 379 |
| JUNE ．． | ． 241 | 8 | 51.8 | $25 \cdot 8$ | 52.8 | $40 \cdot 4$ | $136 \cdot 5$ | 206 | 22 | 108 | 167 |  |  |  | $9 \cdot 9$ | 59 | ＇27 | 3.5 | $2 \cdot 8$ | 185 | 189 | 375 |
| JULY | 235 | 8 | $52 \cdot 3$ | 23.8 | 58.0 | 40.9 | $137 \cdot 3$ | 212 | 5 | 109 | 171 |  |  |  | 10.3 | 65 | ． 49 | 3.8 | 2.8 | 185 | 189 | 375 |
| AUG．．．． | ． 242 | 9 | $52 \cdot 9$ | 27.2 | 58.4 | 41.2 | 138.0 | 213 | 3 | 109 | 174 |  |  |  | 0.2 | ． 45 | － 25 | $3 \cdot 6$ | 2.1 | 185 | 190 | 377 |
| SEPT．．． | 247 | $1 \cdot 2$ | 54.6 | 25.8 | 58.0 | $42 \cdot 9$ | 141.5 | 205 | －4 | 109 | 177 |  |  |  | $10 \cdot 1$ | ． 35 | － 36 | $3 \cdot 8$ | $2 \cdot 3$ | 186 | 191 | 376 |
| OCT． | 246 | 11.7 | $51 \cdot 3$ | 28.2 | $43 \cdot 6$ | $42 \cdot 4$ | $141 \cdot 8$ | 216 | － 6 | 110 | 180 |  |  |  | $10 \cdot 3$ | － 28 | －16 | 3.9 3.7 | 2.5 | 187 | 191 | 374 |
| NOV．．．． | 249 | 19.6 | 48.5 | 28.5 | 47.1 | 42.3 | $143 \cdot 5$ | 197 | $\cdot 5$ | 110 | 181 |  |  |  | 10.0 | ． 52 | 22 | 3.7 3.9 | 2.0 1.7 | 188 | 191 | 370 365 |
| DEC．．．． | ． 253 | 3 | 44.4 | 28.6 | 47.2 | $43 \cdot 3$ | $147 \cdot 8$ | 220 | $\cdot 1$ | 111 | 181 |  |  |  | 102 | ＇19 | 17 | $3 \cdot 9$ | 17 | 190 | 191 | 365 |
| JAN．．．． | ．． 244 | 3 | 44.1 | 29.5 | $48 \cdot 3$ | $44^{1} 1$ | $147 \cdot 8$ | 211 | ＇9 | 113 | 181 |  |  |  | $10 \cdot 2$ | 22 | 23 | 3.9 | 1.9 | 189 | 191 | 380 380 |
| FEB．．．． | ．． 229 | 4 | $46 \cdot 1$ | 29.8 | $5 \cdot 2$ | $43 \cdot 7$ | 146.4 | 220 | 7 | 114 | 181 |  |  |  | 9.5 | 52 | － 27 | 3.6 | 13 | 191 | 1.8 | 389 |
| MAR．．． | ． 224 | 4 | 48.2 | $28 \cdot 9$ | 52.0 | $42 \cdot 9$ | $146 \cdot 5$ | 233 | 8 | 115 | 182 |  |  |  | $10 \cdot 2$ |  |  | 4.0 $3 \cdot 7$ | $\cdot 9$ | 191 | 200 | 3749 |
| APRIL | 214 | 1.1 | 52.0 | 28.6 | 53.7 | 430 | $149 \cdot 2$ | 198 | $\cdot 7$ | 116 | 182 |  |  |  | 9.9 | t＋ | $\dagger \dagger$ | 3.7 3.7 | ． 5 | 191 | 198 | 371 |
| MAY ${ }^{\text {JUNE }}$ | ．． 213 | $\cdot 9$ 1.1 | 54.3 56.7 | 33.2 32.1 | 58.6 66.9 | $42 \cdot 6$ 41.2 | 154.5 163.1 | 197 | $1 \cdot 3$ | 117 118 | 184 |  |  |  | $10 \cdot 2$ |  |  | 3.7 3.7 | 8 | 180 | 198 | 368 366 |
| JUNE．． | ．． 216 | 11 | 56.7 | $32-1$ | 66.9 | 41.2 | $163 \cdot 1$ | 217 | $1 \cdot 3$ | 118 | 186 |  |  |  | $10 \cdot 1$ |  |  | 37 | 6 | 189 | 197 | 366 |
| JULY ． | ．． 202 | 1.2 | 61.0 | $35 \cdot 7$ | 69.9 | 41.5 | $166 \cdot 2$ | 225 | 6 | 118 | 188 |  |  |  | $10 \cdot 2$ |  |  | $4 \cdot 1$ | 6 | 190 | 199 | 356 |
| AVG．．． | ．． 193 | 1.0 | 63.9 | $35 \cdot 3$ | 76.0 | $40 \cdot 9$ | $168 \cdot 3$ | 221 | $\cdot 9$ | 118 | 189 |  |  |  | $9 \cdot 9$ |  |  | $3 \cdot 7$ | 6 | 190 | 196 | 347 |
| SEPT．．． | ．． 199 | 1.0 | $66 \cdot 9$ | $34 \cdot 1$ | 79.8 | $40 \cdot 2$ | 176.4 | 210 | $1 \cdot 1$ | 118 | 190 |  |  |  | $9 \cdot 8$ |  |  | $3 \cdot 9$ | 6 | 90 | 195 | 340 |
| OCT．．． | － 209 | 10 | $70 \cdot 6$ | $37 \cdot 3$ | $85 \cdot 3$ | 39.6 | 1825 | 219 | $1-8$ | 119 | 192 |  |  |  | 98 |  |  | 3.9 3.8 | $1 \cdot 3$ | 189 | 19？ | 329 |
| NOV． | 217 216 | 10 -9 | $74 \cdot 1$ 77.0 | $37 \cdot 1$ 39.6 | 90.5 99.0 | 380 38.4 | 189.8 | 215 | －4 | 120 | 195 |  |  |  | $9 \cdot 4$ $9 \cdot 3$ |  |  | 3.8 | 13 | 189 | 149 | ¿16 |
| DEC．．．． 1943 JAN．．． | ．． 204 204 | 21．0 | 69.4 | 39.6 39.4 | 99.0 102.6 | 38.4 38.3 | 197.8 200.6 | 250 | 16 .4 | 120 121 | 196 197 |  |  |  | 9.3 9.0 |  |  | 4.1 4.0 | 5 | 189 187 | 185 180 | 299 |
| FEB．．．． | ．．． 204 | 5．6 | $63 \cdot 5$ | $49 \cdot 3$ | 102．6 | 38.5 | 195.3 | 245 | ． 5 | 122 | 198 |  |  |  | 8.5 |  |  | 3.8 | $1 \cdot 2$ | 188 | 183 | 311 |
| MAR．． | ．． 205 | 6.8 | $65 \cdot 2$ | $39 \cdot 1$ | 91.7 | 36.4 | 198.6 | 268 | 4 | 122 | 198 |  |  |  | $9 \cdot 3$ |  |  | $4 \cdot 3$ |  | 188 | 185 | 316 |
| APRIL | 218 | 8.7 | $67 \cdot 7$ | $43 \cdot 1$ | 96.8 | 36.9 | $204 \cdot 6$ | 245 | 4 | 123 | 199 |  |  |  | 9.0 |  |  | 4.0 |  | 1.8 | 186 | 316 |
| MAY ．．． | ．． 219 | 9.7 10.5 | 69.4 70.7 | $44 \cdot 2$ | 101.0 | 36.3 35.7 | 208.7 | 223 | 8 | 125 | 200 |  |  |  | $9 \cdot 2$ |  |  | 4.0 | ． 8 | 1） 8 | 185 | 310 |
| JUNE ． | ．． 218 | 10.5 | $70 \cdot 7$ | $43 \cdot 1$ | 108.0 | $35 \cdot 7$ | 218.9 | 279 | 1.6 | 125 | 201 |  |  |  | $8 \cdot 9$ |  |  | 4.2 |  | 188 | 182 | 303 |
| JULY ． | ．． 218 | 10.0 | $74 \cdot 1$ | 47.0 | 113.4 | $35 \cdot 7$ | $217 \cdot 7$ | 280 | 2.4 | 125 | 202 |  |  |  | $9 \cdot 2$ |  |  | $4 \cdot 4$ |  | 187 | 179 | 297 |
| AUG．．． | ．．． 218 | 11.7 | 76.2 | 45.7 | 114.7 | 36.9 | 218.1 | 274 | 1.0 | 125 | 202 |  |  |  | 89 |  |  | $4 \cdot 1$ |  | 187 | 179 | 295 |
| SEPT．．． | ．． 223 | 11.7 12.0 | 78.2 | $45 \cdot 2$ | 113.9 | $37 \cdot 9$ | 222.6 |  | $1 \cdot 3$ | 126 | 202 |  |  |  | 8.9 |  |  | $3 \cdot 9$ |  |  |  | 296 |
| OCT．．．． |  | 12.0 13.2 | 81.0 83.1 | 49.1 47 | 116.9 118.4 | $39 \cdot 1$ | 226.0 |  |  |  |  |  |  |  | 8．9 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

easy to determine their several weights. Doubtless the effect of the rise in monetary income upon demand has emphasised scarcity and injured such people in very low income groups as have not participated, or have participated very little, in the rise. Probably this rise in monetary income partly explains the maize scarcity existing at the time of the appointment of the Food Controller.* And no doubt many natives for whom maize is a staple food, suffered by the shortage. The same influence may be affecting the demand for meat. But acute shortages of meat in a few cities, and the weekly meatless day ordained for all towns in the Union, seem likely to have emerged as a result of restriction of supply of slaughter stock, facilitated by a limited permit system, to those markets - the largest urban centres -in which maximum whole-

[^5]sale and retail prices for meat had been fixed by the Price Controller. A commission is investigating this matter. Orange destruction-the Social and Economic Planning Council, which inquired into it, confirmed that there had been destruction-occurred while the Citrus Board, attempting to find compensation in the local market for the loss of the export market, was restricting supplies through limited outlets (1942 season) or prescribing fixed prices (1943 season). Eventually, large quantities of oranges were distributed under subsidy through the Department of Social Welfare.

The faulty distribution of foodstuffs by producer-dominated control boards was criticised by a deputation of the Association of Chambers of Commerce which was sent to the Prime Minister in July. Since then, a commission has been appointed to inquire into the distribution of "essential household requirements" and its costs. Ad hoc civic societies have been pressing the Government to improve the food control organisation.

Priated by
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# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

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## UNITED KINGDOM. THE ECONOMIC POSITION.

1st May, 1944.

WHILST the rate of government expenditure was higher in the first quarter of this year than in the immediately preceding quarters, it did not quite reach the level of the first quarter of 1943. For the financial year just closed ordinary expenditure at $£ 5,788 \mathrm{Mn}$. was $£ 165 \mathrm{Mn}$. greater than that of the year 1942-43; but ordinary revenue at $£ 3,039 \mathrm{Mn}$., was $£ 219 \mathrm{Mn}$. greater than in the preceding year, so that the deficit was $£ 53 \frac{1}{2} \mathrm{Mn}$. less. In the Budget for the new financial year 1944-45, expenditure has been set down at $£ 5,937 \mathrm{Mn}$., and revenue, without any change of substance in taxes, is estimated to yield $£ 3,102 \mathrm{Mn}$.

The new White Paper on national income and expenditure in relation to war finance shows an increase in private incomes of $8 \%$ for the year 1943 as compared with 1942. On revised calculations the corresponding increase for 1942 as compared with 1941 had been $10 \%$. A more striking point is that despite the increase in incomes in 1943 there was no material change in expenditure on consumption, when allowance is made for indirect taxes on the one hand and subsidies on the other. Disinvestment at home and abroad, the extent to which the country is living on its capital, is shown to have been slightly greater in 1943 than in 1942.

Comparing the White Paper income estimates for 1938 and 1943, we find an increase of about $75 \%$ (slightly more or less according to which definition is taken). Alongside this may be set increases in the yearly average of bank deposits of about $60 \%$, and in the yearly average of note circulation of about $100 \%$.

There has been very little change in wholesale or retail prices since last December or indeed
during the past twelve months. On the other hand, the wage rate index rose $2 \%$ from December to April and $4 \%$ in twelve months ; nearly all the industries included participated in the increase, but in a sporadic fashion, and there is still considerable inequality in the proportionate increases during the war. No general reason can be assigned for the continued rise in wages in view of stationary prices and universal employment, but the recent gradient has been slower than in previous years, and very much less than in the later years of the last war. It is now anticipated that wholesale and retail prices will be allowed to rise, by the adjustment of subsidies and modification of regulations. In the Budget speech it was argued that as the increase in wage-rates since 1939 now had outstripped the Cost of Living Index, it was unreasonable to continue to keep that index stationary by increasing subsidies. Since there is good reason to think that the $28 \%$ increase in the Cost of Living Index understates the real cost of obtaining the modified standard which is roughly equivalent to the pre-war standard, the difference between that increase and the $40 \%$ increment in wage-rates (stated by the Chancellor and equal to that shown by our wage index) is small. So far as wage arbitrations take account of the Cost of Living Index the project of equalisation will not be obtained, for the Government will presently be urged to pay higher wages in consequence of the higher index, thereby losing what is saved in subsidies. A claim for a rise in engineers' wages is pending, and the recent increases for shipbuilders and railwaymen (both in traffic grades and shops) may be expected to have repercussions in other industries.

## EVEÑTS OF ECONOMIC IMPORTANCE.

1944
Jan. 27th U.K. ... ... Mineworkers' Federation accepts the Porter Award increasing minimum wages.
"29th U.S.A. ... ... U.S.A. government announce suspension of oil exports to Spain.
Feb. 3rd U.K. ... ... Announcement that Pay-as-you-earn will be extended to all Schedule E taxpayers without income limit.
" 8th U.K. and France ... Financial agreement between French National Committee and H.M. Government (Franc rate to be 200 to the $£$ ).
U.S.S.R. ... ... Nikopol captured.
„25th U.S.A. ... ... Senate overrides President's Veto on the Tax Bill, which becomes law on April 1st.

Mar. 8th U.K. ... ... Fiduciary Issue raised by $£ 50 \mathrm{Mn}$. to $£ 1,150 \mathrm{Mn}$.
", 13th U.S.S.R. ... ... Russians capture Kherson.
", 16th Canada ... ... Agreement announced governing Canadian Mutual Aid to U.K., U.S.S.R., and Australia.
„, 20th Hungary ... ... Germans occupy Hungary.
,, 25th U.K.

Apr. 3rd U.S.S.R. ... ... Russians enter Rumania.
„ 9th U.S.S.R. ... ... Russians reach Czech Border.
„, 10th U.S.S.R. ... ... Rússians capture Odessa.
,, 13th International
," 17th U.K.
U.K.
" 20th U.K Turkey ... .
23rd U.K
Allies present notes to Sweden, Spain and Turkey demanding the withholding of exports to Germany.

Diplomatic bag and travel rights suspended in Great Britain with the exception of U.S.A. and U.S.S.R. diplomats.
Cotton Control selling price of raw cotton increased by $4 \frac{1}{2} \mathrm{~d}$. per lb .
New wages agreement for coal mining industry signed.
Turkey suspends the export of chrome to Germany.
Budget presented : no significant tax increases, a few concessions.

## FINANCE \& BANKING IN THE FIRST QUARTER OF 1944.

By P. B. Whale.

Government Finance.-The rate of government expenditure increased during the first quarter of the year ; in comparison with the preceding quarter the weekly average for Supply Expenditure rose from $£ 100 \mathrm{Mn}$. to nearly $£_{1} 113 \mathrm{Mn}$., that for Total Expenditure from $£_{1} 108 \mathrm{Mn}$. to $£ 120 \mathrm{Mn}$. But the increases did not bring the figures up to the level of the first quarter of 1943 . With their seasonal increase, Revenue Receipts rose to an average of $£ 92 \mathrm{Mn}$. a week as against $£ 82 \mathrm{Mn}$. a year earlier: the weekly deficit declined to under $f_{£} 28 \mathrm{Mn}$. in comparison with $£ 61 \mathrm{Mn}$. in the preceding quarter and $£ 40 \mathrm{Mn}$. in the first quarter of 1943.


For the financial year ending March 31st Total Ordinary Expenditure was $£ 32 \mathrm{Mn}$. in excess of the budget estimate, but Revenue Receipts were $£ 131 \mathrm{Mn}$. in excess of the estimate ( $£ 67 \frac{1}{2} \mathrm{Mn}$. of the surplus being due to Customs and Excise, the rest to Miscellaneous Receipts). Hence the deficit for the year has turned out to be $£ 53 \frac{1}{2} \mathrm{Mn}$. less than that of the preceding financial year instead of $£ 46 \mathrm{Mn}$. greater.

In the quarter just ended the difference between ordinary expenditure and revenue was $£ 361 \mathrm{Mn}$. and the amount raised by borrowing was just under $£ 359 \mathrm{Mn}$.

In the computation of this table $£ 120 \mathrm{Mn}$. funding loan issued to the savings banks in January has been exluded from long and medium term borrowings and the figure for Departmental Ways and Means Advances has been raised by the same amount. Thus corrected, long and

GOVERNMENT BORROWING.
(£Mn.)

|  | $\begin{gathered} \text { Jan. } \\ \text { (29 days) } \end{gathered}$ | Feb. <br> (28 days) | Mar. (34 days) | Total for Quarte |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates | 212 | 17.8 | $16 \cdot 3$ | $55 \cdot 3$ |
| 3\% Defence Bonds ... | $7 \cdot 8$ | 6.3 | 6.7 | $20 \cdot 8$ |
| $3 \%$ Savings Bonds | 22.5 | $17 \cdot 6$ | 51.9 | $92 \cdot 0$ |
| $2 \frac{1}{2}$ Nat. War Bonds | $30 \cdot 3$ | $23 \cdot 1$ | 1186 | 172.0 |
| Other I $e$ bt ... | $-1.8$ | 0.7 | $1 \cdot 3$ | $0 \cdot 2$ |
| term borrowing ... | 80.0 | $65 \cdot 5$ | 193 4* $^{*}$ | 338.9* |
| Tax Reserve Certificates | $-51 \cdot 7$ | $-346$ | 1.5 | -84.8 |
| Treasury Deposits | $-11.0$ | $-140$ | 13.5 | $-11.5$ |
| Treasury Bills ... | 1.4 | $0 \cdot 8$ | 31.7 | $33 \cdot 9$ |
| W.\& M.Adv. Govt. Depts. | (43.6) | $49 \cdot 7$ | $54 \cdot 2$ | (147.5) |
| ", Bank of England | -65** | $32 \cdot 3$ | -32.8 | -65\% |
| short-term borrowing | -82.9 | 34.2 | 68.6 | 19.9 |
| Total borrowing | - 2.9 | 99.7 | 262.0 | 358.8 |

* Deducting $£ 1.46 \mathrm{Mn} .3 \%$ Terminable Annuity repaid in March
medium term borrowings for the quarter brought in about $£ 339 \mathrm{Mn}$. With the quarter's increase of about $£ 98 \mathrm{Mn}$. in savings bank deposits, the increase in Large and Small Savings has therefore been $£ 437 \mathrm{Mn}$. This is $£ 76 \mathrm{Mn}$. in excess of the amount of the deficit. It is also $£ 110 \mathrm{Mn}$. higher than the savings figure for the preceding quarter and the same amount lower than that for the first quarter of 1943. In making these comparisons, however, it must be remembered that the last quarter's figures benefited from the Salute the Soldier Saving Campaign, but to a less extent than those for the first quarter of 1943 benefited from the Wings for Victory Campaign, which opened several weeks earlier.

Floating Debt.-There was a substantial reduction during the quarter of nearly $£ 85 \mathrm{Mn}$. in the amount of Tax Reserve Certificates outstanding. There was also a reduction of $£ 11.5 \mathrm{Mn}$. in Treasury Deposits. Together these reductions amount to about $£ 20 \mathrm{Mn}$. more than the $£ 76 \mathrm{Mn}$. given above for the excess of "savings" over the deficit. The (corrected) increase in Departmental Ways and Means was on the other hand nearly $£ 50 \mathrm{Mn}$. in excess of the current increase in savings bank deposits (which has been included in "savings" above). Allowing for the temporary substitution of Bank Ways and Means for Treasury Bills at the end of the previous quarter (here reflected in the decline of $£ 65 \mathrm{Mn}$. in these Ways and Means), one can say that there was a real decline in Treasury Bills of about $£_{3} 30 \mathrm{Mn}$. in place of the apparent increase of $£ 34 \mathrm{Mn}$. The full week's issue of Treasury Bills by tender declined $£ 40 \mathrm{Mn}$. during the quarter.

Bank of England.-The note circulation has resumed its increases since the end of January. To the middle of March the increase has been about $£ 24 \mathrm{Mn}$. ; to the middle of April $£ 56 \mathrm{Mn}$. The limit to the note issue was raised by a further $£ 50 \mathrm{Mn}$. as from March 8th. The assets of the Bank have expanded to cover this increase in circulation and at times by further amounts to maintain the credit base in face of heavy transfers to the Treasury, particularly the revenue payments in January and the loan subscriptions at the end of March.

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

|  |  | CLEARING BANKS. <br> Balances with Other Banks and Items in Transit. | Net Deposits |
| :---: | :---: | :---: | :---: |
| 1941 | $\pm \mathrm{Mn} \text {. }$ | £Mn. | £Mn. |
| December | 3158 | 157 | 3001 |
| March | .. 2913 | 133 |  |
| June | ... 3091 | 138 | 2952 |
| September | ... 3180 | 113 | 3067 |
| December | 3438 | 181 | 3257 |
| 1943 |  |  |  |
| March | 3354 | 133 |  |
| June ... | ... 3437 | 138 | 3299 |
| September | ... 3537 | 125 | 3412 |
| December | 3823 | 194 | 3629 |
| 1944 January |  |  |  |
| January | ... 3758 | 129 | 3629 |
| February | ... 3701 | 125 | 3576 |
| March | ... 3788 | 131 | $3657 \%$ |

In the early months of the year it is normal for the upward movement in the deposit figures to be checked with the seasonal fall in the Exchequer deficit: this year this effect has been somewhat mitigated by the extensive use made of Tax Reserve Certificates in tax payments. As the March returns of the banks do not relate to the end of the month, it is impossible to make close comparisons between the Treasury and bank figures for the quarter, and
indeed some apparent discrepancies are encountered such as a decline in the banks' investments and an increase in their 'Treasury deposits. A decline in Discounts and an increase in Advances are more in accordance with expectations. In the March returns the liquid asset ratio was again over $50 \%$.

Security Prices.-Industrial securities were well on the way to recovering the ground lost in the last quarter of 1943, when the resumption of air raids on this country provided the occasion towards the end of February for a check to the improvement. There has been a slight recovery since then, but the market is quiet pending the opening of grand hostilities. The fixed interest security index shows a similar movement and the April figure for both industrial and fixed interest securities was exactly at the October, 1943 level. It may be noted that seasonal influences in the first quarter of the year usually operate against security prices.

Foreign Exchanges.-The financial agreement signed on behalf of the U.K. Government and the French Committee of National Liberation on February 8th extended the application of the rate of 200 francs to $£ 1$-previously adopted for French North and West Africa and Martinique - to all territories administered by the National Committee. This has meant a depreciation from the rate of 176 francs to $£ 1$ for the currencies of the territories liberated from Vichy control before the occupation of North Africa, apart from Syria and Lebanon. The sterling value of the currencies of the latter countries remains unchanged, but both these countries and the old "Free French" colonies mentioned above have now ceased to be technically members of the sterling area for purposes of exchange control.

## PRICES AND WAGES.

By A. L. Bowley.

WHOLESALE PRICES.-There was no significant movement in Wholesale Prices during the first three months of this year, except an increase in the price of coal in February, but the increase of $40 \%$ on April 17th in the selling price of raw cotton will affect the figures for that month.

BOARD OF TRADE TOTAL INDEX.

| August, 1939... | $\ldots$ | 100 | March, 1943 ... | $\ldots$ | 165 |  |
| :--- | :---: | :---: | :--- | :--- | :--- | :--- |
| December, 1939 | $\ldots$ | 125 | April, May, June | $\ldots$ | 166 |  |
| December, 1940 | $\ldots$ | 151 | July ... $\ldots$. | $\ldots$ | 167 |  |
| December, 1941 | $\ldots$ | 159 | August | $\ldots$ | $\ldots$ | 165 |
| March, 1942 ... | $\ldots$ | 162 | Sept., Oct., Nov. | $\ldots$ | 166 |  |
| June, 1942 | $\ldots$ | 163 | December | $\ldots$ | $\ldots$ | 167 |
| September, 1942 | $\ldots$ | 162 | Dec., 1943, Jan., 1944 | 167 |  |  |
| December, 1942 | $\ldots$ | 164 | Feb., March, 1944 | $\ldots$ | 168 |  |

RETAIL PRICES.-The only change of importance in retail prices is a rise in the price of coal, which has brought the Cost of Living Index up 1 per cent.

COST-OF-LIVING INDEX-NUMBER.
INCREASE OR DECREASE \% SINCE 1st SEPT., 1939. 1942194319431944

|  | $\begin{array}{r} 19+2 \\ \text { Feb. } 28 \mathrm{~h} \end{array}$ | $\begin{gathered} 1943 \\ \text { Mar.1st } \end{gathered}$ | $\begin{aligned} & 1943 \\ & \text { Dec.1st } \end{aligned}$ | $\begin{gathered} 1944 \\ \text { Mar. 1st } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| Beef, British | 19 | 19 | 19 | 19 |
| , Imported | 29 | 29 | 29 | 29 |
| Mutton, British | ... 11 | 11 | 11 | 11 |
| , Imported | ... 7 | 8 | 8 | 8 |
| Bacon ... | ... 36 | 50 | 50 | 50 |
| Fish | 42 | 32 | 26 | 26 |
| Flour | 15 | 26 | 28 | 29 |
| Bread | -3 | 9 | 9 | 9 |
| Tea ... | ... 7 | 21 | 21 | 21 |
| Sugar (Gram.) | $-1$ | -1 | 32 | 32 |
| Milk ... | ... 32 | 32 | 33 | 32 |
| Butter | 22 | 28 | 28 | 28 |
| Cheese | 30 | 30 | 30 | 30 |
| Margarine ... | ... 12 | 12 | 12 | 12 |
| Eggs | 26 | 1 | 1 | 1 |
| Potatoes | 28 | 6 | 6 | 6 |
| All Food | 17 | 20 | 22 | 22 |
| Rent | 1 | 1 |  | 1 |
| Clothing | ... 95 | 73 | 64 | 65 |
| Fuel | 26 | 34 | 34 | 38 |
| Miscellaneous | 31 | 50 | 63 | 63 |
| All items | 29 | 28 | 28 | 29 |

WAGES. - Between March, 1943, and March, 1944, there were increases in 15 out of the 20 industries or occupations included in our wage index. Since mid-December the wagerates of dock labourers, cotton and woollen operatives, boot-makers and coal-miners have risen. None of the increments has been great and the effect on the average in the twelve months has been a rise of about 4 per cent. The figure for coal includes a sufficient estimate for the effect of increase of minimum rates in January, but nothing for subsequent adjustments. It is unlikely that a revision of the coal estimate would make any significant difference to the general index, since mining accounts for only one-tenth of the total weights and therefore it needs a change of 10 per cent. in miners' wages to move the index 1 per cent.

CHANGES IN WAGE-RATES.

| Mar. | Dec. | Mar. | Mar. | Dec. | Mar |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1943 | 1943 | 1944 | 1943 | 1943 | 1944 |
| Bricklayers ... 118 | 123 | 123 | Local Auth's 126 | 130 | 131 |
| Labourers 123 | 127 | 127 | Trams ... 124 | 131 | 131 |
| Printers: |  |  | Lorry Drivers 122 | 126 | 126 |
| Compositors 115 | 125 | 125 | Boots ... 121 | 121 | 132 |
| Dock Labourers 115 | 115 | 123 | Confectionery 141 | 148 | 148 |
| Engineers: |  |  | Tailoring ... 137 | 137 | 137 |
| Fitters ... 129 | 129 | 129 | Shirts $\quad . .137$ | 137 | 137 |
| Labourers ... 138 | 138 | 138 | Tobacco ... 122 | 128 | 128 |
| Shipbuilders ... 140 | 140 | 140 | Coal... ... 158 | 158 | 162 |
| Railwaymen ... 127 | 134 | 134 | Agriculture... 173 | 187 | 187 |
| Cotton ... 147 | 147 | 156 | Agriculture... 173 | 18 | 18 |
| Wool ... ... 138 | 138 | 146 | Weighted Av. 134 | 137 | 139 |

The increase in railwaymen's wages announced in April will raise their index from 134 to 141 and the general average from 139 to 140 .

[^6]Between October, 1938, and July, 1943, our index, excluding coal, railways and agriculture, shows a rise of 32 or 33 per cent. ; including them, 37 and 38 . The corresponding numbers given by the Ministry of Labour in the account of earnings discussed below are 'about 30 ' and ' about 37.' This agreement suggests that our index is adequately based and computed.

RETAIL SALES.-The Index Number of Retail Sales has been revised and is now based on the year 1942 instead of 1937. The former index-number depended on a series of links by which each record depended on that of 12 months earlier, six links in all in the chain from 1937 to 1943, while the computed relation of each month to the adjacent month depended on the seasonal movement during 1937. For the new number the seasonal basis is the actual records in 1942 ; the movement during this year was less irregular than in 1937-in particular the December increase is smaller, the May increase replaced by a fall, with other changes. The Board of Trade Journal (April 1st, 1944) gives the following :

```
MOVEMENT OF DAILY SALES IN 1937 AND 1942. ALL GOODS.
Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov, Dec. \(\begin{array}{llllrrrrrrrrr}1937 & 93 & 86 & 97 & 96 & 108 & 98 & 102 & 85 & 95 & 101 & 104 & 135 \\ 1942 & 95 & 97 & 102 & 102 & 99 & 99 & 97 & 95 & 96 & 104 & 101 & 114\end{array}\)
``` Average for each year 100 .
At the same time the scope has been extended by the help of the Multiple Shops' Federation.

The new index shows nearly the same fluctuations as the old during the three years (January 1941 to December 1943) for which both are available ; the main differences are that the fall from January to February each year is replaced by an increase and the spring increase is damped down. The slight upward movement from 1941 to 1942 and the equal reaction in 1943 are shown in both indices. Hence it is reasonable to link the two series to show at least approximately the annual movement during the war.

ANNUAL INDEX NUMBERS OF RETAIL SALES.
\begin{tabular}{cccc} 
Total & \begin{tabular}{c} 
Food and \\
Perishables
\end{tabular} & \begin{tabular}{c} 
Other \\
Merchandise
\end{tabular} \\
1939 & 97 & 96 & 100 \\
1940 & 101 & 98 & 105 \\
1941 & 98 & 97 & 98 \\
1942 & 100 & 100 & 100 \\
1943 & 98 & 102 & 93
\end{tabular}

This small movement in expenditure is of course the resultant of rising prices and diminished consumption.

Recent changes are as follows :-
\begin{tabular}{rccccccc} 
INDEX & \begin{tabular}{c} 
NUMBER OF RETAIL SALES. \\
Average daily sales in \(1: 42=100\).
\end{tabular} \\
\multicolumn{7}{c}{ Great Britain. }
\end{tabular}

\section*{WAGES, EARNINGS AND HOURS OF WORK, 1938 and 1943.}

\author{
By A. L. Bowley.
}

The Ministry of Labour Gazette, February, 1944, contains a detailed account of earnings in the principal industries in July, 1943, on the same lines as earlier reports*, but with important additional tables showing the number of hours worked in a week in 1938 and 1943, and with statistics of earnings in coal-mining and of railway workers. The only important omissions remaining are agriculture and seamen.

The chief results are summarized in the annexed Tables. Between January and July, 1943, average earnings of all workers in the principal industries increased about \(7 \%\), while wage-rates increased only \(3 \%\). A small fraction of this increase is due to earnings in January having been diminished in outdoor occupations by weather conditions. If the comparison is made between July, 1942, and July, 1943, the general increase in average earnings is \(10 \%\) and that in wage-rates \(5 \%\); for men the increase was \(9 \%\), for women \(14 \frac{1}{2} \%\), for girls \(12 \%\), but for youths only \(2 \frac{1}{2} \%\), since many of those over 18 years were called-up. These averages conceal a considerable variation among the different industries.

Over the whole period of nearly 5 years (October, 1938, to July, 1943) the general increase of average earnings was \(76 \%\) and of wage-rates about \(30 \%\). This average is less than would be expected from the last line of Table I., since men attained \(76 \%\) while the other three classes exceeded it. The paradox is explained by the consideration that the number of women (whose earnings though greatly increased are on the average lower than men's) has increased relatively to men, as was illustrated in our Bulletin, July, 1943 (p. 54, Table IV.).
ALL INDUSTRIES INCLUDED IN GENERAL REPORT.
Table I.-Average W eekly Earnings and Wage-rates as
\begin{tabular}{|c|c|c|c|c|c|c|}
\hline & \multicolumn{4}{|c|}{Earnings} & \multicolumn{2}{|r|}{\multirow[t]{2}{*}{\[
\begin{aligned}
& \text { Wage-rat } \\
& \text { Index } \\
& \text { All }
\end{aligned}
\]}} \\
\hline & \[
\begin{gathered}
\text { Men } \\
\text { (over 21) }
\end{gathered}
\] & Women (over 18) & Youths & Girls & & \\
\hline 1938-Oct. & 100 & 100 & 100 & 100 & 100 & 100 \\
\hline 1940-July & 129 & 120 & 135 & 121 & 130 & 110 \\
\hline 1941-July & 144 & 135 & 161 & 135 & 142 & 118 \\
\hline 194--Jan. & 148 & 146 & 163 & 145 & 146 & 122 \\
\hline July & 162 & 167 & 177 & 163 & 160 & 124 \\
\hline 1943-Jan. & 165 & 180 & 173 & 173 & 165 & 126 \\
\hline July & 176 & 191 & 181 & 183 & 176 & 130 \\
\hline
\end{tabular}

Men's earnings are depressed in the two Januarys by broken time in the building and contracting industries. The relative slowness

\footnotetext{
* See Bulletin, July, 1943, p. 53 .
}
of the increase or the fall in the youths' earnings is largely attributable to the calling-up of those over 18 years.


Table III. - Distribution of percentage increases since October, 1938 for men ( 95 industries) and women ( 75 industries).
\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline & \multicolumn{4}{|c|}{Men} & \multicolumn{4}{|c|}{Women} \\
\hline & Jan. & July & Jan. & July & Jan. & July & Jan. & July \\
\hline Lower Quartile & 31 & 39 & . 43 & 51 & 26 & 42 & 45 & 56 \\
\hline Median & 38 & 50 & 54 & 62 & 35 & 54 & 58 & 68 \\
\hline Upper Quartile & 47 & 58* & 63 & 71 & 43 & 70 & 73 & 86 \\
\hline Weighted Average & 48 & 61 & 65 & 76 & 46 & 67 & 80 & 91 \\
\hline
\end{tabular}
* Revised from Bulletin, Jan. 1943, p. 7.

Table III. gives some indication of the variation among industries of the increases since 1938. Thus by July, 1943, in one quarter (24) of the industries men's earnings had risen \(51 \%\) or less, and in one quarter \(71 \%\) or more. The median rise was \(62 \%\), but as earnings had risen most in the larger, rapidly growing and better paid industries, the weighted average was \(76 \%\) as in Table I. The smallest increases were in Printing, etc. \((24 \%)\), and Tobacco ( \(28 \%\) ), the largest in shipbuilding ( \(104 \%\) ). For women, also, the weighted average increase exceeded the upper quartile, for especially in the rapidly grown munition industries they have in many cases been trained to undertake work formerly done by men.

Part of the excess of the increase of earnings over that of wage-rates is attributable to the lengthening of the working-week. In a week in 1938 hours for men averaged a little under 48 ; in July, 1943, nearly 53; that is equivalent to one hour extra in each of 5 days in a week. More detail is as follows :-

Table IV.-Average hours worked by men in one week, 1938 and 1943.


The increase in women's, youths' and girls' hours was less than those of men, and the variation among industries less.

If we count additional hours as paid at \(50 \%\) more than normal hours, the increase in earnings over all workers due to increased hours would be about \(14 \%\).

In our accounts of the earlier returns of earnings we have tried to distinquish the effects of different factors that have led to the greater increase of earnings than of wage-rates. On the same plan as before we have-


From these figures we deduce :
```

Loss by substitution of women :
... $100\left(1-\frac{B}{C}\right)=2 \%$
Gain by unequal growth of industries; $100\left(\frac{A}{B}-1\right)=9 \%$
Residual gain by overtime, bonuses and $100\left(\frac{C}{D}-1\right)=27 \%$
upgrading within industries

```

Of this \(27 \%\) perhaps about \(14 \%\) is due to lengthening of hours as suggested above, and about \(12 \%\) to bonuses, night work, upgrading, etc.

For the first time statistics are given also for coalmining and railway earnings. Average earnings per shift of all workers, underground or surface, in coal-mining are, or have been, stated as :-
\[
\begin{array}{llll}
\text { 1939-2nd Quarter } & \text { 11s. 6d. } & \text { 1941-4th Quarter } & 15 \mathrm{~s} .8 \mathrm{~d} . \\
\text { 1939-3rd Quarter } & \text { 11s. 4d. } & \text { 1943-3rd Quarter } & 19 \mathrm{~s} .2 \mathrm{~d} .
\end{array}
\]

The increase per shift in the 4 years has therefore been \(69 \%\). The increase used for our wage-index number in the same period is \(62 \%\); it was stated in our Bulletin, January, 1944 (p. 8), that this number was rather uncertain and did not include bonuses, nor several other factors which, though individually unimportant, may account for this moderate difference between the increases of rates and of earnings.

\footnotetext{
* A, C. D are as given in the Gazette. For B, earnings in each industry are weighted at each date by the total numbers employed in the industry. For C, the weights are based on the numbers for sex and age separately.
\[
* * 1.354=\frac{A}{D}=\frac{B}{C} \times \frac{A}{B} \times \frac{C}{D}=.98 \times 1.09 \times \frac{C}{D} \quad \text { Here } \frac{C}{D}=1.27
\]
}

In 1939 the average number of days worked per week was 5 in June, \(5 \cdot 1\) in July. If we assume that the number ordinarily considered the maximum, viz., 11 per fortnight, was realized by those at work in the third quarter of 1943, the increase in weekly earnings in the four years would be \(86 \%\).

For railways the increase in the four years ending March, 1943, is stated as \(53 \%\) for men and \(33 \frac{1}{2} \%\) for boys. These include the "shop and artisan" or engineering staff. For the " conciliation," roughly equivalent to the traffic, staff, the increases were smaller, viz., \(46 \%\) for men, \(17 \%\) for boys, approximately \(45 \%\) for all males. In our wage-index for the same period the increase due to 5 flat-rate advances to the traffic grades is estimated as \(27 \%\), so that the increase due to additional \({ }^{\star}\) overtime appears to have been about \(14 \%\). In April, 1943, there was a further flat-rate increase of 4 s . 6d., which would presumably raise the \(45 \%\) to \(53 \%\) by July, 1943, for the conciliation staff.

To complete the account for earnings we need more information about Agricultural earnings. Between October, 1938, and July, 1943, the average of the county minima for ordinary labourers rose about \(72 \%\). If the average normal wage for all workers rose by the same amount, and in addition (as an hypothesis) earnings due to longer hours, etc., rose a further \(10 \%\), the whole addition to average earnings would be about \(90 \%\).

If the hypothesis about increased number of shifts and increased extra earnings in agriculture were correct, these industries together with railwaymen would show together an increase of \(76 \%\), the same as in the main group of industries, from October, 1938, to July, 1943 ; but if there has been neither of these extra increases, average earnings in the three industries together increased only \(65 \%\), and the rise for all industry, mining, transport and agriculture would be \(74 \%\) instead of \(76 \%\).

Since July, 1943, there have been increases in wage-rates in several industries, but averaging over all only 2 or \(3 \%\) according to our wagerate index. There is not sufficient information to show whether earnings have risen in the same proportion.

\footnotetext{
* Some overtime is included in the statement for March, 1939.
}

\title{
THE BUDGET AND THE WHITE PAPER.
}

\author{
By G. L. Schwartz.
}

The Government Revenue and Expenditure figures for the past and forthcoming financial years compare as follows :-

* Including £10 Mn. Sinking Funds.

These public finance records reflect the end stages of the immense process of conversion to a total war economy, and the approach to something like stability in that economy. One manifestation of this is the Chancellor's ability to budget for the coming year with such insignificant changes in taxation as call for no comment. In 1942-43 with a rapidly rising national income, direct and indirect taxation was expected to yield an additional \(£ 400 \mathrm{Mn}\). and actually yielded a \(£ 521 \mathrm{Mn}\). increase. Last year (1943-4) an expected increase of \(£ 394 \mathrm{Mn}\). resulted in an actual increase of \(£ 466 \mathrm{Mn}\). But for the coming year the Chancellor envisages an increase of only \(£ 117 \mathrm{Mn}\). in the tax yield, all of it attributable to direct taxes and the income tax in particular. As part of the anticipated increase in income tax receipts is the automatic result of later assessments of rising income in the past, reinforced now by a further shift forward in the date period of assessment by the operation of the pay-as-you-earn scheme, it is clear that no great expansion of the national money income is in view. The latest White Paper* on the sources of war finance and estimates of national income and expenditure gives the following figures for the national income out of which the war effort is maintained. The estimates have been revised and comment is made later in this article on the implications of this revision.
\begin{tabular}{|c|c|c|c|c|c|}
\hline ESTI & TES & OF NET & Nation & & INCOME \\
\hline Year & & £Mn. & Year & & £Mn. \\
\hline 1938 & ... & 4604 & 1941 & & 6885 \\
\hline 1939 & ... & 4968 & 1942 & & 7604 \\
\hline 1940 & ... & 5945 & 1943 & & 8172 \\
\hline
\end{tabular}

While noting that these estimates relate to the calendar year whereas budgetary figures relate to the financial year (April-March) it is interesting to record the Chancellor's calculation that none of the recent increase in the national income has impinged upon the private market in an inflationary manner. Of the increase of about \(£ 600 \mathrm{Mn}\).

\footnotetext{
* Cmd. 6520.
}
in private incomes in 1943-4 \(£ 385 \mathrm{Mn}\). was paid in taxation and \(£ 221 \mathrm{Mn}\). was saved. To make this clear, the public did spend more in consumption goods but only to the extent of covering the additional customs and excise taxes embodied in the price of the goods. The volume of consumption did not increase. Indeed from other estimates given in the White Paper it emerges that an actual decrease of \(2 \%\) in consumption took place in 1943 as compared with 1942, bringing the quantitative reduction on the pre-war volume to \(21 \%\). In view of the large numbers of Allied and Dominion service personnel temporarily resident in this country, and participating in this consumption with their monetary pay, the curtailment of consumption by the British home population must have been still more drastic. One reason for not reckoning on an increase in the yield of indirect taxes this year, but rather on a small decline, is the ' expected departure overseas of large numbers of those who consume some of the principal dutiable commodities.' Since the Chancellor envisages an increased tax yield of \(£ 117 \mathrm{Mn}\). and an increase in personal savings of \(£ 50 \mathrm{Mn}\), this seems to presuppose a national income for 1944 of about \(£ 8,300 \mathrm{Mn}\).

The revision in the estimates of the National Income as given in the White Paper have the effect of raising the figures both for pre-war and the war years by about \(£ 200 \mathrm{Mn}\). a year. One result is to reveal the war effort of the British people in a still more favourable light. On the basis of the revised figures the following details can be given for the sources of war finance in the four calendar years 1940-43.


The Government requiring to raise \(£ 18,858\) Mn . from its own citizens for war purposes, the population had to forego consumption, investment and replacement at home, and to sell or pledge its assets abroad, to this amount. \(£ 2,843\) Mn . was provided by the sale or pledging of overseas assets. Recently this has mainly taken the form of increases in the sterling balances
accumulated by Empire and foreign countries, equivalent in essence to the pledging of our remaining assets abroad. Through the medium of the national budget the community transferred in taxes and other payments \(£ 8,314 \mathrm{Mn}\). to the Government, and a further \(£ 823 \mathrm{Mn}\). through the medium of extra-budgetary funds such as the unemployment and health insurance schemes. If it is assumed for the purpose of this balance sheet that the \(£ 545 \mathrm{Mn}\). received by the community in compensation for war damage was re-lent to the government, the further transfer of \(f_{6} 6,045 \mathrm{Mn}\). by subscriptions to government loans out of savings, and balances set aside as undistributed profits or taxation reserves, leaves only a residue of \(£ 288 \mathrm{Mn}\). to be accounted for.

Since the sum represented by this residue was transferred by the community to the government it could only represent the net reduction in private money assets-monies derived from the sale of fixed assets to the government, set aside for sinking and depreciation funds, or accrued through the depletion of stocks and working capital, and ipso facto not employed to replace these physical losses. It is in this respect that the revised estimates of the national income result in a more favourable showing. In the previous White Paper this residue representing depletion worked out at \(£ 395 \mathrm{Mn}\). for the three calendar years 1940-42, whereas it now reduces to \(£ 288 \mathrm{Mn}\). for the four years 1940-43. But this more favourable aspect only relates to the conduct of the private economy in the disposal of its monetary resources. It has not indulged in monetary expenditure on consumption at the expense of its monetary capital to the extent that was originally estimated. But the actual depletion of private physical capital has been much larger, for details in the White Paper reveal that private business has financed \(£ 475 \mathrm{Mn}\). of government work in progress. That is to say that monetary resources to the extent of \(£ 763 \mathrm{Mn}\). ( \(475+288\) ) representing physical depletion of private capital have been diverted to finance \(£ 475 \mathrm{Mn}\). of war work in progress and a further \(£ 288 \mathrm{Mn}\). of war production. It should
be noted that this physical depletion is independent of war damage as the residue is only kept down to the figure given, by the balancesheet assumption that all war damage compensation was re-lent to the government. For 1944 the residue uncovered by the sources listed above is estimated at \(£ 110 \mathrm{Mn}\). and the smallness of this sum is a striking tribute to the British tradition of not outrunning the constable in private and business finance.

But this does not obtain nationally. The decision of an individual to set aside a monetary sum representing depreciation of physical assets results nevertheless in capital depletion if this fund is lent to the government and spent by it on war output. We cannot assume that any of this output, even of a capital nature, has a postwar value above scrap prices. We can therefore summarise the real cost to this country of four years of war on the basis of the above statistics. The index of quantitative consumption on the basis of 1938 as 100 was 88 in 1940, 82 in 1941, 81 in 1942 and 79 in 1943. Thus the trend has been towards a \(20 \%\) curtailment in consumption and, as was expressed in this place last year, a five years war would be run on a four year supply of consumption goods. On the capital side overseas assets have been sold or pledged to the extent of \(£ 2,843 \mathrm{Mn}\)., private disinvestment at home through lack of renewals and replacements comes to \(£ 475 \mathrm{Mn}\). and war damage acknowledged by compensation paid to the end of 1944 to \(£ 545 \mathrm{Mn}\). Some of this damage undoubtedly relates to consumption goods but against this there are still outstanding claims at home, and damage or destruction to British property in the Far East and other overseas areas is not included. These figures total \(\int_{\sim} 3,863 \mathrm{Mn}\). It is difficult to believe that any capital assets resulting from government expenditure will have a post-war value equivalent to the positive capital investment of four or five years of peace, and it can be asserted that on the capital side this country has sacrificed the equivalent of the whole of its pre-war holding of overseas investments.

INDEX NUMBERS OF PRICES IN i2 COUNTRIES． Mainly based upon the Monthly Bulletin of the League of Nations．+
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|}
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\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline 1989 & 2nd half & ．．． & 112 & 99 & 105 & 104 & 103 & 110 & & & & & & （a） \\
\hline 1940 & 1st ，＂ & \(\ldots\) & 134 & 108 & 113 & 110 & 110 & 120 & 102 & 107 & 107 & 110 & 111 & 103 \\
\hline 1940 & 2nd ， & & 147 & 112 & 114 & 118 & 114 & 120 & 104 & 116 & 124 & 128 ＂ & 125 & 103 \\
\hline 1941 & 1st＂， & & 155 & 114 & 119 & 123 & 119 & 126 & 105 & 121 & 151 & 159 & 145 & 103 \\
\hline 1941 & 2nd＂， & ．．． & 159 & 120 & 127 & 128 & 128 & 155 & 105 & 127 & 155 & 164 & 164 & 109 \\
\hline 1942 & 1st＂， & & 163 & 127 & 130 & 131 & 134 & 177 & 106 & 133 & 168 & 161 & 182 & 120 \\
\hline 1942 & 2nd＂， & \(\ldots\) & 165 & 136 & 131 & 139 & 144 & 188 & 108 & 135 & 188 & 169
177 & 195 & 128
130 \\
\hline 1943 & －Jan． & \(\ldots\) & 167 & 134 & 132 & 139 & 147 & 191 & 108 & 137 & 193 & & & \\
\hline & Feb． & & 167 & 135 & 133 & 140 & 148 & 194 & 109 & 137 & －193 & 180 & 203 & 133
134 \\
\hline & Mar． & & 167 & 137 & 134 & 140 & 148 & 195 & 109 & 137 & 222 & 180 & 205 & 134
135 \\
\hline & Apr． & ．．． & 167 & 137 & 135 & 143 & 148 & 196 & 109 & 141 & 2.5 & 180 & 205 & 135 \\
\hline & May & \(\ldots\) & 168 & 137 & 135 & 145 & 149 & 198 & 108 & 141 & 226 & 180 & 206 & 136 \\
\hline & June & ．．． & 168 & 138 & 136 & 145 & 149 & 199 & 109 & 142 & 224 & \[
\begin{aligned}
& 180 \\
& 180
\end{aligned}
\] & 206 & 136
136 \\
\hline & July & \(\ldots\) & 169 & 139 & 136 & 145 & 150＊ & 199 & 109 & & 222 & & & \\
\hline & Aug．．．． & ．．． & 167 & 138 & 137 & 145 & 150＊ & 199 & 109 & 143 & 222 & 179
179 & 205 & 135
135 \\
\hline & Sept．．．． & \(\ldots\) & 167 & 138 & 138 & 144 & 150＊ & 197 & 109 & 144 & & 179 & 207 & 135
1.5 \\
\hline & \begin{tabular}{l}
Oct． \\
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\end{tabular} & \(\ldots\) & 167 & 138
138 & 139 & 145 & & & 109 & & & 179 & 208 & 1.5
135 \\
\hline & Dec．． & \(\ldots\) & 168 & 138 & 140 & & & & & & & & 208 & 135 \\
\hline & & & & & & & & & & & & & & 135 \\
\hline 1944 & Jan． & \(\ldots\) & 169 & & 140 & & & & & & & & & \\
\hline & Feb． & ．．． & 170 & & 140 & & & & & & & & & 135
136 \\
\hline
\end{tabular}

II．RETAIL，COST OF LIVING，\％OF JAN．－JUNE， 1939
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline 1939 2nd half & & 108 & & & & & 101 & & （c） & （d） & & & （b） \\
\hline 1940 1st & & 108 & 100 & 101 & & 99 & 101 & 100 & 107 & （f） & 103 & 102 & 100 \\
\hline 1940 1st＂ & ．．． & 117 & 102 & 104 & （e） & 102 & 105 & 102 & 119 & & 113 & 107 & 101 \\
\hline 1940 2nd ，＂ & & 124 & 106 & 106 & （ \(f\) ） & 104 & 103 & 104 & 122 & & 120 & 114 & 101 \\
\hline 1941 1st & \(\ldots\) & 129 & 109 & 109 & & 107 & 103 & 105 & 121 & 118 & 132 & 122 & 103 \\
\hline 1941 2nd ，， & & 130 & 111 & 115 & & 109 & 109 & 106 & 122 & 126 & 136 & 132 & 103 \\
\hline 1948 1st ，＂ & & 130 & 117 & 115 & & 115 & 112 & 108 & 124 & 133 & 143 & 139 & 108 \\
\hline 1942 2nd & ．．． & 130 & 121 & 117 & & 119 & 112 & 108 & 126 & 142 & 149 & 144 & 118 \\
\hline 1943－Jan． & ．．． & 129 & & 116 & & 121 & 113 & 109 & 127 & 146 & 150 & 148 & 120 \\
\hline Feb． & ．．． & 129 & \} 122 & 117 & & 122 & 113 & 109 & 129 & 148 & 150 & 148 & 121 \\
\hline Mar． & ．．． & 129 & & 117 & 101 & 122 & 119 & 109 & 130 & 149 & 150 & 148 & 122 \\
\hline Apr． & \(\ldots\) & 129 & ， 125 & 117 & & 123 & 120 & 110 & 133 & 148 & 150 & 149 & 123 \\
\hline May & ．．． & 129 & \} 125 & 118 & & 125 & 119 & 110 & 133 & 153 & 149 & 149 & 124 \\
\hline June & ．．． & 130 & & 118 & 100 & 125 & 117 & 111 & 133 & 151 & 149 & 149 & 124 \\
\hline July & \(\ldots\) & 129 & & 118 & & 125 & 107 & 112 & 133 & 153 & 149 & 150 & 122 \\
\hline Aug． & \(\ldots\) & 129 & \} 123 & 119 & & 125 & 108 & 112 & 134 & 159 & 149 & 149 & 122 \\
\hline Sept． & & 129 & & 119 & 100 & 126＊ & 108 & 110 & 134 & 156 & 149 & 150 & 122 \\
\hline Oct．．．． & \(\ldots\) & 129 & & 119 & & & & 109 & & 157 & 149 & 150 & 123 \\
\hline Nov． & \(\ldots\) & 129 & & 119 & & & & & & & 149＊ & 150 & 123 \\
\hline Dec． & \(\cdots\) & 129 & & 119 & 100 & & & & & & 149＊ & & 123 \\
\hline 1944－Jan． & & 130 & & 119 & & & & & & & & & 123 \\
\hline Feb． & & 130 & & & & & & & & & & & 123 \\
\hline Mar．． & ．．． & 130 & & & & & & & & & & & \\
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\end{tabular}

III．RETAIL，FOOI ONLY，\％OF JAN．－JUNE， 1939


\footnotetext{
（a）B．L．S．Index．
（e）New Index \(\%\) of December， 1942.
＊Provisional．
}
（b）N．I．C．B．Index．
（c）Tokyo Bank Index，excl．rent．
（d）Excl．rent and clothes．
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline & \multicolumn{4}{|c|}{STOCKS \＆SHARES} & \multicolumn{2}{|l|}{MONEY＊} & \multicolumn{2}{|l|}{\multirow[t]{2}{*}{NEW CAPITAL ISSUES}} & \multicolumn{10}{|c|}{OTAER BANKING．} & \multicolumn{3}{|r|}{TREASURY BILLS．} \\
\hline & \multicolumn{2}{|l|}{Industrials} & \multicolumn{2}{|l|}{\begin{tabular}{l}
Fixed \\
Interest
\end{tabular}} & \multirow[t]{2}{*}{} & \multirow[t]{2}{*}{\[
\begin{aligned}
& \text { \& BANK BILLS. } \\
& 3 \text { months' rate. }
\end{aligned}
\]} & & & \multicolumn{3}{|c|}{Bank of England．} & \multicolumn{7}{|c|}{Nine Clearing Banks．} & \multirow[t]{2}{*}{} & \multirow[t]{2}{*}{} & \multirow[b]{2}{*}{ढूँ
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\hline 1924 av． & \[
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\] & & 100 & 100 & \(\stackrel{4}{4}\) & 3.45 & & \[
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1929
\] & \[
139
\] & － & 96.3 & 104．0 & 4.57 & \(5 \cdot 31\) & \(13 \cdot 3\) & \[
7.9
\] & 62 & 50 & \[
361
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1762
\] & \[
226
\] & & 974 & 242 & 107 & & & \[
377
\] & 50 \\
\hline 1984 Av． & 125 & & 132.5 & \(75 \cdot 7\) & 81 & ． 81 & 8.9 & 3.6
1.7 & 102
98 & 54 & 378 & 1842 & 228 & & 740
755 & 543 & 11.3
10.8 & 40.2
38.5 & 473 & 377
393 & 866 \\
\hline 1935 Av． & 139 & － & \(136 \%\)
136.9 & 73.6 & 73 & － 57 & 13.5
15.9 & 1.7
2.2 & 98 & 51 & 394 & 1961 & 264
312 & & 825 & 598 & \(10 \cdot 3\) & 39.2 & 576 & 225 & 801 \\
\hline 1936 Av．． & 161 & & 136.9 & 73.2 & 75 & ． 61 & 15.9 & 2.2
2.7 & 96
97 & 54
58 & 432 & 2172 & 376 & & 910 & 607 & \(10 \cdot 3\) & 41.9 & 560 & 229 & 789 \\
\hline 1937 Av．．．． & 150 & & 1277 & 78.4 & 75
.75 & ． 59 & 11.6
7.7 & 2.7
2.1 & 97
114 & 58
56 & 479
485 & 2161 & 276
274 & & 930 & 593 & 10.6 & \(43 \cdot 0\) & 547 & 330 & 887 \\
\hline 1938 Av．．．． & 123 & － & 1266 & 79.0 & 77
1.05 & 61
1.20 & 7.7
3.6 & 2.1
1.9 & 103 & 58 & 507 & 2129 & 246 & & 943 & 564 & \(10 \cdot 9\) & \(44 \cdot 3\) & 488 & 582 & 1070 \\
\hline 1939 Av．．．． & 114
95 & & \(116 \cdot 3\)
1230 & 86.2
81.6 & \(1 \cdot 6\)
10 & 1.20
\(\cdot 04\) & 3.6
0.3 & 1.9
0.0 & 103 & 58
77 & 507 & 2.377 & 357 & & 906 & 621 & \(10 \cdot 7\) & 38.3 & &  & 1708
2389 \\
\hline 1940 Av．．．． & 95
101 & － & 1230
1310 & 81.6
76 & 1.0
1.0 & 1.04
1.03 & 0.3
0.2 & 0.0
0.0 & 118 & 69 & 652 & 2818 & 220 & 474 & 815 & 837 & 104 & \(29 \cdot 1\) & & & 2670 \\
\hline 1942 Av．．．． & 113 & － & 1353 & 74.2 & 10 & 1.03 & 0.3 & 0.0 & 131 & 60 & 807 & 3104 & 223 & 614 & 758 & 1006 & 10 & 20． & & ＋ & 2978 \\
\hline 1943 Av．．．． & 1：5 & － & \(134 \cdot 1\) & 74.9 & 1.0 & 1.03 & 0.6 & \(0 \cdot 1\) & 148 & 65 & 966 & 348 & 17 & & 711 & 10 & 10.5 & 20.5 & & & \\
\hline \[
1940
\] & 79 & －67 & 1209 & 831 & 10 & 103 & & & 79 & 107 & 609 & 2328 & 403 & 25 & 883 & 612 & \(10 \cdot 7\) & 38.0 & 826 & 907
1043 & \[
\begin{aligned}
& 1733 \\
& 1879
\end{aligned}
\] \\
\hline  & 84 & ＋6．4 & 121.7 & \(82 \cdot 6\) & 1.0 & 1.03 & & & 108 & 79 & 614 & 2355 & 416 & 25 & 872 & 636 & \(11 \cdot 1\) & 37.0 & 836 & 1085 & 1921 \\
\hline SEPT． & 87 & ＋ 4.3 & 121.9 & \(82 \cdot 4\) & 1.0 & 1.03 & & 0. & 108 & 63 & 609 & 2466 & 387 & 86 & 889 & 652 & \(11 \cdot 1\) & & 840 & 1146 & 1986 \\
\hline OCT，．．．．．． & 91 & －3．2 & 122.9 & 81.8 & 1.0 & 1.03 & 0.8 & 0 & 109 & 72 & 598 & 2527 & 361 & 173 & 886 & 697 & 106 & 34.2 & 845 & 1239 & 2084 \\
\hline NOV．．．．．．． & 97 & ＋ 6.9 & 1260 & 79.5 & 1.0 & 1.03 & & & 115 & 68 & 594 & 2568. & 254 & 301 & 857 & 724 & 11.6 & \(32 \cdot 2\) & ＋ & † & 2152 \\
\hline DEC ．．．．．． & 95 & － 1.4 & 1266 & 79.0 & 1.0 & 1.03 & & & 116 & 68 & 604 & 2658 & 254 & & & & & & & & \\
\hline 1941 & 98 & ＋ 2.8 & 1783 & \(78 \cdot 1\) & 1.0 & 1.03 & & & 119 & 69 & 603 & 2617 & 258 & 325 & 864 & 741 & \(10 \cdot 2\) & 33.0 & 845 & 1341 & \[
\begin{aligned}
& 2186 \\
& 2214
\end{aligned}
\] \\
\hline JAN．．．．．．． & 96 & +28
-28 & 128.6 & 78.0 & 1.0 & 1.03 & & & 111 & 79 & 602 & 2571 & 203 & 315 & 854 & 762 & 10.5 & \(33 \cdot 2\) & 845 & 1369 & 2212 \\
\hline MAR．．．．．．． & 92 & －2．9 & 129．1 & \(77 \cdot 6\) & 1.0 & 1.03 & & \(0 \cdot 2\) & 110 & 67 & 608 & 2625 & 187 & 359 & 862 & 767 & 10.4 & \(32 \cdot 9\)
31.3 & ＋ 86 & 1370 & 2235 \\
\hline APR．．．．．．． & 93 & \(+0.3\) & 129.5 & \(77 \cdot 4\) & 1.0 & 1.03 & 10 & 0.2 & 115 & 68 & 622 & 2686 & 182 & 440 & 840 & 793 & 10.4 & 31.0 & 905 & 1410 & 2315 \\
\hline MAY ．．．．．． & 93 & ＋ 0.4 & 1306 & 76.8 & 1.0 & 1.03 & & & 115 & 66 & 629 & 2677 & 163 & 452 & 829
816 & \[
\begin{aligned}
& 793 \\
& 822
\end{aligned}
\] & 10.4
10.5 & \[
\begin{aligned}
& 31.0 \\
& 29.2
\end{aligned}
\] & & け \(\dagger\) & 2357 \\
\hline JUNE ．．． & 96 & \(+37\) & \(130 \cdot 3\) & 77.0 & 1.0 & 1.03 & & & 123 & 58 & 637 & 2794 & & 46 & 816 & & & & & 14 & 2452 \\
\hline JULY． & 102 & +82 & \(132 \cdot 5\) & \(75 \cdot 8\) & 10 & 1.03 & & & 108 & 79 & 651 & 2838 & 262 & 459 & 811 & 843 & 10. & 28.0 & 970 & 1525 & 2495 \\
\hline AUG．．．．．．． & 107 & ＋8．9 & 1318 & 762 & 10 & 1.03 & & & 96 & 87 & 668 & 2842 & 250 & 509 & 785 & 880 & 10.6 & 26.6 & ＋1 & 1525 & 2577 \\
\hline SEPT． & 109 & ＋46 & 1326 & 75.7 & 1.0 & 1.03 & \(0 \cdot 9\) & 0.2 & 128 & 62 & 670 & 2955 & 254 & 509
570 & 783 & 886 & \(10 \cdot 3\) & 26.0 & 975 & 1559 & 2534 \\
\hline OCT． & 107 & \(-13\) & \(132 \cdot 6\) & \(75 \cdot 7\) & 1.0 & 1.03 & 0.9 & 02 & 128 & 65 & 686 & 3011 & 231 & 623 & 769 & －936 & \(10 \cdot 3\) & \(25 \cdot 3\) & 975 & 1575 & 2550 \\
\hline NOV． & 109 & ＋ 4.3 & \(133 \cdot 5\) & 75.2 & 10 & 1.03 & & & 1.39 & 61 & 704 & 3042 & 231
163 & 623
725 & 769 & －936 & 11.0 & 24－3 & 1＋ & 忛 & 2547 \\
\hline DEC． & 110 & \(+1.6\) & \(132 \cdot 5\) & \(75 \cdot 8\) & 1.0 & 1.03 & & & 121 & 64 & 740 & 3158 & 163 & 725 & 760 & 933 & 110 & 24 & & & \\
\hline 1942 & 112 & \(+3.8\) & & & 1.0 & 1.03 & & & 134 & 53 & 744 & 3058 & 152 & 708 & 772 & 942 & \(10 \cdot 2\) & \(25 \cdot 2\) & 945 & 1584 & 2529 \\
\hline FEB． & 107 & ＋3．9 & \(135 \cdot 1\) & 73.8
74.5 & 1.0 & 1.03 & & & 122 & 68 & 750 & 2925 & 108 & 618 & 785 & 950 & \(10 \cdot 3\) & \(26 \cdot 8\) & 905 & 1613 & 2518 \\
\hline MAR & 105 & \(-23\) & 135.6 & 74.0 & 1.0 & 1.03 & & & 118 & 73 & 754 & 2913 & 159 & 451 & 797 & 983 & \(11 \cdot 3\) & \(27 \cdot 3\) & & ＋ & 2677 \\
\hline APR． & 106 & ＋ 0.9 & \(135 \cdot 8\) & 73.9 & 1.0 & 1.03 & & & 128 & 60 & 767 & 2919 & 249 & 428 & 782 & 980 & \(10 \cdot 4\) & 26.8 & 975 & 180 & 2780 \\
\hline MAY & 107 & ＋ 16 & 135.4 & 741 & 1.0 & 1.03 & & & 127 & 63 & 780 & 2966 & 288 & 450 & 771 & 981 & 10.4
\(10 \cdot 9\) & \[
\begin{aligned}
& 26 \cdot 0 \\
& 24 \cdot 6
\end{aligned}
\] & ＋1 & & 2638 \\
\hline JUNE & 111 & ＋ 52 & 134.9 & \(74 \cdot 5\) & 1.0 & 1.03 & & & 133 & 59 & 793 & 3091 & 276 & 520 & 760 & 990 & \(10 \cdot 9\) & & & け & 2638 \\
\hline JULY & 109 & \(-10\) & \(135 \cdot 4\) & 74.2 & 1.0 & 1.03 & & & 121 & 57 & 813 & 3091 & 257 & 582 & 757 & 1066 & 105 & 24.5 & 975 & 1654 & ᄃ629 \\
\hline AUG．．．．．．． & 111 & \(+40\) & \(135 \cdot 2\) & 74.4 & 1.0 & 1.03 & & & 126 & 66 & 834 & 3130 & 267 & 608 & 745 & 1013 & 10.6 & 23.8 & 975 & 1668 & 2643 \\
\hline SEPT． & 115 & ＋ 30 & \(135 \cdot 5\) & 741 & 1.0 & 1.03 & & & 138 & 56 & 831 & 3180 & 259 & 664 & 736 & 1028 & \(10 \cdot 4\) & \(23 \cdot 2\) & ＋1 & 中 & 2693 \\
\hline OCT． & 120 & ＋52 & \(135 \cdot 2\) & \(74 \cdot 3\) & 1.0 & 1.03 & －32 & & 135 & 60 & 846 & 3243 & 254 & 712 & 735 & 1039 & \(10 \cdot 2\) & 22.7 & 1000 & 1730 & 2730 \\
\hline NOV． & 126 & ＋6．2 & 135.4 & \(74 \cdot 1\) & 10 & 1.03 & & & 143 & 56 & ¢63 & 3289 & 226 & 769 & 725 & 1048 & 106 & \(22 \cdot 0\) & 1040 & 1705 & 2745 \\
\hline DEC． & 126 & \(-0.1\) & 137.4 & 74.5 & 1.0 & 1.03 & & & 147 & 55 & 908 & 3438 & 186 & 859 & 733 & 1049 & \(10 \cdot 7\) & \(21 \cdot 3\) & ＋ & ＋1 & 2833 \\
\hline 1943 & & & & & & & & & & & & & & 899 & 72 & 1040 & \(10 \cdot 6\) & \(21 \cdot 3\) & 1020 & 1771 & 2791 \\
\hline JAN．．．．．．． & 131 & +4.6
+0.3 & \(137 \cdot 0\) & \(73 \cdot 3\) & \(1 \cdot 1\) & 1.03 & & & 146 & 76 & 914
915 & 3390 & 183 & 896 & 724 & 1036 & 10.6 & 21.7 & 980 & 1830 & 2810 \\
\hline FEB．．．．．．． & 132 & +0.3
+0.1 & \(136 \cdot 7\)
\(135 \cdot 8\) & \(73 \cdot 4\)
\(73 \cdot 9\) & \(1 \cdot 1\) & 1.03 & & & 149 & 66 & 915 & 3354 & 160 & 847 & 738 & 1059 & 10.6 & 22.0 & ＋1 & 十t & 2839 \\
\hline APR． & 133 & ＋ 1.8 & 135．4 & 74.3 & \(1 \cdot 1\) & 1.03 & \(2 \cdot 5\) & \(1 \cdot 2\) & 132 & 72 & 943 & 3358 & 117 & 926 & 720 & 1063 & 10.6 & 21.4 & 990 & 1867 & 2857 \\
\hline MAY & 134 & \(+1 \cdot 1\) & \(133 \cdot 4\) & \(75 \cdot 2\) & 1.0 & 1.03 & & & 140 & 75 & 952 & 3378 & 145 & 885 & 721 & 1074 & 10.6 & 21.4 & 1065 & 1886 & ¢ 2028 \\
\hline JUNE ．．．．． & 132 & \(-0.8\) & 132.9 & \(75 \cdot 5\) & 1.0 & 1.03 & & & 158 & 60 & 949 & 3437 & 225 & 817 & 707 & 1085 & 10.6 & \(20 \cdot 6\) & ＋1 & & 3028 \\
\hline JULY & 133 & ＋ 16 & 133.5 & \(75 \cdot 1\) & 1.0 & 1.02 & & & 146 & 59 & 953 & 3433 & 231 & 857 & 706 & 1088 & \(10 \cdot 3\) & 20.6 & 1170 & 1899 & 3069 \\
\hline AUG ．．．．．．． & 140 & ＋ 6.0 & \(133 \cdot 3\) & 75.2 & \(1 \cdot 1\) & 1.03 & & & 140 & 60 & 980 & 3474 & 219 & 913 & －696 & 1088 & 10.4 & 20.0 & 1170 & 1892 & 3079 \\
\hline SEPT．．．． & 142 & ＋ 1.3 & 112.3 & 75.8 & 1.0 & 1.03 & & & 154 & 64 & 981 & 3537 & 196 & 998 & 698 & 1086 & \(10 \cdot 4\) & 19.7
19.5 & 1200 & ＋7 & 3072 \\
\hline OCT． & 141 & \(-0.4\) & 133.0 & \(75 \cdot 4\) & 1.0 & 1.03 & 4.6 & \(0 \cdot 2\) & 148 & 62 & 993 & 3616 & 171 & 1089 & 705 & 1084 & \(10 \cdot 3\)
10.4 & \(19 \cdot 5\)
18.8 & 1200 & 1869 & 3079 \\
\hline NOV．．．．．．． & 134 & －4．7 & 132.9 & \(75 \cdot 5\) & 1.0 & 1.03 & & & 147 & 61 & 1014 & 3666 & 174 & 1140 & 689 & 1090 & 10.4 & 18.8
18.5 & ＋+ & 1＋ & 3115 \\
\hline \[
\begin{aligned}
& \text { DEC....... } \\
& 1944 .
\end{aligned}
\] & 137 & \(+2.0\) & 132.6 & \(75 \cdot 7\) & 1.0 & 1.03 & & & 161 & 65 & 1067 & 3823 & 124 & 1259 & 706 & 1075 & \(10 \cdot 4\) & 18.5 & 180 & \({ }_{19}+\) & 3116 \\
\hline JAN．．．．．．． & 139 & \(+1.6\) & 133.5 & \(75 \cdot 1\) & 1.0 & 1.03 & & & 188 & 66 & 1075 & 3758 & 130 & 1257 & 706 & 1069 & 10.5 & \(18 \cdot 8\) & 1180 & 1936 & 3116 \\
\hline FEB．．．．．．． & 141 & ＋ 1.4 & 133.9 & \(74 \cdot 9\) & \(1 \cdot 1\) & 1.03 & & & 167 & 62 & 1076 & 3701 & 118 & 1219 & 718 & 1062 & 10.6 & \(19 \cdot 4\)
19.4 & 1170 & 1 C 47 & 3149 \\
\hline MAR．．．．．．． & 140 & －0．8 & 133.4 & \(75 \cdot 1\) & 1.1 & 1.03 & & & 179 & 68 & 1092 & 3788 & 107 & 1285 & 736 & 1055 & 10.6 & \(19 \cdot 4\) & † & ＋1 & 314 \\
\hline APR． & 141 & ＋0．7 & 1330 & \(75 \cdot 4\) & \(1 \cdot 1\) & 1.03 & & & 168 & 63 & 1124 & & & & & & & & & & \\
\hline
\end{tabular}
＊Bank Rate \(2 \%\) to 24th Aug．；4\％to 28th Sept．；3\％to 26th Oct．，1939；2\％since．
\(\dagger\) Exclusive of Investments in Affliated Banks．

STOCKS \＆SHARES－
NEW CAPITAL ISSUES－
BANK OF ENGLAND－
PRINCIPAL BANKS－

TREASURY BILLS－

Index Nos，of Prices and Field as percentage of 1924 level；on 15th of month．
Sensitive Index．－Geometric Mean of monthly percentage changes．
Issues during month in Gt Britain（a），for U．K．（b），for Abroad，excluding Government loans，eto．－As published
by THE MIDLAND BANK，LTD．Six－months＇totals from 1940.
Bank Notes and Currency Notes in circulation 11th－17th of month．Issues amalgamated，November 22 nd ， 1928.
＂Current Deposit and other accounts，＂etc．Before September，1939，averages for the month of 9 clearing banks （I．e－excluding the National Bank，Ltd，and the District Bank），afterwards，data for last making up day of the month．
Up to June，1940，11th－17th of month，thereafter end of month
issued by tender Tal of Bills Issued by tender during 13 weeks preceding date of Exchequer Return
Otherwise issued．Total of Treasury Bills in existence less those issued by tender．
Day－to．Day Rate and 3 Months＇Rate．Averages for week ending 15th of month


PRICE OF GOLD-
PRICE OF SILVER-
Untll September, 1939, average (London) price per fine oz, for week ending 15th of month,-ECONOMIST.
BOARD OF TRADE INDEX
STATIST (SAUERBECK) -Geometrio Mean of Wholesale Prices (averages for month) of 200 commodities as percentage of 1924 average.

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 en index. month-e.g., reading for
As above, for food only.
RETAIL FOOD PRICES-
WAGE INDEXFor description see Special Memo., No. 28

* 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. In Increased postal rates May 1 st.
+ 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 explude these

\footnotetext{
COAL OUTPUT
RETAIL SALES-

POST OFFICE RECEIPTS-
UNEMPLOYMENT-
Weekly output of saleable coal for 4 -week periods. (Weekly Standiard Tonuage \(4,161,800\) tons). -MINISTRY OF FUEL Index of ralue of sales in Departmental Stores, Co-operatives, multiple and independent shops, Each index derived from the percentaze movements of the dalls sales for anr month is compared with the corresponding month of the previous year, For discussion see Board of Trade Journal, April 1st, 1944.- BANF OF EVGLAND. Dally averages, ex telegraph, telephone, savings bank and postal orders, - BOARD OF TRADE JOURNAL. MINISTRY OF LABOUR GAZETIE. After January, 1943, figures to be published only quarterly.
}

\title{
RECENT MOVEMENTS IN UNITED STATES.
}

Information communicated by Mr. ERIC SCHIFF, Washington.

\begin{abstract}
15th March, 1944.
GENERAL SURVEY.- During the first two months of 1944 most of the basic statistical series have maintained the trend that was visible in the second half of the previous year. Indices of production, business volumes, consumer spending, government expenditure, and others, have remained at extraordinarily high levels, but the tendency of the majority of upward movements to flatten out has also continued. On the whole, the impression that the year 1943 has brought the country near to the limits of its productive capacity is confirmed by recent reports.
\end{abstract}

The big problems of war financing are essentially what they were a few months ago. As incomes in the hands of potential buyers of civilian goods and services continue to exceed the available supply at current prices, it remains one of the main tasks of governmental economic policy to siphon off from commodity markets a large portion of these incomes. The events of the last three months do not give any reason to expect that during 1944 this task will be substantially easier than it has been so far. While the fourth war loan drive was, on the whole, a success, the participation of individual buyers did not quite fulfil expectations, and in the last few weeks redemptions of bonds have increased slightly. From the tax law for the new yearenacted later than usual, and only after a dramatic dispute between the President and Congress -the Treasury will get only a minor addition to its annual revenue. It is true that budgetary estimates of government expenditure in the near future show smaller increases as compared with the immediately preceding budget period than did any of the earlier wartime budgets. However, relating as they do to a period in which military events may suddenly create a large additional demand for war material of one kind or other, these estimates are particularly tentative. As for sources of Federal revenue, direct taxes on individuals are expected to contribute about \(45.6 \%\), and direct taxes on corporations some \(33.2 \%\), of gross Federal receipts in the fiscal year ended June 30th, 1944. At the present moment the changes introduced last year in the system of collecting income taxes on individuals - shift to a pay-as-you-go basis, and payment of part of the tax on wage and salary income by withholding-are working themselves
out in particularly high tax collections. During the first two-and-a-half months of the current year the government has collected about four times as much income tax as for the corresponding period of 1943. But the country is still far from the goal which the President had outlined in his budget message for fiscal 1944, where he had said that one-half of the Federal expenditures should be met out of taxes. Treasury borrowing will go on, and it is an open question where the capacity limits of the strictly non-inflationary lending sources lie.

That the problem of excess consumer incomes will not in the near future be greatly eased by increased production of civilian goods has become clearer during the last few weeks. While recognizing that the capacity for war production is now in some lines slightly above current military requirements, the War Production Board is, nevertheless, in view of the uncertainties in the military outlook for the coming months, taking a firm stand against early and large-scale reconversion of plant facilities to civilian goods. The idea prevails that the country, to use the words of the February survey of the National City Bank of New York, " can better afford to keep plants in a standby condition for a time than it can afford to find them unavailable, if need develops, "because they have been permitted to reconvert, with different machinery, to civilian production." At the same time, questions of reconversion play a big part in the attempts-which are multiplying with every passing month-to forecast economic developments of the post-war era, as well as the period between the " German end" and the "Japanese end " of the war. To some extent this kind of talk has recently been given official sanction, first by the President's 1944 budget message, which touched upon the subject, and subsequently by the Baruch-Hancock Report on War and Post-War Adjustment Policies, which was submitted to the Director of the Office of War Mobilization in mid-February. This Report is mainly devoted to questions of the demobilization period, such as termination of war contracts and related problems. It has been widely noticed that the Report, in contrast to much that has been said and written in the early phase of the war, gives an outlook on post-war reconstruction which places all emphasis upon private business, and states or implies that it
will be both possible and desirable for the government swiftly to retire from the economic activities which the war has forced on them.

For the rest, the supply situation in respect of civilian commodities has for some time been characterized by a distinct divergence of trends for non-durable commodities on one hand, and durable goods on the other. Production and domestic consumption of perishable and semidurable goods for civilian purposes continues at a level which, many observers feel, is abnormal under present conditions, and cannot go on indefinitely unless the war ends far earlier than expected. One of the recent events which tend to support this feeling was the official announcement that by July 1st, 1944, the armed forces must be increased by 700,000 men. This increase will probably be accomplished by revision and cancellation of former job deferments, and there is reason to assume that the incidence of the resulting restriction in labour supply will largely fall upon production of civilian nondurable goods. As for durable consumers' goods, the situation has for some time been one of scanty supply of new goods and a high rate of wear and tear of existing stocks. It is certainly true that the volume of potential future services stored in the stocks of durable goods available at the beginning of the war was substantially greater than would appear from peacetime service lives and peacetime depreciation allowances, both of which were largely determined by obsolescence. Before the war, very few American first-hand owners of passenger automobiles would use up the total potential mileage stored in their vehicles; many of them would dispose of their cars as soon as a new trade-mark with some new gadget would turn up on the market. The war has changed this greatly. In war weapons, the one group of finished durable goods where peacetime allowances for technical obsolescence were below what many observers to-day feel would have been adequate, obsolescence is now running riot. Here, a maximum of technical modernity must be kept up steadily, whatever the rate of write-off involved. But for civilian durable goods it is now the rule that they are being kept and used by the present owners as long as they are physically serviceable. Replacement policy in respect of producers' durables has undergone a similar change. While statistical investigations have raised some doubts as to whether the rate of modernization in American industry during the thirties was quite as high as is frequently assumed-for the equipment installed in certain industries it has in fact been demonstrated that the proportion of machinery more than ten years old has risen
steadily since the middle twenties-replacement policy in general during peacetime was even in this field largely dominated by obsolescence. For America, at least, the textbook concept of reinvestment demand, which implies that there is first a gap (opened by the exhaustion of the physical ability of the asset to yield services) which is subsequently being filled in order to keep production at the former level, reflected actual facts only in respect of a few types of equipment where the rate of technological progress was particularly low (e.g., railroad cross ties). In the great majority of cases the "creative destruction" caused by technological progress and the resulting technological obsolescence led to renewals long before there was any real gap. In the present war emergency the textbook theory is at last coming into its own. Almost everywhere, obsolescence as a replacement factor has been pushed into the background. Standby equipment which under normal conditions would be considered completely obsolete is being pressed into service and used as long as any service can be got out of it. Such replacements as are being made are now invariably preceded by the opening of a real "gap." All this means that the country entered the war with a big hidden reserve, in respect of the volume of future services stored up in existing stocks of durable goods. But it also means that the reserve is now being drawn upon heavily.

\section*{BUSINESS VOLUMES \& EMPLOYMENT.} -It is now estimated that in 1943 production for war purposes contributed some \(50 \%\) of what continues to be statistically recorded as gross national product. According to a statement made by the President in January, the country has by now converted approximately one-half of its resources to war purposes. That this proportion is at least adequate for military requirements at their current rate is indicated by the rising value of war contract cancellations, which now exceed 12,000 million dollars. Another indication may be seen in the continuing drop in the volume of construction. While residential and other private construction has been sharply curtailed ever since the beginning of the war, the value of total construction at first rose rapidly because of the enormous expansion of military and naval construction. This expansion has now come to an end, and the Bureau of Labor Statistics predicts for total value of new construction in 1944 a \(40 \%\) drop compared with 1943 and a lower level than in any year since 1935. In some special fields, however, for example in the steel industry, further enlargements of capacity are planned.


EMPLOYMENT, INTERNAL ACTIVITY, TRADE.


No great changes are visible in indices of mining and manufacturing. At the end of 1943, owing to a strike, the output of steel suffered a sudden drop, but it soon regained the former level. Raw steel production is now fluctuating, as it was during much of 1943 , around \(97 \%\) or \(98 \%\) of rated capacity. Orders for new steel products show no signs of slackening, and the same is true of most other manufactured producers' goods. There have been further alleviations in the raw material situation. In particular, the supply (domestic output plus imports) of most non-ferrous metals now exceeds military requirements plus such civilian uses as are allowed at present. Of aluminium, which after Pearl Harbour had been one of the most embarrassing shortage spots, current supply has now for about a year been outrunning consumption.

Preliminary compilations of 1943 balance sheet and income statement data for business corporations show substantial increases in sales and profits. Provision for taxes has absorbed a very large proportion of profits before taxes. The liquidity of non-financial corporations as indicated by the current asset ratio and other indices (disregarding reserves for tax requirements) is in general fairly high, but this is partly due to the impossibility of spending depreciation funds on renewals at the customary rate. Percentages of dividends paid out by corporate business for 1943 are not expected to show any spectacular changes in the aggregate or in group totals.

The number of labour shortage areas has decreased, and some further progress has been made in organizing the distribution of manpower. The industries now suffering most from labour shortage are paper and pulp, leather and shoes, tyres, textiles, and lumber. Rates of labour turnover are still high. According to the Department of Labor, every month approximately 43 out of 1,000 workers in essential war production quit voluntarily. The outlook with respect to labour disputes remains uncertain. During the last three months both the number of strikes and the number of man-days lost were higher than in the corresponding period \(1942 / 3\). An incident such as the government's taking over the railroads to counter a strike threat at the turn of the year, short-lived though that particular episode was, illustrates the lack of stability in the labour situation. Manpower and labour difficulties would affect production more seriously were it not for the amazing reduction in man-hours per unit of product that has been achieved in many fields. Introduction of a National Service Law is more widely discussed now that the President, in reversal of his
earlier attitude, has come out in favour of such a law. But opposition, especially on the part of the leading unions, remains strong.

PRICES, MONEY AND FINANCE.Indices of wholesale and retail prices have not changed greatly during the last three months. The divergence, which has persisted since 1941, between the trend of prices for farm products and that of prices for other products has its counterpart in the "scissors," which so far do not show any signs of closing, between the development of agricultural income on one hand and non-agricultural income on the other. The controversy on the cost of living index of the Bureau of Labor Statistics is going on. A report submitted recently by the Labor members of the Presidential Committee on the Cost of Living finds that the rise in costs of living from January, 1941, to December, 1943, has been \(43.5 \%\), not \(23.4 \%\) as indicated by the Bureau. The latter has now challenged the findings of the Labor members in an elaborate reply. Two elements in the highly complex statistical problem involved have become clearer in the last few weeks. One is the fact that the influence of black markets on living conditions is somewhat more intensive than was widely believed. This was revealed recently by the Administrator of the Office of Price Administration, who estimates that black market operations are responsible for three to four per cent. of the average actual cost of all food, and that some five per cent. of all gasoline is purchased on black markets. Second, it is now admitted in many quarters that the rise in actual consumer expenditure for rent has been somewhat larger, owing mainly to the extensive wartime shifts of workers from low-rent communities to high-rent areas, than is indicated by the Bureau of Labor Statistics index of rents, which does not fully allow for the effects of these migrations.

Among the sources of the money supplied to the national economy by the banks, investments in government obligations remain by far the most important single item. Compared with them, commercial, industrial, and agricultural loans are now relatively insignificant. About one-half of all assets of commercial banks and more than one-third of the resources of life insurance companies and mutual savings banks consist of government securities. The steady rise in demand for means of circulation is reflected in the increase in required member bank reserve balances and the continuous narrowing-if fluctuations caused by temporary transfer of funds in connection with loan operations and the like are disregarded-of the excess
margin in total member bank balances. At the end of 1943 this margin was \(8.8 \%\), as compared with \(24.8 \%\) at the end of 1941. A special feature of the recent development of the monetary situation was the particularly strong increase in currency outside banks. Some observers suspect that this phenomenon has something to do
with the spread of black markets where the tendency in all transactions is to avoid banking records as far as possible.

On the stock exchanges the first two weeks of March have seen an upward movement of industrials. No group index of stock prices, however, has so far regained the level of early1937.

\section*{CANADA}

\section*{Information communicated by Professor D. C. MacGregor of the University of Toronto.}

March, 1944.

THE war economy has now reached a point where the physical bases of output deserve first attention.

Sources of Power.-Coal produced from domestic mines in 1943 fell 5\% below the 1942 level, declining in almost all areas owing to labour shortages and disputes ; meanwhile, coal imports from the United States into the St. LawrenceGreat Lakes area have been restricted owing to American strikes. A mild winter has, however, reduced the demand for heating purposes while some improvement in output is reported in recent months. Hydro-electric power has been generated in greater amounts than last year mainly owing to enlarged installations and heavier rainfall in the province of Quebec. In Ontario enforced and voluntary economies, combined with small additions to capacity at critical points, have offset shortages with the result that sufficient power for war purposes is anticipated during the next year. The oil situation has improved in the eastern seaboard and Great Lakes regions owing to resumption of shipments from South America and all restrictions on the use of asphalt and some of those on fuel oil have been lifted as a result. Petrol rationing continues at the former level. In British Columbia oil scarcity continues owing to the rising tempo of warfare in the Pacific. Domestic oil output, which supplies the Prairie Provinces, has been less than in 1942 owing to reduced drilling. . . . Three new plants for production of high grade aviation petrol have been completed recently. . . Explosives, which are equivalent to a source of power in mining and construction work, are presumably abundant since uses of glycerine are no longer restricted and output of cordite has been reduced. All in all it appears that coal is the only source of power in seriously short supply.

Labour Supply.-While the picture is not complete there is good evidence that the labour shortage has become much more noticeable despite occasional layoffs. In the eight months ending January the personnel of the Armed Forces rose \(9 \%\) and the index of employment (col. 19 p .45 ) rose about \(4 \frac{1}{2} \%\). Meanwhile a further decline in farm and other rural population has probably occurred, and this is no doubt an important source of the above increases.

The tightening of the situation is best reflected in the extremely slow growth of the army, and in the increasingly drastic orders issued by federal labour authorities. On September 20th, some \(1 \frac{1}{2}\) million males in industries of A and B priority were " frozen" in their jobs, and three days later coal handlers in cities over 50,000 were prevented from enlisting or being called up until February 1st, 1944. Previous " freeze" orders had affected steel workers, base metal workers, coal miners, school and college teachers and farmers. A series of orders for compulsory transfer which began a year ago has moved about one-sixth of those directly affected : the exceedingly small number in relation to the magnitude of the problem is attributed in part to the newness of the Selective Service organisation in charge.

The size of the home defence army, at one time considered essential for protection of coastal areas, has been reduced.

The usual winter increase in the supply of male labour, following the cessation of harvesting and certain construction work, has temporarily eased the situation in central Canada's base metal mines, but a shortage of forest workers is still causing concern.

The federal body for the supervision of labour relations and disputes is being reconstituted for the second time and will be known as the National Labour Relations Board. New
regulations to govern the Board's action in labour disputes in "war essential" industry, for the duration, were tabled in Parliament on February 17th.

Raw Materials, except those of farm and forest origin, are relatively abundant partly owing to reduced demand and less fear of shortages. This applies io aluminium, zinc, copper, iron and steel, artificial rubber, wool, tea and coffee. In the case of metals, the easier situation may reflect inability of later stages of the productive system to handle the full supply. Pulpwood, on the other hand, is much scarcer in relation to the large and vociferous demands for newsprint by the daily press. A shortage of men in the woods threatens to reduce forthcoming supplies still further, but it is evident that newspapers on this continent, which are still very bulky, can be adapted for the situation though not without financial sacrifice from loss of advertising. A serious lumber shortage is reported in the United States, where \(70 \%\) of consumption is said to be for defence purposes. The supply of wheat is no longer excessive, despite the large Canadian carryover of 600 Mn . bushels at July 31st. Last year's crop was only half that of 1942, mainly owing to lower yield. On the demand side large quantities of wheat are still required for feed, as well as in making alcohol for synthetic rubber, and for the consumption of the populations of occupied territories and in India. The supply situation in meats has eased temporarily and meat rationing has been suspended for the time being.

Transport.-Railroads have been handling from 15 to \(20 \%\) more ton-miles of freight than the year before, thanks to heavier and swifter loading of cars and other economies. (Carloadings are no longer a good year-to-year measure of traffic but as they are compiled and published more promptly they still serve for week-to-week and month-to-month purposes.) No publicity upon failure to handle the freight offered has yet appeared, except in the case of western wheat where rail shipments to the Great Lakes fell behind in the autumn (despite concentration on freighting from the nearest producing areas) to such an extent that stocks in the enormous elevator capacity at the lakehead were virtually exhausted at the close of navigation. It does not appear that any vessels went away empty, however, and the real test will be the ability of railways to keep wheat moving in the next few months. It may be hoped that the increased volume of ocean shipping will relieve railways by a resumption of coastal traffic and a return of tonnage to the St. Lawrence-Great

Lakes route. Manufacture of additional freight equipment andllocomotives is now being resumed by establishments hitherto employed on heavy war work.

Road transport, which has assisted the railways by concentrating, under government supervision, on short-haul freight traffic which is relatively wasteful of railway cars, will this year be strengthened by a marked increase in output of motor trucks. The future supply of trucking tyres is still obscure owing to conflicting reports on the efficiency of artificial rubber for heavy commercial purposes. For automotive traffic at large a much heavier business in spare parts is reported by wholesalers, indicating increased upkeep and replacement work despite the shortage of mechanics and resort to a priority system in repair shops.

Production. - When last year is viewed as a whole, the volatile index of volume increased from 25 to \(30 \%\) over 1942.* In the course of the year the rate of increase over corresponding periods of 1942 fell appreciably, reflecting a tapering of the expansion. Significant declines were in output of gold and coal. Output of war goods, for which no index is available, but for which the figures of value are considered fairly reliable in official circles, has changed as follows :
\begin{tabular}{ccccc}
1940 & \(\$ 303 \mathrm{Mn}\). & 1943 & \(\$ 2800 \mathrm{Mn}\). (est.) \\
1941 & 811 & 1944 & 2500 & (forecast) \\
1942 & 2119 & & &
\end{tabular}

As indicated in the above forecast, output of war goods is thought to have passed its peak and this has since been confirmed by a reduction of \(\$ 347 \mathrm{Mn}\). from last year in war appropriations submitted to Parliament.

Production of explosives, tanks and merchant shipping has been curtailed, but at the time of writing the resulting layoffs of workers have been more than offset by new hirings to fill hitherto unsatisfied demands. In some cases reduced output is accompanied merely by disappearance of overtime and not by layoffs. The greatest dislocation of production is in British Columbia.

Output for the use of civilians cannot be very reliably measured or inferred from available production figures, but indexes of retail sales now show little or no increase of volume over the year before.

Construction work has shown further declines from the high level of 1941. Compared with 1942, the index of volume fell \(10 \%\) in the first quarter of \(1943,37 \%\) in the second and \(35 \%\) in the third,

\footnotetext{
* Financial Post (Toronto). 1943 figure from issue of December 25th, other years from "A Comprehensive Survey," by K. W. Wilson in issue of December 4th, 1943.
}

Canada]

§ New base, \% of 1935-9
Dates of Series : Cols. 4, 5, 17-19, end of month; 1-2, 6-8, 16, averages; 9, beginning of month. Source : Dominion Bureau of Statistics.
Notes on Skrifs

Col. 1.- "Investors' Index." Index of current market valuation of share" 2.-Based on the calculated yield of a of 1935-39)
" 3.-From 32 banking centres, comprising about \(85 \%\) of total debits. -From 32 banking centres, comprising about \(85 \%\) of total debits. 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 ; col and with trust companies.
" 9.-Comprises separate groups for food, fuel, lighting, rent, clothing, home 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, etc., in earlier annual averages.
"12.-Comprises "animal products" and "vegetable products" groups, includes partly and fully manufactured products in some cases made from imported raw materials, e.g., rubber products.

Col. 13.-Adjusted for seasonal variation. Includes 41 weighted series largely representing foreign trade in raw materials. Tends to overstate amplitude of cyclical fluctuations, probably with an upward bias. Weighting and factors revised from January, 1940, to give due representation to factors indicating trend of war production.
" 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.

\section*{n 17.-Includes workers on relief projects}
19.-Establishments with over 15 employees only. Includes part-time Workers on same basis as full-time. Excludes farm labourers and civil servants and underweights the service industries
but in the last quarter the decline was \(15 \%\). The index of employment confirms the trend, but in 1943 as in 1941 it does not seem to have represented the whole situation accurately. Less acute shortages of some building materials and of specialised labour, along with a relaxation of government restrictions, are expected to result in a larger volume of work for non-war purposes.

Distribution. - The value of retail sales in urban centres has almost come to a stand, the increase for 1943 being \(3.6 \%\) over 1942, against previous annual increases of \(14 \%, 16 \%\) and \(12 \%\); no marked movements occurred within the year. Restaurant and drug store indexes increased much more than the average for the year, those for furniture and electrical goods shops (now handling other lines as well) declined. . . . Sales in rural stores continued their advance, totalling \(12 \%\) over 1942, in response to the marked expansion of farm income. Wholesalers' inventories at the year's end were \(1.7 \%\) below December 31st, 1942, with no pronounced changes in individual lines of business.

Finance.-The fifth Victory Loan, at the previous rates of interest, closed in November with a total of \(\$ 1,338 \mathrm{Mn}\)., of which \(\$ 538 \mathrm{Mn}\). were bought by individuals ; the previous loan totalled \(\$ 1,309 \mathrm{Mn}\). (revised figure). During the month of flotation total bank credit expanded about \(7 \%\), mainly by way of current loans presumably extended to the public for purchase of war bonds. The following table, compiled from the month-end returns of the chartered banks, summarises the trend of credit expansion over the last four loans in millions of dollars.
\begin{tabular}{cccc} 
& \begin{tabular}{c} 
(a) \\
Securities
\end{tabular} & \begin{tabular}{c} 
(b) \\
Total
\end{tabular} & \begin{tabular}{c} 
(c) \\
Total \\
held
\end{tabular} \\
& Soans & deposits
\end{tabular}
N.B.-In the month before each of the four flotations, total loans were, \(\$ 1165,1 \mathrm{I} 02,996\) and 1076 Mn . respectively. Thus the increase of loans during the month of the second Hotation was from 1165 to 1334 , and so on,

A thorough analysis is beyond the scope of this letter but from superficial examination of the above table and the corresponding columns ( 4 \& 5) of the main table (p. 45) it is evident (i) that in the fifth Victory Loan the total expansion of bank credit (col. (c) above) was much smaller absolutely and in relation to the increment (if any) of civilian production, than in the fourth loan ; (ii) the Loan subscriptions associated with bank advances did not on balance increase the amount
of bank credit outstanding until the fifth Victory Loan and then only slightly, bank advances (col. (b) above) against bond purchases having on the whole been repaid by the public in the six-month intervals between flotations; (iii) that banking support of the bond market prior to and during the fifth Victory Loan was on a much smaller scale than formerly (col. (a) above). All of which seems to indicate progress in the " battle against inflation."

On February 8th the Bank of Canada reduced its discount rate from \(2 \frac{1}{2} \%\) to \(1 \frac{1}{2} \%\) in the belief, it was stated, that this would assure business of a low interest policy after the war.

Total federal expenditure and revenues in the first ten months of the previous and the present fiscal years were :-
\begin{tabular}{llcr} 
& \(1942-43\) & \(1943-44\) & \% change \\
Expenditure & S3292 Mn. & \$4161 Mn. & +26.4 \\
Revenue \(\ldots\) & 1847 & 2242 & +214 \\
Deficiency \(\ldots\) & 1445 & 1919 & +35.5
\end{tabular}

The financial position of the provinces has improved during the war. Capital expenditures have been curtailed and revenues from sources not guaranteed by the Dominion government have been buoyant. Much greater improvements have occurred in municipalities, where arrears of property taxes have been repaid to an unexpected degree, little new debt has been incurred and sinking funds are usually employed. Indebtedness of Ontario municipalities is now \(40 \%\) below the level of 1932.

Railway receipts have risen almost as fast as national production and large net earnings have been appearing on both systems for the first time in fifteen years. In February the C.P.R. declared the first dividend on its common shares since 1932.

Prices.-The dramatic change in the supply and demand situations for wheat carried prices up from slightly over the 90 cent minimum established for the large 1942 crop to the neighbourhood of \(\$ 1.20\) in September, 1943. In anticipation of still higher prices the government, on September 28th, established an initial payment of \(\$ 1.25\) per bushel and suspended trading on the Winnipeg Exchange on the ground that by placing all transactions in the hands of the Wheat Board "it will be possible to deal with the current and future marketing problems on a basis more suitable to war conditions." The price of the standard grade of oats remains fixed at \(51 \frac{1}{2}\) cents. The wholesale index for Canadian field crops rose from 70.5 in January, 1943 to 92.1 in January, 1944. Meanwhile, the index for Canadian farm animal products rose from 116.2 to 123.8 owing mainly to increases in
cattle and hogs during the autumn. The combined index (col. 6) reached the so-called parity level in October, for the first time since January, 1930. The index of prices of raw fish, on which no upper limit is imposed, rose \(25 \%\) during the year; the rationing of meats naturally diverted demand to other proteins.

Shortages in the United States have raised the cost of Canada's coal imports and the selling price of her pulp exports.

The higher prices of farm and fishery products largely account for the rise of \(5 \frac{1}{2}\) points in the general index (col. 8) during 1943 (against an increase of only \(3 \frac{1}{2}\) points in 1942). Apart from the influence of reduced wheat acreage, the increases in prices seem to be part and parcel of the general inflationary movement and are widely recognised as necessary if the supply of competitively produced primary products is to be maintained in the face of higher costs. To prevent the rise in prices being passed on to consumers, and to induce output where prices are not adequate, the subsidy and bonus system has been extended.

The cost of living index, which had fallen seasonally during last spring, rose to a new maximum of 119.4 in September. In January 1944 a seasonal fall in egg prices lowered the index three-tenths of a point despite scattered increases in other foods. The five sub-indexes for January ranged from 108.9 for miscellaneous items up to 1315 for the food group.

Foreign Trade.-Statistics are again being issued but in abbreviated form. The following table relates to commodity trade for calendar years.
\begin{tabular}{ccc} 
& \multicolumn{1}{c}{1942} & 1943 \\
Exports to U.K. & \(\$ 742 \mathrm{Mn}\). & \(\$ 1033 \mathrm{Mn}\). \\
U.S.A. & 886 & 1149 \\
All Countrie: & 2364 & 2971 \\
Imports from U.K. & 161 & 135 \\
U.S.A. & 1305 & 1424 \\
All Countries & 1644 & 1735
\end{tabular}

Exports included :-motor vehicles and parts, \(\$ 472 \mathrm{Mn}\). ; cartridges and shells, \(\$ 354 \mathrm{Mn}\)., guns, \(\$ 144 \mathrm{Mn}\).; ships, \(\$ 83 \mathrm{Mn}\).; wheat, \$234 Mn. ; bacon, \$116 Mn.

Income.-Continuing the figures presented last June, annual cash income (gross) from farm products actually sold in 1943 is estimated by the Dominion Bureau of Statistics at \(\$ 1,397 \mathrm{Mn}\)., or \(25 \%\) above 1942. By provinces, the increases ranged from \(10 \%\) in Ontario to \(59 \%\) in Saskatchewan. The effect of the poor western crops of 1943 will be registered in sales during the present year.

Other authentic figures of money income available at the time of writing relate to certain
payrolls and to dividends. Weekly payrolls of firms included in the somewhat volatile employment index, covering the first week in each month, exceeded the same period of the previous year by over \(18 \%\) in January, 1943 ; in the later months payrolls advanced continuously at a rate slightly faster than the employment index, but owing to the dwindling rate of growth the excess over twelve months earlier had fallen to about \(10 \%\) at the end of 1943. Average earnings per head rose from \(\$ 29.79\) in November, 1942 to \(\$ 31.59\) twelve months later.

The Financial Post of January 15th records dividend payments of \(\$ 286 \mathrm{Mn}\). in 1943 against \$288 Mn. in 1942.

Results of the widest survey of company earnings yet made in Canada were published in the Bank of Canada's Statistical Summary issued in December. Covering experience of 628 firms over seven years from 1936, since which year company reports have appeared in a slightly more satisfactory form under revised federal legislation, the study shows inter alia the following changes. From 1939 to 1942, net operating profit after interest and depreciation but before taxation rose from \(\$ 407 \mathrm{Mn}\). to \(\$ 728 \mathrm{Mn}\)., net income available for dividends (i.e. after taxation) rose from \(\$ 328 \mathrm{Mn}\). to \(\$ 360 \mathrm{Mn}\)., and undistributed income from \(\$ 88 \mathrm{Mn}\). to \(\$ 127 \mathrm{Mn}\).

Government controls have in some cases been tightened and in others relaxed, reflecting the altered character of war demands and changes in the supply situation. In addition to the regulation of the movement of labour already noted, further restrictions have been applied to paper, butter, evaporated milk, etc. Meanwhile, controls have been eased in the case of tea, coffee, canned salmon, meats, jams and jellies, men's suits, rubber tyres, glycerine, iron and steel, aluminium and other base metals, and construction and repair work. It now appears that we have entered a new phase, at least temporarily, in which some materials and resources can be diverted back to civilian uses, provided sufficient labour is available at later stages of production. Also it is clear that marked shifts within war output are occurring.

At the same time shortages in the United States are becoming more acute, especially in labour supply. The influence of the American situation on Canada, already noted in the case of newsprint and coal, and no doubt of importance over a wide range of American articles no longer easily procurable north of the border, may alter the present Canadian outlook considerably. One aspect of the domestic and indeed of the continental situation which is far from clear is the extent to which shortages of
labour, and hence of coal and transport facilities, have been responsible for reductions of war output, especially in base metals. It is a reasonable conjecture that press reports will overlook the indirect influence of such shortages, and that spokesmen for government will not go out of their way to emphasise them, or may even be ignorant of them. That changes in the course of the war must affect the kinds and amounts of output is obvious, but it is also obvious that if increasing shortages of industrial coal are not reflected in lower civilian output (and they have not been to any great extent), they must be reflected in lower war output unless marked economies in its use have suddenly appeared.

From another angle, it may be suggested as an hypothesis that the amounts of consumable materials required in modern war are so great that the quantity of most war goods which can be safely or economically stored is not usually more than a few months' supply and that a productive system capable of supporting an intensive campaign must be shut down before long if the campaign slackens or fails to materialise. If this is true the course of activity during the rest of the war may be highly erratic in many war industries, and the present tapering off of war output short-lived.

A new group of federal administrative organs is now in course of formation, marking the first
important changes since the completion of the war organisation two years ago. In December the intention to establish a new crown company under the name of War Assets Corporation, Ltd., was announced, to handle the disposal of industrial plant and materials no longer needed for war purposes, the corporation to receive information and instruction from an ad hoc committee representing various interests. On January 28th the federal Speech from the Throne proposed the establishment of a Department of Reconstruction, also an Industrial Development Bank to act for the Bank of Canada in financing the transition from war to peace. On February 3rd the formation of the Canadian Exports Board was announced, whose purpose is to handle export transactions which, because of the wartime controls in other countries "cannot be taken care of in the usual way through ordinary commercial channels." At the same time the disappearance of earlier crown companies began with the absorption of Platean Company (formed in 1940 to purchase and hold raw silk) by the company in charge of raw wool. Meanwhile, the country has participated in international arrangements for organisation of the United Nations Relief and Rehabilitation Administration, the new Allied Agricultural and Food Machinery Committee and a Combined Textile Committee. All these are official manifestations of the end-of-the-war spirit.


\title{
LONDON \& CAMBRIDGE ECONOMIC SERVICE
}

\section*{BULLETIN III.}

\author{
JULY, 1944.
}

\section*{EXECUTIVE COMMITTEE.}


\section*{EDITORIAL COMMITTEE.}


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

Temporary war-time Subscription, £1.

For particalars, apply to the Secrefary, London \& Cambridge Economic Service, New Court, Peierbouse, Cambridge.
(Temporary war-time address.)

\title{
LONDON \(\mathfrak{F}\) CAMBRIDGE ECONOMIC SERVICE
}

VOL. XXII.

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\title{
UNITED KINGDOM. \\ \\ THE ECONOMIC POSITION.
} \\ \\ THE ECONOMIC POSITION.
}

28th fuly, 1944.

WAR production having already reached its peak, government expenditure has ceased to show any definite tendency to expand. For the first half of this year ordinary expenditure has only exceeded that for the first half of 1943 by a mere \(£ 8 \mathrm{Mn}\). On the other hand revenue receipts for the same periods show a healthy increase of \(£ 216 \mathrm{Mn}\). Savings, as measured by subscriptions to the government loans offered to the public and the growth of savings bank deposits, show a fall of \(£ 90 \mathrm{Mn}\)., comparing the same six month periods: but a part of this ( \(£ 23 \mathrm{Mn}\).) is to be explained by smaller additions to the holdings of the banks. The increases in both bank deposits and note circulation have been larger in the first half of 1944 than in the first half of 1943, but they have been only moderate in the past quarter.

There has been no important change in wholesale or retail prices since December 1943, except a considerable increase in the wholesale price of cotton; but the increase announced in the price
of coal may raise the Cost of Living Index one or two points. Meanwhile the rise in wage-rates continues. Since August 1939 the increment in the wage-rate index has been \(42 \%\), while over the same period the Cost of Living Index rose \(29 \%\); it is, however, generally considered that this index underestimates the effective rise, which may be estimated to be about \(40 \%\), that is, nearly the same as that in the wage-index. Whatever the exact relationship between the two index-numbers, it is important to realise that prices have been nearly stable for three years, while wage-rates in the same period have increased about \(17 \%\). In fact after an initial rise in the first years of the war of about \(12 \%\) the wage-rate index has increased 5 or \(6 \%\) per annum irrespective of price movements. The graph of the index during the past four years is, with some interruptions, nearly a straight line. Earnings have, of course, moved more rapidly than wage-rates, but not so regularly.

The index of the value of retail sales has been exceptionally high in recent months.

\section*{EVENTS OF ECONOMIC IMPORTANCE.}

1944
May 1st Spain
Jun
th Italy
6th France
7th Portugal
8th France

13th France

14th U.K

15th India

20th Russian Front Italy
23rd Russian Front
25th France ...

26th Russian Front
29th Poland
30th Finland ...
1st International
3rd Russian Front Italy France

12th Russian Front
13th U.K.

16th Italy
18th U.K.
19th France ...
20th Germany ...
23rd International
24th Russian Front
25th U.K.

9th Russian Front

12th Russian Front
France ...
Sweden ...
Pacific ...

Pacific ...

8th Russian Front
... Agreement between Spain and United Kingdom and United States-Wolfram and other supplies to Germany to be cut and oil shipments to Spain resumed.
... Russians capture Sebastopol.
... Allies enter Rome.
... Allied landings in Normandy.
... Ban on wolfram exports to Germany.
... Bayeux captured.
... Russian offensive launched in Karelian Isthmus.
... Carentan captured.
... Reported agreement to restrict export of ball bearings to Germany.
... Rate of exchange of 200 francs to \(£ 1\) adopted for metropolitan France.
... Announcement of the flying bombs in attacks on Southern England.
... Special lease-lend agreement concluded with U.S.
... U.S. forces land on Saipan (in Marianas).
... Viipuri captured by Russians.
... Perugia captured.
... New Russian offensive in centre.
... Cherbourg entered by U.S. troops.
... Mogaung entered by Allies.
... Vitebsk and Zhlobin captured.
... Military supplies agreement between British and Polish Governments signed, retrospective since June 1940.
... U.S.A. severs diplomatic relations.
... Monetary Conference opens at Bretton Woods, U.S.A.
... Minsk captured.
... Siena occupied.
... Vilna captured by Russians.
... Caen occupied by Allies.
... New Russian offensive in Baltic provinces.
... Ministerial announcement accepting principle of subsidies for building by private enterprise.
... Capture of Arezzo.
... Vote of Credit of \(£ 1,000 \mathrm{Mn}\). approved.
... U.S. troops occupy St. Lo.
... Reported attempt to assassinate Hitler.
... Monetary Conference concludes having adopted plans for a Monetary Fund and a World Bank.
... Lublin taken by Russians.
... Announcement of rise of 4/- per ton in price of coal from August 1st.

\title{
FINANCE \& BANKING IN THE SECOND QUARTER OF 1944.
}

\author{
By P. B. Whale.
}

Government Finance.-The figures for the quarter show no significant change in the rate of government expenditure. Compared with the preceding quarter there was a decline in the weekly average-from nearly \(£ 113 \mathrm{Mn}\). to \(£ 101\) Mn . for Supply expenditure and from \(£ 120 \mathrm{Mn}\). to \(£ 109 \mathrm{Mn}\). for Total expenditure ; but such a decline from the first to the second quarter is usual, and in comparison with a year earlier expenditure in the second quarter of 1944 shows a very slight increase - \(£ 1 \mathrm{Mn}\). a week under either heading. The revenue receipts show a seasonal decline, as usual, of a larger amountfrom an average of \(£ 92 \mathrm{Mn}\). a week for the previous quarter to \(£ 46 \mathrm{Mn}\). - so that the average weekly deficit increased by more than \(£ 35 \mathrm{Mn}\). But in comparison with a year earlier the receipts show an improvement of about \(£ 5 \mathrm{Mn}\). a week.
\begin{tabular}{|c|c|c|c|c|}
\hline \multirow[t]{2}{*}{GOVERNMENT} & Revenue & ExPE & EXPENDITURE & (£Mn.) \\
\hline & & Supply & & \\
\hline Weekly Averages. 1939-Oct.-Dec. & \[
\begin{gathered}
\text { Total. } \\
15.9
\end{gathered}
\] & \[
\begin{gathered}
\text { Services. } \\
35.6
\end{gathered}
\] & Total. \(41 \cdot 8\) & \(25 \cdot 9\) \\
\hline 1940-Jan.-Mar. & \(38 \cdot 8\) & \(45 \cdot 1\) & 48.0 & \(9 \cdot 2\) \\
\hline A pril-June & \(14 \cdot 5\) & \(47 \cdot 1\) & 53.4 & \(38 \cdot 9\) \\
\hline July-Sept. & \(20 \cdot 1\) & 66.6 & 69.6 & \(49 \cdot 5\) \\
\hline Oct.-Dec. & \(22 \cdot 8\) & \(77 \cdot 0\) & \(83 \cdot 5\) & \(60 \cdot 7\) \\
\hline 1941-Jan.-Mar. & 51.0 & 88.5 & \(90 \cdot 1\) & \(39 \cdot 1\) \\
\hline April-June & \(24 \cdot 5\) & \(75 \cdot 8\) & \(82 \cdot 6\) & \(58 \cdot 1\) \\
\hline July-Sept. & \(32 \cdot 2\) & \(85 \cdot 4\) & \(89 \cdot 3\) & \(57 \cdot 1\) \\
\hline Oct.-Dec. & 37.2 & \(89 \cdot 8\) & \(96 \cdot 9\) & \(59 \cdot 7\) \\
\hline 1942-Jan.-Mar. & \(66 \cdot 3\) & 96.2 & 99.5 & 33.2 \\
\hline April-June & \(42 \cdot 6\) & \(92 \cdot 2\) & 99.6 & \(57 \cdot 0\) \\
\hline July-Sept. & \(46 \cdot 3\) & 93.4 & 98.8 & \(52 \cdot 5\) \\
\hline Oct.-Dec. & \(45 \cdot 9\) & 103.7 & 111.2 & \(65 \cdot 3\) \\
\hline 1843-Jan.-Mar. & \(81 \cdot 9\) & \(117 \cdot 0\) & 121.9 & \(40 \cdot 0\) \\
\hline April-June & \(41 \cdot 3\) & \(100 \cdot 3\) & 108.0 & \(66 \cdot 7\) \\
\hline July-Sept. & \(51 \cdot 9\) & \(99 \cdot 3\) & \(106 \cdot 3\) & \(54 \cdot 3\) \\
\hline Oct.-Dec. & 47.0 & \(100 \cdot 8\) & 108.5 & \(61 \cdot 5\) \\
\hline 1944 -Jan. 1-29 & \(113 \cdot 3\) & 109.4 & 114.2 & 0.9 \\
\hline Jan. 30-Feb. 26 & \(97 \cdot 6\) & \(113 \cdot 3\) & \(122 \cdot 2\) & \(24 \cdot 6\) \\
\hline Feb. 27-Mar. 31 & \(3170 \cdot 2\) & 114.8 & \(123 \cdot 2\) & 53.2 \\
\hline April 1-29 & \(45 \cdot 5\) & 99.8 & 109.2 & \(63 \cdot 7\) \\
\hline Apr. \(30-\mathrm{May} 27\) & \(50 \cdot 4\) & 103.2 & \(109 \cdot 5\) & \(59 \cdot 1\) \\
\hline May 28 -June 30 & \(43 \cdot 3\) & \(100 \cdot 5\) & 109.0 & \(65 \cdot 7\) \\
\hline
\end{tabular}

The total deficit, or excess of Ordinary Expenditure over Ordinary Revenue, for the quarter amounted to \(£ 819 \cdot 4 \mathrm{Mn}\). and, with sinking fund allocations and the balance of small miscellaneous items, the amount raised by borrowing was \(£ 821 \cdot 6 \mathrm{Mn}\).

In accordance with previous practice, the funding of \(£ 120 \mathrm{Mn}\). savings bank advances has been ignored in this table, Departmental Ways and Means Advances being written up by this amount. The four classes of tap loans open to the public brought in nearly \(£ 535 \mathrm{Mn}\)., and if to this is added the gain of \(£ 91 \mathrm{Mn}\). in savings bank deposits, we have a total for Large and Small Savings of \(£ 626 \mathrm{Mn}\). This is \(£ 189 \mathrm{Mn}\).

GOVERNMENT BORROWING. SECOND QUARTER, 1944.
\begin{tabular}{|c|c|c|c|c|}
\hline & \[
\begin{aligned}
& \text { Apr.. } \\
& \text { (29days) }
\end{aligned}
\] & \[
\begin{aligned}
& \text { May } \\
& \text { (28days) }
\end{aligned}
\] & \[
\begin{aligned}
& \text { June } \\
& \text { (34 days) }
\end{aligned}
\] & Total 91 days \\
\hline Nat. Savings Certificates & 20.7 & \(30.85{ }^{\circ}\) & 45.95 & 97.5 \\
\hline 3\% Defence Bonds ... & 8.0 & 24.4 & 22.0 & 54.4 \\
\hline \(3 \%\) Savings Bonds & 29.5 & \(73 \cdot 9\) & \(55 \cdot 4\) & 158.8 \\
\hline \(2 \frac{1}{2} \%\) Nat. War Bonds ... & \(64 \cdot 15\) & \(87 \cdot 1\) & \(72 \cdot 7\) & 223.95 \\
\hline Conversion Loan, 1944 & & -313.2 & - 2.6 & -315.8 \\
\hline Other Debt & - \(2 \cdot 25\) & 3.0 & -2.0 & 1.25 \\
\hline term borrowing ... & \(120 \cdot 1\) & \(-98.95\) & 191.45 & \(217 \cdot 6\) \\
\hline Tax Reserve Certificates & 18.9 & \(11 \cdot 3\) & 32.8 & 63.0 \\
\hline Treasury Deposits ... & 41.5 & - 11.5 & \(-68.5\) & \(-38.5\) \\
\hline Treasury Bills ... ... & \(69 \cdot 6\) & 246.7 & \(70 \cdot 4\) & \(386 \cdot 7\) \\
\hline W.\& M.Adv. Govt. Depts. ,, Bank of England & \(15 \cdot 9\) & (84.5) & \(62 \cdot 9\)
29.5 & \[
\begin{gathered}
(163 \cdot 3) \\
29 \cdot 5
\end{gathered}
\] \\
\hline short-term borrowing & 145.9 & 331.0 & \(127 \cdot 1\) & 604.0 \\
\hline Total borrowing & 266.0 & \(237 \cdot 1\) & 318.5 & 821.6 \\
\hline
\end{tabular}
more than the corresponding figure for the previous quarter. It is also \(£ 20 \mathrm{Mn}\). higher than the figure for the second quarter of 1943, but if we compare the first six months of 1943 and 1944, there has been a decline of \(£ 90 \mathrm{Mn}\). No deduction has been made here for the repayment of \(£ 316 \mathrm{Mn}\). Conversion Loan, but this may be justified by the presumption that this security was mainly held by public departments.

Floating Debt. - The balance to be raised by short-term borrowing was \(£ 604 \mathrm{Mn}\). Tax Reserve Certificates yielded \(£ 63 \mathrm{Mn}\)., but Treasury Deposits declined \(£ 38.5 \mathrm{Mn}\)., leaving \(£ 579.5\) Mn . to be covered by Treasury Bills and Ways and Means Advances. The outstanding amount of bills issued by tender increased by \(£ 210 \mathrm{Mn}\). to July 1st. The increase in tap bills may accordingly be put at \(£ 386.7 \mathrm{Mn}\). \(-£ 210 \mathrm{Mn}\). + \(£ 29 \cdot 5 \mathrm{Mn}\). (the Bank Ways and Means at June 30 th) or \(£_{2} 206 \cdot 2 \mathrm{Mn}\). But if we deduct from the \(£_{579 \cdot 5 \mathrm{Mn} \text {. above, the repayment of Conversion }}\) Loan (on the assumption that it was held officially) and the increase in savings bank deposits, the new money which had to be found on short term from banks, the market and official sources becomes \(£ 172 \cdot 7 \mathrm{Mn}\).

Bank of England.-After a sharp increase between mid-March and mid-April of over \(£ 30\) Mn ., the note circulation has only increased by another \(£ 13 \mathrm{Mn}\). to mid-July-most of this later increase occurring in May. It would appear that the reduction in notes required as a result of the departure of troops has largely offset the extra requirements of the civilian population in connection with holidays and the partial evacuation of families from target areas. It has accordingly not been necessary to extend the fiduciary limit
since March, although the reserve of notes in the Banking Department has been rather low for some time. The assets of the Bank have expanded during this period by considerably more than the increase in note liabilities.

Clearing Banks.-The movement of the aggregate deposits of nine clearing banks (omitting the District and National) is shown in the following table.
\begin{tabular}{|c|c|c|c|}
\hline & \[
\begin{aligned}
& \text { NINE } \\
& \text { Gross } \\
& \text { Deposits. }
\end{aligned}
\] & \begin{tabular}{l}
CLEARING BANKS. \\
Balance with Other Banks and Items in Transit.
\end{tabular} & \begin{tabular}{l}
Net \\
Deposits.
\end{tabular} \\
\hline 1942 & £Mn. & £Mn. & £Mn. \\
\hline June ... & 3091 & 138 & 2780 \\
\hline December & 3438 & 181 & 3257 \\
\hline 1943 & & & \\
\hline March & 3354 & 133 & 3221 \\
\hline June ... & . 3437 & 138 & 3299 \\
\hline September & - 3537 & 125 & 3412 \\
\hline December & 3823 & 194 & 3629 \\
\hline 1944 & & & \\
\hline March & ... 3788 & 131 & 3657 \\
\hline April & ... 3816 & 127 & 3689 \\
\hline May & ... 3849 & 134 & 3715 \\
\hline June & ... 3894 & 173 & 3721 \\
\hline
\end{tabular}

The half-year returns show only a moderate increase of \(£ 64 \mathrm{Mn}\). in the Net Deposits of these banks since the returns for March, somewhat less than the increase in the corresponding period of 1943.

In the assets of these banks, the Treasury Deposits declined \(£ 85 \mathrm{Mn}\). between the March and June returns. This was more than balanced by the increase in Discounts ( \(£ 91 \mathrm{Mn}\).), and the increase in liabilities was mainly covered by increases in Money at Call and Short Notice and Investments-in each case \(£ 29 \mathrm{Mn}\). Advances declined \(£ 2 \mathrm{Mn}\). The liquid asset ratio remained over \(50 \%\).

The smallness of the increase in Investments (for eleven banks \(£ 33 \mathrm{Mn}\).) shows that the Salute the Soldier savings campaign did not owe
its success to any important extent to the purchases of the banks. The banks' contribution to carrying the increase in floating debt may be taken to be the increase in Net Deposits plus the decrease in Advances minus the increase in Investments, i.e., \(£ 37 \mathrm{Mn}\). (whether nine or eleven banks are taken) out of the balance of about \(£ 173 \mathrm{Mn}\). reached at the end of the paragraph on the Floating Debt. There is some error in this calculation, however, owing to the fact that the March returns of the banks do not relate to the end of the month.

Security Prices.-Our index-number of industrial security prices (mid-month) has risen each month since March and at July 14th stood at 156, a figure not reached since March-April 1937. The recent rise was common to all subgroups of the index, which includes 85 shares of long-established companies. There can be little doubt that the main cause of the movement has been the removal of certain misgivings with respect to the initial stages of the continental invasion. As the rise began, however, before the landings were made, some weight must also be given to other factors, such as larger dividend payments and the encouraging effect of the Budget proposals.

In the index of prices of fixed interest securities there have been only small monthly fluctuations of under \(\frac{1}{2} \%\) during the past year, but in July 1944 it was at its highest mid-month level since April 1943.

Foreign Exchanges.-It was announced on June 13th that the rate of 200 francs to \(£ 1\), adopted in the February agreement for the territories administered by the French National Committee, was to be applied to the exchange of the franc currency of metropolitan France.

\section*{PRICES AND WAGES.}

\author{
By A. L. Bowley.
}

WHOLESALE PRICES.-The only important change since March is a considerable increase in the price of cotton, which has only a small effect on the general index number.
\begin{tabular}{|c|c|c|c|c|c|}
\hline \multicolumn{3}{|l|}{August, 1939... ... 10} & \multicolumn{2}{|l|}{\multirow[t]{2}{*}{March, 1943 ... April, May, June}} & \\
\hline December, 1939 & & 125 & & & 析 \\
\hline December, 1940 & & 151 & July ... ... & & 167 \\
\hline December, 1941 & \(\ldots\) & 159 & August & & 65 \\
\hline March, 1942 & \(\ldots\) & 162 & Sept., Oct. & & 166 \\
\hline June, 1942 & & 163 & Dec., 1943, Jan., & & 167 \\
\hline September, 1942 & & 162 & & & \\
\hline December, 1942 & ... & 16 & Apr., May, June & & \\
\hline
\end{tabular}

\begin{tabular}{|c|c|c|c|c|c|}
\hline Wool & 170 & 170 & 174 & 178 & 179 \\
\hline Other textiles & 174 & 179 & 179 & 180 & 182 \\
\hline Chemicals and Oils... & 148 & 154 & 156 & 162 & 163 \\
\hline Miscellaneous & 180 & 184 & 184 & 187 & 192 \\
\hline Total, Materials, \&c. & 158 & 159 & 160 & 162 & 167 \\
\hline Grand total ... & 162 & 165 & 165 & 167 & \(169 \cdot 5\) \\
\hline
\end{tabular}

RETAIL PRICES.-The Cost of Living index number did not move during February to June, and there were no significant changes in detail, except a rise in the price of coal in February. A further \(4 /\)-per ton is effective from August 1st.

COS'T-OF-LIVING INDEX-NUMBER. INCREASE OR DECREASE \% SINCE 1st SEPT., 1939. 1942194319431944
\begin{tabular}{|c|c|c|c|c|c|}
\hline \multirow[b]{2}{*}{Beef, British} & \multicolumn{5}{|r|}{Feb. 28th June1st Dec.1st June1st} \\
\hline & ... & 19 & 19 & 19 & 19 \\
\hline ,, Imported & \(\ldots\) & 29 & 29 & 29 & 29 \\
\hline Mutton, British & ... & 11 & 11 & 11 & 11 \\
\hline Imported & .. & 7 & 8 & 8 & 8 \\
\hline Bacon ... & ... & 36 & 50 & 50 & 50 \\
\hline Fish & ... & 42 & 32 & 26 & 27 \\
\hline Flour & ... & 15 & 27 & 28 & 29 \\
\hline Bread & . & -3 & 9 & 9 & 9 \\
\hline Tea & \(\ldots\) & 7 & 21 & 21 & 21 \\
\hline Sugar (Gran.) & ... & -1 & -1 & 32 & 32 \\
\hline Milk & \(\ldots\) & 32 & 32 & 33 & 32 \\
\hline Butter & ... & 22 & 28 & 28 & 28 \\
\hline Cheese & .. & 30 & 30 & 30 & 30 \\
\hline Margarine & ... & 12 & 12 & 12 & 12 \\
\hline Eggs & ... & 26 & 1 & 1 & 1 \\
\hline Potatoes & ... & 28 & 5 & 6 & 6 \\
\hline All Food & ... & 17 & 20 & 22 & 22 \\
\hline Rent & ... & 1 & 1 & 1 & 1 \\
\hline Clothing & ... & 95 & 68 & 64 & 65 \\
\hline Fuel & ... & 26 & 34 & 34 & 39 \\
\hline Miscellaneous & \(\ldots\) & 31 & 60 & 63 & 63 \\
\hline All items ... & ... & 29 & 28 & 28 & 29 \\
\hline
\end{tabular}

By July 1st the food and total index numbers were about \(\frac{1}{2} \%\) higher owing to new potaloes.

WAGES.-Since March, 1944 there have been increases in weekly wage-rates for engineers, shipbuilders, railway men, road transport workers and Local Authority employees. The effect of these has been to raise the general index from 139 to 142 (August \(1939=100\) ). There was a radical change in the system of computing coal-miners' wages, which took effect in the last week in April. The principal result seems to have been simplication of the former complicated system, which included various flat-rate increases, bonuses and percentage movements, which varied from district to district. The intention appears to have been mainly to stabilize wages, and it has been agreed that, except for changes in relation to the Cost of Living, there should be no alteration in principle for four years. While it seems that the amount of wages will in general not be affected by the re-arrangement, some specific increases have been granted, the effect of which on the general average is not yet known. It is not anticipated that our general wage-rate indexnumber will be significantly affected.

CHANGES IN WAGE-RATES.
1943-4, as percentage of August, 1939.
Dec. Mar. June Dec. Mar. June


RETAIL SALES.-The value of total sales by retailers covered by the official index has in recent months been considerably greater than a year before. During February to May sales of foodstuffs have been 5 to \(9 \%\) greater. Initial dates of validity of clothing coupons affect the monthly index for "Other Merchandise" and the total index, but cumulatively from February to May the former was \(9 \%\), and the latter \(8 \%\), higher in 1944 than in 1943. There was an increase of \(20 \%\) in women's wear, \(27 \%\) in men's and boys', \(16 \%\) in sports' and travel goods.
INDEX \begin{tabular}{c} 
NUMBER \\
Average daily sales in \(1942=100\).
\end{tabular}
Great Britain.

EMPLOYMENT.-The financial figures of the Unemployment Fund indicate the general movements of unemployment (by the benefits paid out) and of the volume of employment (by the contributions of employees). As the payments made and the benefits received are at different rates for men, women and juveniles, some part of the movement is due to the change in the constitution of the working force. Unemployment has been reduced to a low minimum, especially since 1942. It is clear that employment increased considerably up to 1942, and there is an indication that it has fallen in more recent times, but owing to change of sex and age not so much as the figures at first sight suggest.
\begin{tabular}{|c|c|c|c|c|c|c|}
\hline & UNEMP & \begin{tabular}{l}
YME \\
Weekly
\end{tabular} &  & \[
\begin{aligned}
& (\text { Gen } \\
= & £ 00
\end{aligned}
\] & cher & \\
\hline Years & 1939 & 1940 & 1941 & 1942 & 1943 & 1944 \\
\hline Qrs. 1 & 1126 & 784 & 320 & 91 & 56 & 49 \\
\hline 2 & 781 & 383 & 160 & 68 & 53 & 47 \\
\hline 3 & 617 & 389 & 112 & 66 & 48 & \\
\hline 4 & 699 & 432 & 83 & 61 & 50 & \\
\hline \multicolumn{7}{|c|}{Employees' Contributions} \\
\hline Years & 1939 & 1940 & 1941 & 1942 & 1943 & 1944 \\
\hline Qrs. 1 & 408 & 409 & 483 & 493 & 479 & 455 \\
\hline 2 & 421 & 437 & 485 & 495 & 469 & 465 \\
\hline 3 & 474 & 414* & 485 & 490 & 463 & \\
\hline 4 & 417 & \(\overline{455}\) & 486 & 481 & 455 & \\
\hline
\end{tabular}

\footnotetext{
* The rate of contributions was increased in August, 1940
} and the limiting income raised in September, 1940.

\title{
DISTRIBUTION OF INCOMES, EXPENDITURE AND PRICES.
}

\author{
By Professor A. L. Bowley
}

The annual White Paper on Sources of War Finance, etc. (Cmd. 6520) contains interesting accounts of the number of incomes of different amounts, and their aggregates in the years 1938 and 1942 (Table G).
\begin{tabular}{|c|c|c|}
\hline & \multicolumn{2}{|l|}{Private Incomes} \\
\hline Allocated to different ranges & & \\
\hline Under £250 Over £250 & \[
{ }_{1745}^{£ 2681 \mathrm{Mn} .}
\] & \[
\underset{3543}{£ 3356 \mathrm{Mn} .}
\] \\
\hline Other private income & 612 & 1160 \\
\hline Total & \(£^{5038} \mathrm{Mn}\). & £8059 Mn. \\
\hline
\end{tabular}
"Other private income" includes the undistributed profits of companies, income of charities, etc., and other sums which cannot be allotted to individuals.

The following analysis is confined to the entries, Income over \(£ 250\).

It is clear from Tables A and B, annexed, that an enormous number of persons (husband and wife being counted as one person) have passed above the limit \(£ 250\). It may be estimated that the original \(2,545,000\) above \(£ 250\) were in 1942 above \(£ 425\), and consequently about \(4,500,000\) had passed from below \(£ 250\) to within the range of \(£ 250\) to \(£ 425\). While there was in 1942 crowding in the lower ranges, the number of very large incomes had not increased.

A familiar measurement of the distribution of income is the index \(a\) in Pareto's Law. The greater is \(a\) the greater the relative number of incomes in the lower ranges, the smaller in the higher. An increase in a means more equal distribution of aggregate income among its possessors.

Table A.
DISTRIBUTION OF INCOME
\begin{tabular}{cccc}
\begin{tabular}{c} 
Lower limit \\
of Income
\end{tabular} & \begin{tabular}{c} 
No. of Incomes \\
above £x
\end{tabular} & \begin{tabular}{c} 
Aggregate Income above £x \\
Before Tax
\end{tabular} \\
\&x
\end{tabular}
\(J\) is reckoned in 1938 at the tax-rates of 1938-39, in 1942 at
\begin{tabular}{|c|c|c|c|c|}
\hline \multirow[b]{2}{*}{Range of} & \multicolumn{2}{|c|}{\multirow[b]{2}{*}{1938}} & & \\
\hline & & & \multicolumn{2}{|c|}{1942} \\
\hline Incomes & Before & After & Before & After \\
\hline £ & Tax * & Tax \(\dagger\) & Tax* & Tax \(\dagger\) \\
\hline 250-500 & 1745 & 1800 & 5500 & 4589 \\
\hline 500-1000 & 500 & 485 & 1110 & 495 \\
\hline 1000-2000 & 195 & 165 & 295 & 300 \\
\hline 2000-10000 & 97 & 60 & 102 & 25 \\
\hline 10000 and over & 8 & 5 & 8 & ? 0.5 \\
\hline & 2545 & 2515 & 7015 & 5400 \\
\hline
\end{tabular}

In \(1938 a\) was approximately \(1 \cdot 5\), a value which has been found approximately in many studies of income. In 1942 the value was about \(1 \cdot 85\), a very considerable change. For 1940-41 it was computed at about 1.7 for gross incomes.*

The column headed J in Table A gives the estimated net income after income and surtax are deducted from the income totals of the I column. Since taxation is heavily progressive the distribution of net income is much more in favour of the lower incomes than before taxation. At the 1942-43 rates it is estimated in the White Paper that the proportion taken by taxation rises from \(15 \%\) in the range of income \(£ 250-£ 500\) to \(52 \%\) in the range \(£ 2,000-£ 10,000\) and \(79 \frac{1}{2} \%\) on incomes above \(£ 10,000\).

For net incomes \(a\) is approximately 1.85 in 1938 (nearly equal to that for gross incomes in 1942), and is nearly 2.5 in 1942.*

In Table B estimates are given of the number of net incomes falling in various grades. These estimates are very rough, but they indicate the kind of change that has taken place. The number of net incomes over \(£ 1,000\) in 1942 appears to be about the same as that of gross incomes in 1938, but the number remaining over \(£ 2,000\) is quite small. A considerable number, some \(1,600,000\), are pulled below \(£ 250\), but there remains a great increase over 1938 in the lowest range.

The analysis cannot be usefully extended below incomes of \(£ 250\), partly for want of data, and partly because the lower incomes are heterogeneous, as they must include the relatively small incomes of juveniles.

\footnotetext{
* Bulletin, April, 1942, p. 32. There also the value for net incomes in 1940-41 was estimated as 2.6 , but the range to which it applied was not the same as in 1942, and the figure is not comparable with that in the text.
}

Pareto's Law may be written on \(\mathrm{N}=\mathrm{A} / \mathrm{x}^{a}\), where \(N\) is the number of incomes above \(£ x\) and \(A\) and \(a\) are constants to be determined from the data.

Write \(£ \mathrm{I}\) for the aggregate of incomes above \(f \mathrm{x}\) before taxation. Write M and J for N and I after taxation.

Write \(B\) for \(\log A\), and \(b=a /(a-1)\). After taxation write \(\mathrm{B}_{1}, \mathrm{~b}_{1}, \mathrm{a}_{1}\).

We have the following equations :-
\(\log N=-a \log x+B\)
\(\log I=-(a-1) \log x+B+\log b\)
\(\log N=b \log I-b \log b-B /(a-1)\)
\(\log M=b_{1} \log J-b_{1} \log b_{1}-B_{1} /\left(a_{1}-1\right)\)
\(\log M=-a_{1} \log y+B_{1}\)

\footnotetext{
(1)
\begin{tabular}{l}
\((2)\) \\
\((3)\) \\
\hline
\end{tabular}
(5)
}
when \(£ \mathrm{y}\) is the lowest of M incomes after taxation
Equations (1) to (4) are linear in \(\log x, \log N^{\prime}\), \(\log \mathrm{I}, \log \mathrm{J}\), or \(\log \mathrm{M}\), and the constants \(\mathrm{a}, \mathrm{b}\), etc., can be obtained graphically from the data. In fact the graphs are approximately rectilinear, except at the highest range of income. The constants have been computed by using the data for incomes above \(£ 500\) and \(£ 2,000\).

In the entries for income after taxation we do not know the values of \(y\), since the group of untaxed incomes in any grade is subject to varying amounts of taxation, according to the incidence of surtax and the allowances for earnings and dependants. Consequently we cannot use equations of the form (1) and (2) with any certainty, but must depend on (4), making the assumption that the incomes of individuals come in the same order after as before taxation, sufficiently for approximation.

The resulting values of \(a\) or \(a_{1}\) are :-
\begin{tabular}{ccccc} 
& & & 1938 & 1942 \\
From & & equation (1) & 1.46 & 1.86 \\
", & ", & \((2)\) & 1.56 & 1.83 \\
\("\), &,\("\) & \((3)\) & 1.62 & 1.78 \\
\("\) &,\("\) & \((4)\) & 1.87 & 2.48
\end{tabular}

If Pareto's Law were exactly satisfied, equations (1), (2), (3) would give identical results. As it is, the values from equation (1) are those which come from the first statement of the Law, which relates to numbers of incomes. Equation (2), with its corollary (3) introduces also the value of incomes, and it appears that there is some abnormal bunching of incomes within the grades. The values from equation (4) are subject to a perceptible margin of error, say \(\pm 0 \cdot 1\).

In Table B, above, an attempt is made to re-graduate the incomes, not as in Table A in relation to their pre-tax values, but as they are after tax is deducted. If \(a_{1}\) and \(\mathrm{B}_{1}\) were accurately known from equation (4) the value of \(M\) for any y could be at once computed from equation (5), and similarly of N from equation (1). But this method leads to inconsistent results, and an indirect approximation was made. It
was assumed that the income at, e.g. \(£ 500\) was reduced to \(£ 464\), that is in the ratio \(100: \checkmark(97.1 \times 88.9)\) where the figures in the bracket are percentages of the aggregate taxed income to the untaxed in the grades \(£ 250-£ 500\) and \(£ 500-£ 1,000\) respectively. It is then taken that the 800,000 incomes originally above \(£ 500\) are, after tax, above \(£ 464\) as the lower limit. A similar process was applied to the other grade experiments. By this means \(\log M\) was plotted against \(\log \mathrm{y}\), where, for example, y is 464 when \(M=800,000\). The results were approximately rectilinear, and from the graphs the values of \(M\) for \(y=250-500\) etc. could be deduced. The results of this approximation are shown in Table B ; they are rather indicative of the relative magnitudes of the changes than of the results of exact measurement.

Expenditure and Prices.- Of the totals of "Private Incomes" stated above ( \(£ 5,038 \mathrm{Mn}\). in 1938, etc.) the great part is allotted to " Personal Expenditure on consumption at market prices " (Cmd. 6520, p. 19), as in the first line of Table \(C\) annexed. The remainder is accounted for by taxes (other than those on consumption), savings, undistributed profits, etc.

Table C
\begin{tabular}{|c|c|c|c|c|c|c|}
\hline Year & 1938 & 1939 & 1940 & 1941 & 1942 & 1943 \\
\hline Expenditure 1 & 4072 & 4178 & 4310 & 4557 & 4857 & 4981 \\
\hline Index & 100 & 103 & 106 & 112 & 119 & 122 \\
\hline cluding taxes £ 1 & 3633 & 3689 & 3722 & 3780 & 3918 & 3908 \\
\hline Inde & 100 & 102 & 103 & 104 & 108 & 103 \\
\hline \multicolumn{7}{|l|}{Retail Sales: Index of Value} \\
\hline All goods & 100 & 102 & \(106 \frac{1}{2}\) & 103 & 08 & \\
\hline Food, \&c. & 100 & 104 & 106 & 105 & \[
\begin{aligned}
& 108 \\
& 102
\end{aligned}
\] & 95 \\
\hline antity & 100 & 100 & 89 & 84 & 83 & 81 \\
\hline ,, ex.* taxation & 100 & 100 & 88 & 82 & 81 & \\
\hline \multicolumn{7}{|l|}{Price Indices 100} \\
\hline Actual & 100 & 103 & 119 & 133 & 143 & 151 \\
\hline Ex. taxation \({ }^{\text {(a) }}\) & 100 & 102 & 117 & 127 & 133 & 137 \\
\hline Ex. taxation \({ }_{+}\)(b) & 100 & 102 & 118 & 131 & 138 & 141 \\
\hline Cost of Living & 100 & 101 & 118 & 127 & 128 & \(127 \dagger\) \\
\hline , ", exc. r & 100 & 101 & 121 & 131 & 132 & 131 \\
\hline
\end{tabular}
* That is reweighted by values in 1938 excluding taxes.
+ If increases in taxation are excluded these numbers would be approximately 124 and 128 .
\(\ddagger\) (a) Excluding, (b) including subsidies
The totals are adjusted by subtracting " indirect taxes" specifically on " consumption" with the results shown in line 3, Table C.^

A quantity index is obtained by revaluing expenditure at "constant prices," by a method of linking changes over short periods. The index given is that marked 'excluding taxation' in Table C, and it is applicable to expenditure

\footnotetext{
* In the White Paper subsidies are subtracted from indirect taxation throughout. For our present purpose subsidies seem to be irrelevant, and the figures have been adjusted so as to exclude them, except in the price index marked (b) in Table C.
}
ncluding subsidies and excluding taxes. But adjustment in these respects makes only a trifling difference, as shown in the line ' Quantity index.'

The general result over the five years may be thus stated:-Expenditure increased about \(20 \%\), consumption fell \(20 \%\), prices (including taxes) increased \(50 \%\).

For collation with the White Paper we have the index-numbers of retail sales (cf. Bulletin, April, 1944, p. 29) and the Ministry of Labour's Cost of Living Index-number. The three accounts cover different ranges of goods and expenditure, and comparison between them suggests some interesting relations.

The Retail Sales report does not include tobacco and alcohol, which contribute the bulk of the taxes, and are therefore (apart from the purchase tax) nearly comparable with expenditure excluding taxes. The index for the latter increased \(8 \%\) in the five years, for the former \(3 \%\). The fact that rent is included in expenditure, but not in sales, vitiates any exact comparison. It is true that the Cost of Living Index allows for an increase of only 1 or \(2 \%\) for rent, but this applies mainly to that part of the population which has the advantage of controlled rents, whereas vast numbers of people have incurred considerable additional expense by moving, whether to furnished or unfurnished apartments. Thus the difference between the increases of retail sales and total expenditure are mainly attributable on the one hand to tobacco and alcohol taxes, on the other to rental expense, together, no doubt, with other purchases not included in the Board of Trade's retail sales.

The 'quantity index' is necessarily only a pproximate. The detail of its computation is
not shown, but all the difficulties inherent in defining such an index and in allowing for changes in the nature and relative quantities of goods purchased are seriously enhanced during the circumstances of war.

The price index is obtained as the quotient of the expenditure index by the quantity index ; e.g., in 1943, \(108 \div 79=137\).

It has frequently been argued that the Cost of Living Index under-estimates the increase of prices incurred in preserving an unchanged budget, principally because it excludes fruit and vegetables and many substitute foods (on points, etc.), where the prices have increased more than in the subsidised and rationed foods, which form the bulk of the Cost of Living Budget. Since the Cost of Living Index excludes alcohol and gives a very small weight to tobacco, it is properly compared with the index based on expenditure excluding taxation, but we ought to allow for such increased taxes (sugar, tea, and a small amount of tobacco) that affect also the Cost of Living so that their exclusion would give about 124 instead of 127 in 1943. The comparison is then between an increase of about \(24 \%\) (Cost of Living basis) and \(37 \%\) (expenditure basis), a difference which we should expect from the limited range in goods, the exclusion of luxury goods, and the underestimate of rent in the former.

It is clear that there is no exact answer to the question, 'How much have prices increased during the war ?', even if it is confined to any one section of the population, but the figures give a clear indication of the range of possible answers, and throw some light on the differences resulting from varying kinds of expenditure.

INDEX NUMBERS OF PRICES IN 12 COUNTRIES. Mainly based upon the Monthly Bulletin of the League of Nations.
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline  & \[
\begin{aligned}
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& \text { H } \\
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\end{aligned}
\] &  &  & \[
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&
\end{aligned}
\] &  &  &  & \[
\begin{aligned}
& \text { Ïn } \\
& \text { B } \\
& \text { B } \\
& \text { م }
\end{aligned}
\] & \[
\begin{aligned}
& \text { d } \\
& \text { d } \\
& \dot{D} \\
& 0 \Omega
\end{aligned}
\] &  & - \\
\hline
\end{tabular}

II. RETAIL, COST OF LIVING, \% OF JAN.-JUNE, 1939
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline & & & & & & & & & & (c) & (d) & & & (b) \\
\hline 1939 & 2nd half & & 108 & 100 & 101 & & 99 & 101 & 100 & 107 & & 103
113 & 102 & 100
101 \\
\hline 1940 & 1st & \(\ldots\) & 117 & 102 & 104 & & 102 & 105 & 102 & 119 & (f) & 120 & 114 & 101 \\
\hline 1940 & 2nd ," & ... & 124 & 106 & 106 & & 104 & 103 & 105 & 121 & 118 & 132 & 122 & 103 \\
\hline 1941 & 1st ", & ... & 129 & 109 & 109 & & 109 & 109 & 106 & 122 & 126 & 136 & 132 & 108 \\
\hline 1941 & 2nd , & \(\ldots\) & 130 & 111 & 115 & & 115 & 112 & 108 & 124 & 133 & 143 & 139 & 114 \\
\hline 1942 & 1st , & ... & 130 & 117 & 115 & & 119 & 112 & 108 & 126 & 142 & 149 & 144 & 118 \\
\hline 1942 & 2nd ," & ... & 130 & 121 & 117 & & & & & & & & & \\
\hline \multirow[t]{9}{*}{1943} & - Apr. & & & & 117 & (f) & 123 & 120 & 110 & 133 & 148 & 150 & 149 & 123 \\
\hline & May ... & \(\ldots\) & 129 & \} 125 & 118 & & 125 & 119 & 110 & 133 & 151 & 149 & 149 & 124 \\
\hline & June ... & ... & 130 & & 118 & 100 & 125 & & & & & & & \\
\hline & & & 129 & & 118 & & 125 & 107 & 112 & 133 & 153 & 149 & 150 & 122 \\
\hline & July ... & & & & 119 & & 125 & 108 & 112 & 134 & 160 & 149 & 149 & \\
\hline & Aug. ... & \(\ldots\) & 129 & 123 & 119 & 100 & 126 & 109 & 109 & 135 & 157 & 149 & 150 & 123 \\
\hline & Oct. ... & \(\ldots\) & 129 & & 119 & & 126 & 109 & 109 & 136 & 158 & 149 & 150 & 123 \\
\hline & Nov. . & \(\ldots\) & 129 & 122 & 119 & & 126 & 111 & 110 & 137 & 161 & 150 & 150 & 123 \\
\hline & Dec. ... & \(\ldots\) & 129 & & 118 & 100 & 126 & 110 & 110 & 137 & 1 & & & \\
\hline \multirow[t]{5}{*}{1944} & Jan. & & 130 & & 118 & & 126 & 110 & 111 & 139 & 161 & 150 & 151 & \\
\hline & Feb. & \(\ldots\) & 130 & 122 & 118 & & 127 & 109 & 111 & 139 & 165 & 150
149 & \({ }_{151}^{151}\) & 123 \\
\hline & Mar. ... & ... & 130 & & 118 & & 128 & & & & & & & 124 \\
\hline & Apr. ... & \(\ldots\) & 130 & & 119 & & & & & & & & & \\
\hline & June ... & \(\ldots\) & 130 & & & & & & & & & & & \\
\hline
\end{tabular}

* Provisional.

*Bank Rate 2\% to 24th Aug.; 4\% to 28th Sept.; 3\% to 26th Oct., 1939; 2\% since.
t Exclusive of Investments in Affiliated Banks

STOCKS \& SHARES-
NEW CAPITAL ISSUES-
BANK OF ENGLAND-
PRINCIPAL BANKS-

TREASURY BILLS-

\footnotetext{
Index Nos, of Prices and Yleld as percentage of 1924 level; on 15th of month
Sensitive Index. - Geometric Mean of monthly percentage changes.
ssues during month in Gt. Britain (a), for U.K. (b), for Abroad, excluding Government loans, eto. - As published by THE MTDLAND BANK, LTD. Six-months' totals from 1940.
Deposits. 11th-17th of month.
Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November 22 nd , 1928.
Current Deposit and other accounts," otc. Before September, 1939, sverages for the month of 9 clearing banks (1.e.-excluding the National Bank, Ltd,, and the District Bank), afterwards, data for last making up day of the month.
UD to June, 1940, 11th-17th of month, thereafter end of month.
ssued by tender. Total of Bills issued by tender during 13 weeks preceding date of Exchequer Return
Otherwise issued. Total of Treasury Bills in existence less those issued by tender.
Day-to.Day Rate and 3 Months' Rate. Averages for week ending 15th of month.
}


PRICE OF GOLD-
PRICE OF SILVER-
BOARD OF TRADE INDEX

STATIST (SAUERBECK) 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 11ving prevalent in worting-class households heforo Aug. 1914. For 1 st of month, but placed against previoua
month-e.g., reading for March 1st is shown against February-to facilltate comparison with "Statist" Index,
RETAIL FOOD PRICES-
WAGE INDEX -
Ontll Sedtember, 1939, average (London) Drice per fine oz. for week ending 15th of month.-ECONOMIST
Average (cash) price of bar sllver for week ending 15th of month.-ECONOMIST.
Geometrlo Mef Wholesale Prices (averages for month) of 200 commodities as percentage of 1024 Based on new index first published in January, 1935,-BOARD OF TRADE JOURNAI As above, for fond only.
For description see Memo. No. 28 and Bulletin for January, 1944, pp, 6.8.
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline \multirow[t]{3}{*}{} & \multirow[t]{3}{*}{\begin{tabular}{l}
COAL OUTPUT \\
000 Tons
\end{tabular}} & \multicolumn{3}{|r|}{RETAIL SALES.} & \multirow[b]{3}{*}{} & \multicolumn{9}{|l|}{UNEMPLOYMENT EXCHANGES. NUMBERS ON REGISTER. GREAT BRITAIN.} \\
\hline & & \multirow[t]{2}{*}{} & 药 & \multirow[b]{2}{*}{\[
\begin{aligned}
& \text { ఫ゙ } \\
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\]} & & Wholly & \multicolumn{2}{|l|}{Unemployed.} & 000's. & \multicolumn{2}{|l|}{Temporarily
Stopped. 000} & \multirow[b]{2}{*}{Unem. ployed Casual Workers.} & \multicolumn{2}{|r|}{\multirow[b]{2}{*}{Total.
\(000 ' s\).}} \\
\hline & & & \[
\begin{array}{|c|}
\hline 0 \\
\text { B } \\
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\] & & & Men 18 and over & \[
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& 1939 \\
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\end{aligned}
\] & & \multirow[b]{7}{*}{p. 2} & \multirow[b]{7}{*}{\begin{tabular}{|c} 
New Serie \\
Ap. 1944 \\
-43 Ave
\end{tabular}} & \multirow[b]{7}{*}{s.
Bulletin
rages.} & 144 & \multicolumn{2}{|l|}{\(730 \quad 35\)} & 168 & 35 & 132 & 80 & 52 & \multicolumn{2}{|l|}{\[
1232
\]} \\
\hline JAN ......... & & & & & 137 & 805 & 38 & 320 & 56 & 188 & 62 & 50 & & 1519 \\
\hline FEB ......... & & & & & 133 & 759 & 33 & 299 & 50 & 259 & - 56 & 48 & & 1504 \\
\hline MAR......... & & & & & 138 & 628 & 24 & 273 & 40 & 71 & 39 & 46 & & -1121 \\
\hline APRIL...... & & & & & 146 & 539 & 22 & 243 & 36 & 56 & 34 & - 42 & & 973 \\
\hline MAY........ & & & & & \(178 \|\) & 469 & 16 & 218 & 28 & 58 & 45 & 47 & & 881 \\
\hline JUNE ...... & & & & & 168 & 382 & 14 & 226 & 26 & 40 & 42 & 37 & & 767 \\
\hline JULY ...... & & & & & 180 & \(\frac{344}{336}\) & 18 & 248 & 34 & 80 & 74 & 37 & & 835 \\
\hline AƯG ..... & & & & & & \(336{ }^{*}\) & & & & & & & & 827* \\
\hline AUG. \(\cdots \cdots\) & & & & & 167 & 304 & 27. & 235 & 47 & 78 & 76 & 32 & & 799 \\
\hline SEPT....... & & & & & 168 & 318 & 25 & 227 & 43 & 101 & 84 & 31 & & 830 \\
\hline NOV.......... & & & & & 175 & 318
286 & 28 & 257 & 44 & 96 & 75 & 28 & & 835 \\
\hline DEC......... & & & & & 240 & 248 & 17 & 244 & 33 & 85 & 67
57 & 22 & & 705 \\
\hline 1941 & & - & & - & & & & & & & & & & \\
\hline JAN......... & & 87 & 95 & - 92 & 175 & 237 & 22 & 222 & 40 & 92 & 60 & 22 & & 696 \\
\hline FEB......... & & 86 & 97 & 93 & 172 & 200 & 17 & 197 & 34 & 70 & 45 & 18 & & 581 \\
\hline MAR......... & & 95 & 96 & 96 & 174 & 160 & 13 & 165 & 26 & 42 & 34 & 18 & & 458 \\
\hline APR ......... & & 102 & 101 & 101 & 175 & 140 & 17 & 133 & 28 & 42 & 34 & 16 & & 411 \\
\hline MAY......... & & 107 & 90 & 101 & 177 & 128 & 14 & 122 & 26 & 28 & 38 & 13 & & 369 \\
\hline JUNE ...... & & 100 & 95 & 97 & 180 & 110 & 11 & 102 & 20 & 18 & 30 & 11 & & 302 \\
\hline JULY ...... & & 90 & 97 & 94 & 183 & 102 & 12 & 89 & 17 & 21 & 25 & 12 & & 273 \\
\hline AUG......... & 4080 & 93 & 97 & 95 & 183 & 99 & 17 & 82 & 21 & 16 & 32 & 13 & & 270 \\
\hline SEPT. ...... & 4147 & 94 & 93 & 94 & 183 & 88 & 12 & 79 & 18 & 8 & 16 & 10 & & 230 \\
\hline OCT ......... & 4131 & 98 & 94 & 96 & 189 & 86 & 11 & 73 & 16 & 7 & 14 & 10 & & 216 \\
\hline NOV......... & 4197 & 103 & 92 & 97 & 190 & 86 & 9 & 64 & 13 & 6 & 10 & 11 & & 199 \\
\hline DEC......... & 3853 & 129 & 107 & 116 & 251 & 84 & 8 & 62 & 11 & 4 & 9 & 10 & & 188 \\
\hline 1942 & & & & & & & & & & & & & A & B \\
\hline JAN ......... & 3825
4028 & 95
94 & 94
99 & 95
97 & 183
179 & 88 & 12 & 56
51 & 15 & 7 & 7 & 9 & \(\underline{165} \ddagger\) & 195 \\
\hline & & & 99 & 97 & 179 & 63 \(\dagger\) & 10 & \(\frac{51}{49}+\) & 12 & 11 & 7 & 9 & 160 & 188 \\
\hline M'AR........... & 4075 & 107 & 100 & - 102 & 183 & 58 & 9 & 44 & 10 & 4 & 4 & 6 & 135 & 163 \\
\hline APR......... & 3740 & 102 & 102 & 102 & 183 & 55 & 14 & 35 & 13 & 3 & 3 & 4 & 127 & 155 \\
\hline MAY......... & 4104 & 95 & 102 & 99 & 180 & 55 & 10 & 33 & 10 & 3 & 3 & 3 & 118 & 145 \\
\hline JUNE ...... & 3725
3987 & 100 & 99 & 99 & 185 & 54 & 9 & 29 & 8 & 2 & 2 & 3 & 106 & 132 \\
\hline JULY ...... & 3339 & 89 & 102 & 97 & 187 & 56 & 10 & - 27 & 9 & 2 & 2 & 2 & 107 & 132 \\
\hline AUG. ...... & 3979 & 88 & 100 & 95 & 186 & 56 & 16 & 24 & 12 & 2 & 2 & 3 & 114 & 138 \\
\hline SEPT. ...... & 4076 & 92 & 98 & 96 & 187 & 52 & 12 & 24 & 11 & 2 & 1 & 3 & 104 & 128 \\
\hline OCT........ & 4124 & 111 & 99 & 104 & 195 & 51 & 10 & 25 & 10 & 1 & 1 & 3 & 101 & 125 \\
\hline NOV......... & 4126 & 105 & 97 & 101 & 194 & 51 & 8 & 23 & 8 & 1 & 1 & 3 & 95 & 119 \\
\hline DEC......... & 3880 & 125 & 106 & 114 & 260 & 46 & 7 & 22 & 6 & 1 & 1 & 3 & 87 & 110 \\
\hline JAN ......... & 3813 & 80 & 96 & 89 & 186 & 48 & 10 & 26 & 9 & 1 & 2 & 2 & 99 & 112 \\
\hline FEB ......... & 4016 & 81 & 98 & 91 & 190 & & & & & & & & & \\
\hline MAR......... & 4014 & 98 & 98 & 96 & 192 & & & & & & & & & \\
\hline APR ......... & 4005
3625 & 103
90 & 103
101 & 103
96 & 209 & 44 & 7 & 19 & 7 & 1 & 1 & 2 & 80 & 102 \\
\hline JUNE ...... & 3937 & 84 & 106 & 97 & 221 & & & & & & & & & \\
\hline JULY ...... & 3098 & 78 & 100 & 91 & 213 & 40 & 9 & 15 & 8 & 1 & - & 1 & 73 & 93 \\
\hline AUG. ...... & 3768 & 82 & 101 & 93 & 207 & & & & & 1 & & & & \\
\hline SEPT....... & 3819 & 106 & 100 & 102 & 203 & & & 16 & & & & & 72 & 92 \\
\hline OCT ........ & 3908 & 100 & 103 & 102 & 212 & 40 & 8 & 16 & 8 & - & - & 1 & 72 & 92 \\
\hline NOV......... & 3815
3683 & 98
123 & 102 & 100
117 & 227
267 & & & & & & & & & \\
\hline 194s & & & & & & & & & & & & & & \\
\hline JAN ......... & 3496 & 78 & 100 & 91 & 217 & 40 & 9 & 18 & 9 & - & 1 & 1 & 79 & 99 \\
\hline FEB ......... & 3769 & 99 & 103 & 101 & \({ }_{-210}\) & & & & & & & & & \\
\hline MAR......... & 3638
\(\mathbf{z} 205\) & 100 & 105 & 103 & 217
1209 & & 11 & 14 & 9 & - & 1 & 1 & 75 & 93 \\
\hline APR .......... & <205 & 100
99 & 1111 & 107
105 & 1209
+226 & 39 & 11 & 14 & 9 & - & 1 & 1 & & \\
\hline JUNE ...... & & & & & & & & & & & & - & & \\
\hline
\end{tabular}
- Upper figure and those for previous dates include men in attendance at Government Training Centres, who are excluded from the
lower and subsequent flgures. \(\ddagger\) Computed from Ministry of Labour Gazette, February. II Increased postal rates May 1st.
\(\dagger\) Col. B and upper figure for February, anid those for previous dates include those classifled by interviewing panels as unsuitable

Weekly output of saleable coal for 4 -week periods. (Weekls Standard Tonnage 4,161,800 tons). - ministry of FUEL Inder of value of sales in Departmental Stores, co-operatives, multiple and independent shops. Each Index Index of value of sales in Deparmental Stores, co-operatives, category to which it relates. Index numbers afe derived from the percentage movements of the dally sales for any month as compared with the corresponding month of the previous year. For discussion see Board of Trade Journal, April 1st, 1944. - BANK OF ENGLAND. Dally ayerage, er telegraph, telephone sarings bank and postal orders.-BOARD OF TRADE JOURNAL MINISTRY OF LABOUR GAZETTE. After January, 1943, figures to be publlshed only quarterly.

\section*{RECENT MOVEMENTS IN UNITED STATES.}

\author{
Information communicated by Mr. ERIC SCHIFF, Washington.
}

\section*{Fune 15th, 1944}

GENERAL SURVEY.-For the American economy, as for every sector of social life in this country, most of the period covered by this report was a period of unprecedented suspense and waiting. Directly or indirectly, everything was overshadowed by the expectations of decisive military events in Europe. For American business, this expectation has recently been coloured by the doctrine, which has been gaining even more ground in business quarters, that the end of the war with Germany will mean a sharp turning point for the economy of this country. An unusually definite prediction to this effect was made only a few weeks ago by the ViceChairman of the War Production Board when he said that it would then be possible to release for civilian use some \(35 \%\) of the productive capacity now used in war work. Before June 6, there was some speculation as to whether cutbacks in war production might not be considerably speeded up even before the collapse of Germany, once the invasion should have reached a certain stage and be going well. It is still too early to obtain a clear picture of the reaction of American economic life to the invasion, now that it has actually started. While some quarters seem inclined to think that the event means the beginning of large-scale reconversion, there are signs that the majority is convinced that during the next few months at least, the priority of military needs, even on the economic front, will be more strongly felt than ever.

During the last three months, the overall volume of production has remained fairly stable ; industrial activity has declined somewhat. The general development has thus given further confirmation to the view that the country late in 1943 had about reached the possible maximum of its productive effort. The output of munitions, which in 1943 had risen almost \(40 \%\) levelled off in the first quarter of 1944, although the production of aircraft rose about \(14 \%\). For the first time since 1940 there was a slight reduction in the employment in shipyards. Cancellations of Army and Navy contracts were approximately offset by expansions in other places. Most of these offsetting expansions, however, occurred in the sphere of war production. While more farm equipment and more railroad equipment are now being produced than a year ago, re-allocation of productive energies to civilian uses had not on the whole assumed substantially greater proportions during the quarter under review.

With raw material supply continuing satisfactory, manpower remains the one major shortage. The reserves of additional labour supply are largely exhausted, the number of people out of work being about 900,000, as against some \(1,250,000\) a year ago. As regards labour disputes, no definite tendency towards greater stability was visible during the second quarter. In the first four months of 1944, 495,000 workers were idle in strikes. The number of man-days lost by strikes was \(2,090,000\). The corresponding figures for the first four months of 1943 were 423,184 and \(1,410,302\), respectively. The main favourable aspect in the development of the labour situation was the fact that efficiency in utilizing the available labour force and the available equipment has made further progress. To mention a few impressive examples which were reported recently, the number of man-hours required to produce a Garand rifle was 22.8 in July, 1939, 12.2 in July, 1941, and 5.9 in January, 1944. Productivity in the shell and bomb-loading industry increased more than \(33 \%\) during 1943. To tighten governmental control over the regional distribution of the available labour supply, the War Manpower Commission has set up new regulations. On the whole, these regulations mean a geographical extension of control methods already in use in limited areas. The rule in force in a small number of communities, that employers must not hire male labourers without the approval of the United States Employment Service, will be made nation-wide. Employment ceiling programmes, now in effect in about 25 communities, will be extended to all labour shortage areas.

The trend divergence visible since early 1942 in the production of durable goods on one hand and non-durable commodities on the other shows no sign of diminishing. Among non-durables, the supply of foodstuffs has become more ample. Production of eggs, milk, winter vegetables, as well as livestock slaughter were at high levels. Public warehouse facilities were for some time taxed to an unusual degree. Several rations points were reduced; some were removed entirely. It remains to be seen whether it will be possible to keep up the present high volume of civilian consumption - which in itself is certainly one of the most unexpected features in the development of the American war economyonce the invasion has reached an advanced


stage and the necessity of supplying vast liberated regions with food and clothing has made itself felt.

BUSINESS VOLUMES.-Notwithstanding some short-run fluctuations, the output of most of the basic industrial materials, such as coal, crude oil, steel, etc., remained very high. Production of steel was under heavy upward pressure from the demand side during the entire period under review. In the week beginning June 5, steel operations were at a rate of \(97.8 \%\) of capacity, as compared with \(97.5 \%\) in the corresponding period of 1943. The volume of construction, whose trend has been downward for almost two years, rose slightly in May as a result of increases in military and other non-residential construction. Activity in residential building was further reduced.

Until and including 1943, the volume of sales in business had in most cases advanced more rapidly than costs, so that net profit margins were widening. Sales and income statistics of leading corporations for the first quarter of 1944 show a less uniform picture. While the costs for labour, materials and taxes have continued their advance, sales, as a result of capacity limitations and, in part, of cancellation of orders, have in many cases risen only slightly or not at all. The squeezing of profit margins, by comparison with the first quarter of 1943, was quite marked in the textiles, food, iron and steel, and other metal groups, as well as, despite further increases in the volume of transportation, in Class I Railroads. The Treasury Department expects total corporation profits for 1944 to show the first decline, compared with the previous year, since 1938. Renegotiation of war contracts and rises in costs of production are considered the most important factors in this reversal of the trend.

\section*{FINANCIAL STATUS OF INDUSTRIAL} CORPORATIONS.-A study published by the Securities and Exchange Commission early in June has revealed that the liquidity position of American industry has been considerably strengthened during the war emergency. According to this analysis the net working capital (current assets less all current liabilities including provisions for renegotiation and Federal income tax liabilities) of some 450,000 non-financial corporations was in 1943 at an unprecedented level ( \(\$ 41,600 \mathrm{Mn}\). , as compared with \(\$ 32,100\) Mn . in 1941) and was, moreover, in an extremely liquid form, with cash accounting for a substantial proportion of the total. Since 1939, these corporations have paid off nearly \(\$ 1,000 \mathrm{Mn}\). of long-term debt. Practically all industry groups shared in the rise in working capital, the railroads
showing by far the largest percentage increase. In itself, the trend revealed by the analysis of the Securities and Exchange Commission is in accordance with the experience in other countries where the volume of industrial sales and incomes was inflated, as it was in this country, by governmental-sponsored credit expansion and rising governmental indebtedness. In Germany, practically the entire period of rearmament since 1933 was for industry a period of increasing liquidity and shrinking debts. The Securities and Exchange Commission conclude from their analysis that American industry, contrary to what has so far been the prevailing opinion, will be able to accomplish the big task of reconversion to peacetime production, and even to undertake considerable expansion, without having to make large-scale demands on the capital market. Some caution in judging the outlook in this problem is suggested, however, by certain details emphasized by the Commission itself. The composition of inventories, one of the principal items in current assets, has changed radically since 1941. Some \(37 \%\) of this item now consists of munitions inventories. War contract termination provisions notwithstanding, there may be delays, complications, and losses in liquidating these items. Moreover, part of the improvement in the working capital position of industry merely reflects the impossibility, under present conditions, to disburse accumulating depreciation funds at the normal rate. To this extent the improvement is more apparent than real, for it means that part of the liquid funds will have to be used to satisfy an accumulated replacement demand when the war will be over.

PRICES AND INCOMES.-During the period reviewed the price situation remained fairly stable. Both wholesale prices and the cost of living kept at practically unchanged levels, as far as the overall indices are concerned. In March, clothing was the only group in the cost of living index which stood distinctly higher than a year before. Food prices were slightly lower than in the spring and early summer months of 1943.

This absence of further price inflation was mainly a result of the improvement, mentioned above, in the supply of non-durable consumers' goods, which improvement largely offset the continuous rise in money incomes and thus prevented a widening of the gap between incomes and supplies. So long as the inflation of incomes goes on, the threat to the price structure remains. There are indications, however, that the forces which since 1940 have tended to raise money incomes are getting more and more under control. The Department of Commerce has published
an analysis of national income and national product in 1943. From this analysis (which also led to a revision of the Department's national income statistics for a number of months) it appears that gross national product-the dollar value of currently produced goods and services flowing to Government, to business for gross capital formation, and to consumers-started levelling off simultaneously with war expenditure, i.e. in the second half of 1943. There was some increase in each quarter of that year, but the rate of increase diminished sharply and continuously. The study of the Commerce Department also throws some light on the impact of the war on the composition of national income and on spending patterns. Of total gross national product in 1943, \(86.5 \%\) was business product or sales receipts, and \(13 \cdot 5 \%\) government product. In 1941 the shares had been \(90.8 \%\) and \(9 \cdot 2 \%\), respectively. Of business receipts from sales, \(9 \cdot 2 \%\) was taken by corporate income and profits taxes, as compared with \(6.3 \%\) in 1941 and \(1.5 \%\) in 1939. Depreciation, depletion, and other charges and reserves took \(6 \cdot 1 \%\) in 1943 and \(8.1 \%\) in 1941. The remaining precentages in the allocation of the sales dollar have not changed greatly. Consumer expenditures for goods and services, measured in stable dollars of 1939, have risen from \(\$ 69,700 \mathrm{Mn}\). in 1941 to \(\$ 70,800\) Mn . in 1943. The principal increases were in expenditures for food and clothing, whereas expenditures for furniture, furnishings, and household equipment declined considerably.

MONEY, CREDIT AND FINANCE.-The fifth war loan drive was started June 12 with a goal of \(\$ 16,000 \mathrm{Mn}\)., the highest goal set in any drive so far, although a slightly smaller figure than the amount actually raised in the third drive. Again, commercial banks will be excluded as regular participants. They may only invest a limited percentage of their time deposits in certain bond types included in the offering; such purchases will not be credited to the drive totals. The Treasury expects to collect \(\$ 6,000 \mathrm{Mn}\). or \(37.5 \%\) of the total, from individual buyers. This is an ambitious goal, considering that in the last drive the \(\$ 5,500 \mathrm{Mn}\). goal set for participation of individual subscribers was not fully met. But the expected participation percentage of
individuals is by no means out of line with the trend of this ratio in previous drives. The percentages were \(12.3 \%\) in the first drive, \(17.7 \%\) in the second, \(28.4 \%\) in the third, and about \(32 \%\) in the fourth. Another encouraging sign is the volume of sales of war bonds during the first five months of 1944 . This volume was \(14 \%\) above that of the same 1943 period, though May 1944 was not as good a month as May, 1943 had been. Moreover, it is hoped that the willingness of individuals to buy war bonds will be stimulated by the feeling that the impending military decisions in Europe call for a particularly intensive contribution from the home front. It is recognised, however, that the success of future war loan drives will depend, to a greater extent than was true of the earlier drives, on the outcome of efforts to secure the co-operation of the small individual saver.

Inevitably, the new war loan drive will increase the volume of that type of investments by individuals which are being counted as savings, but which will probably be spent within a short time after the war. At present, these liquid savings are estimated at \(\$ 67,000 \mathrm{Mn}\)., out of a total savings volume of \(\$ 128,000 \mathrm{Mn}\).

The first reaction of the New York Stock Exchange to the great military news from Europe was a marked absolute and relative advance in prices of "peace" industries. This reaction, however, is but a continuation, at an accelerated pace, of a tendency which has been visible for a long time. Ever since the end of 1941, investors on the stock markets have shown a remarkable inclination to neglect the present and to anticipate the future, which in this case means that peace industries have been far more in favour than war industries. In the first quarter of 1944, share prices of leading corporations in such typical war industries as shipping and aeroplane production were below the level of 1939, whereas the shares of representative companies in industry groups such as alcoholic beverages and theatres (including motion pictures) averaged more than \(70 \%\) above their 1939 prices. Should the military events of the next few months make investors feel that the country has come appreciably closer to the end of the war, this divergence of trends in stock market preferences would probably become even more marked.

\section*{SOUTH AFRIĊA.}

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

17th fune, 1944
Government Finance.-1943/4.-Actual expenditure on revenue account exceeded the original budget estimate by about \(£ 10 \mathrm{Mn}\)., later estimates having included an additional \(\npreceq 4.5 \mathrm{Mn}\). for defence and substantial provision for allowances to Government servants, for war pensions and for bread, fruit and farmers' mortgage-redemption subsidies. But in spite of a shortfall of over \(£ 1 \cdot 2 \mathrm{Mn}\). in gold-mining taxation, the account was approximately balanced by unexpectedly high revenue yields, particularly in income and super tax on individuals and in excess profits, death and customs duties.

Loan expenditure to be met by borrowings was originally estimated at \(£ 57.6 \mathrm{Mn}\)., \(£ 2 \mathrm{Mn}\). extra for defence being added subsequently. The later (February, 1944) estimate of \(£ 45 \cdot 7 \mathrm{Mn}\). shown in the table took into account a balance from the previous year, the transfer from revenue account, savings on estimates and unexpectedly high receipts, including \(£_{2} \mathrm{Mn}\). extra coming from the State diamond diggings and from diamond export duty and a substantial reduction in farmers' indebtedness to the State.

Actual stock issues amounted to \(£ 76 \cdot 9 \mathrm{Mn}\).* But after redeeming certain stock held by the public and other stock held by the Public Debt Commissioners, and after retiring more of the repatriated stock held by the Reserve Bank (operations which absorbed \(£ 2.8 \mathrm{Mn} .+\), \(£ 11.8\) Mn . \(\ddagger\) and \(£ 20 \mathrm{Mn}\). respectively) the Government was left with a balance of \(£ 42 \cdot 3 \mathrm{Mn}\)., which, added to an increase of about \(£_{6} 3 \mathrm{Mn}\). in temporary debt, was approximately equal to the February estimate of \(£ 45.7 \mathrm{Mn}\). for loan expenditure to be met by borrowings.

Besides reinvesting the \(£ 11.8 \mathrm{Mn}\). proceeds of stock retired, the Public Debt Commissioners apparently provided about \(60 \%\) of the remaining \(£ 65 \mathrm{Mn}\). by investing current proceeds of sales of Union Loan Certificates and Post Office Savings (together estimated at \(£ 22 \cdot 5 \mathrm{Mn}\).) and pensions and trust funds. A large proportion of the balance of the Government's borrowings was

\footnotetext{
* \(£ 32.6 \mathrm{Mn} .3 \% 1957 / 66\) (Lists closed); \(£ 1.1 \mathrm{Mn}\). Second War Bond (Lists closed); £40.5 Mn. 3\% \(1958 / 68\) (New issue); \(£ 0.5 \mathrm{Mn}\). non-interest bearing (Second issue); \(£ 2.2 \mathrm{Mn} .4 \%\) Pensions Stock (Special issue to P.D. Commissioners).
\(\dagger\) To redeem 3\% Cape of Good Hope 1924-44 stock.
\(\ddagger\) To redeem \(3 \frac{1}{2} \%\) Local Registered Stock 1943/53. The P.D. Commissioners reinvested the money in current issues.
}
contributed by insurance companies, building societies and municipalities. \({ }^{\star}\)

The retirement of repatriated stock appears to have reduced the Reserve Bank's holding, which was increased during the budget year 1943/4 by a further acquisition amounting to \(£ 2 \mathrm{Mn}\)., to some \(£ 5 \mathrm{Mn}\). or so at 31st March, 1944.
\(1944 / 5\). - The estimate of \(£ 112 \cdot 3 \mathrm{Mn}\). for total expenditure on revenue account included, amongst other increases, an extra vote of \(£ 0 \cdot 25\) Mn . for U.N.R.R.A. and, as token "social security" provision, \(£ 0.9 \mathrm{Mn}\). ( \(£ 1.6 \mathrm{Mn}\). in a full year) for increases and extension of the sphere of application of Blind, Invalidity and Old Age Pensions and \(£ 0.5 \mathrm{Mn}\). for Health Centres. Anticipating a further decline of \(£ 1 \cdot 4 \mathrm{Mn}\). in the gold mines' normal tax and special contribution, and a total shortfall on the existing basis of taxation of \(£ 5 \mathrm{Mn}\). odd below the expenditure estimate, the Minister proposed to increase taxation to raise this amount. +

Currency.- The repatriation operations which occurred before the end of March, 1943, had had little net effect upon the volume of local currency, the Government's cancellations being roughly equivalent to its borrowings from the commercial banks. In order to provide for further cancellations ( \(£ 10.5 \mathrm{Mn}\).) in the last three quarters of 1943, the Government apparently relied upon subscriptions from the general public, checking the rise in the volume of local currency to that extent. None the less, the volume rose by over \(£ 40 \mathrm{Mn}\). in the nine months. As the commercial banks' advances and discounts changed but little, the bulk of the rise was attributable once again to increase in the Reserve Bank's reserves of gold, foreign bills and repatriated stock which together, and to that extent, more than offset the Government's retirement of the stock.

\footnotetext{
* Minister's statement in Hansard.
\(\dagger\) In the following manner :-
To raise \(£ \mathrm{Mn}\).



The Reserve Bank's gold and foreign bill holding rose during 1943 by \(£ 30 \mathrm{Mn}\)., although the annual contribution to it by the gold mines had fallen by \(£ 11 \mathrm{Mn}\)., and in spite of the use during the calendar year (before 31st March, for the most part) of some \(£ 40 \mathrm{Mn}\). for the repatriation of the Government's external debt. The outward movement in respect of the margin of the values of merchandise imports over the values of exports (other than gold and wool) was, as far as can be ascertained from figures disclosed in the Budget speech, \(£ 3 \mathrm{Mn}\). lower in 1943 than in 1942 ( \(£ 8 \mathrm{Mn}\). minus \(£ 33 \mathrm{Mn}\). instead of \(£ 84 \mathrm{Mn}\). minus \(£ 36 \mathrm{Mn}\).). \({ }^{\star}\) It appears that in the near future some little fillip to the increase in the bill and gold holding will be given by the effect of the Union Government's negotiated interest in the British sales of gold in India.

By an Act of the present (1944) session of Parliament, the Reserve Bank's sole right of issuing notes, granted for a period of twenty-five years in 1920, was renewed without limit of time. At the same time, its liability to redeem its notes in gold + , suspended in 1933, was reimposed, but made suspendible by a proclamation which will doubtless be issued simultaneously with the promulgation of the Act.

The Tables relating to 1938-9 onwards in Bulletin III, Vol. XXI, p. 64 are continued below :-

* Customs and Excise, Posts, Telegraphs and Telephones and Inland Revenue
\(\dagger\) Included in line 2.
\(\ddagger\) Exchequer receipts and issues.
§ Budget estimates
TABLE B.
GOVERNMENT LOAN ACCOUNT. £Mn. 1942-43 1943-44

1944-45
\begin{tabular}{|c|c|c|c|}
\hline 1. Loan Expenditure met from Borrowings & 46.98 & \(45 \cdot 75\) & \\
\hline 2. Defence Expenditure* & \(52 \cdot 5\) & 50.0 & 51.259 \\
\hline Public Debtt at year end & & & \\
\hline 3. Total & 430.0 & 475.6 \% & \\
\hline 4. External & \(20 \cdot 7\) & 18.7 ¢ & \\
\hline 5. Temporary \(\ddagger\) & 37.4 & \(39 \cdot 1\) & \\
\hline
\end{tabular}
\({ }^{*}\) Included in Loan Expenditure
\(\dagger\) Sinking Fund has not been deducted. The Budget estimate of the Sinking Fund at the end of 1943-44 was £11.6 Mn.
\(\ddagger\) Included in line 3. (Mainly Treasury Bills).
\(\$\) After allowing for transfer of surplus from previous year's revenue account.
ब 1944 Budget estimates.

\footnotetext{
* Imports from principal countries, in \(£ \mathrm{Mn}\). , changed from 1942 to 1943 as follows: U.K., 32 to 19 ; U.S., 16 to 12 ; Canada 4 to 2 ; India, 7 to 8 ; Argentina and Brazil together, 4 to 15 .
\(\dagger\) "on demand in gold in such form and subject to such conditions as the Governor-General may determine by proclamation."
}

TABLE C.
APPROXIMATE INCREASE OF THE VOLUME OF MONEY AND ITS BASES. £Mn.
1. Volume of Money*...
\begin{tabular}{cccc}
\begin{tabular}{c} 
First \\
Quarter \\
1843
\end{tabular} & \begin{tabular}{c} 
Year \\
1943
\end{tabular} & \begin{tabular}{c}
5 years \\
ending \\
1947
\end{tabular} & \begin{tabular}{c} 
First \\
Quarter \\
1944
\end{tabular} \\
\hline & 51 & 174 & 6
\end{tabular}
2. Reserves of International Currency \(\dagger\)
3. "Investments", ...
4. Total of lines \(2 \& 3\)

Commercial Banks :-
5. Advances \& Discounts
6. Investments ... ...
7. Total of lines \(5 \& 6\)
\(\begin{array}{lll}14 & 54 & 174\end{array}\)
8. Total of lines 4 \& \(7 \quad 14 \quad 54 \quad 174\)
*Government and private deposits with Reserve and Commercial Banks and notes in circulation. £120 Mn. at end of 1938. \(\dagger\) Gold at currency valuation and foreign bills.

TABLE D.
AVERAGE MONTHLY CLEARING. £Mn.
\begin{tabular}{lcccc} 
& 1938 & 1942 & 1943 & 1st Qtr. \\
7 Towns including Johannesburg & 78 & 111 & 130 & 136 \\
6Towns excluding Johannesburg & 30 & 54 & 61 & 67
\end{tabular}

Food Supply and Distribution.-Public expression of dissatisfaction with food-marketing was followed by the appointment of Mr. E. R. Keegan, president of the Association of Chambers of Commerce, as food controller. The appointment by no means implies, however, that the powers and influence of the Ministry of Agriculture and control boards have been removed.

The results of the 1943 census of livestock rather confirmed the view that the matter for major concern regarding meat supply was the influence of market control rather than depletion of livestock. Changes since 1939 (1937 for native-owned pigs) were as follows in million head: cattle 11.8 to \(13 \cdot 1\); sheep 38.2 to \(37 \cdot 9\); goats 6.1 to 6.2 ; pigs 0.9 to \(1 \cdot 2\). However, the trend of policy being in the direction of closer control and the elimination of the market, a new scheme has followed the report of the recent meat commission. It is regarded as a test scheme to be followed by a permanent one under the Marketing Act, and was deemed to be of sufficient importance to warrant an adjournment of the House of Assembly to discuss it. It provides that, for slaughter stock entering the "controlled " (urban) areas, producers will receive prices fixed on a hot dressed weight and grade basis, and so involves the elimination of sales by auction. The stock will enter only under permits granted to appointed agents receiving a commission on the gross value of the animals. The meat will be taken over by the Food Controller and rationed to registered butchers at prices (intended to be kept at the same level throughout the year) sufficient to cover the producers' prices (which are to be varied over the year) and the Food Controller's expenses. A maximum margin for butchers will limit prices to consumers.

\title{
RECENT CONDITIONS IN GERMANY.
}

\author{
By H. W. Singer.
}

Prices.-The official indices continue their slow rise but inflation is boiling underneath their placid surface. Black market prices are now given a surprising amount of publicity in trials; they are invariably a high multiple of the official prices.* In January, 1944, the indices of wholesale prices show the following increases over January, 1943 :-


The fall in producers' goods presumably reflects the new system of fixed prices in Government contracts. \(\dagger\) The main increases over the year were in :-
\begin{tabular}{ll|llll} 
Producer Gas & \(+53 \%\) & Sheep & \(\ldots\) & \(\ldots\) & \(+10 \%\) \\
Fluorspar \(\ldots\). & \(+40 \%\) & Sugar & \(\ldots\) & \(\ldots\) & \(+9 \%\) \\
Iron Tubes \(\ldots\) & \(+19 \%\) & Printing Paper & \(+6 \%\) \\
Hops \(\ldots\) & \(\ldots\) & \(+16 \%\) & Roofing Slates & \(+5 \%\)
\end{tabular}

The following table shows the increases for the four war years 1940-43, by groups:-
\begin{tabular}{|c|c|c|c|c|}
\hline Retail Prices & \[
\begin{gathered}
1940 \\
+3 \cdot 1 \%
\end{gathered}
\] & \[
\begin{gathered}
1941 \\
+2.4 \%
\end{gathered}
\] & \[
\begin{gathered}
1942 \\
+2.6 \%
\end{gathered}
\] & \[
\begin{gathered}
1943 \\
+1 \cdot 4 \%
\end{gathered}
\] \\
\hline \multicolumn{5}{|l|}{Wholesale ... ... ... \(+2.9 \%+2.1 \%+1.9 \%+1.7 \%\)} \\
\hline \multicolumn{5}{|l|}{Agricuitural Materials and Semi-} \\
\hline Raw Materials and Semi-
finished ... & & & & \\
\hline Finished Producers' Goods & 0.2\% & & & \\
\hline Finished Consumers' Goo & +4.3\% & +3.7\% & +1.2\% & +1.7 \\
\hline
\end{tabular}

It will be noticed that the rate of increase in the indices shows a slackening tendency, except for agricultural prices.

The cost-of-living index in January, 1944, was \(1.9 \%\) above the previous year ( \(2.2 \%\) if rent is excluded). Food \(+2 \cdot 7 \%\), Clothing \(+2 \cdot 8 \%\), Fuel \(+0 \cdot 2 \%\), Miscellaneous \(+0 \cdot 5 \%\).

The index of building costs (average for 1943) had increased by \(2 \cdot 3 \%\) over the preceding year. Bricks \(+1.7 \%\), Timber \(+1.9 \%\), Steel \(+0.1 \%\), Wage Rates \(0.0 \%\), Labour Cost \(+3.0 \%\), Fittings \(+1 \cdot 4 \%\). The increase in labour cost at unchanged wage rates would seem to indicate a further decrease in the efficiency of labour, or else the more difficult conditions in which building work had to be done. Comparing 1943 with 1941, labour cost has increased by no less than \(21 \%\), while wage rates moved hardly at all \((+0.6 \%)\).

National Debt. - The increase in borrowing continues to gather speed. Borrowing during the first three quarters of 1943 was only \(4 \%\) higher than in the same period of 1942, but the smallness of the increase was wholly due to an exceptional drop of borrowing during the first quarter of 1943, when revenue was inflated as a result of the " composition" prepayment of future mortgage tax payments. In the second and third quarters of 1943 alone, the increase in the national debt exceeded by \(24 \%\) and \(26 \%\), respectively, that during the same quarters of 1942. The percentage of longterm debt has continued to fall.


While the public debt has been increasing at this extraordinary and progressive rate, private indebtedness has fallen except for the money which had to be raised by house owners in order to prepay future mortgage tax payments. Other mortgagors are estimated to have repaid \(£ 65 \mathrm{Mn} .^{\star}\) of mortgages to the savings banks alone in 1943; agricultural indebtedness has also been rapidly declining. As a result, it is now reckoned that the public's share in tota! indebtedness increased from \(31 \%\) before the war to \(83 \%\). The National Debt is now six times as high as before the war, and equivalent to three times the pre-war National Income.

National Income.-The following figures in column 1 are given in a German economic journal for 1941. They are in a form which invites comparison with the British White Papers.
\begin{tabular}{lcccc} 
& \multicolumn{2}{c}{ German figure } & \begin{tabular}{c} 
British \\
\\
\\
Md. marks
\end{tabular} & £ Mn.** \\
£ Mn.
\end{tabular}

\footnotetext{
* For examples see Economic fournal, April, 1944. \(\dagger\) See Economic Fournal, April, 1944.
}

\footnotetext{
* At 12 marks to \(£\).
}

It is not implied by the juxtaposition that the figures are necessarily fully comparable.

War Expenditure.-The following table is reproduced from a German financial journal. It purports to give comparable figures for Germany, the U.K., and the U.S.A. The unit used is milliard marks. It is clear, however, that the \(£\) is converted at the nominal rate -still faithfully recorded at the Berlin Stock Exchange-of 9.90 marks to \(£\). The \(\$\) is converted at a similarly artificial rate. The result is to understate the non-German figures by at least \(20 \%\). Even so, however, the table tells its own tale.

WAR EXPENDITURE IN MD. MARKS.
\begin{tabular}{lcccccr} 
& & & \multicolumn{5}{c}{ War Years } \\
& & & 1 & 2 & 3 & 4 \\
Germany & \(\ldots\) & \(\ldots\) & \(41 \cdot 4\) & \(65 \cdot 2\) & \(84 \cdot 5\) & \(100 \cdot 6\) \\
U.K. & \(\cdots\) & \(\ldots\) & \(\ldots\) & \(20 \cdot 5\) & \(37 \cdot 9\) & \(43 \cdot 3\) \\
U.S.A. & \(\cdots\) & \(\ldots\) & \(\ldots\) & 6 & \(28 \cdot 5\) & \(84 \cdot 8\) \\
& & & \(194 \cdot 7\)
\end{tabular}

The following table, summarising the results of four war years in Germany, is also of interest.
\begin{tabular}{ccc} 
& Milliard Marks & £ Mn. \\
Total Expenditure & 367 & 30,500 \\
Of this :- War Expenditure & 292 & 24,500 \\
Ordinary Revenue & 124 & 10,500 \\
Extra-budgetary Rev. & 50 & 4000 \\
Borrowed & 193 & 16,000
\end{tabular}

Note Circulation.-The inflation of the note circulation has also speeded up, partly as the result of air raids. The increase during 1942 had been \(5 \cdot 1 \mathrm{Md}\). marks (about \(£ 425\) Mn .) or \(27 \%\). The increase during 1943 was 9.3 Md. marks (about \(£ 780 \mathrm{Mn}\).) or \(37 \%\). During the last quarter of 1943 the increase was over \(65 \%\) greater than in the corresponding quarter of 1942. In fact, during that one quarter the note circulation increased by more than during the whole of 1940.

Agricultural Statistics.-The area under green vegetables (excluding allotments and hot houses), has increased as follows:
\begin{tabular}{|c|c|c|c|}
\hline 1939 & & & Hectares \\
\hline 1940 & & & 167,390 \\
\hline 1841 & \(\ldots\) & \(\ldots\) & 210,841 \\
\hline 1942 & & & 312,962 \\
\hline 1843 & & ... & 393,357 \\
\hline
\end{tabular}

Consumption of green vegetables, in calories, is now stated to be \(124 \%\) above pre-war level. Harvest figures given for 1943 are \(7 \cdot 4\) million tons of rye, \(4 \cdot 2\) of wheat \((2 \cdot 3\) in 1918), \(2 \cdot 6\) of barley ( \(1 \cdot 1\) in 1918), \(5 \cdot 3\) of oats and 16 of sugar beet. The cereal tonnage is onethird higher than in 1942, but the potato crop is admitted to be very small. While the vegetable area has expanded by some 260,000 hectares, that of late potatoes has declined by 300,000.

Population Statistics.- The birth rate has risen somewhat from the very low level reached in 1942, but is still considerably below recent British figures.
\begin{tabular}{|c|c|c|c|c|}
\hline \multicolumn{2}{|l|}{\multirow[b]{2}{*}{November, 1939}} & & Live births (per 1000) & \[
\begin{aligned}
& \text { Deaths } \\
& \text { (per 1000) }
\end{aligned}
\] \\
\hline & & ... & 19.4 & 12.0 \\
\hline , & 1940 & ... & 17.8 & 11.5 \\
\hline " & 1941 & ... & 17.4 & 11.7 \\
\hline " & 1942 & ... & 13.2 & 11.6 \\
\hline " & 1943 & ... & \(15 \cdot 1\) & 13.0 \\
\hline
\end{tabular}

The aggregate deficiency of births during the war, i.e., the deficiency compared with the number expected on pre-war rates, cumulated from the beginning of the war to the end of 1943 , is now given as 892,000 . This compares with \(3,000,000\) during the whole of the last war. With the present birth rate, the deficiency is equivalent to a rate of about 350,000 a year.

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VOL. XXII.
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\section*{UNITED KINGDOM. \\ THE ECONOMIC POSITION.}

27th October, 1944.

IN contrast to preceding quarters there has been a definite and rather unexpected expansion in government expenditure during the third quarter of the year. In comparison with the corresponding quarter of 1943, expenditure on the Supply Services has been \(£ 8 \mathrm{Mn}\). a week higher and Total Ordinary Expenditure \(£ 10 \mathrm{Mn}\). a week higher. Taxation receipts have been satisfactory, the first six months of the year showing an increase of \(£ 116.5 \mathrm{Mn}\). on the first half of the year \(1943 / 44\). But subscriptions to tap loans have been rather disappointing, and despite extensive assistance in covering the short-term debts from other sources (including presumably official funds), the expansion of bank credit has been about \(66 \%\) greater in the last quarter than in the third quarter of 1943.

After five years of war the note circulation shows an increase of \(127 \%\); bank deposits one of \(90 \%\).

Since July there have been no movements of any importance in wholesale or retail prices and only minor changes in wage-rates which remove some irregularities. Stability has apparently been attained if only temporarily. During the five years of war wholesale prices have risen about
\(70 \%\), retail prices as measured by the Cost of Living Index \(30 \%\) (food only \(23 \%\) ); some unsubsidised and unrationed foods and fruit and green vegetables have no doubt risen to a greater extent. Wage rates for the pre-war normal week are up about \(43 \%\) but average weekly earnings last January were estimated to be nearly \(80 \%\) above the 1938 level. The figures may be compared with the movements from July or August, 1914, to the armistice, November, 1918. In that period wholesale prices had risen 140 or \(150 \%\), retail food about \(130 \%\), the Cost of Living Index \(120 \%\), and a rather rough estimate of wage rates indicated an increase of 75 or \(80 \%\). As the strain on supply and production has been much more severe during this war than during the last war, it is evident that control of prices and wage rates has been more far-reaching and successful than from 1915-18.

With the end of the European war no longer to be considered remote, more attention is being given to possible post-war developments in the plans of private business as well as those of the Government. Uncertainties in the present outlook are reflected, however, in the instability of stock exchange prices.

\section*{EVENTS OF ECONOMIC IMPORTANCE.}

1944
July 27th-28th Russian Front ... Capture of Dvinsk, Bialystok, Lvov, Przemysl and Brest Litovsk (amongst other places) announced.
\begin{tabular}{|c|c|c|}
\hline Aug. & 2nd & U.K. \\
\hline " & 2nd & Turkey \\
\hline " & 8th & U.K. \\
\hline " & 10th & Pacific \\
\hline " & 11th & Italy \\
\hline " & 13th & France \\
\hline " & 15th & " \\
\hline " & 17th & " \\
\hline " & 20th & " \\
\hline " & 23rd & " \\
\hline " & 23rd & Rumania \\
\hline
\end{tabular}

Sept. 1st International
" 2nd France
", 2nd Finland
3rd Belgium
7th Bulgaria
14th U.S.A.
18th U.K.

Oct. 1st International
... Extension of Pan-American Coffee Agreement for one year.
5th Greece
5th Belgium
... Allies land on mainland.
... Belgrade liberated.
20th U.K. ... ... Vote of Credit for \(£ 1,250 \mathrm{Mn}\).
,, 20th Pacific ... ... Invasion of Philippines begun.
", 22nd Germany ... ... Fall of Aachen announced.
" 23rd France ... ... Governments of U.K., Dominions, U.S.A., and U.S.S.R. recognise de Gaulle's Administration as provisional government of France.

\title{
FINANCE \& BANKING IN THE THIRD QUARTER OF 1944.
}

\author{
By P. B. Whale.
}

Government Finance.-Governmentexpenditure averaged \(£ 107 \mathrm{Mn}\). a week for supply services and \(£ 116 \mathrm{Mn}\). a week in total during the third quarter of the year. This represents increases of roughly \(£ 6 \mathrm{Mn}\). and \(£ 7 \mathrm{Mn}\). a week in comparison with the preceding quarter and \(£ 8 \mathrm{Mn}\). and \(£ 10 \mathrm{Mn}\). a week in comparison with the same quarter of 1943. Revenue receipts showed an average weekly improvement of nearly \(£ 10 \mathrm{Mn}\). against the preceding quarter and \(£ 4 \mathrm{Mn}\). against a year earlier.
GOVERNMENT REVENUE AND EXPENDITURE (£Mn.)
\(\left.\begin{array}{ccccr} & \text { Revenue. } & \begin{array}{c}\text { Expenditure. } \\ \text { Supply } \\ \text { Services. }\end{array} & \text { Total. } & \text { Deficit } \\ \text { Weekly Averages. } & \text { Total. } & \begin{array}{c}\text { Sen } \\ \text { 1939-Oct.-Dec. }\end{array} & 15 \cdot 9 & 35 \cdot 6\end{array}\right) 41 \cdot 8.25 \cdot 9\)

For the first six months of the current financial year, the Ordinary Revenue receipts have reached \(43.5 \%\) of the estimate for the complete year against a corresponding figure of \(42 \%\) for the first six months of the year 1943/44; Total Ordinary Expenditure has amounted to \(49.5 \%\) of the estimate in comparison with \(49 \%\) in the same period a year earlier.

The total deficit, or excess of Ordinary Expenditure over Ordinary Revenue, for the quarter was approximately \(£ 790 \mathrm{Mn}\)., and with the balance of other items (mainly the excess of net War Damage receipts over sinking fund allocations) the amount raised by borrowing was just under \(£ 783 \mathrm{Mn}\).

Again \(£ 120 \mathrm{Mn}\)., representing the funding of savings bank advances, has been transferred in this table from long to short term borrowing : in accordance with our practice Departmental Ways and Means have been written up by that amount. The current increase in savings bank deposits during the quarter has been approximately \(£ 73 \mathrm{Mn}\). Including this, but deducting
various repayments (including nearly \(£ 20 \mathrm{Mn}\). National Defence Bonds, 1944), the Large and Small Savings total has amounted to \(£ 205.5 \mathrm{Mn}\). In the preceding quarter, which included a large part of the Salute the Soldier savings campaign, the total had been \(£ 626 \mathrm{Mn}\)., or \(£ 310 \mathrm{Mn}\). if we deduct the Conversion Loan repayment. In the absence of exact information as to the amount of these loans held officially prior to repayment, it is not possible to measure precisely the decline in the savings made available by the public through the tap loans; but it is evidently large. It may be noted that there has also been a considerable decline in comparison with the third quarter of 1943, when large and Small Savings amounted to \(£ 375 \mathrm{Mn}\).
\begin{tabular}{|c|c|c|c|c|}
\hline & \begin{tabular}{l}
WING. \\
(£Mn.)
\end{tabular} & & & \\
\hline & \[
\begin{gathered}
\text { July } \\
\text { (29days) }
\end{gathered}
\] & \[
\begin{aligned}
& \text { Aug. } \\
& \text { (28days) }
\end{aligned}
\] & \begin{tabular}{l}
Sept. \\
(35 days)
\end{tabular} & \[
\begin{aligned}
& \text { Quarter } \\
& \text { Y2 days }
\end{aligned}
\] \\
\hline Nat. Savings Certificates & 2305 & \(10 \cdot 9\) & 11.5 & \(45 \cdot 45\) \\
\hline 3\% Defence Bonds & 8.8 & \(4 \cdot 9\) & \(4 \cdot 7\) & \\
\hline \(3 \%\) Savings Bonds ... & 28.4 & 18.75 & \(24^{-1}\) & 94.3 \\
\hline 2 \(\frac{1}{2} \%\) Nat. War Bonds & \(35 \cdot 4\) & & 32.6 & 94.8 \\
\hline Other Debt \(\quad . . . .\). & 2.10 & 0.3 & -21.5 & -23.95 \\
\hline Total long \& medium term borrowing ... & \(95 \cdot 0\) & \(61 \cdot 3\) & 49.95 & 206 \\
\hline Tax Reserve Certificates & 13.5 & \(10 \cdot 6\) & 38.0 & \(62 \cdot 1\) \\
\hline Treasury Deposits .. & 67.0 & \(60 \cdot 5\) & 103.5 & 研 \\
\hline Treasury Bills & 33.5 & \(60^{\circ} 2\) & 56.3 & 160.0 \\
\hline W. \& M. Adv. Govt. Depts. & . 1 & 0) & \(21^{\circ}\) & \\
\hline \begin{tabular}{l}
Tötal \\
short-term borrowing
\end{tabular} & \(131 \cdot 8\) & 157.1 & \(287 \cdot 7\) & 76 \\
\hline Total borrowing & \(226 \cdot 8\) & 218.4 & \(337 \cdot 6\) & 782 \\
\hline
\end{tabular}

Floáting Debt.-After deducting the current increase in savings bank deposits, the increase in short-term debt was about \(£ 500 \mathrm{Mn}\). Tax Reserve Certificates produced \(£ 62 \mathrm{Mn}\)., but the chief contribution came from Treasury Deposits and Treasury Bills. The 'tender' bills outstanding at the end of the quarter were \(£ 50 \mathrm{Mn}\). more than on July 1st, and the increase on the June 30th figure (which is not available) may have been greater.

From the figures of the clearing banks (taking eleven banks in this case) it would appear that they provided about \(£ 225 \mathrm{Mn}\). for carrying the floating debt in one way or another, this amount being the increase in Net Deposits minus the increase in Investments plus the decrease in Advances. From the \(£ 440 \mathrm{Mn}\). (i.e. \(£ 500 \mathrm{Mn}\). minus \(£ 60 \mathrm{Mn}\).) this would leave \(£ 215 \mathrm{Mn}\). to be covered by official funds or other money market investors, including the Bank of England except in so far as its liabilities are held by the clearing banks. But this
calculation is somewhat vitiated by the fact that the September bank figures do not relate to September 30th.

Bank of England.-The expansion of the note circulation has shown some acceleration since July, the increase between mid-July and mid-October being \(£ 24 \mathrm{Mn}\). The fiduciary issue was raised by a further \(£ 50 \mathrm{Mn}\). on August 2nd. With Bankers' Balances receding from their end-of-June peak, the assets of the Bank have increased less than the note circulation.

Clearing Banks.-The movement of the aggregate deposits of nine clearing banks (omitting the District and National) is shown in the following table.
\begin{tabular}{|c|c|c|c|}
\hline & \[
\begin{aligned}
& \text { NINE } \\
& \text { Gross } \\
& \text { Deposits. }
\end{aligned}
\] & CLEARING BANKS. Balance with Other Banks and Items in Transit. & \[
\begin{gathered}
\text { Net } \\
\text { Deposits. }
\end{gathered}
\] \\
\hline 1942 & £Mn. & £Mn. & £Mn. \\
\hline September & 3180 & 113 & 3067 \\
\hline December & 3438 & 181 & 3257 \\
\hline 1943 & & & \\
\hline March & ... 3354 & 133 & 3221 \\
\hline June . & ... 3437 & 138 & 3299 \\
\hline September & ... 3537 & 125 & 3412 \\
\hline December & ... 3823 & 194 & 3629 \\
\hline 1944 & & & \\
\hline March & ... 3788 & 131 & 3657 \\
\hline June & ... 3894 & 173 & 3721 \\
\hline July & ... 3917 & 129 & 3788 \\
\hline August & ... 4045 & 121 & 3924 \\
\hline September & 4041 & 121 & 3920 \\
\hline
\end{tabular}

The quarter's increase of practically \(£ 200 \mathrm{Mn}\). in the Net Deposits of these nine banks is considerably larger than the increases in the corresponding quarters of the preceding years ( \(£ 115\) Mn . and \(£ 113 \mathrm{Mn}\).). The increase in deposits over the five years of war amounts to \(90 \%\).

The quarter's increase in Net Deposits was almost wholly (to the extent of \(£ 192 \mathrm{Mn}\).) balanced by the increase in Treasury Deposits, following a decline of \(£ 91 \mathrm{Mn}\). in this item in
the preceding quarter. Advances declined sub-stantially-by \(£ 33 \mathrm{Mn}\).-whilst Investments increased by \(£ 15.5 \mathrm{Mn}\). The cash ratio remained at \(10.4 \%\) : the liquid asset ratio reached \(54 \%\).

Security Prices.-Our index number of industrial security prices shows little but the uncertainty of the market. Our mid-August figure registers a further advance on that for July, but a reversal of movement had already begun at this time and by mid-September the index had more than lost the rise since June. In the following month there was a slight recovery to practically the June level, which, it must be remembered, was higher than any preceding figure since 1937. The movements have been general so far as the groups of securities are concerned.

What little movement there has been in the index of fixed interest securities has also been a dip followed by a recovery. Despite this the Government was able to lengthen the term of its 3\% borrowings in August by replacing the 1960-70 Savings Bonds by a 1965-75 series.

Exchange Rates.-A new monetary agreement was concluded with Belgium on October 5th. The par of exchange has been fixed at 176.625 Belgian francs to the pound. Luxembourg was included in the Belgian monetary area immediately and Belgian Congo and the mandated territory of Ruanda-Urundi were transferred to it from the sterling area on October 19th. It is reported that a rate of exchange of 10.691 Netherlands guilders to the pound was adopted for military purposes in the middle of September. At the end of that month it was announced that the Military Government would apply the rate of 40 marks to the pound in occupied Germany.

\section*{PRICES AND WAGES; EXPORTS.}

\author{
By A. L. Bowley.
}

WHOLESALE PRICES.-In August the price of coal rose about \(10 \%\) and in consequence the index for materials, etc., rose from 167 in June to 168.5 in September (August, \(1939=100\) ). The price of cereals fell after May, but that of " other foods, etc.," rose, so that there was little change in the general food index by the end of the quarter. In all, the Board of Trade Index rose about \(1 \%\) in the last quarter and nearly \(3 \%\) in the last twelve months.

\begin{tabular}{|c|c|c|c|c|c|}
\hline Non-ferrous metals... & 125 & 125 & 125 & 127 & 127 \\
\hline Cotton... & 172 & 167 & 168 & 196 & 196 \\
\hline Wool & 170 & 174 & 178 & 179 & 179 \\
\hline Other textiles & 174 & 178 & 180 & 182 & 181 \\
\hline Chemicals and Oils... & 148 & 162 & 162 & 163 & 163 \\
\hline Miscellaneous & 180 & 185 & 187 & 192 & 193 \\
\hline Building Materials ... & 141.5 & 144 & 145 & 147 & 148 \\
\hline Total, Materials, \&c. & 158 & 161 & 162 & 167 & \(168 \cdot 5\) \\
\hline Grand total & 162 & 166 & 167 & \(169 \cdot 5\) & \(170 \cdot 5\) \\
\hline
\end{tabular}

RETAIL PRICES.-The only changes in the prices of the items in the Cost of Living Index number from June 1st to September 1st were substantial increases for potatoes and fuel, and a trifling increase for clothing. These result in an increase of nearly \(1 \%\) in the general index.

The annexed Table shows the course of retail prices over three years, on the basis September, \(1939=100\). Since 1942 the index has hardly moved, because increases in bread, flour, sugar, tea and butter among foods and in fuel and miscellaneous items have been nearly counterbalanced by a fall in clothing prices.

COS'T-OF-LIVING INDEX-NUMBER.
INCREASE OR DECREASE \% SINCE 1st SEPT., 1939. 1942194319441944
\begin{tabular}{|c|c|c|c|c|c|}
\hline & & 1st & Sept.1st & June1st & Sept.1st \\
\hline Beef, British & ... & 19 & 19 & 19 & 19 \\
\hline ," Imported & ... & 29 & 29 & 29 & 29 \\
\hline Mutton, British & ... & 11 & 11 & 11 & 11 \\
\hline , Imported & ... & 8 & 8 & 8 & 8 \\
\hline Bacon .. & ... & 37 & 50 & 50 & 50 \\
\hline Fish & ... & 42 & 26 & 27 & 27 \\
\hline Flour & & 15 & 28 & 29 & 29 \\
\hline Bread & ... & -3 & 9 & 9 & 9 \\
\hline Tea ... & ... & 7 & 21 & 21 & 21 \\
\hline Sugar (Gran.) & ... & -1 & -1 & 32 & 32 \\
\hline Milk ... & ... & 31 & 32 & 32 & 32 \\
\hline Butter & ... & 20 & 28 & 28 & 28 \\
\hline Cheese & .. & 30 & 30 & 30 & 30 \\
\hline Margarine ... & \(\cdots\) & 12 & 12 & 12 & 12 \\
\hline Eggs & \(\ldots\) & 1 & 1 & 1 & 1 \\
\hline Potatoes & ... & 27 & 28 & 6 & 28 \\
\hline All Food & ... & 16 & 20 & 22 & 22 \\
\hline Rent & ... & 1 & 1 & 1 & 1 \\
\hline Clothing & ... & 91 & 66 & 65 & 66 \\
\hline Fuel & \(\ldots\) & 32 & 34 & 39 & 45 \\
\hline Miscellaneous & ... & 48 & 63 & 63 & 63 \\
\hline All items ... & ... & 29 & 28 & 29 & 30 \\
\hline
\end{tabular}

The only change by September 30th was a fall in potatoes to \(9 \%\).

The computed movement depends of course on the weights used for the various items, and it is interesting to compute again the effect of using the Urban Budgets collected in 1937/38 for weighting the main figures.


Here in column \(a\) are shown the weights (from 1914) used by the Ministry of Labour.

Column \(b\) gives the percentages when September, 1939, is compared with July, 1914. Column c shows the working of the index ( 155 or plus \(55 \%\) ) for that date. Food effectively accounts for less and other items, especially clothing, for more at the latter than at the base date, and column \(d\) expresses column \(c\) as percentages. These percentages are proper to use in conjunction with the Table above, which is related to September, 1939, the September, 1944 ratios being reproduced in column \(f\), and used to find the index in column \(g\).

The Urban Budgets yield the proportions in column \(e\) and, since there was no great change in the relative movements of the prices in question in the two years preceding the war, they can be used as weights for column \(f\). Thus we obtain column \(h\).

Whereas the Ministry of Labour's weights show an increase of \(30 \%\) in the past five years, the budgetary weights raise this to \(38 \%\), on this crude method of calculation, where the items are merged in broad categories.

The difference is mainly due to the weights assigned to miscellaneous expenditure ; this covers a much wider range in the budgets than in the details of the index so that the percentage cannot be assumed applicable to the wider group. If it is excluded altogether from both reckonings, the increase is approximately \(28 \%\) in each.

Since all food has been taken together and assigned the increase of \(23 \%\) computed by the Ministry of Labour, the effect of the greater increase in the prices of canned foods, fruit, vegetables (excluded in the official reckoning) than in those of rationed or subsidised articles, and also any expense due to necessary substitution, are not taken into account.

WAGES. - The only changes since June that affect our wage-rate index are increases in Local Authority and the Trade Board minima for five industries.


There is some reason to think that the increase in miners' wages at the beginning of 1944 was greater than that estimated for the computation of the index number, so that the
increase for all in five years may have been \(44 \%\) instead of \(43 \%\).

RETAIL SALES. - In the five months April-August,1944, the value of sales of foodstuffs by the retailers included in the official index was about \(10 \%\) greater than in the same period of 1942 and almost as much in excess of 1943. The index numbers for goods other than food were low in June and July, largely a seasonal effect ; there was a revival to the Feb.-April level in August (new coupons) when sales of women's fashion goods and men's and boys' wear were double as great as in August, 1943. In the seven months Feb.-August, total sales were \(8 \%\) higher than last year, foodstuffs \(6 \%\), other goods \(10 \%\).


EXPORTS.-The Board of Trade has issued detailed accounts of the Export Trade of the United Kingdom since 1938.* There is a break in the statistics between the periods 1939-41 and 1942-43. In the earlier period exports of muni-

Governments, unless exported direct by manufacturers. Parcels despatched to prisoners of war. Bullion, second-hand ships, ships' stores and bunkers. Included: Goods other than munitions to other Governments, whether exported by a Government Department or other agencies, some of which are not purely commercial, and exports under Reciprocal Aid to the United States. Stores for the Navy, Army and Air Force Institutes, the Y.M.C.A., etc.

More detail is given in the original.
The summary results are shown in the accompanying Table, in which are inserted the corresponding statistics for some earlier years, as 1938 (the basic date in the Account), was not typical for the period preceding the War.

The index of volume is computed as follows :On pages 5-50 the quantities and values of goods exported in 1938, 1942 and 1943 are stated in great detail, and similar figures are available for 1939, 1940 and 1941. There were already available "average values" for each class distinguished in the year 1935. The quantities in 1939-43 were revalued at these 1935 'average values.' \({ }^{\star}\) Thus we have Class I (Food, etc.).

19381943
Value of exports ... (£000) 35,894 18,994
Revalued as at 1935 ( \(£ 000\) ) 35,059 11,542
Index of Volume ... 100 : 33

EXPORTS OF U.K. PRODUCE AND MANUFACTURES.

* Includes Munitions.
tions of war by Government Departments were included, in the later excluded. The treatment of munitions in 1942-43 is as nearly as possible under the same definitions as in 1938.

On page \(i\) there is an account of the exclusion or inclusion of certain classes of goods :Excluded : Government Stores shipped to the Forces. From January, 1942, munitions to other

\footnotetext{
* Accounts relating to the Export Trade of the United Kingdom for the years 1938, 1942 and 1943. Board of Trade 1/- net.
}
\(\dagger\) Estimated via 1935 prices.
A similar computation is made for each year, for each main class and for the total.

In brief, the method is to eliminate changes in price, and it is an accepted convention to call the result increase or decrease of volume. The choice of 1935 rather than of 1938 for the basic values has probably very little effect on the general results.

\footnotetext{
* They are not prices strictly, since the contents of a subclass are not homogeneous, all metal products (for example) being entered by weight. This method and its limitations are well known.
}

The 'Index Numbers of Average Values' present greater difficulties. That for Food, etc. in 1943 may be obtained from the figures above
\[
\text { as } 100 \times \frac{18994}{11542} \div \frac{35894}{35059}=161
\]

We have the result
Ratios of values
1943/38 = ratio of volumes \(\times\) ratio of ' prices '
\[
0.53=0.33 \times 1.61
\]
as we should expect.
The series of 'Index Numbers of Average Values' is not one of price indices in the ordinary sense.

Write \(P, Q ; p_{1}, q_{1} ; p_{2}, q_{2}\) for prices and quantities in 1938, 1942, 1943 respectively.

For 1942 the indext is \(100 \frac{\mathrm{~S}\left(\mathrm{p}_{1}, \mathrm{q}_{1}\right)}{\mathrm{S}\left(\mathrm{P}, \mathrm{q}_{1}\right)}=157\), and for \(1943100 \frac{\mathrm{~S}\left(\mathrm{p}_{2}, \mathrm{q}_{2}\right)}{\mathrm{S}\left(\mathrm{P}, \mathrm{q}_{2}\right)}=171\). The coverage in 1943 (the bundle of goods exported) is not the same as in 1942, and we cannot properly say that prices or average values rose from 1942 to 1943 in the ratio \(157: 171\), nor in fact is there any such statement in the Report.
+ When compared directly with 1938 and not via 1935.

To obtain an alternative and more definite price index, we could proceed by using 1938 values as the base.

The index numbers would then be \(\frac{S\left(p_{1}, Q\right)}{S(P, Q)}\) and \(\frac{\mathrm{S}\left(\mathrm{p}_{\mathrm{s}}, \mathrm{Q}\right)}{\mathrm{S}(\mathrm{P}, \mathrm{Q})}\) for 1942 and 1943 respectively. A rough computation has been made for 1943 on this basis by applying the 1943 average value index on p. 3 to the 1938 export values on p. \(1^{\star}\) to each of the 41 main classes separately. The result is an index 182, as compared with 171 by the method in the Account. Though the work should be done in much greater detail, the difference indicates (as we should expect) that, on the whole, quantities exported have fallen most where prices have risen most.

There is an enormous amount of important detail, both as to the change in quantities of different commodities exported and as to the destinations of the goods, which it is not possible to summarise without extended analysis.
* P Q multiplied by \(\frac{\mathrm{p}_{2} \mathrm{q}_{2}}{\mathrm{P} \mathrm{q}_{2}}=\mathrm{p}_{2}, \mathrm{Q}\) for a single commodity.

\title{
WAGES, EARNINGS AND HOURS OF WORK, 1938 and 1944.
}

\author{
By A. L. Bowley.
}

The series of analyses of earnings and hours of work is continued in the Ministry of Labour Gazette, August, 1944. The figures relate to January, 1944. The most general results are shown in the following Table.
ALL INDUSTRIES INCLUDED IN GENERAL REPORT.
Table I.-Average Weekly Earnings and Wage-rates as percentages of levels in 1938.
\begin{tabular}{|c|c|c|c|c|c|}
\hline & \multicolumn{3}{|c|}{Earnings} & \multicolumn{2}{|r|}{age-rate} \\
\hline & Men & Women Youths & Girls & All & All \\
\hline & ver 21) & (over 18) & & & \\
\hline 1938-Oct. & 100 & \(100 \quad 100\) & 100 & 100 & 100 \\
\hline 1940-July & y 129 & 120135 & 121 & 130 & 110 \\
\hline 1941-July & y 144 & 135161 & 135 & 142 & 118 \\
\hline 1942-Jan. & . 148 & 146163 & 145 & 146 & 122 \\
\hline July & y 162 & 167177 & 163 & 160 & 124 \\
\hline 1943-Jan. & . 165 & 180.173 & 173 & 165 & 126 \\
\hline July & y 176 & 191181 & 183 & 176 & 130 \\
\hline 1944-Jan. & . 179 & 196180 & 185 & 179 & 13 \\
\hline \multicolumn{6}{|c|}{Table II.-Weekly and Hourly Earnings.} \\
\hline & Men & \[
\begin{gathered}
\text { Women Yo } \\
\text { Average Weekly }
\end{gathered}
\] & ths arning & Girls & All \\
\hline \multirow[b]{2}{*}{1938-Oct.} & 69 & & & & \\
\hline & t. 69.0 & 32.5 & & 18.5 & 87.9 \\
\hline 1943-Jan. & y 121. & - 68.5 & . 2 & \(33 \cdot 8\) & \({ }_{93} \cdot 6\) \\
\hline 1944-Jan. & -123.7 & 63.7 & . 7 & \(34 \cdot 2\) & \(95 \cdot 6\) \\
\hline
\end{tabular}
\begin{tabular}{|c|c|c|c|c|c|}
\hline \multicolumn{6}{|c|}{Average Hours worked} \\
\hline 1938-Oct. & 47.7 & \(43 \cdot 5\) & 46.2 & \(44 \cdot 6\) & 5 \\
\hline 1943-July & \(52 \cdot 9\) & \(45 \cdot 9\) & 48.0 & \(45 \cdot 1\) & \(50 \cdot 0\) \\
\hline 1944-Jan. & 52.0 & \(45 \cdot 2\) & \(47 \cdot 1\) & \(44 \cdot 6\) & 49.2 \\
\hline \multicolumn{6}{|c|}{Average Earnings per hour} \\
\hline & d. & d. & d. & d. & \\
\hline 1938-Oct. & \(17 \cdot 4\) & 8.95 & 6.8 & 5.0 & \(13 \cdot 7\) \\
\hline 1943-July & 27.5 & 16.3 & 11.8 & \(9 \cdot 0\) & \({ }_{23} 5\) \\
\hline 19+4-Jan. & 28.4 & 16.8 & 11.9 & \(9 \cdot 2\) & \(23 \cdot 3\) \\
\hline
\end{tabular}

Percentage increase in Earnings per hour


The movements between July and January in 1941/42, 1942/43 and 1943/44 are influenced by the seasonal change in outdoor work. For example, the number of hours worked by men in Building were reduced from 52.2 in July, 1943, to \(47 \cdot 4\) in January, 1944, and on Public Works from \(55 \cdot 1\) to \(51 \cdot 9\). If this influence were eliminated, the reduction of hours in other industries would be found to be trifling.

In Table II it is seen that average weekly earnings of all increased \(2 \%\) in the six months after July, 1943, while hourly earnings increased \(3 \frac{1}{2} \%\). In general terms we can say that, apart
from seasonal changes, earnings increased 3 or \(4 \%\), and wage-rates \(1 \frac{1}{2} \%\).

Over the twelve months January to January earnings increased \(8 \frac{1}{2} \%\) and wage-rates \(5 \%\). Thus the additions due to overtime, transference of occupations, etc., continue. Following the rather hypothetical analysis explained in previous Bulletins, it is found that the whole addition to earnings from October, 1938, to January, 1944i.e. \(79 \%^{\star}\) without seasonal correction-is a combination of a loss of \(2 \%\) due to the replacement of men by women, a gain of \(10 \%\) from the more rapid growth of industries where earnings are highest (e.g. metal industries), \(26 \%\) overtime, bonuses and upgrading within industries, and \(32 \%\) increase in wage-rates for the normal week.

Coal-mining, agriculture, railway service and merchant shipping are excluded from the foregoing account. If they were included the wagerate index in Table I would be 140 instead of \(132 . \dagger\) There is no further information about earnings in these industries, except for coal.

Detailed statistics relating to the coal-mining industry have been issued by the Ministry of Fuel and Power (Statistical Digest from 1938, Cmd. 6538) and continued in the Board of Trade Fournal (October 17th). From these Table III has been compiled.

The divisor throughout is the number on the colliery books averaged for each quarter (on the basis apparently of the days coal was wound, i.e. allowing for recognised holidays). Among those included are considerable numbers, who through illness or other reasons were absent for a whole week, though their names remained on the books. When these were eliminated in 1943 the average number of shifts worked per man is stated to have been raised from \(5 \cdot 12\) to \(5 \cdot 61\).

\footnotetext{
* With seasonal correction the 79 becomes about 81 , and overtime, etc., contributes \(27 \%\) or \(28 \%\).
\(\dagger\) Both these figures agree almost exactly with those used in our wage index.
}

This amendment would presumably raise the cash wages per shift from \(19 \cdot 1 \mathrm{~s}\). to 20.9 s . and per week from 100 s . to \(109 \cdot 6 \mathrm{~s}\). (averages for 1943). \(\ddagger\) In comparison with other industries in 1943 the higher figures seem to be appropriate, but the percentages changes since 1938 would appear not to be affected.

The earnings given in Table III. are cash. The value of allowances in kind were \(5 \cdot 19 \mathrm{~d}\). per shift in 1938, \(7 \cdot 35 \mathrm{~d}\). in 1943. Inclusion of these would reduce the percentage increases in recent times by about one unit.
\begin{tabular}{|c|c|c|c|c|c|c|c|}
\hline & & & Per & & Shift week & \begin{tabular}{l}
ns p \\
n shi
\end{tabular} & Wage rate \\
\hline 1938 Year & 11.2 & 100 & 55.7 & 100 & 4.96 & \(1 \cdot 12\) & Index
100 \\
\hline 1939 1st Qtr. & 11.4 & 102 & \(60 \cdot 7\) & 109 & \(5 \cdot 33\) & \(1 \cdot 13\) & 103 \\
\hline 1940 Year & 13.0 & 116 & 68.7 & 123 & \(5 \cdot 27\) & 1.03 & 118 \\
\hline 4941 Year & 149 & 133 & \(80 \cdot 0\) & 144 & 537 & 1.06 & 134 \\
\hline 1942 Year & \(17 \cdot 5\) & 158 & 93.2 & 167 & \(5 \cdot 34\) & 1.03 & 153 \\
\hline 1943 1st Qtr. & 18.9 & 169 & \(109 \cdot 3\) & 182 & \(5 \cdot 32\) & 1.02 & 162 \\
\hline 2nd Qtr. & \(19^{\circ} 0\) & 170 & \(99 \cdot 1\) & 178 & \(5 \cdot 11\) & 1.03 & 162 \\
\hline 3 rd Qtr. & 19.2 & 171 & 97.5 & 175 & 4.94 & 1.04 & 162 \\
\hline 4th Qtr. & 19.4 & 173 & 1024 & 184 & \(5 \cdot 11\) & 1.05 & 162 \\
\hline 1944 1st Qtr. & \(20 \cdot 3\) & 181 & \(105 \cdot 7\) & 190 & \(5 \cdot 12\) & 1.02 & 166 \\
\hline 2nd Qtr. & & & & & \(4 \cdot 97\) & 1.01 & 166 \\
\hline
\end{tabular}

In the last column are shown the figures used for coal-mining in computing our general wagerate index. They are intended to show the movement due to percentage and flat increases, and the effect of the minimum wage, without allowing for changes in personnel or the pits worked, or for overtime and other extra payments. They march with the earnings per shift till 1941, in spite of the fall in production per man-shift, and then fall behind. When further information is available the figures in the last period may be raised.

\footnotetext{
\(\ddagger\) The number of shifts stated in Table III. below is as on page 9 of the Digest. But when the weekly earnings (Table 34) are divided by the earnings per shift (Table 33) the number of shifts in the five quarters 1943-44 are \(5 \cdot 37,5 \cdot 22,5.09,528\) and 5.21 respectively. I have found no reason for this discrepancy.
}

INDEX NUMBERS OF PRICES IN 12 COUNTRIES. Mainly based upon the Monthly Bulletin of the League of Nations.t
\begin{tabular}{l|llll|llllll} 
\\
\hline
\end{tabular}
I. WHOLESALE, \% OF JAN.-JUNE, 1939


\footnotetext{
(a) B.L.S. Index
}
(b) N.I.C.B. Index.
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline & \multicolumn{4}{|l|}{\multirow[t]{2}{*}{STOOKS \＆SHARES}} & \multicolumn{2}{|l|}{MONEY＊} & \multicolumn{2}{|l|}{\multirow[t]{2}{*}{}} & \multicolumn{9}{|c|}{other basking．} & \multicolumn{3}{|r|}{} \\
\hline & & & & &  & & & & \multicolumn{3}{|c|}{\(\underset{\substack{\text { Rank od } \\ \text { Englana，}}}{\text { and }}\)} & \multicolumn{6}{|c|}{\(\underbrace{\text { cemen }}_{\substack{\text { Nine Clearing } \\ \text { Banks．}}}\)} & \multicolumn{2}{|l|}{\multirow[t]{2}{*}{}} & \multirow[b]{2}{*}{产
\[
\varepsilon_{\text {EM } n .}
\]} \\
\hline &  &  & &  &  & \[
\frac{{ }_{5}^{5}}{5}
\] & & & \＆Mn． & &  & （ & &  &  &  & & & & \\
\hline 1929 & \({ }_{1}^{139}\) & 39 & \({ }_{96}^{100}\) & \({ }^{100} 10\) & \({ }_{4}^{24.43}\) & \({ }^{3} \mathbf{3} 5\) & \({ }_{15}^{174}\) & \({ }_{7}^{11 \cdot 9}\) & ｜62 & 50 & \begin{tabular}{l}
390 \\
361 \\
\hline
\end{tabular} & \({ }_{1762}^{1032}\) & \({ }_{226}^{242}\) & & & 3424

242
11
10 & \(\begin{array}{ll}11.7 & 485 \\ 10.7 & 85.3\end{array}\) & & \begin{tabular}{llll}
442 \\
521 \\
\hline 159
\end{tabular} & \({ }_{760}^{601}\) \\
\hline 1934 Av & \({ }_{129}^{125}\) & 25 & 132：5 & \({ }_{75} 7.7\) & －1 & 81 & \(8 \cdot 9\) & 3.6 & 102 & 54 & 378 & 1842 & & & & 54311 & & & & 850 \\
\hline 1935 Av
1936 Av & 1 \begin{tabular}{l}
139 \\
161 \\
\hline 1
\end{tabular} & 919 & （1366：9 & \({ }_{73}^{73 \cdot 6}\) & \({ }^{73}\) & － 67 & \({ }_{15}^{13.5}\) & \begin{tabular}{l}
1.7 \\
2.2 \\
\hline 1
\end{tabular} & \({ }_{96}^{98}\) & 54 & 394 & \({ }^{1961}\) & 近 264 & & 755 & 598810 &  & &  & －880 \\
\hline \({ }^{13937}{ }^{1938}\) & \({ }^{1} 125\) & 50 & & \({ }^{78.4}\) & \({ }^{2}\) & & \({ }_{11}^{15}\) & \({ }_{2}^{2.7}\) & \({ }^{97}\) & \({ }_{56}^{56}\) & 479 & \({ }_{212}^{2172}\) & 276 & & \({ }_{9} 92\) & 50710 & 10：3 \({ }^{10}\) & & 560 620 & \({ }^{889}\) \\
\hline 1938 AV
1939
1040
10 & （114 & － 14 & 123 & \({ }^{88,2}\) & \({ }_{1}^{1.05}\) & 1．20 & \({ }^{7} 7\) & 2.1
1.9
108 & cot 103 & \({ }^{58}\) & 485 & \({ }_{2129}^{2162}\) & 246 & & \({ }^{930} 9\) & \({ }^{563} 56\) & 10：6430 & & \({ }^{547}{ }_{488}^{338}\) & 887 \\
\hline \({ }_{1949}^{1940} \mathrm{~A}\) & \({ }_{101}^{95}\) & 5 & & \({ }_{86}^{81.6}\) & 1.0
1.0
1 & \({ }^{1} 1.04\) & 0．3 & & \({ }_{118}^{107}\) & \({ }_{69}^{77}\) & \({ }_{652}^{574}\) & 2378 & \({ }_{220}^{357}\) & 474 & \(4{ }_{4}^{906}\) & \({ }_{837}^{621} 10\) & \({ }^{10.7}\) & & ＋＋ & 1708
2898
289 \\
\hline 1992
1943
\(A\) & \({ }_{135}^{113}\) & 135 & \(134 \cdot 1\) & \({ }_{74}^{74 \cdot 9}\) & 1．0 & \({ }_{1}^{1.03}\) & \({ }^{0.6}\) & 0．0 & \begin{tabular}{l}
131 \\
148 \\
\hline
\end{tabular} & 65 & \({ }_{866}^{807}\) & \({ }_{3184}^{3104}\) & \({ }_{173}^{223}\) & \({ }_{961}^{614}\) & \({ }_{1}^{4} 7758\) & 1006
1072
10 & 10.5
10.5
10505
20.5 & & ＋ & 6790 \\
\hline & & ＋2．8 & & & & & & & & & & & & & & & & & & \\
\hline \({ }_{\text {cke }}^{\text {FEB．}}\) & & 星 92 & & \({ }^{\text {c }}\) 78．0 & 1．0 & & & & li1 111 & & & 17 & 203 & \(\substack{325 \\ 359 \\ 359}\) & （ & \({ }_{\substack{741 \\ 762}}^{10}\) & 10．2 35 & &  & 2214 \\
\hline \({ }_{\text {M }}^{\text {MARR }}\) ． & &  & \({ }_{12}^{129}\) & \({ }_{7}^{77.6}\) & 1．0 & & \({ }^{1.0}\) & \(0 \cdot 2\) & 110
115
115 & & 保 68 & 2867 & \({ }_{18}^{187}\) & \({ }_{340}^{359}\) & －\({ }^{9} 862\) & \begin{tabular}{l}
767 \\
765 \\
703 \\
\hline 10 \\
\hline
\end{tabular} & 10．4 & & \({ }_{8}^{765}\) & \({ }_{\substack{2312 \\ 2235 \\ 2315}}\) \\
\hline \({ }_{\text {MANE }}\) & &  & \({ }_{130}^{130 \cdot 6}\) & 770 & 1．0 & \({ }_{1}^{1.03}\) & & & 115 & \({ }^{66}\) & \({ }_{637}^{629}\) & \({ }_{2794}^{2677}\) & 184 & 465 & \({ }_{5}^{2} 8829\) & \({ }_{828}^{793} 10\) & \begin{tabular}{ll}
10.4 \\
\(10 \cdot 5\) & 310 \\
\hline 29.2
\end{tabular} & & \(\stackrel{4}{10}\) & 2357 \\
\hline JULY & 102 & 92 \({ }^{0}+8.2\) & \({ }^{132} 5\) & \(75 \cdot 8\) & 1.0 & 1．03 & & & 108 & & & \({ }_{2838}^{2838}\) & \({ }^{262}\) & & 981 & & & & \({ }_{970}^{960} 1492\) & 2452 \\
\hline SE & 109 & － & & 75 & 1.0 & & \(0 \cdot 9\) & 0.2 & 128 & & & & & \({ }_{509}\) & \({ }^{1} 786\) & 876
880
10 &  & & 970 1152 & 557 \\
\hline \({ }_{\text {OTV }}^{\text {OTV }}\) & &  & 133 & \({ }_{75 \cdot 2}^{75}\) & lio 1.0 & & & 0.2 & \({ }_{139}^{128}\) & & \({ }_{704}^{686}\) & \({ }_{3}^{301}\) & \({ }_{231}^{254}\) & 523 & \({ }^{783}\) & \({ }_{936}^{926} 10\) & \({ }_{10}^{103}{ }^{103}\) & & & \\
\hline \(\underset{\substack{\text { D DEC } \\ 1942}}{ }\) & 110 & 10＋1／6 & \(132 \cdot\) & \(75 \cdot 8\) & 1.0 & 1.03 & & & 121 & & 740 & 3158 & 163 & 725 & 5766 & 93311 & 11.024 & & ＋ & 2547 \\
\hline \({ }_{\text {den }}^{\text {JAN }}\) & 112 & 112 & \({ }^{13559} 1\) & \({ }^{7} 78.8\) & 1.0 & 1.0 & & & lint & & & \({ }_{2058}^{3025}\) & 152
108 & \({ }^{708}\) & \begin{tabular}{ll}
88 \\
8785 \\
\hline 88
\end{tabular} & \begin{tabular}{l}
94210 \\
950 \\
\hline 10
\end{tabular} &  & & & 2529 \\
\hline MEB & 10 & （05 & \({ }^{11559}\) & 73.9 & 1．0 & 103 & 0．7 & &  & & \({ }_{754}^{750}\) & 2915 & 108 & & \(1{ }^{8} 1785\) & cose & （10．7 & & （1） &  \\
\hline APR & & & \(13{ }^{\circ}\) & 774 & \(1 \begin{aligned} & 1.0 \\ & 1.0\end{aligned}\) & & & & & & \({ }_{780}^{787}\) & \({ }_{2}^{2919}\) & \({ }_{2}^{249}\) & & ［182 & \({ }_{980}^{980} 10\) &  & &  & 238 \\
\hline JUNE & & \(11+52\) & 1349 & 74.5 & 1.0 & \({ }^{1.03}\) & & & & & 793 & 3091 & & & & 99010 & \(10^{109} 924\) & & ＋\({ }^{+}\) & 2638 \\
\hline JULV & & 109 & \(135 \cdot 4\) & \({ }_{74}^{74.4}\) & 1．0 & 1.03
1.03
1 & & & \begin{tabular}{l}
121 \\
126 \\
\hline 1
\end{tabular} & & \({ }_{834}^{813}\) & \({ }_{31150}^{3091}\) & & & & \({ }_{1066}^{1061} 10\) & & & 97511654 & \({ }_{6}^{629}\) \\
\hline \({ }_{\text {Ster }}^{\text {Sti }}\) & \({ }_{120}^{115}\) &  & & \({ }_{74.3}^{74.4}\) & lio & \(\xrightarrow{1}\) & 3.2 & &  & &  & \({ }_{3}^{3180}\) & 259
254
209 & &  & \[
\begin{aligned}
& 1028 \\
& \begin{array}{l}
1028 \\
1059
\end{array}
\end{aligned}
\] & & & 75 \({ }^{1648}\) & \\
\hline N & 1126 & 126 & & \({ }_{74,1 / 5}\) & 1．0 & 1.03 & & & （143 \begin{tabular}{l}
135 \\
147 \\
\hline 1
\end{tabular} & &  & － 3248 & \(\substack{226 \\ 186 \\ \hline 28 \\ \hline}\) & 769
899 & 9 735 & 10048
1049
1040
10
10 &  & & \({ }_{1750}\) & \begin{tabular}{|c}
2730 \\
2745 \\
2735 \\
\hline
\end{tabular} \\
\hline \({ }_{1}^{\text {DEC }}\) & & & & 74.5 & 1.0 & & & & & & 908 & 3438 & 186 & & 9733 & 104910 & \(10.7{ }^{21.3}\) & & t＋ & 2833 \\
\hline \({ }_{\text {JAN }}\) & \({ }_{1}^{152}\) & 132 + ＋+6.6 & & \({ }_{73}^{73: 4}\) & \({ }_{1}^{1.1}\) & & & & 146 & & 9915 & \({ }_{3390}^{339}\) & 183 & \({ }_{896}^{89}\) & \({ }_{6} 721\) & 1040
1036 & \begin{tabular}{ll}
\(10 \cdot 6\) \\
\(10 \cdot 6\) & 213 \\
11 \\
\hline 1
\end{tabular} & & \begin{tabular}{l}
1020 \\
980 \\
\hline 1871 \\
1780
\end{tabular} & （791 \\
\hline & \({ }_{132}^{132}\) & （152 & & \({ }^{73} 7\) & （1．1 & & \(2 \cdot 5\) & 1.2 & 156 & & 9927 & 335 & \({ }_{117}^{1150}\) & \({ }_{926}^{847}\) & \(7{ }^{738} 17\) & \({ }_{1059}^{1059}\) & \({ }_{10 \cdot 6}^{10} 8214\) & &  & \({ }^{2889}\) \\
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＊Bank Rate \(2 \%\) to 24 th Aug． \(4 \%\) to 28th Sept．； \(8 \%\) to 26 th Oct．，1939；2\％since．
\(\dagger\) Exclusive of Investments in Affliated Banks．\(+\dagger\) Not available

STOCKS \＆SHARES－
NEW CAPITAL ISSUES－
BANK OF ENGLAND－
PRINCIPAL BANKS－

\footnotetext{
Index Nos，of Prices and Field as percentage of 1924 level；on 15th of month．
Sensitive Index．－Geometric Mean of monthly percentage changes，
Issues during month in Gt Britain（a）for U．K．（b）for Abroad，excluding Government loans，etc．－As published
by THE MIDLAND BANK，LTD．SLx－months＇totals from 1940.
Deposits．11th－17th of month
Deposits．11th－17th of month，
Bank Notes and Currency Notes in clrculation 11th－17th of month．Issues amalgamated，November \(22 n d, 1928\).
＂Current Deposit and other accounts，＂otc．Before September，1939，averages for the month of 9 clearing banks （i．e．－excluding the National Bank，Ltd，and the Dlstriet Bank），afterwards，data for last making up day of the month．
Up to June，1940，11th－17th of month，thereafter end of month，
issued by tender．Total of Bise 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．
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PRICE OF GOLD-
PRICE OF SILVER-
BOARD OF TRADE INDEX
Average (cash) price of bar silver for week ending 15 th of month-ECONOMIST
Based on pers index first published in January, 1935.-BOARD OF TRADE JOURNAL
(SAUERBECK) Average wholesale D
COST OF LIVING INDEX-Ministry of Labour's index showing movement since 1924 in cost of maintaining unchanged the standard of
 for March 1st is shown against Tebruary - to facilla

RETAIL FOOD PRICES-
WAGE INDEX-

As above, for food only.
For description seo Memo. No. 28 and Bulletin for January, 1944, pp. 6-8.

* Upper figure and those for previous dates include men in attendancer \(1944-47^{7} 6 \mathrm{Mn}\). 2nd Qr. \(-46^{\circ} 4 \mathrm{Mn}\).
lower and subsequent figures. \(\dagger\) Col. B and upper figure for February, and those for previous dates Labour Gazette, February. \|Increased postal rates May ist.

\footnotetext{
COAL OUTPUT
RETAIL SALES
RETAIL SALES -

POST OFFICE RECEIPTS-
UNEMPLOYMENT-
Weekly output of saleable coal for 4 -week periods. (Weekls Standard Tonnage 4,161,S00 tons). - MINISTRY OF FUEL Index of raiue of sales in Departmental Stores, Co-operatives, multiple and independent shops. Each index derired from the percentaze morements of the dailr sales for anr monrb as comnared with the correspondile month of the previous year. For discussion see Board of Trade Journal, Aprll 1st, 1944.- BANF OF ENGLAND. Daily averages, ex telegraph, telephone, savings bank and postal orders.-BOARD OF TRADE JOURNAL MINISTRY OF LABOUR GAZETTE. After Januars, 1943, figures to be published only quarterls.
}

\title{
RECENT MOVEMENTS IN UNITED STATES.
}

Information communicated by Mr. ERIC SCHIFF, Washington.

15th September, 1944. MOBILISATION \& DEMOBILISATION. -When Prime Minister Churchill said many months ago that the end of the war in the European theatre would be followed by a partial demobilisation in Britain, some people in this country felt a little insecure as to how this declaration should be interpreted. Nobody would have any such qualms now, for recent events as well as recent authoritative statements have thoroughly familiarised the American public with the idea that for America, too, partial demobilisation after the defeat of Germany will be fully reconcilable with the determination to continue the war against Japan with all the strength required for this task. It is now clear to everybody that, in this as in other respects, the problem of economic demobilisation is entirely different from what it was in World War I.

On one hand, the problem this time is more complicated because of the enormously larger quantities involved. In World War I total output under war contracts was about \(\$ 17,000 \mathrm{Mn}\). This time, the corresponding amount was \(\$ 130,000 \mathrm{Mn}\). by the end of 1943 . The proportion of national income devoted to the war was less than \(30 \%\) in 1918 ; estimates for the last few months run at about twice this figure. A sudden end of the war on all fronts would this time create a re-employment problem too great to be solved smoothly and swiftly. According to some estimates a sudden cancellation of contracts in the aircraft and shipbuilding industries on the Pacific coast alone would mean the discharge of more than one million employees. Had the war ended abruptly at the close of 1943 it would have been necessary to find peacetime jobs for perhaps seven million people. However, it is obvious that the process of demobilisation actually will be much more gradual than in World War I, and this fact tends to make the problem more manageable. In World War I the phases of mobilisation and demobilisation were sharply distinct from each other; there was but little overlapping. So long as fighting continued, the economic war effort was being intensified all round, and no large-scale reconversions took place. Germany's surrender in 1918 came rather unexpectedly at a time when this country was still busy preparing for the peak effort, scheduled to be brought into play early in 1919. Cancellations came all at once, and there had not been time to plan for the new situation. All this is different now. Months
ago, when mobilisation was still being stepped up in many lines, demobilisation got under way in other lines. The aggregate amount of cut-backs and contract terminations is already more than double the total of cancellations in the last war. The net effect of the two conflicting tendencies on the employment situation has so far been moderately in the downward direction. Expert observers believe that, even if the war should continue on all fronts, employment in the munitions industries by the end of 1944 will have dropped approximately one million persons below the peak of 10.5 Mn . reached in December, 1943. This first phase of demobilisation, in which the country has in fact been for almost a year without any adverse effects on its fighting efficiency, will in all probability be followed by a second phase, lasting from the defeat of Germany until the defeat of Japan. The country has just been told officially that during this phase which will be a period of all-out effort in the struggle against Japan, requirements of the procurement agencies for material and supplies will nevertheless be about \(40 \%\) less than at present, and that approximately four million workers will thereby be eliminated from their present war jobs. The number of people looking out for new employment will be increased by a certain number of soldiers which the Army, under a plan which has just been announced in preliminary outline, intends to send back to civilian life when the war in Europe is over.

PLANNING FOR THE TRANSITION PERIOD.-From recent statements by leading war agencies it can be seen that official planning for the second phase of demobilisation is in a fairly advanced stage. In a report by War Mobilisation Director Byrnes to the President it was revealed that an administrative machinery was being set up to facilitate the early start of a partial return to a peacetime economy after "V-E Day" (Victory in Europe Day). In outlining the goals for the period following that day the Report says that " utmost speed in reconversion" and " prompt resumption of civilian production at least equal to the civilian production of the United States in 1939 " will be possible and desirable. Among the steps suggested to reach these goals, which are certainly beyond what many people had expected for the near future, drastic relaxation of wartime restrictions of civilian production is primarily important. There


have been relaxations before, but they were sporadic and limited in scope. During the period under review some restrictions in the use of aluminium and magnesium for civilian purposes were lifted and the placing of certain orders for machine tools and equipment for the production of civilian goods was permitted. In August, regional directors of the War Production Board were authorised to allow a limited output of scarce civilian goods, and a few reconversion permits in the metallurgical field have been granted under this régime. These cautious steps were not of a nature to encourage the expectation of an early large-scale resumption of peacetime production in lines now out of supply, and experts until recently advised the public not to foster any such hopes. The official statements of early September have changed the prospect. According to these statements, controls over materials will be largely removed after V-E Day. The detailed priority system under which industrial production has had to carry on since 1942 will go overboard. Some general supervision of procurements will remain, but on the whole industry will be free to turn out whatever civilian goods will be in demand. Rationing will not be entirely discontinued, but removal of many articles from the ration list is expected. Most of the manpower controls will be abolished. The 48 -hour work week will be maintained only in war plants and specially tight labour areas ; for the rest, return to the 40 -hour work week immediately after V-E Day is planned as a means to spread work. Such is the general programme for the transition period as officially announced.

The Byrnes report also casts some new light on the question of disposal of surplus material in the hands of the armed forces. The magnitude of this problem may be gauged from a recent estimate to the effect that the original-cost value of this surplus inventory at the end of the war may well amount to \(\$ 60,000 \mathrm{Mn}\)., of which it will be possible to recover through sales on civilian markets some \(\$ 15,000 \mathrm{Mn}\)., if that much. Of the merchantable material, more than onehalf will probably be outside the United States. According to Mr. Byrnes' computations, even the food reserves which the Allies have been piling up in Europe for war purposes on that continent, will on V-E Day mean a major disposal problem, UNRRA requirements and other relief needs notwithstanding. On the ground of UNRRA estimates and reports on current food production in the areas under Allied control, food requirements (excluding wheat) for relief in Europe, plus requirements of the Allied armed forces, are
placed in the Report at no more than \(3,900,000\) tons for the first six months of 1945 as against approximately \(6,000,000\) tons which will be available from Allied reserves when fighting ceases there.

BUSINESS VOLUMES.-The trend of industrial production has now been downward for nine months, but the rate of decline has been moderate all through the period. Owing mainly to manpower difficulties, the output of war materials is behind schedule in a few lines, but substantial gains in the production of some important items such as artillery ammunition, aircraft bombs, heavy trucks, and tanks were recorded in August. Production of heavy fourmotored bombers has been at a monthly rate of 1,500 during the summer, which triples the goal set by the President in 1941 for the first phase of the mass production programme for bombers. Most groups of industrial materials are in good supply now. Steel products have remained tight, notwithstanding some slackening in demand. A \(40 \%\) cut in the output of magnesium ingot was ordered recently, as stocks had been outrunning military requirements for some time.

Unlike most of the statistical series which reflect business activity, the work week was still rising during the first half of the year. The manpower shortage in some war production areas has recently been intensified by the increasing tendency of workers to prefer jobs which are likely to survive the end of the war. The rate of labour turnover remains high. In respect of labour disputes the general picture has not changed greatly. Strikes continue to flare up here and there, many of them only to subside as abruptly as they rose. The strike in the city transportation system of Philadelphia, in the background of which a national problem of the first magnitude was visible, was the most notable exception.

Partially revising earlier estimates, the Treasury Department has announced that it expects net income after taxes of all American corporations to be \(1,000 \mathrm{Mn}\). dollars lower in 1944 than in 1943. For net income before taxes a contraction by approximately \(2,000 \mathrm{Mn}\). dollars is predicted. Available reports indicate that profit margins in many fields continue to be narrowed down both by the slowing in the expansion of gross revenue and by the steady rise in operating costs. However, it should again be emphasised that all estimates of business profits are bound to be highly tentative and provisional under conditions where the definite size of these profits is largely dependent on contract re-negotiation, on the settlement of claims under cancelled orders, etc.,
factors whose final effects are now only incompletely known.

It is realised in business as well as in government quarters that the stabilisation of reasonably full employment after the war, even assuming full success in overcoming the difficulties of the transition period, will require great efforts. The volume of production which it will be necessary to maintain if human and material resources are to remain fully employed is estimated at not much less than \(140 \%\) of the level of 1940 . While it is impossible now to predict exactly what peacetime organisation of economic production will take shape it is difficult to escape the impression that ground has been gained in recent months by those suggesting reliance on the traditional forces of a largely unrestricted business economy. The prestige which the Baruch-Hancock Report has gained, the strong emphasis placed in the Byrnes Report on the part to be played by business initiative and the profit motive, the growing number of high-placed officials coming out for a swift and drastic reduction of taxes on corpora-tions-all of these signs point in the same direction. So does the relative absence, as compared with the thirties, of ambitious plans for expansion of governmental activity in economic fields other than social security. Comparatively little is now being heard about "economic maturity," about the inevitable weakening of the incentives by which the private sector of the national economy is kept running and about the necessity for the government to step in with readily expanding public work schemes and subsidies in order to secure full peacetime employment. Even for the period of transition, in which, after all, the sudden appearance of several millions of unemployed persons will create an extraordinary situation, the official expectation seems to be that the governmental contribution to the cushioning of the shock will be confined to supplying the administrative machinery for reconversion. For the rest, the main emphasis is on the ability of private business to absorb the huge wave of new jobseekers within a reasonably short time. The permanence of this official attitude will, of course, depend in some measure on the results of the coming election. But whatever these results may be, it does not now seem very probable that the advocates of an "économie dirigée" will be able to influence public discussion on the post-war economy in this country to the extent they appear to have done in Britain.

PRICES, INCOMES, MONEY AND FINANCE.-Commodity prices during the last few months showed an encouraging degree of
stability. While there were some upward movements, especially in retail markets and in charges for services, they were neither strong nor uniform enough to suggest that the forces making for inflation had got out of hand. In important lines commodity prices have remained practically stable. The favourable prospect for this year's crops, the multiplying indications that in a number of articles the immediate need of liberated Europe for shipments from America will not be quite as overwhelming as has sometimes been thought, and some other factors, all contribute in making it probable that the domestic commodity supply in the war period still ahead will be sufficient to absorb moderate increases in consumer purchasing power without any further serious inflation of prices. National income payments have risen during the first half of 1944 , but the rise was not uninterrupted, and was at a far smaller average rate than during the same period of 1943. According to a survey made by the Department of Commerce, national income is now at an annual rate of \(\$ 158,000 \mathrm{Mn}\)., which is an all-time peak. The trend of the dollar values of consumer expenditures has been more or less horizontal during the summer months. Looking backwards on two and a half years of war, and anticipating developments during the transition period which are hardly open to doubt in this respect, it is now safe to say that real consumption during this war has been far above what anybody dared to imagine at the beginning. Besides the seasonally adjusted index of sales of retail stores which is shown in the accompanying table (p. 85, col. 13) the Department of Commerce has for some time been publishing an index which is also adjusted for price changes. In June, 1944, this price-deflated index of retail store sales stood at 126.0 (\% of 1935-9), as compared with 122.7 in June, 1943.

The fact that the forces making for price inflation have so far proved more manageable than had been feared by many persons does not mean that these forces have been definitely neutralised. Money in circulation has risen further, and so have demand deposits with commercial banks. Excess reserves of member banks of the Federal Reserve System rose in the weeks around the middle of the year, but this was a temporary concomitant of the transfer during the Fifth War Loan drive of funds from private deposits to reserve-exempt government accounts. The fifth war loan drive has been an impressive success so far as gross sales are concerned. Aggregate sales exceeded the \(\$ 16,000 \mathrm{Mn}\). quota by a wide margin. Sales to individuals were higher than they had been in any earlier drive, a result largely attributable to the zeal and efficiency
of the sales organisations. However, in selling as many securities as possible to individuals and other non-banking investors, the main goal of the Treasury was to avoid an expansion of bank credit deposits, and in this respect the success was much smaller than the huge figures of sales to nonbanking investors might suggest. The weeks of the war loan drive were weeks of large sales of other securities to the commercial banks, and in this case the coincidence clearly points to a causal connection. Obviously, many investors had to readjust their portfolios to be able to purchase new war bonds. Loans made by the banks to finance war loan subscriptions by non-banking investors were also higher than in any earlier drive. These movements added up to a substantial expansion of bank credit, notwithstanding the exclusion of commercial banks from direct participation in the sales. According to an analysis made by the National City Bank of New York, the expansion of bank credit which must be regarded as an indirect result of the fifth war loan
drive was approximately \(54 \%\) of the net total of securities sold (including bills), as compared with \(34 \%\) in the fourth drive, \(46 \%\) in the third, \(43 \%\) in the second, and \(41 \%\) in the first. These results, which the National City Bank frankly calls "disappointing," clearly show that judgment on the merits of various ways of financing public debt cannot accurately be summarised in the antithesis that financing through commercial banks is inflationary whereas financing through non-banking investors is not. All that may be said is that financing by direct sales of securities to banks is bound to result in an inflation of bank credit, whereas financing by sales to non-banking investors offers a chance that this result may be avoided. Whether and to what extent this chance will materialise depends, not on the ability of non-banking investors to absorb new government securities in some way or another, but on their ability to absorb them without liquidating other holdings. The story of the fifth American war loan drive is a sharp reminder of this fact.

\section*{CANADA}

\section*{Information communicated by Professor D. C. MacGregor of the University of Toronto.}

September 26th, 1944.

LARGE western wheat crops have offset the short yields of last year, the first official estimate of the outturn being 423 mn . bushels against 277 mn . last year, with main improvement in Saskatchewan. Acreage was \(31.5 \%\) larger. The carryover at July 31 was 355 mn . against 594 mn . in 1943, but this does not necessarily imply the ordinary monetary concomitants of disinvestment and export. In the east, oats and barley crops are more than \(40 \%\) above 1943 : this, by reducing the need for western grains as feedstuffs in the east, should relieve the transport system. Cattle and hog slaughterings have been higher than in 1943 and shipments to the United Kingdom are expected to be substantially above the minima called for in the agreements. Crops of tobacco, apples and peaches are unusually large while potatoes are slightly below average.

Not much change in the physical volume of industrial production is indicated by the published figures, when compared with the same month a year ago, occasional reductions as in small arms and mining having been offset by expansion in shells and explosives. The indices of employment and payrolls likewise indicate that industrial activity has come to a stand and even suggest that it may have declined slightly in the summer ; the figures of electric power production and of railway freights (other than grains) corroborate this. It now seems that the wartime expansion, whose upward course was checked abruptly in the latter part of 1942 by simultaneous shortages of labour, equipment, materials and power, and which has been tapering off ever since, has reached and probably passed its maximum. At the same time there has been little evidence of unemployment except during the readjustments of last winter, and shortages of manpower remain serious in high priority industries, agriculture and the army. There is abundant concrete evidence of curtailment of non-essential employment and output, and of the wider employment of females, especially in part-time work. The proportion of females in industries covered by the employment index rose from \(23.5 \%\) at

October 1, 1942, to \(26 \cdot 2 \%\) at October 1, 1943, and \(27 \%\) at April 1, 1944, at which dates special surveys were made.
No serious bottlenecks in rail transport, comparable to that between the prairies and the lakehead last year, have yet been reported and despite the large wheat crop the quota for farmers' deliveries to local elevators has been raised from 5 to 10 bushels per acre at a number of points.

Coal production during the seven months ended July fell \(7 \cdot 1 \%\) below the year before, despite a larger number of miners at work. The order prohibiting enlistment of coal miners has been extended for a year.

Restrictions on the use of electricity in eastern Canada (produced almost entirely from water power) cease on October 1.

Despite the lack of expansion in output and employment, urban retail sales and bank credit have begun to rise even more swiftly than hitherto. Retail sales of urban stores (col.16, p. 91) for the four months ending July were \(9 \%\) over 1943, increases in hardware, furniture and candy shops and restaurants being most prominent. Country general store sales on the other hand have been falling closer to the levels of 1943 as the year has advanced.

The proceeds of the sixth Victory Loan amounted to \(\$ 1408 \mathrm{Mn}\). of which \(\$ 644 \mathrm{Mn}\). were, according to the budget speech, subscribed by individuals. After the end of the campaign, at the end of May, current loans of the chartered banks were \(\$ 46 \mathrm{Mn}\). less and security holdings were \(\$ 436 \mathrm{Mn}\). more than at the end of the fifth campaign (cf. table in April, 1944 letter, p. 46), indicating renewed dependence on the expansion of bank credit for government funds. The banks have held the following amounts of Dominion treasury bills, "deposit certificates" and "special short term issues," according to the Bank of Canada's Statistical Summary for April-May.
\begin{tabular}{ccccccc}
1940 & (Dec. 31) & \(\ldots\) & \(\ldots\) & \(\ldots\) & \(\ldots\) & \$ 680 Mn. \\
1991 & \("\), & \(\ldots\) & \(\ldots\) & \(\ldots\) & \(\ldots\) & S 970 Mn. \\
1942 & \("\), & \(\ldots\) & \(\ldots\) & \(\ldots\) & \(\ldots\) & \$1603 Mn. \\
1943 &,\("\) & \(\ldots\) & \(\ldots\) & \(\ldots\) & \(\ldots\) & \(\$ 2138 \mathrm{Mn}\). \\
1944 & (Mar. 31) & \(\ldots\) & \(\ldots\) & \(\ldots\) & \(\ldots\) & \(\$ 2243 \mathrm{Mn}\).
\end{tabular}

The turnover of money as measured by bank debits (col. 3) continues at levels \(15-20 \%\) above 1943 even in months when no large lending operations are under way, the smaller increase in July being an exception.

The index of wholesale prices has fallen slightly, to the level of last winter. The cost-ofliving index has not changed appreciably this year. Supplies of many consumers' goods come forward only in small amounts and at intervals, but most of the essentials have been procurable. The relatively higher price level in the United States has not yet had as great an effect on Canadian price indices as might have been expected. This is because (1) exports to the United States usually yield only the Canadian ceiling prices to producers in this country, the Government holding any difference for distribution later: (2) imports from the U.S.A. must be sold at Canadian ceiling prices, in some cases made possible by subsidies; and (3) the importation of many goods has been prohibited, though, since August 1 last, the restrictions have in part been lifted.

A gradual relaxation of controls is anticipated by the Wartime Prices and Trade Board according to an address on policy delivered by the chairman in Toronto on September 11. The Board evidently believes that when the war is over the country can produce, or acquire by foreign trade, sufficient peacetime goods to employ the enlarged amount of means of payment likely to be in existence at that time without disturbing the present level of prices. The evidence and considerations supporting this belief have not been made public.

The budget, brought down on July 26, provided for several small reductions in taxation, including suspension of the compulsory savings element in the personal income tax. Larger cash requirements and borrowings are anticipated in the present year. The ban on importation of many articles from outside the sterling area was removed and a limited amount of American funds has been made available for tourists to the United States, following the accumulation of large balances in U.S. dollars. Part of the U.S. dollar balance has been used to purchase from the American government the airfields and other improvements recently built in northern Canada.

The following summary of federal fiscal operations is drawn from the Bank of Canada's June-July Statistical Summary. No reconciliation with the usual budget statement (cf. my letter of June 18, 1943) has been pub-
lished despite conspicuous differences in the first and third columns.
\(\left.\begin{array}{ccccl}\begin{array}{c}\text { Fiscal Year } \\ \text { ending Mar. 31 }\end{array} & \begin{array}{c}\text { Total cash } \\ \text { requirements } \\ \text { \$ Mn. }\end{array} & \begin{array}{c}\text { Total } \\ \text { Revenue } \\ \text { S Mn. }\end{array} & \begin{array}{c}\text { Total } \\ \text { Borrowing } \\ \text { S Mn. }\end{array} & \begin{array}{c}\text { Change in } \\ \text { Cash }\end{array} \\ \text { Balances }\end{array}\right\}\)

In midsummer several important Acts were passed by the House of Commons, calling for the appropriation of enormous sums in later budgets: \(\$ 1000 \mathrm{Mn}\). of capital funds and guarantees for export trade, housing, agriculture and an industrial bank ; \(\$ 750 \mathrm{Mn}\). for gratuities to and re-establishment of the armed forces; an annual limit of \(\$ 225 \mathrm{Mn}\). for support of farm and fishery prices; \(\$ 400 \mathrm{Mn}\). \(\$ 500 \mathrm{Mn}\). per annum; of which \(\$ 200 \mathrm{Mn}\). for a family allowance scheme, and the rest for a health insurance and an extended system of old age pensions. Only the last of these will recur annually, but it will amount to as much as the whole pre-war budget. It appears that a number of civil servants responsible for economic policy have come to the conclusion that while the national money income cannot be altogether stabilized it can nevertheless be maintained at a much higher average than hitherto by these devices. This appears to be a reflection of the anti-cyclical fiscal schemes now popular in the United States and Great Britain. It is hard to reconcile such heavy year-to-year commitments with the need for a flexible policy in an open economy.

The proposed expenditures are regarded by some observers as mainly an effort to mend the government's waning political fortunes in the face of the C.C.F. and a possible resurgence of the Social Credit Party. The Gallup poll of public opinion has shown a steady fall in support for the present Liberal administration from January 1942 to last December, since when a slight rise has occurred. In June of this year, support in terms of popular vote was divided as follows, according to the random sample: Liberal \(35 \%\), Progressive Conservative \(30 \%\), C.C.F. (socialist) \(21 \%\), other \(14 \%\). (Financial Post, July 22.)

Foreign Trade.-Commodity shipments excluding gold have naturally been larger than in 1943, especially since May and June. The increase over last year is in large part accounted for by shipments of stocks accumulated over a long period, more than half a year's output having been on hand at one time in 1943. It should be


Dates of Skribs : Cols. 4, 5, 17-19, end of month; \(1-2,6-8,16\), averages; 9 , beginning of month. Source : Dominion Bureau of Statistics.
Notes on Series

Col. 1.- "Investors' Index." Index of current market
" 2.-Based on the calculated yield of a bond having a constant \({ }^{15}\)-year maturity period. (\% of 1935-9.)
" 3.-From 32 banking centres, comprising about \(85 \%\) of total debits. Excludes debits to accounts of central bank since its
" 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 goid since 1937 ; includes gold in small qu
" 12.-Comprises "animal products" and "vegetable products" groups, includes partly and fully manufactured products in some cases made from imported raw materials, e.g., rubber products.

Col. 13.-Adjusted for seasonal variation. Includes 41 weighted series largely representing foreign trade in raw materials. with an upward bias. Weighting and factors revised from January, 1940, to give due representation to factors indicating trend of war production.
". 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.
" 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.
\begin{tabular}{|c|c|c|}
\hline & \multicolumn{2}{|l|}{Seven months ended July,} \\
\hline Exports to U.K. & S 574 Mn . & \$ 758 Mn . \\
\hline  & 615 & \[
\begin{array}{r}
737 \\
2025
\end{array}
\] \\
\hline Imports from U.K. & 79 & 60 \\
\hline U.S.A. & 808 & 33 \\
\hline All Countrie & 990 & 1013 \\
\hline
\end{tabular}
noted that the principal statistical summaries of foreign trade, which were discontinued in April and May 1942, are all being published again. \({ }^{\star}\)

Monthly statistical bulletins on base metal production, suspended at the outbreak of war, were resumed last May and present the following retrospect. \(\dagger\)

\footnotetext{
* External Trade Press Bulletin 1 reappeared in July 1943 and Bulletins 2 to 5 in January, 1944: the detailed Quarterly Summary for period ending March, 1943, appeared in March, 1944.
\(\dagger\) Ottawa. Dominion Bureau of Statistics. Mining, Metallurgical and Chemical Branch: Copper and Nickel production in Canada; Silver, Lead and Zinc production in Canada.
}
\begin{tabular}{lcccc}
\multicolumn{5}{c}{ Million Pounds } \\
Copper & Nickel & Lead & Zinc \\
1938 & 571 & 211 & 419 & 381 \\
1939 & 609 & 226 & 389 & 394 \\
1940 & 656 & 246 & 472 & 424 \\
1941 & 642 & 282 & 460 & 512 \\
1942 & 604 & 285 & 512 & 580 \\
1943 & 575 & 288 & 444 & 611 \\
& \(\underline{1944}(7\) m'ths \()\) & 332 & -162 & \(\boxed{177}\) \\
\hline 1943 (7m'ths) & 342 & 174 & 277 & 307 \\
\hline
\end{tabular}

Important surveys and statistics of the industrial side of war production have been given by Federal officials at successive annual meetings of the Canadian Manufacturers' Association.

A sudden increase in the search for new gold mines and flotation of new companies has occurred this year and the largest amount of diamond drilling in history is said to be under way.

\section*{RECENT CONDITIONS IN GERMANY.}

\author{
By H. W. Singer.
}

Vital Statistics.-The number of births in 1943 has recovered to some extent from the very low 1942 level ( \(1,318,000\) live births in 1943, \(1,239,000\) in 1942, but \(1,528,000\) in 1941). The increase over 1942 , by \(6 \cdot 4 \%\), brings the birth rate back to 16.0 per thousand-roughly comparable to the present British level, but considerably less than German levels up to 1941 (over 20 per thousand). The number of civilian deaths in 1943 was 996,000 , equivalent to a death rate of 12.3 per thousand. This was a slight increase over 1942 even though all air raid casualties are excluded. During the last quarter of 1943 civilian deaths (excluding air raid casualties) were \(12.1 \%\) higher than in the same quarter in 1942. The infantile death rate has increased as follows (per thousand live births): 72 in 1941, 77 in 1942, 82 in 1943, 93 during the first quarter of 1944.

Price Statistics. - In May 1944, official wholesale prices were \(1.5 \%\) higher than in May 1943. The main increase was again in the agricultural group ( \(2 \cdot 8 \%\) ), largely due to higher prices for rye ( \(5 \%\) ), cows ( \(33 \%\) ) and sheep ( \(7 \%\) ). The cost of living index was \(1.9 \%\) higher than a year before ( \(2 \cdot 2 \%\) exclusive of rent), the main increase being for clothing ( \(3.3 \%\) ) and food \((2 \cdot 4 \%)\). The increase in food prices was chiefly due to higher prices for green vegetables \((9 \cdot 2 \%)\). In the clothing group, the main increase was in underwear ( \(6.5 \%\) ). Since the outbreak of war, the cost of living has increased by \(11.9 \%(14 \cdot 1 \%\) exclusive of rent), the main increase being in clothing ( \(37.9 \%\) ).

Labour Statistics.-The latest figures show that there are 320 separate training centres and 726 recognised "training workshops" within the factories. The latter accounted for \(45 \%\) of the trainees in 1942, but for \(50.8 \%\) during the first half of 1943. The number of recognised factory training workshops is rapidly increasing and expected soon to reach the 1,000 mark. Centre trainees are said to reach only \(70-80 \%\) of the output of factory trainees, on the start of work. The Labour Front trained 110,000 foremen and forewomen during 1943, by special training courses. The number of civilian foreign workers has passed at least the 7 million mark. A special comb-out in August and September 1943 is stated to have yielded 400,000 new workers for the armament industries. Agricultural labour requirements for 1944 were reduced by \(25 \%\) by
the Food Estate local farm controls, but even so only one-third of them had been supplied by the end of March.

There are 4.6 million women doing full-time work in agriculture; of these 3.4 million are classified as members of the farmer's family. \(56 \%\) of all full-time women in agriculture are married, as compared with \(30 \%\) in industry, trade and transport. There are over 300,000 independent women farmers in the Old Reich.

National Income Figures.- The value of consumption goods consumed during 1943 is estimated, by Bankwirtschaft, at 60 milliard marks as against 71 milliards in 1941. Correspondingly, " excess purchasing power" is estimated to have increased from 30 milliards to \(45-50\) milliards, the total of private incomes being 105-110 milliards for 1943. Allowing for genuine long term savings the "inflationary gap" is estimated by the paper as 10 milliards.

National Debt. - The rate of increase has continued to accelerate, and the percentage of long-term debt in the total has continued to fall as shown in the following table :
\begin{tabular}{|c|c|c|c|c|}
\hline & 1940 & 1941 & 1942 & 1943 \\
\hline Average monthly increase in National Debt: Milliard marks & 2.80 & \(4 \cdot 11\) & 4.77 & \(5 \cdot 80\) \\
\hline Increase in long-term securities: & \(48 \cdot 2\) & \(43 \cdot 6\) & 41.0 & \(33 \cdot 5\) \\
\hline
\end{tabular}

The average monthly increase during the last quarter of 1943 reached the unprecedented figure of 6.62 milliards, which was \(32 \%\) more than in the corresponding quarter of 1942. The leading economic journal, the Volkswirtschaft, questions the method of "silent finance" from the banks and private institutions and is worried about the post-war implications. These are the terms in which it pleads for more investment by private individuals in Government securities: "It has been suggested, and rightly so, that in the interest of a future solution of the problems of public debt the need for absorption by private investment should be stressed more strongly. Whoever thinks of the final elimination of private savings by investment in securities with equanimity, underrates the problems with which future financial policy will be faced." "Silent Finance" is demonstrated by the big share of the Savings Banks in the holdings of Government debt. Of a total of 24.5 milliard marks of new long-term debt created during 1943, the Savings Banks had to take up 12.9 milliards, or some \(53 \%\). Since the war, the Savings Banks have taken up

38 milliard marks of long-term Government securities, and 19 milliard marks of Treasury Bonds (to the end of 1943). This represents an enormous holding of about \(£ 4,750 \mathrm{Mn}\). of war debt. Official spokesmen make a virtue of necessity and claim that " the preponderance of short-term debt is a not inconsiderable advantage," because it keeps the average rate of interest low ; but other spokesmen call this preponderance " not exactly desirable."

Financial Statistics.- Total deposits in Savings Banks increased by 18.5 milliard marks in 1943 which was \(20 \%\) above the 1942 increase of \(15 \cdot 2\) milliards. It is symptomatic of the precarious nature of some of these deposits that a much higher proportion went into short-term deposits, as distinct from Savings Deposits. The total daily turnover at the Berlin Stock-Exchange has shrunk to some \(£ 25,000\) daily, and quotations have become so nominal and unreal that even the Courts base compensation to shareholders on special arbitration rather than on Stock Exchange quotations.

Agricultural Statistics.-The vegetable acreage (in hectares) has increased from 150,000 in 1939 to 313,000 in 1942 and 392,000 in 1943. The 1942/43 crop of vegetables was stated to be 6.4 million tons, twice the \(1941 / 42\) figure. (This excludes allotments.) Consumption of vegetables is said to be six times the pre-war figure. The 1943 crop, however, was very poor, and is officially stated as 20 million cwts. below the corresponding period of 1942. The 1943 potato crop was even more disastrously deficient, 20 million tons below 1942 (by over \(30 \%\) ). Potatoes account for \(14 \%\) of all German land under tillage. The following table shows the changing proportions of different kinds of meat, and it illustrates the great decline in supplies of pork, the German's favourite meat, and also the cheapest.
\begin{tabular}{|c|c|c|c|c|c|}
\hline & \% & \[
\begin{aligned}
& \text { OF TO } \\
& 1939-40
\end{aligned}
\] & \[
\begin{aligned}
& \text { MEAT } \\
& \text { 1940-41 }
\end{aligned}
\] & \[
\begin{array}{r}
\text { SUPPLIES } \\
1941-42
\end{array}
\] & 1942-43 \\
\hline Pork & & 51.5 & \(40 \cdot 9\) & \(33 \cdot 5\) & \(22 \cdot 3\) \\
\hline Beef & & \(36 \cdot 9\) & \(45 \cdot 7\) & \(49 \cdot 9\) & \(59 \cdot 1\) \\
\hline Veal & & \(9 \cdot 5\) & 10.7 & 13.3 & \(15 \cdot 1\) \\
\hline Other & \(\ldots\) & \(2 \cdot 1\) & 2.7 & \(3 \cdot 3\) & \(3 \cdot 5\) \\
\hline
\end{tabular}

It is stated, however, that pig stocks in 1944 are 22 million, two million higher than two years ago. The number of young pigs is even given as \(38 \%\) higher. The deficiency of the potato crop, however, constitutes a new danger to pig stocks. It is claimed that new methods of feeding pigs on sugar-beet have been highly successful.

The number of dairy cows, in 1943, is given as 175,000 higher than in 1942. Milk delivered from farms increased (in million kilograms) from 33.86 in 1940 to 37.79 in 1941, and after falling back to 35.61 in 1942, recovered to 37.62 . The proportion of total production constituted by these amounts surrendered has steadily increased from \(72 \%\) in 1940 to \(82 \%\) in 1942 and \(86 \%\) in 1943. On the basis of these official figures, milk consumption on farms would have almost halved between 1940 and 1943, and total production would have fallen by about \(8 \%\) between 1940 and 1943. Butter production in 1944 is given as " nearly 700,000 tons" which is over \(50 \%\) above the 1939 production of 452,000 tons. This indicates the diversion of milk from drinking purposes to butter production. Butter covers \(60 \%\) of the fat ration. In more recent days, milk deliveries from farms have fallen off, although no figures are given. The fall is attributed to farmers giving milk to evacuees " from understandable though misplaced sympathy," and to the use of dairy cows as draught cattle. Control of deliveries has been tightened up, and severe penalties of imprisonment are inflicted on farmers-and farmers' wives-who fail in their obligations. A milker on a farm, for instance, had eighteen months imprisonment for taking fullcream milk home instead of the skimmed milk he was entitled to ; his wife received a ten-months sentence "for receiving stolen goods." The target for the new milk drive is " 40,000 tons more butter" (an increase by 6\%).

Supplies of lactic cheese from German dairies in 1942 were \(13.6 \%\) higher than in 1939, and of other cheese \(29 \cdot 4 \%\). Oilseeds on the other hand, the other main source of fat supplies apart from butter, are admitted to be "the most erratic of all crops." Yield per acre in 1943, though supposed to be "favourable," was \(26 \%\) less than in 1939 ( 1.28 tons instead of 1.74 ), but the acreage had meanwhile been extended almost tenfold. The drop is explained mainly by the 1942 frosts which "left only \(10 \%\) unaffected."

The following figures show the decline in fertilisers available per acre between 1939 and 1942. Nitrogenous fertilisers \(-13 \%\), phosphorous \(-56 \%\), potash \(-2 \cdot 5 \%\). This is partly compensated by an increase in lime supplies. It is also claimed that the volume of fertilisers is still equal to 1935, and six times as much as at the end of the last war.

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\title{
Calendar of Chief Events of Economic Importance
}

\section*{(with special reference to Great Britain)}

1943
\begin{tabular}{rll} 
JAN. & 1. & U.K. \\
& 1. & U.K. \\
2. & U.S.S.R. & U.S.S.R. \\
& New Guinea \\
5. & U.K. \\
11. & New Guinea \\
U.S.A. \\
& U.K. \\
13. & U.K. \\
21. & Chile \\
23. Tripolitania \\
26. & U.K.
\end{tabular}

JAN. 1. U.K.
1. U.K.
U.S.S.R.

New Guinea
6-8. New Guinea
11. U.S.A.
U.K.
13. U.K.
21. Chile
23. Tripolitania
26. U.K.

Scher - ior controlling distribution in clothing, pottery and hollow ware sections of retail trade comes into force.
Increase of \(1 /\) - per ton in price of coal.
Capture of Velikiye Luki by Russians.
Capture of Mozdok by Russians.
Allies occupy Buna Station.
Repayment of Indian \(3 \frac{1}{2}\) per cent. Loan.
Successful air attack on Japanese convoy to Lae.
President sends \(\$ 100,000 \mathrm{Mn}\). Budget to Congress.
Issue begun of new series of \(£ 1\) War Savings Certificates for those who have attained maximum holding of ordinary series.
Royal Proclamation under National Service Acts lowers calling-up age for girls to 19 years.
Chile severs diplomatic relations with the Axis.
British take Tripoli.
Supplementary Vote of Credit for \(£ 900 \mathrm{Mn}\)., and Vote of Credit for \(f 1,000 \mathrm{Mn}\). agreed to.

FEB. 1. International
2. N. Africa
3. U.S.S.R.
5. Algeria
6. Brazil
8. Canada
14. U.S.S.R.
16. U.S.S.R.
18. Australia

International Wheat Council announces that 100 Mn . bushel wheat pool is to be set up.
Exchange rate changed from 300 francs to 200 francs \(=£ 1\) Stg.
"Final liquidation" of Germans at Stalingrad.
General Giraud appointed " French Civil and Military Commander-inChief."
Government subscribes to Declaration of United Nations and to the Atlantic Charter ; in effect, declares war on Japan.
Establishment of War Supplies Allocation Board-to allocate Canadian supplies of war materials and food, requirements in excess of Canadian Dollar resources to be gratis.
Capture of Rostov and Voroshilovgrad announced.
Kharkov recaptured by Russians (about 16th).
Australian Military Service Bill passed; also Bill deleting proviso in National Security Act restricting militia service outside Australia.

MAR. 1. U.K.
3. Canada
U.S.S.R.
6. U.K.
11. U.S.A.
12. U.S.S.R.
20. Tunisia
22. U.K.

Egypt
23. U.K.

National Conciliation Scheme for settling differences between employers and employed in the coal-mining industry accepted by joint consultation committee. Effective 1st May.
Proposals for increased taxation introduced, including extension of taxation on current earnings to be deducted at source.
Announcement of capture of Rzhev.
London's "Wings for Victory" week opens.
Lend-Lease Extension Bill passed by Senate.
Russians announce loss of Kharkov ; Vyazma captured.
Mareth Line broken (about 20th).
National Arbitration Council award on Engineers' wages claim.
Announcement of \(£ \mathrm{E} 3 \mathrm{Mn}\). Treasury Loan to finance government purchase of cotton crop.
Ministry of Aircraft Production vests shares of Short Bros.

APR. 6. U.S.A.
7. U.K.
U.K.
11. Tunisia
12. U.K.
13. U.K.
20. Argentina
U.K. Canada
21. U.S.A.
U.S. Treasury issues proposals for International Currency Stabilisation
Fund.

Publication of proposals for an International Clearing Union.
Government accepts scheme for equal compensation for men and women
for war injuries.
First Army occupies Kairouan.
Budget statement; increase in taxes on beer, tobacco, entertainments, and in purchase tax on luxury goods.
Fiduciary Issue increased by \(£ 50 \mathrm{Mn}\). to \(£ 1,000 \mathrm{Mn}\).
Reductions in rates at which dollar ard sterling proceeds of non-regular exports are purchased (from 481.82 to 397.02 pesos per \(\$ 100\), and from \(16.95 \frac{3}{4}\) to 15.96 pesos per \(£ 1\) ).
Anglo-Canadian Financial Agreement signed covering cost of Canadian Air Force overseas.
Congress extends the existence of the Stabilisation Fund for two years, with proviso against use of its resources as contribution to an international fund. President's power to devalue the dollar not renewed.

MAY 7. N. Africa
8. U.K.
12. N. Africa
17. India
18. U.S.A.
22. U.S.S.R.
25. U.K.
28. U.S.A.
31. U.K.

Tunis and Bizerta captured by the Allies.
New Control of Employment (Directed Persons) Order comes into effect. Includes power to direct women to part-time work.
Conclusion of fighting.
Increased taxation and other anti-inflation measures announced.
International Food Conference opens at Hot Springs, Virginia, U.S.A. Closes June 3rd.
Dissolution of Comintern announced.
Vote of Credit for \(£ 1,000 \mathrm{Mn}\). approved.
Establishment of Office of War Mobilisation announced.
Announcement that Local Authorities are to have freedom to convert mortgages for minimum period of 17 years without reference to the
Treasury.

JUNE 2. U.S.A.
4. Argentina U.K.
10. Mediterranean
17. U.K.
25. U.S.A.

Congress passes Bill extending for 2 years President's power to make Reciprocal Trade Agreements.
Castillo Government overthrown.
War Risk Insurance quoted again for Mediterranean.
Occupation of Pantellaria completed.
Wage increase of 4 s .6 d . a week for adult railway workers (salaried staff and traffic grades) with proportionate advances for junior staff, retrospective to April 26th.
War Labour Disputes Bill carried over President's veto.

JULY 10. Mediterranean
17. Sicily
21. U.K.
25. Italy
30. South Africa

Allied forces land in Sicily.
Allied Military Government of Occupied Territory set up.
Vote of Credit for \(£ 1,000 \mathrm{Mn}\). approved.
Mussolini resigns.
Final Election results-General Smuts' Coalition Government returned with substantial majority.

AUG. 5. U.S.S.R.
6. Sweden

Far East
17. Sicily
21. Australia
23. U.K.
U.S.S.R.
26. U.K.
28. Bulgaria
30. U.S.S.R.

Marshal Stalin announces capture of Orel and Byelgorod.
Swedish Government announces cancellation of 1940 agreement with Germany, which had allowed troops and material right of passage through Sweden.
Announcement that Munda is in Allied hands.
U.S. troops capture Messina; all enemy resistance ended.

Labour Party secures majority in general election.
Announcement that Ministry of Food has completed the purchase of exportable surplus of Argentine meat for two years ending September, 1944.

Russians recapture Kharkov.
Announcement of new war bond ' tap ' issue (1952-54) at par, to replace \(2 \frac{1}{2} \%\) National War Bonds, 1951-53, which are to be discontinued at end of August.
Death of King Boris.
Capture of Taganrog: collapse of German line along Mius River.

SEPT. 3. Italy
8. U.S.S.R. Italy
10. U.S.S.R.
14. Far East
16. U.S.S.R.
17. U.S.S.R.
18. Egypt

Argentina
Far East
20. Corsica
25. U.S.S.R.

New Zealand
27. Italy
29. U.S.S.R.

Allied landing on mainland. Military armistice signed.
Russians recapture Stalino.
Announcement that armistice with Italy was signed Sept 3rd.
Capture of Mariupol and Barvenkova.
Salamaua captured.
Russians take Novorossisk.
Russians announce capture of Bryansk and Beghilz.
Senate and Chamber approve Conversion Debt Bill-scheme for the extinction of external debt by repayment or conversion to internal loans.
Announcement of proposal to repatriate sterling bonds of the Argentine Government (about \(£ 16 \mathrm{Mn}\).).
Capture of Lae.
Report of landing of French Commandos.
Russians recapture Smolensk.
Labour Party wins general election with reduced majority.
Eighth Army captures Foggia.
Russians capture Kremenchug.

OCT. 1. Italy
4. Corsica
6. U.K.
12. Portugal
U.S.A.
14. India
U.S.S.R.
21. Belgium, Luxem- Agreement signed establishing a currency union with pre-war exburg, Netherlands \(\}\) change rate.
23. U.K. Exchange Control authorities announce partial lifting of the ban on transfers of blocked sterling accounts of non-residents.
U.S.S.R. Russians capture Melitopol.
25. U.S.S.R. Marshal Stalin announces capture of Dnepropetrovsk and Dneprodzerzhinsk.

NOV. 1. International
U.S.S.R.
4. Italy
5. U.K.

International
U.S.A.
6. U.S.S.R.
9. U.K.

International
11. Lebanon
16. Dodecanese
18. U.S.S.R.
19. U.S.S.R.
21. Lebanon

Pacific
22. Germany U.K.

22-26 International
26. U.S.S.R.
28. International

Moscow conference ends-full agreement reached on measures to hasten defeat of Germany.
Moscow announcement that Crimea had been cut off.
5th Army capture Isernia.
Board of Trade announces reduction in commodity war rate as from December 3rd.
Cairo talks begin.
Senate passes Connolly resolution on international organisation for peace.
Kiev captured by Russians.
House of Commons approves supplementary vote of credit for \(£ 1,250 \mathrm{Mn}\).
U.N.R.R.A. created.

French troops arrest President and members of government.
Leros garrison surrenders.
Marshal Stalin announces capture of Korosten and Rezhitsa.
Russians announce abandonment of Zhitomir and capture of Ovruch.
French Committee of National Liberation announce re-instatement of the President.
Announcement of U.S. landings in the Gilbert Islands.
R.A.F. begins series of heavy raids on Berlin.

Reduction ( \(50 \%\) ) of war risk rate between U.S. and Africa comes into force.
Cairo Conference (Mr. Churchill, President Roosevelt, General Chiang Kai-Shek).
Russians announce capture of Gomel.
Teheran Conference (Mr. Churchill, President Roosevelt, Marshal Stalin).

DEC. 1. U.K.
4. Bolivia

4-6. International
8. U.K.
10. U.K.
12. Czechoslovakia
-U.S.S.R.
14. U.S.S.R.
20. Bolivia
21. U.K.
22. Australia
U.K., U.S.A. Brazil
24. U.K.
26. Northern Waters
28. Italy
29. U.S.S.R.
31. U.S.S.R.

Agricultural Wage Board makes orders for increase in wages to take effect from December 12th (increase of \(5 /\) - a week for ordinary male workers).
War declared on Axis countries.
Meeting of Mr. Churchill, President Roosevelt and President Inonu at Cairo.
Increase of \(£ 50 \mathrm{Mn}\). (to \(£ 1,150 \mathrm{Mn}\).) in fiduciary issue announced.
Announcement of increase in cotton wages to take effect from 2nd week in January, 1944 (4/- adults ; 2/- juveniles).

Agreement of friendship and post-war co-operation signed.
Capture of Cherkasy by Russians announced.
Coup éetat overthrows Government under General Pinaranda.
Cotton control announce increase of margins from December 22nd.
Government announces decision to redeem at par the \(3 \frac{1}{2} \%\) loan maturing 1st January, 1944.

Agreement reached re Brazil's rice surplus in 1944 and 1945.
Announcement of Allied Invasion Chiefs.
Scharnhorst sunk.
8th Army captures Ortona.
Russians capture Korosten and Chernyekhov.
Russians capture Zhitomir.

\section*{London and Cambridge Economic Service.}

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\section*{OVERSEAS SECTION.}

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[^0]:    * Special Memorandum No. 28, January, 1929.

[^1]:    * Cf. Bulletin III, Vol. XXI. This explanation is not, of course, meant to suggest that Government finance was independent of the increase in the volume of local currency. The money created against gold falls into the hands of the public and increases the volume of taxable and loanable funds. (Government policy with regard to gold-mining has been criticised before.-See Bulletin II, Vol. XX, and Bulletin I, Vol. XXI).
    $\dagger$ Calculated as in Table C, Bulletin III, Vol. XXI. The figures given there for the volume at the end of 1938 $(£ 123 \mathrm{Mn}$.) for the increase over 1941 ( $£ 44 \mathrm{Mn}$.) and for the increase over $1939 / 42(£ 124 \mathrm{Mn}$.) should read $£ 120$ Mn ., $£ 43 \mathrm{Mn}$. and $£ 123 \mathrm{Mn}$. respectively.
    $\ddagger$ Exchequer Issues.

[^2]:    § Customs and Excise, Posts, Telegraphs and Telephones and Inland Revenue.
    | The official index of wholesale prices of South African goods (Jan., 1914-100; av. 1939-105.5) stood at 149 in September. Other official indexes are given in the table.
    ** 1 morgen $=2.12$ acres.

[^3]:    * The decline in Government demand may to some extent explain the recent fall in Exchequer Issues for Defence below last year's levels : total issues for the first seven months of $1943 / 4$ were $£ 57.0 \mathrm{Mn}$. as compared with $£ 55.0 \mathrm{Mn}$. for the same period of $1942 / 3$, but September issues were $£ 2.0 \mathrm{Mn}$., and October issues $£ 3.2$ Mn . lower than in 1942/3.

[^4]:    $\dagger$ The trend of building construction in general is no longer visible in the accompanying Table, because publication of the official figures of "buildings commenced " was suspended early in 1942. Figures of " building plans passed," for the same areas, continue to be published, however. These show, for the period December, 1940/ November, 1941, to the period December, 1941/November, 1942 , declines from $£ 6.66 \mathrm{Mn}$. to $£ 3.25 \mathrm{Mn}$. for the Trans-. vaal and from $£ 4.75 \mathrm{Mn}$. to $£ 2.60 \mathrm{Mn}$. for other areas. For the period December, 1942/August, 1943, plans passed for the Transvaal amounted to $£ 2.11 \mathrm{Mn}$. and for other areas $£ 1.05 \mathrm{Mn}$.

[^5]:    * Cf. Bulletin III, Vol. XX. Comment in June suggested that the current maize crop (1942/43, market 1943/4) might be about 22 or 23 Mn . bags, compared with the previous season's 15 or 16 Mn . bags (of 200 lbs ., not 236 lbs . as stated in a footnote in Bulletin III, Vol. XX).

[^6]:    Corrigendum.-Bulletin, Jan., 1944, p. 8. 'Boot-making is based on minimum rates agreed in the Industry, not on

