## LONDON \& CAMBRIDGE ECONOMIC SERVICE



# BULLETIN I. VOL. XXIII. 

JANUARY, 1945.

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## EDITORLAL COMMITTEE.




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

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## UNITED KINGDOM.

## THE ECONOMIC POSITION.

29th fanuary, 1945.

GOVERNMENT expenditure has shown no further increase during the last quarter of 1944, but the higher rate of expenditure attained in the preceding quarter was substantially maintained. Expenditure in the latter half of 1944 was about $7 \%$ greater than in the latter half of 1943. Revenue increased in nearly the same proportion.

At the end of the year bank deposits were about $13 \%$ greater than at the end of 1943, the note circulation about $14 \%$ greater. Bank clearings for 1944 showed an increase of about $10 \%$ on the previous year.

The almost complete stability of prices was maintained during the latter part of 1944. During the year wholesale prices of materials increased about $5 \%$, while there was a slight tendency for those of food to fall. The cost of living index rose 1 or $2 \%$. Wage-rates in 14 out of the 20 industries included in our index-
number rose, and the general index increased $5 \%$. With the proposed rise in agricultural wages a further cycle of increases may be expected, for the tendency throughout the war has been to raise the lower ranges of wages, presumably initially to match increased prices and partly to retain workers, and then under pressure from Trades Unions to restore the differential rates between occupations. This process is naturally cumulative and has brought up wages and earnings during the past three years while prices have hardly moved and there has been no evident increase in efficiency. Meanwhile the Government is subsidising food to the extent of about two shillings per person per week and collecting much larger sums in taxation on tobacco and alcohol. As the Government is the principal employer, this is a circular method of finance, and there will evidently be great difficulty in restoring normal relations between wages, prices and taxation in the future

## EVENTS OF ECONOMIC IMPORTANCE.

| Nov. | 29th | U.K. | $\ldots$ | $\ldots$ | White Paper on Britain's War Effort published. <br> " |
| :---: | :---: | :---: | :---: | :---: | :--- |
| 30th | Belgium |  |  |  |  | ... $\ldots$ Port of Antwerp opened.


| Jan. | 3 rd | Greece | Formation of General Plastiras' Government. |
| :---: | :---: | :---: | :---: |
| " | 3rd | Pacific | American forces land on Marinduque Island. |
| " | 5th | Greece | Reported end of Resistance. |
| " | 5th | U.K. | New schedule of cargo war-risk insurance covering Persian Gulf, African, Indian, Mediterranean and some S. American and West |
| " | 5th | U.S.S.R... | Recognition of Polish Provisional Government in Lublin by Russian Government. |
| " | 5th | Burma | Akyab captured. |
| " | 9th | Philippines | American forces land on Luzon Island. |
| " | 10th | U.K. | Agricultural Wages Board proposes 5s. increase in national minimum weekly wage for adult male agricultural workers and 1d. per hour in overtime rate. |
| " | 11th | Western Front | Laroche captured. |
| " | 12th | Greece | General Scobie announces truce with E.L.A.S. |
| " | 16th | Russian Front | Russians launch new offensive on two fronts south of War |
| " | 18th | " " | Capture of Warsaw. |
| " | 19th | " | Capture of Cracow and Lodz. |
| " | 19th | U.K. $\cdots$ | Vote of Credit of $£ 1,000 \mathrm{Mn}$. |
| " | 20th | U.S.S.R. and Hung | Armistice with Provisional National Government of Hungary signed. |
| " | 21st | Russian Front | Russians reach German Silesia. |
| " | 23 rd | Burma | Land route to China opened. |

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

By P. B. Whale.

Government Finance.-There was no further increase in the rate of government expenditure in the last quarter of the year, and in fact the weekly average was slightly lower than in the preceding quarter. But revenue receipts averaged $f_{6} 6 \mathrm{Mn}$. a week less, and the average weekly deficit was about $£ 4 \frac{1}{2} \mathrm{Mn}$. greater. In comparison with a year earlier, expenditure averaged $f_{6} 6 \mathrm{Mn}$. a week more and revenue $£_{3} 3 \mathrm{Mn}$. a week more.


For nine months of the current financial year Ordinary Receipts and Ordinary Expenditure have amounted respectively to $64 \%$ and $75 \%$ of the estimates. In the two preceding financial years, the revenue for the first nine months proved to be about $60 \%$ of the full year's revenue, whilst the expenditure of those months was about $73 \%$ of the total for the year. The inference that the year's expenditure will somewhat exceed the estimate is likely to prove correct; but a similar inference with respect to the revenue would not be justified in view of the altered distribution of tax collections resulting from the P.A.Y.E. system.

The total deficit, or excess of Ordinary Expenditure over Ordinary Revenue, for the quarter was $£ 847.5 \mathrm{Mn}$., and the amount raised by borrowing was $£ 863 \mathrm{Mn}$.

The sale of the $2 \frac{1}{2} \%$ National War Bonds was suspended in November, and a new security, the $1 \frac{3}{4} \% 1950$ Exchequer Bond, is offered in its place. Including the issues of the new security, public subscriptions to the tap loans during the
quarter amounted to $£ 298 \mathrm{Mn}$. ; and with about $£ 70 \mathrm{Mn}$. added to savings bank deposits, we have a total for Large and Small Savings of $£ 368 \mathrm{Mn}$. This figure compares favourably with those for preceding quarters, but it doubtless benefited from the desire to purchase National War Bonds while they were still on tap.

Of the increase of $£ 503 \mathrm{Mn}$. over the quarter in short-term debt (after deducting the increase in savings bank deposits) $£ 212.5 \mathrm{Mn}$. was accounted for by Treasury Deposits, although there were no new issues and some repayments in the last week of the year. All the other items show increases, the largest being one of nearly $£ 111 \mathrm{Mn}$. in Treasury Bills. There was an increase of $£ 40 \mathrm{Mn}$. in bills offered for tender in the course of the quarter, and as the two terminal dates of the quarter fall respectively on a Saturday and a Sunday, the tender bills should account for exactly this amount in the total increase in bills outstanding, leaving $£_{61 \mathrm{Mn} \text {. as the addition to tap bills. A more }}$ illuminating calculation, perhaps, is the following. Deducting the increase of about $£_{73} \mathrm{Mn}$. in Tax Reserve Certificates as well as that in savings bank deposits, the increase in the floating debt was $£ 429 \mathrm{Mn}$. The increase in the deposits of (11) clearing banks, minus the increases in their advances, balances with banks and items in transit, plus the decrease in their investments, provides $£ 224 \mathrm{Mn}$. of this, the increase in the note circulation during the quarter provides another $£ 84 \mathrm{Mn}$., and we are left with a balance of roughly $£ 120 \mathrm{Mn}$., as the amount provided from other sources.

GOVERNMENT BORROWING. FOURTH QUARTER, 1944.

|  | (£Mn.) Oct. (28 days) | Nov. (28days) | Dec. (36days) | Quarter 92 days |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates | 10.5 | 10.15 | 11.7 | 32.35 |
| 3\% Defence Bonds ... | $5 \cdot 3$ | 6.8 | 6.2 | $18 \cdot 3$ |
| $3 \%$ Savings Bonds | $20 \cdot 8$ | 121.4 |  | $142 \cdot 2$ |
| $2 \frac{1}{2} \%$ Nat. War Bonds |  | $8 \cdot 3$ | 28.95 | 37.25 |
| Other Debt ... | $22 \cdot 2$ | 21.45 | $24 \cdot 7$ | $68 \cdot 3$ |
| Repayments | $\begin{aligned} & -4 \cdot 1 \\ & -1 \cdot 65 \end{aligned}$ | $-0.45$ | 0.4 | $\begin{aligned} & -4 \cdot 2 \\ & -3 \cdot 2 \end{aligned}$ |
| Total long \& medium term borrowing ... | 53.0 | 166.05 | $72 \cdot 0$ | 291.0 |
| Tax Reserve Certificates | 8.2 | $22 \cdot 15$ | $42 \cdot 5$ | 72.85 |
| Treasury Deposits | 123.0 | $-45$ | 94.0 | 212.5 |
| Treasury Bills ... | 54.55 | 25.65 | $30 \cdot 55$ | 110.75 |
| W.\& M.Adv. Govt. Depts. | $47 \cdot 1$ | 16.8 | $73 \cdot 9$ | 137.8 |
| Total Bank of England | -20.2 | $26 \cdot 7$ | 31.7 | 38.2 |
| short-term borrowing | 212.6 | 86.8 | 872.65 | $572 \cdot 1$ |
| Total borrowing | 265.6 | 252.9 | 344.6 | $863 \cdot 1$ |

Bank of England.-The note circulation increased by $£ 75 \mathrm{Mn}$. between middle dates in

September and December, $£ 60 \mathrm{Mn}$. between mid-October and mid-January. The Limit to the note issue was raised another $£ 50 \mathrm{Mn}$. at the beginning of December. The assets of the Bank show an increase of nearly $£ 100 \mathrm{Mn}$. between the October and January dates, and had risen by a further $£ 60 \mathrm{Mn}$. in December to provide for the end of the year peak in note circulation and bank deposits.

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


The increase of $£ 211 \mathrm{Mn}$. in Net Deposits of these banks in the last quarter is rather less than the increase in the corresponding quarter of 1943. It was more than covered by an increase of $£ 219 \mathrm{Mn}$. in Treasury Deposits. Discounts declined by $£ 62 \mathrm{Mn}$. and Investments by $£ 19 \mathrm{Mn}$. Advances increased by $£ 16 \mathrm{Mn}$., but as a proportion of deposits they declined further to $16.6 \%$. The Cash ratio at the end of the year touched $11 \%$ and the ratio of liquid assets to deposits was nearly $56 \%$.

Bank Clearings.-The combined total of clearings at the London Clearing House (Town, Metropolitan and Country) for 1944 showed an
increase of $9.7 \%$ on that for the previous year. The accompanying table shows the increase in comparison with 1943 to have been greatestfrom 12 to $13 \%$-in the first two quarters: but it is officially explained that these higher percentages owe something to the fact that certain provincial clearing areas ceded territory to London in July, 1943. The relatively small increase in the third quarter may reflect in part the effect on trade of the fly-bomb attacks, in part diminished stock exchange turnover in September. Provincial clearings show a decline for the year of $19 \%$. But the larger declines in the first two quarters are affected by the technical change referred to above, and there was an increase of $8 \%$ in comparison with 1943 in the last quarter. The combined London and provincial clearings for the year show an increase of $9 \%$ over 1943.


Security Prices.-Our index number of industrial security prices for the period from mid-October to mid-January showed a continuance of the recovery already discernible in October. In the first month there were fairly uniform gains; in the second month gains and losses balanced one another; in the third, gains in almost all the shares raised the index to the peak level of last August. In the week following January 17th there has been a sharp reaction which must apparently be connected with the news of the Russian victories and so far parallels the reaction of last August.

The index for fixed interest securities also shows a recovery most marked in the November and January figures: and in this case there is not yet any later reaction to report.

# PRICES, WAGES AND SALES. 

By A. L. Bowley.

PRICES.-There has been no significant change in any of the prices included in our index-numbers, wholesale or retail, except a seasonal fall in the price of potatoes.

WHOLESALE PRICES. CHANGES IN PRINCIPAL GROUPS

|  | 1943 | 1943 | 1944 | August, $1939=100$ throughout. |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Sept. | Dec. | June | Sept. | Dec. |
|  | 202 | 202 | 200 | 195 | 198 |
| Meat, fish, eggs ... | 144 | 144 | 144 | 144 | 144 |
| Other food and tobacce | 184 | 182 | 181 | 182 | 179 |
| Total, Fiod, \&c. | 176 | 175 | 174 | 173 | 173 |
| Cosl | 158 | 158 | 172 | 191 | 191 |
| Iron and Steel | 142 | 142 | 143 | 144 | 144 |
| Non-ferrous metals... | 125 | 125 | 127 | 127 | 127 |
| Cotton... | 167 | 168 | 196 | 196 | 197 |
| Wool ... | 174 | 178 | 179 | 179 | 180 |
| Other textiles | 178 | 180 | 182 | 181 | 184 |
| Chemicals and Oils... | 162 | 162 | 163 | 163 | 163 |
| Miscellaneous | 185 | 187 | 192 | 193 | 193 |
| Building Materials ... | 144 | 145 | 147 | 148 | 148 |
| Total, Materials, \&c. | 161 | 162 | 167 | 168.5 | 169 |
| Grand total ... | 166 | 167 | 169.5 | 170.5 | $170 \cdot 5$ |

Changes in the items of the Cost of Living Index to December 1st are given below. The total index for January 1st, 1945, was only one point higher than at December 1st.


REVISION OF THE INDEX-NUMBER OF WAGE-RATES.-The purpose and detail of this number were described in the Bulletin, January, 1944, pp. 6-8. It was there explained that the intention was to measure the effect of changes in time-rates for a normal week and in piece-rates, ignoring the other factors which affected the earnings of individuals or of the
wage-earning population. The effect of these other factors has been discussed in the Bulletin, October, 1944, pp. 77-78 and in earlier numbers. But it has been found that the index for coalminers has been unreliable and it has been decided to re-cast it.

The method followed for many years in assessing miners' wages was to estimate the changes in earnings per shift, as indicated by percentage changes in piece-rates, in each important district, and to combine them by weights reflecting the importance of each district at the time the index-number was initiated. Some measure of the adequacy of this method was obtainable from the quarterly returns of average earnings. But in 1936 several changes in wagerates were made other than percentages on piece-rates, and the basis of calculation was shifted to average earnings. The publication of these was, however, suspended at the outbreak of war, and from November, 1939, till June, 1941, estimates had to be made of the combined effect of piece-rate percentages and of flat-rate additions which had become common. When in 1944 a record of actual earnings from 1936 to 1944 was published, it was found that the formula in use no longer applied closely. Also it was found that the effects of the raising of the minimum payable per shift in June, 1942, and January, 1944 had been underestimated. Finally the report showed that earnings per shift increased gradually during 1943 without any corresponding change in rates.

Thus it has seemed best to use the earnings per shift throughout for half-yearly or quarterly averages and to make slight adjustments for separate months when there were known changes during a half-year or quarter. This has led to a revision of the index number for coal as follows :-

COAL MINERS' AVERAGE EARNINGS PER SHIFT. INDEX NOS.-\% OF DEC., 1924.


The numbers now used for coal include the effects of changes in facilities for earning on piece-rates and for any relative shifting of occupations or changes in the numbers at particular mines or between districts, and they are to some extent out of line with the general intention of the wage-rate index.

As the records of earnings are not up to date there will be some delay in arriving at a final index, though it may perhaps be expected that no important changes will take place for some time.

The effect of this revision has been to raise the former general index of wage-rates gradually from 1941 or 1942 till it stood at 148 instead of 146 in January, 1944. The numbers in the Table (p. 13) have been revised in accordance with this change.

We give the usual Table of percentage changes since the outbreak of war. The figure for railwaymen has been revised ; it should have been 141 instead of 148 from April, 1944.


The increase in agricultural wages, when it takes effect, will raise the percentage increase for agriculture during the war from 87 to 100 , but the general index-number by less than one unit.

There has been no further change in any of the rates included in the index up to Jan. 15th,1945.

RETAIL SALES. - The index-number of sales of foodstuffs and perishables covered by the retailers included in the official sample was steady from September to November, at the average level which prevailed in the previous twelve months. The index for other merchandise rose each month, mainly owing to household goods and sports and travel goods; in November the level was $15 \%$ higher than from Oct.-Sept., 1943-4. Though the apparel index fell in November, the figure is described officially as high for the fourth month in a coupon period. The total index stood at 113 for November, which was higher than for any month in 1941-4 other than December when the level has exceeded 120 each year.


UNEMPLOYMENT. - The statistics of Unemployment and the Unemployment Fund indicate no important change, at least to September, 1944.

| UNEMPLOYMENT FUND (General Scheme). Weekly Averages - £000's. |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Years | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 |
| Qrs. 1 | 1126 | 784 | 320 | 91 | 56 | 49 |
| 2 | 781 | 383 | 160 | 68 | 53 | 77 |
| 3 | 617 | 389 | 112 | 66 | 48 | 46 |
| 4 | 699 | 432 | 83 | 61 | 50 |  |
| Employees' Contributions |  |  |  |  |  |  |
| Years | 1939 | $1 \subseteq 40$ | 1941 | 1942 | 1943 | 1944 |
| Qris. 1 | 408 | 409 | 483 | 493 | 479 | - 455 |
| 2 | 421 | 437 | 485 | 495 | 469 | 465 |
| 3 | 474 | 414******* | 485 | 490 | 463 | 464 |
| 4 | 417 | 455 | 486 | 481 | 455 |  |
|  | ate | ntrib | ns | crea | Au | 1940, |

## UNITED KINGDOM EXPORTS <br> AND IMPORTS IN WAR-TIME

By T.

## Fanuary, 1945.

Sufficient information is now available for an analysis of our war-time foreign trade. ${ }^{\star}$ Imports (excluding re-exports) increased from $£ 858 \mathrm{Mn}$.

[^0]Barna.
in 1938 to $£ 1,865 \mathrm{Mn}$. in 1943. The recorded figures exclude imports of government stores in government vessels (which may not have been important), but include lease-lend and mutualaid imports. For various reasons it is difficult to make an allowance for the latter. But imports of munitions after 1941 (when they became important) are distinguished. From published sources imports of munitions can be estimated for other years, except 1941 ; it is to be regretted that the Board of Trade did not extract from its records imports of munitions for all years.

IMPORTS RETAINED FOR HOME-CONSUMPTION

|  | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Value (£Mn.) |  |  |  |  |  |  |
| Total ${ }^{\text {Munitions* }}$... | $858 \cdot 0$ | $839 \cdot 5$ | $1126 \cdot 1$ | $1132 \cdot 4$ | 1194.9 196.4 |  |
| Munitions* Non-muni. | $0 \cdot 6$ | $4 \cdot 6$ | (29) | - | 196.4 |  |
| Non-munitions ... | $857 \cdot 4$ | 834-9 | (1097) | - | 998.5 | $1211 \cdot 4$ |
|  |  |  |  |  |  |  |
| Non-munitions ... | 100 | 96 | 92 | - | 72 | 79 |
| Price index : 100 159 165 184 |  |  |  |  |  |  |
| Total | 100 | 101 | 139 | 159 | - 165 | 184 |
| Munitions ... | 100 |  |  |  | 180 | 19 |
| Non-munitions $\qquad$ | 100 | 101 | 139 | - | 163 | 180 |

* Munitions include aircraft and other vehicles (except tyres), arms, ammunition, military and naval stores.

The change in volume of imports is estimated by recalculating imports for each year at 1935 prices. Total retained imports increased between 1938 and 1943 by $18 \%$-the figure for 1941 being the lowest-but imports of nonmunitions fell by $21 \%$-the figure for 1942 being the lowest. The latter group still includes military goods (other than munitions), but presumably excludes supplies to Allied forces in Britain. The tonnage of imported food was halved in five years, that of raw materials (excluding oil) also halved; both categories have risen since 1942. Imports of finished goods, etc. had shrunk by 1942 to one-ninth of their pre-war tonnage ; but munitions imports in 1943 raised the amount to $30 \%$ of the pre-war figure. It is clear then that the imports of bulky goods were cut severely rather than imports with a high value per ton. Imports of munitions were only $0.1 \%$ of the total (in value) in 1938, $\frac{1}{2} \%$ in 1939 and $2 \frac{1}{2} \%$ in 1940. The Battle of Britain was thus fought with British arms ; but munitions formed $16 \frac{1}{2} \%$ of total imports in $1942,35 \%$ in 1943, and no doubt the climax was not reached until D-day. Imports of munitions revalued at 1938 prices would be $£ 110 \mathrm{Mn}$. in 1942 , and $£ 340 \mathrm{Mn}$. in 1943 ; the latter amount is $40 \%$ of our 1938 imports.

The price-index of imports is derived from the same sources, that is, it is based on variable current weights. It is impossible to say whether the index calculated with fixed base-year weights would rise to a greater or lesser extent; the chances are probably equal. Whereas the prices of non-munitions have risen in five years by $80 \%$, prices of munitions rose by $93 \%$, making the average $84 \%$. The bulk of munitions imports came from the United States; hence there is no reason for the assumption (made in American national income calculations) that munitions prices have not risen there. $\dagger$ The

[^1]vast flow of munitions in 1943 (which excludes munitions despatched direct to theatres of war) was charged to Britain (though not paid for) at prices which have risen since 1938 more than the general level of import prices.

The sources of our imports have, of course, changed. British countries supplied $40 \%$ of total imports (including re-exports) in 1938, which proportion remained virtually unchanged until after 1942 ; the United States supplied $13 \%$ in 1938 and other foreign countries $47 \%$. By 1942 the position had been almost reversed ; the United States supplying $44 \%$. Owing to the heavy flow of munitions in 1943, the share of the United States reached $59 \%$, whilst that of British countries fell to $30 \%$ (though the absolute amount increased), and that of other countries below $12 \%$.

It is realised that the increase in prices has varied in different countries. An attempt has been made here to construct price-indexes of f.o.b. import-prices, as against c.i.f. prices which were recorded. United States export prices, and wholesale prices for other countries, have been used, with an allowance for changes in exchange rates. The rise was least in the Dominions, and greatest in foreign countries other than the United States.

The volume index of total imports was obtained by deflating the value figures with the price-index of retained imports given above. The total volume for each year was then sub-divided, taking account of the different extent of change in prices in different countries. All volume figures in the table below are expressed as percentages of the 1938 total.

TOTAL IMPORTS.

| From |  | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| British countries | \% | $40 \cdot 4$ | $40 \cdot 5$ | $47 \cdot 6$ | $45 \cdot 0$ | $40 \cdot 0$ | $29 \cdot 7$ |
| United States |  | $12 \cdot 8$ | $13 \cdot 2$ | $23 \cdot 9$ | $35 \cdot 7$ | $44 \cdot 4$ | 58.7 |
| Other countries | $\ldots$ | $46 \cdot 8$ | $46 \cdot 3$ | 28.5 | $19 \cdot 3$ | $15 \cdot 6$ | $11 \cdot 6$ |
| Total |  | 100 | 100 | 100 | 100 | 100 | 100 |
| F.o.b. price-index* |  |  |  |  |  |  |  |
| British countries | ... | 100 | 102 | 113 | 124 | 134 | 141 |
| United States |  | 100 | 108 | 128 | 137 | 168 | 184 |
| Other countries |  | 100 | 102 | 120 | 150 | 175 | 200 |
| Total |  | 100 | 102 | 118 | 133 | 154 | 173 |
| British countries |  | 40 | 39 | 45 | 38 | 36 | 40 |
| United States |  | 13 | 12 | 20 | 27 | 32 | 60 |
| Other countries |  | 47 | 44 | 25 | 13.5 | 11 | 11 |
| Total |  | 100 | 95 | 90 | 78.5 | 79 | 111 |

The rise in the volume of total imports was less than in retained imports, because re-exports have fallen off. British countries supplied in 1943 as much as in 1938, while the United States replaced the bulk of imports from other countries and provided the increase, supplying $60 \%$ (in 1943) of the total 1938 volume.

The f.o.b. price-indexes were averaged for all countries. Changes in this index are caused not only by price changes abroad but also by changes in the composition of imports, e.g., a relative shift from Dominions to United States imports causes the index to rise. Part of the rise in the last year was due to this factor. The difference between f.o.b. and c.i.f. import priceindexes is due to the fact that shipping and insurance costs have risen more than f.o.b. prices. The figures imply (taking shipping costs as $10 \%$ of the value of imports in 1938) that shipping and insurance costs were by 1940 $3 \frac{1}{4}$ times the pre-war level and by 1941 nearly 4 times. There was a fall back to $2 \frac{1}{2}$ in 1942 and only a slight rise in 1943. British shipping costs were controlled, but neutral shipping costs soared ; hence average costs fell as neutral ships were brought under British control. Insurance rates showed a marked all-round increase when war broke out. The rise in shipping and insurance costs is due partly to the rise in the time rates of shipping and insurance costs, and also to the increase in the time spent in the average journey.

It is now possible to allocate the rise in import prices to three factors: (a) rise in prices abroad, (b) devaluation of the pound, and (c) rise in shipping and insurance costs. All these components are also dependent on the composition of imports. Foreign prices have risen and are the chief cause of the rise in prices. The price of dollars rose by $22 \%$, of Canadian dollars by $10 \%$, which (together with other changes in exchange rates) raised average import prices by $13 \%$ in 1943. The increasing influence of exchange rates on import prices is due to the increasing share of United States imports. Shipping costs reached the peak of their effect in 1941, and are, as percentage of import prices, declining.

RISE IN IMPORT PRICES.

|  | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (a) Foreign prices | 100 | - | 107 | 121 | 1372 | 152 |
| (b) Exchange rates | 100 | - | 110 | 110 | 112 | 114 |
| (c) F.o.b. prices (1) | 100 | - | 118 | 133 | 154 | 173 |
| (d) Shipping and insurance (2) | 100 |  | (330) | (390) | (260) | (280) |
| (e) C.i.f.price (3) ... | 100 | 101 | 139 | 159 | 165 | 184 |
| Rise in c.i.f. prices above 1938 level |  |  |  |  |  |  |
| due to: |  |  |  |  |  |  |
| Foreign prices (4) | - | - | 6 | 19 | 34 | 47 |
| Exchange rates (5) | - | - | 9 | 9 | 11 | 13 |
| Shipping and insurance (6) | - | - | 20 | 22 | 11 | 11 |
| Total (7) | - | - | 39 | 56 | 65 | 84 |

(1) $\mathrm{c}=\mathrm{a} \times \mathrm{b} / 100$.
(2) Residue; calculated from $e$ and $c$.
(3) $\mathrm{e}=0 \cdot 9 \mathrm{c}+0 \cdot 1 \mathrm{~d}$.
(4) $0 \cdot 9(\mathrm{a}-100)$.
(5) Approx. $0 \cdot 9$ (b -100 ).
(6) $0 \cdot 1(\mathrm{~d}=-100) \div(0 \cdot 9 \mathrm{c}+10)$.
(7) e.g. for $1943: \overline{\mathrm{i}} .47 \times 1 \cdot 13 \times 1 \cdot 11-1.84$

The study of export prices is equally
interesting. $\ddagger$ The Board of Trade gave priceindexes with current weights ; sufficient information is available for the calculation of indexes with base-year weights. The latter show a greater increase, because (as Professor Bowley pointed out) exports have fallen most where the rise in prices was the greatest ; this assumption would not necessarily hold for imports. In five years export prices rose by 71 to $82 \%$. Up to 1941 export prices rose together with (perhaps somewhat behind) the relevant wholesale prices; since 1942, however, the rise in export prices has exceeded the rise in wholesale prices. But the consistency of export prices and wholesale prices is more marked if we compare price-indexes for groups of goods, e.g. woollen textiles, or chemicals. The different movement of export prices and wholesale prices can be explained, therefore, partly by the different content of the two indexes.

On the whole, it seems that the shortage of British exports was not exploited by charging excessive prices. As far as can be seen, export prices to the United States rose to the same extent as other export prices; in fact, the price of whisky (a major item here) rose by $25 \%$ only, or not at all in terms of dollars.

EXPORTS OF BRITISH PRODUCE.

|  | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Value of Exports, excluding munitions £ Mn. |  |  |  |  |  |  |
|  | $457 \cdot 1$ | $423 \cdot 5$ | $390 \cdot 4$ | $322 \cdot 8$ | $265 \cdot 4$ | 228.0 |
| Volume index : <br> (a) base-year |  |  |  |  |  |  |
| weights | 100 | 932 | 69 | $51 \frac{1}{2}$ | $36 \frac{1}{2}$ | 29 |
| (b) current weights | 100 | 931 | 71 | 491 | 35 | 27 |
| Price index : <br> Total exports <br> (a) base-year |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| weights | 100 | 99 | 120 | 144 | 166 | 182 |
| (b) current weights | 100 | 99 | 120 | 138 | 157 | 171 |
| Manufactures, etc. |  |  |  |  |  |  |
| weights | 100 | 99 | 122 | 142 | 164 | 181 |
| (b) current weights | 100 | 98 | 121 | 139 | 160 | 175 |

If we allow for the fact that some of the increased shipping costs (reflected in import prices) accrue to British residents, it can be stated that the pre-war terms of trade have hardly changed. That this is so is due to the price policy of the Dominions, whose prices apparently moved with British output prices. But the official exchange rate was generous to the countries of the Middle-East, India, the Argentine and Portugal, and Britain bears the burden of their inflation through the sale of her assets and the heavy accumulation of sterling balances. Our terms of trade with the United States remained even until Pearl Harbour ; up to that date United States wholesale prices and export prices moved together, but after Pearl Harbour the rise in export prices was steeper, and our terms of trade

[^2]deteriorated. In five years United States wholesale prices rose by $31 \%$, export prices by $51 \%$-in terms of sterling, $84 \%$. As United States exports at present consist to a large extent of munitions the recent steep rise in export prices relatively to other prices in the U.S. must have been due to munitions (confirming the point made above in connection with the British import prices) There is no evidence that this was so in this country. British munitions prices have risen less than other prices here. 9

PRICE INDEX-NUMBERS, U.K. AND U.S.A.
$\begin{array}{llllll}1938 & 1939 & 1940 & 1941 & 1942 & 1943\end{array}$
Board of Trade Wholesale prices :

| sale prices : |  | 100 | 101 | 135 | 151 | 157 | 161 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Total ... ... | 100 | 107 | 159 | 179 | 182 | 187 |  |
| Basic materials ... | 100 |  |  |  |  |  |  |
| Manufactured |  |  |  |  |  |  |  |
| goods | 100 | 100 | 120 | 133 | 137 | 139 |  |
| United States : |  |  |  |  |  |  |  |
| Wholesale prices | $\cdots$ | 100 | 98 | 100 | 111 | 125 | 131 |
| Export prices | $\ldots$ | 100 | 98 | 105 | 112 | 138 | 151 |

Note.-United Kingdom wholesale prices, particularly of basio materials are affected by import prices. It should be noted that the volume of U.S. exports increased greatly during the period considered, and the composition of exports changed, which introduces a factor of uncertainty into the index of her export prices.

Export prices do indicate future trends, but it is doubtful if the value or volume of exports does so, since this is at the present controlled by higher policy. The definition of exports was changed, and munitions exports by the government have been excluded since 1942. To make the figures comparable we have excluded from the value, and from the volume, all munitions throughout. In five years the value of exports has fallen to $49 \%$ of 1938 ; but if an allowance is made for enemy and enemy-occupied countries, this figure becomes (equally for British and other countries) $70 \%$; if a further allowance is made for difficulties of trading with Switzerland and Sweden, it becomes over $72 \%$. The fall in volume-to $27-29 \%$-is, of course, more serious. The value of these figures depends on the definition of exports.

There can be two logical definitions of exports : the first includes all exports, that is, the total flow of goods from Britain to the battlefields and markets of the world; the second includes cash-exports only, that is, exports for

[^3]which foreigners (and not British forces abroad) make payments to British residents or the government. The pre-war definition (excluding exports of government stores for government use abroad) was in peace-time a good approximation to cashexports, but the present definition has no intrinsic value : it excludes exports of munitions by the British government to foreign governments, but it still includes exports of munitions despatched by the manufacturer. It also includes mutual-aid exports (other than munitions), e.g., benzol worth $£ 3 \mathrm{Mn}$. to the United States in 1943 ; it includes exports of military stores (other than munitions) for payment, e.g., $3,000,000$ pairs of Army boots to Russia in 1941 ; it includes supplies to N.A.A.F.I. and Y.M.C.A. (unless consigned to a Military Control officer), e.g., one-sixth of the exports to Ceylon in 1943 were formed by N.A.A.F.I. cigarettes (which are, of course, not reflected in the balance of payments) ; it excluded exports of coal to North Africa while it was under military control, but included them when taken over by the French. It is obvious that the fall in commercial exports was much more serious than indicated by the official figures.

There is need for the reclassification of exports tor all the war years. The statistics should distinguish munitions and other goods; goods exported for British government use or sold to British forces, goods supplied to foreign governments or U.N.R.R.A., and exports sold commercially ; cash and other exports should also be distinguished (where appropriate).

The exclusion of munitions was straightforward for 1938, 1939 and 1940 for which years complete data are available. ( $£ 14 \mathrm{Mn}$., $£ 16 \mathrm{Mn}$. and $£ 21 \mathrm{Mn}$.). In 1940 export-prices of munitions were only $5 \%$ above the 1938 level (as against $23 \%$ for all exports), which confirms the point made above. The value of munitions exported in 1941 ( $£ 43 \mathrm{Mn}$.) can also be extracted; no details were given for warships, but the value of all vessels exported was $£ 0.3 \mathrm{Mn}$. only. Since munitions exports are distinguished in two groups only (S and U Class III), where they were predominant, price-indexes for these groups were used to obtain the relevant volumes. The Board of Trade (or the White Paper on Britain's War Effort) could easily have published all figures on the same definition, that is, excluding munitions ; instead, great confusion is caused by the alleged break in statistics (which affects only two groups of goods out of forty-six), and detailed figures for 1938, 1942 and 1943 are printed separately from those for 1939, 1940 and 1941, which inconveniences the reader.


INDEX NUMBERS OF PRICES IN 12 COUNTRIES.
Mainly based upon the Monthly Bulletin of the League of Nations.

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


II. RETAIL, COST OF LIVING, \% OF JAN.-JUNE, 1939

|  |  |  | (e) |  |  |  | (c) | (d) |  |  | (b) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 108 | 100 | 101 |  | 99 | 101 | 100 | 107 |  | 103 | 102 | 100 |
| 117 | 102 | 104 |  | 102 | 105 | 102 | 119 |  | 113 | 107 | 101 |
| 124 | 106 | 106 |  | 104 | 103 | 104 | 122 | (f) | 120 | 114 | 101 |
| 129 | 109 | 109 |  | 107 | 103 | 105 | 121 | 118 | 132 | 122 | 103 |
| 130 | 111 | 115 |  | 109 . | 109 | 106 | 122 | 126 | 136 | 132 | 108 |
| 130 | 117 | 115 | (f) | 115 | 112 | 108 | 124 | 133 | 143 | 139 | 114 |
| 130 | 121 | 117 |  | 119 | 112 | 108 | 126 | 142 | 149 | 144 | 118 |
| 129 | 123 | 117 | 101 | 123 | 117 | 110 | 131 | 149 | 150 | 149 | 122 |
| 129 | $122 \cdot 5$ | 119 | 100 | 126 | 109 | 110 | 135 | 158 | 149 | 150 | 122.5 |
| 130 |  | 118 |  | 126 | 110 | 111 | 139 | 165 | 150 | 151 | 123 |
| 130 | 122 | 118 |  | 127 | 109 | 111 | 139 | 165 | 150 | 151 | 123 |
| 130 |  | 118 | 101 | 128 | 111 | 111 | 141 | 167 | 149 | 151 | 123 |
| 130 |  | 118 |  | 129 | 109 | 112 | 141 | 167 | 149 | 152 | 123 |
| 130 | 122 | 118 |  | 129 | 109 | 112 | 145 | 175 | 149 | 152 | 124 |
| 130 |  | 118 | 100 | 130 | 110 | 113 | 146 | 173 | 149 | 153 | 124 |
| 131 |  | 118 |  | 129 | 112 | 116 |  | 171 | 149 | 153 | 125 |
| 131 |  | 118 |  | 127 |  |  |  | 171 | 149 | 152 | 125 |
| 130 |  | 118 |  | 128 |  |  |  |  |  |  | 125 |
| 130 |  |  |  |  |  |  |  |  |  |  |  |
| 130 |  |  |  |  |  |  |  |  |  |  |  |
| 131 |  |  |  |  |  |  |  |  |  |  | * |

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


[^4]

* Bank Rate $2 \%$ to 24 th Aug. $: 4 \%$ to 28 th Sept. ; $3 \%$ to 26 th Oct., $1999 ; 2 \%$ since. o Official Minimum Prices.
+ Exclusive of Investments in Affliated Banks.

STOCKS \& SHARES-

NEW CAPITAL ISSUES-
BANK OF ENGLAND-
PRINCIPAL BANKS-

TREASURY BILLS-

Index Nos, of Prices and Fleld as percentage of 1924 level; on 15th of month
Sensitive Index.-Geometric Mean of monthly Dercentage changes.
issues during month in Gt, Britain (a), for U.K. (b), for Abroad
Deposits. 11th-17th of month
Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November $22 n d, 1928$.
"Current Deposit and other accounts," etc. Before September, 1939, averages for the month of 9 clearing banks (1.e.-exclu
the month.
Issued by tender. 11th-17th of month, thereafter end of month, weeks preceding date of Exchequer Return.
0 therwise issued. Total of Treasury Bills in existence less those issued by tender.
Day-to.Day Rate and 3 Months' Rate. Averages for week ending 15th of month.



## RECENT MOVEMENTS IN UNITED STATES.

## Information communicated by Mr. ERIC SCHIFF, Washington.

15th December, 1944.
GENERAL SURVEY.-What the outcome of the November elections will probably mean for American economic policy in general, may be summarised in the statement that this outcome represents a victory of groups and tendencies favouring a middle course. In both of the two major parties the groups and politicians known for radical views on questions of general economic policy failed to get the popular endorsement they had sought, and this fact has contributed to the spread of the feeling that the economy of the country will not in the near future be subject to major organisational changes other than those dictated temporarily by the war. Whereas after the 1940 election comments in conservative quarters betrayed a good deal of uneasiness about the New Deal becoming "entrenched," this point is not now being emphasised so strongly. For one thing, it is felt that during the next four years, the economy of the country will be governed in so many respects by imperative war and transition requirements that any administration would have to follow a largely unalterable path. For another thing, leading spirits in the Republican party have during the last few years moved further away from the idea that a change in the Federal administration should mean a simple return to the principles that dominated economic policy before the depression. Certain important points of the original New Deal programme which were hotly debated some years ago are now at least tacitly accepted by many former opponents. In some cases, developments abroad have unmistakably helped to bring about this change in attitude. Thus, if social security is now explicitly or tacitly accepted even in conservative quarters as one of the goals of post-war economic policy in this country, it is safe to say that the Beveridge plan and the discussions which centred around it have contributed to bring American public opinion to this point. At the same time, the lack of success in the November elections of some of the more radical New Dealers has supported the conviction that the continuance in office of the present administration does not inaugurate for American economic life a new phase of experiments such as characterised the N.R.A. period. Some subsequent events, e.g., the shake-up in the State Department after Mr. Stettinius' installation, have been interpreted as further signs of a strengthening of conservative tendencies in economic policy.

In one respect public opinion during the
period under review did have to change its expectations on the economic policy of the near future, but this was a result not of the elections, but of the outlook on the battlefronts. In the summer and early autumn thinking in this country had centred increasingly around the phase of partial demobilisation and reconversion expected for the period after the end of the war with Germany. When the Allied armies swept through France and Belgium, the problems of this transition period seemed to many to be almost at hand. While " spot authorisations" for actual increases in the production of civilian goods remained exceedingly limited in scale-in fact, their total amount up to October 24th is reported to have been only $\$ 203 \mathrm{Mn}$., which is somewhat less than one average day's retail trade-planning for large-scale reconversion was intensified all around, and statements by leading officials of several war agencies stimulated the hopes of consumers for an early removal of many wartime restrictions. Toward the end of November the picture changed radically. The country was flooded with warnings and alarm calls, coming from highly authoritative sources, which told of actual or threatening shortages in the supply of fighting equipment on the fronts, and of increasing manpower difficulties in war industries due to a growing tendency of workers to shift over to peacetime jobs. These warnings were accompanied by most urgent appeals to war workers to stay where they were, and their immediate result was the decision that all plans for large increases in civilian production must be shelved for the time being. Even the "spot authorisations" programme has been drastically curtailed. At the same time, production of several items in the list of munitions, where cutbacks had been ordered or contemplated for the near future, is being stepped up with all possible speed. Behind all this stands the recognition that "V-E day" will not come as soon as was expected, and that the remaining fighting period in Europe will mean current destruction of war material at a higher rate than had been assumed some time ago even in wellinformed quarters.

Most of the statistical series reflecting general economic activity show about the same trends as in the preceding quarter. Prices and costs of living were somewhat less stable than in earlier months of the year, but the changes were not large enough to be regarded as immediate danger signals. However, if during the next few months the war effort is stepped up at the rate


which is now considered necessary, the forces on which the country depends for " holding the line " in the struggle against inflation may well be put to a new test.

BUSINESS VOLUMES.-While keeping appreciably below the all-time peak that had been reached in 1943, business activity continued at a high level. In recent weeks the trend of production and sales was upward in many lines. Steel production, which had been expected to slacken somewhat in connection with earlier cutbacks in procurement programmes, was maintained very near the peak rate, and here as well as in many other industries the new prospects in respect of demand for armaments make it unlikely that the rate of activity will soon show any major decline. Construction is one of the few industry groups where the impossibility of resuming work for civilian needs has resulted in a considerable absolute decrease in output. Public construction projects amounting to only a fraction of their volume in the early phases of the war, and residential construction being virtually at a standstill new construction activity in 1944, according to a preliminary estimate by the War Production Board, will prove to be about $50 \%$ below 1943. Sales figures of industrial corporations have for some time been showing fairly irregular tendencies instead of the uniform upward trend which characterised nearly all of them a year ago. Even so, however, total sales of a large number of industrial companies in the first nine months of the current year were $11 \%$ higher than in the corresponding period of 1943. A new factor whose influence will be increasingly felt in some markets has recently come into the picture with the efforts of various agencies to dispose of surplus war property through regular channels of trade. In October, surplus war property valued at $\$ 26.8 \mathrm{Mn}$., which is about $3.9 \%$ of the total stock now available for sale, was sold at approximately $64 \cdot 7 \%$ of cost or appraisal value.

Corporate tax rates being what they are at present, figures of corporate earnings before tax deduction have become almost meaningless in any examination of the net financial results of a business period. Corporate earnings after tax deduction, on the other hand, reflect the stabilising influence of the steep tax graduation very clearly. Net earnings after taxes of 265 manufacturing corporations during the first nine months of the current year were only about 3\% higher than in the similar 1943 period. Only three industriespetroleum, automobiles and steel-showed major changes in net income after taxes. The first two continued to profit from the high level of military demand. In the steel industry on the other hand the rise in operating costs, especially in wages,
was large enough to bring net gains appreciably below the amount of 1943.

## PRICES, INCOMES AND LABOUR

 PROBLEMS.-As mentioned above, wholesale prices, retail prices, and costs of living have not changed materially during the period under review. Regional shortages-most of them temporary-in foodstuffs and other necessities or semi-necessities continue to occur, but none of them has so far been serious enough to alter the fact that civilian consumption as a whole has been maintained at an amazingly high level. Christmas trade has started early, and it does not look as if in this fourth year of the war any of its traditional features would be missing. Income payments in general have remained virtually stable since March; their total for 1944 is now estimated at some $\$ 154,000 \mathrm{Mn}$., as compared with $\$ 142,000 \mathrm{Mn}$. in 1943 . It is to be noted, however, that demands for wage increases have recently found a new stimulus in the partial success of such a move in the steel industry in November. The factory work week has been approximately stable for over a year.The present difficulties regarding manpower supply in war industries result from a reinforcement, during the last few months, of tendencies which became visible earlier in the year. In mere figures, the factory quit rate is not much higher than it was in 1943. The rate of separations per 100 factory employees was $7 \cdot 6$ in September and 6.4 in October ; the latter figure was the lowest since November, 1943. However, accessions (new hirings) per 100 factory employees were still lower ( 6.1 in September, and 6.0 in October). Besides, in 1943 most of the quit rate represented occupational shifts within war industries, whereas in recent months it largely reflected desertion from such industries. Regionally, the labour supply situation is by no means uniform, and it is also highly variable over time. Various plans are in discussion to secure a more stable manpower supply for the war industries in the coming months. A post-war bonus for war workers who stay on their jobs for the duration of the war has been proposed; legislation to introduce national service is again a much debated subject. The existing regulations vary from region to region in many details, but absence of direct compulsion to stay on a job is a common feature. The often-heard phrase that war workers here or there are " frozen to their jobs" does not give an entirely accurate picture of the situation. Nowhere is a worker in a war industry prevented from quitting. An inducement to stay is provided only indirectly by employment ceilings, by the necessity for any prospective employer to get the approval of the Employment Service for the
new hiring, and by the resulting difficulties the worker must expect to have in finding a new position after leaving the old one. Owing to various factors, these difficulties are in many individual cases not insurmountable, and feeling is therefore widespread that the existing type of restrictions has proved inadequate.

MONEY AND FINANCE.-The Sixth War Loan drive closely followed the pattern of the last few drives. The total goal, subscription of $\$ 14,000 \mathrm{Mn}$. without participation of the commercial banks, was reached within a relatively short time. Sales to individuals are lagging, however, and while at the time of writing the definite outcome is still in doubt it seems unlikely that the $\$ 5,000 \mathrm{Mn}$. quota set for these sales will be filled. Signs that the willingness of private individuals " to buy and to hold " had for the moment been somewhat weakened were not fully absent even before the drive started. For some time there had been an appreciable rise in the rate of bond redemptions. It is true that the present level of consumer spending in this country gives the fiscal authorities every moral right in the world to assume that private individuals are still in a position to contribute to the success of future government borrowing. However, the extent to which an ability to make contributions translates itself into a willingness to make contributions depends, even in a highly patriotic population, on a set of complex and partly imponderable psychological factors. In the present instance, one of the unfavourable factors may have been the coincidence of the drive with the peak of the Christmas buying. If, in timing the drive this way, the idea was to " siphon off" money which otherwise would be spent on Christmas luxuries, the policy had only limited success.

The financial history of this country during the last decade has been marked by a steady rise in the Federal debt. One after the other of the "ceilings" set by Congress or suggested by experts were discarded, and to-day there is no telling how far the expansion of national indebtedness will have to go if the war lasts another few years. From the beginning of the New Deal, long before the Federal budget was under the shadow of huge armament programmes, the increase in the national debt has alarmed conservatives in this country more than many other traits of the economic policy of the Roosevelt administration, whereas those responsible for this economic policy would try to minimise the importance of this development with a great variety of arguments. Looking at the purely quantitative side of the matter, and leaving aside questions of principle such as the statement that borrowing is necessarily harmless because "we owe the debt to ourselves," it is probably true that the earlier alarm cries were somewhat
exaggerated. The critics usually pointed to the percentage increases in the national debt from year to year, and these increases were in fact above what the public had been accustomed to see in the pre-depression decades. What some of the critics failed to see was the fact that even large percentage increases do not mean too much if the upward movement which they reflect had its start at a very low level. This was the case here ; at the beginning of the 'thirties governmental indebtedness per capita, or in relation to national income, was appreciably lower in the United States than in many other industrial nations. It is well to remember that even now, after the enormous wartime expansion of the last few years; the ratio of the national debt to national income in this country is smaller than it was in the United Kingdom before the outbreak of the war in Europe. On the basis of figures given in a recent study by Mr. Harold L. Seligman on Patterns of Wartime Borrowing in the United States, the United Kingdom, and Canada (Federal Reserve Bulletin, November, 1944, p. 1056 ff .) it is found that the debt of the United States at the end of the fiscal year 1944 was $129 \%$ of the national income. In the United Kingdom, the corresponding percentage at the end of the fiscal year 1939 was $170 \%$; at the end of the fiscal year 1944 it had reached $246 \%$.

It may be that the picture would change somewhat if the debt position of States and local governments were taken into account, but it is unlikely that the main result of the comparison would be reversed. It is sometimes emphasised that the effort to finance wartime needs by taxation rather than by borrowing has been more successful in the United Kingdom and in Canada than in the United States. In itself the observation is correct. From figures tabulated in the study just mentioned it appears that in the fiscal year 1944 the United Kingdom obtained about $52 \%$ of its net governmental receipts from taxation and some $48 \%$ from borrowing ; Canada, $49 \%$ from taxation and $51 \%$ from borrowing. In the United States the proportion received from taxation, although much higher than in the preceding year, still was only about $40 \%$. But, in making comparisons of this kind, it must be remembered that when the United Kingdom and Canada entered the war, both of them, and especially the United Kingdom, had already been relatively near the point where any further increase in the debt burden had to be weighed with great care. So it was probably inevitable that in the war financing of these countries increases in tax receipts should play an even greater relative role than in the United States in whose financial structure there still was some space left within which the debt could be increased without taking undue risks.

## SOUTH AFRICA.

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

21st December, 1944.

Post-War Industrial Development Policy. Early in the war period the Union Government set up an Industrial and Agricultural Requirements Commission, of which Dr. van Eck eventually became Chairman, to consider, inter alia, the possibilities of industrial development in the Union, and an Industrial Development Corporation, with Dr. van der Bijl, the present Director-General of Supplies, as Chairman and Dr. van Eck as Deputy-Chairman and Managing Director, to promote industrial development. About that time, it was the Government's stated policy to refrain from giving new protection to local industry, except against dumping. But suggestions were soon forthcoming from influential quarters, including Dr. van der Bijl and the Board of Trade and Industries, that it would be necessary in the future to grant protection against imports from low-wage countries and against other forms of "uneconomic competition." Eventually the Industrial and Agricultural Requirements Commission, itself not averse to protection of key industries and those affected by foreign "sweated labour," recommended amongst other things that there should be periodic examination of protected industries to secure "efficient" operation, and suggested, too, that there should be "rationalisation" schemes, compulsory if necessary, to reduce the " costs of manufacture." These events have been referred to in earlier Bulletins.

In the last session of Parliament, Mr. Waterson, who became head of the newly-created Ministry of Economic Development, stated that it was the policy of the Government that factories which had been established since the beginning of the war should be protected against overseas competition after the war. (No doubt the increase in company flotations shown in the table is partly the result of such assurances.) It appears from more recent reports of statements made by the Minister that assistance to and protection of industry, while it is not to be regarded as involving any change in the principle of protecting industry that has been in force in the country for many years, is to be designed to encourage the establishment and development of infant industries and to shield industries from competitive factors over which they have no control, such as dumping, " disruptive" competition from countries with lower
wages and standards of living than those obtaining in the Union, and relatively high prices of local raw material.

It appears, also, that the principle of periodic examination to secure "efficiency" is to be adopted : protected industries are to be required to conform to technical and "cost" criteria. The examining body will presumably be the Board of Trade and Industries, which has for some time now been carrying out an investigation designed for the guidance of the Government's post-war industrial and tariff policy. The Board was expanded last session by an Act which increased its personnel and provided for advisory committees.

It remains to be seen how far the setting of these standards of "efficiency" and " costs" will lead to further authoritarian action, such as regulation of production by licence, to protect organisations with technical structures and outputs calculated to achieve the standards. It seems likely that the standards set will favour large outputs from specialised structures, and the " rationalisation" which Dr. van Eck (now Chairman of the Industrial Development Corporation) defines as " the combination of interests whereby greater efficiency could be achieved, and costs of production lowered." ${ }^{\star}$ It is Dr. van Eck's view that the furtherance of this rationalisation is a function of the Industrial Development Corporation, but that the exercise of the function has so far been hampered by the existence of the Excess Profits Duty. The possibility of regulating production by licence was one of the matters to be considered by the Board of Trade and Industries in its investigation. That it is seriously contemplated by the Government seems to be implied in a recent promise by the Minister of Economic Development to introduce a Standards Bill which is intended to give power to compel adherence to standards for commodities, processes and practices.

Signs that intervention of this kind may be sought appear in current events in the footwear industry. The interruption of overseas supplies and the special demand for army boots affected the volume and nature of output and production methods. The number of employees in boot and shoe factories has apparently increased

[^5]

[^6]from about 10,600 to about 12,800 , and annual output of leather footwear (excluding slippers and canvas-uppered footwear) from about $7 \frac{1}{2} \mathrm{Mn}$. to about $12 \frac{1}{2} \mathrm{Mn}$. pairs, including $2 \frac{1}{2} \mathrm{Mn}$. pairs of military footwear in the latter figure. + The impending loss of the special army demand and the prospect of resumption of overseas supplies is causing some concern which gives rise to suggestions favouring not only increased protection from external competition but also the licencing of local production. It is yet to be seen what action will follow the recent formation of a Footwear Manufacturers' Federation whose aims are said to include the encouragement of the most efficient methods of production and development, the fostering of specialisation wherever possible, and the presentment of the views of the footwear industry-from the national instead of the local or provincial stand-point-to the Board of Trade and to the Government, to which bodies it will also make representations in connection with economic questions and post-war expansion.

Though the Government appears to believe that its tariff policy will not be inconsistent with the " principles" of the " Atlantic Charter," it seems to be aware that certain other forms of regulation of international trade would be likely to offend other Governments. None

[^7]the less, it appears to intend that, during an indefinite "period of readjustment" and presumably after Dr. van der Bijl has transferred his control of supplies to the Ministry of Economic Development, the wartime import control shall be adjusted to implement the policy of developing local industry. Preference is to be given to the shipment of machinery, plant and raw materials needed for industry, and to consumer goods which are not produced in the Union.

Under the industrial development policy, Government and quasi-Government undertakings, including the South African Railways and Harbours, will be expected to give preference to locally produced materials for use in their operations.

In some quarters it is hoped that the post-war development of industry may be facilitated by a release of resources from a retrenched agriculture. The idea of such a change, involving, as it might, increased purchases from abroad, is perhaps the basis of Dr. van Eck's view that the industrial development need not involve a reduction of the total volume of our imports from abroad, or of our gold sales. But the rationale of his view is obscure. Moreover, the removal of an evil in one sphere is no excuse for introducing it in another. However, the prospect of a reversal of the price-maintenance policy in the agricultural sphere does not seem to be very bright.

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# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

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## UNITED KINGDOM. THE ECONOMIC POSITION.

April 30th, 1945.

ALLOWING for the usual seasonal increase, there was no rise in the level of government expenditure during the first quarter of this year. For the financial year just closed there was an increase in total ordinary expenditure of $£ 269 \mathrm{Mn}$. in comparison with the previous year. But with revenue increasing in a rather higher proportion-from $52.5 \%$ to $53 \%$ of expenditure-the increase in the deficit was only $£_{60 \mathrm{Mn} \text {. Whilst subscriptions to the public }}$ 'tap ' loans were lower than in the previous year, the proportion of borrowing represented by additions to the floating debt in the hands of the market declined from $39 \%$ to $37 \%$, owing to larger contributions from extra-budgetary funds.

The new White Paper on National Income and Expenditure (Cmd. 6623) estimates that the net national income (i.e., the value of the national product exclusive of indirect taxes and subsidies) increased by rather less than $3 \%$ from 1943 to 1944, from $175 \%$ to $180 \%$ of the 1938 figure. It may be noticed that this increased money value was produced by a slightly smaller number (including those in the forces) employed for slightly shorter hours. "Expenditure on goods and services by public authorities" (mainly the war expenditure of the central government), whilst increasing absolutely, is estimated to have declined from $61 \%$ to $59 \%$ of the net national income. Consumers' expenditure (adjusted for indirect taxes and subsidies) shows an increase which is not wholly accounted for by price changes ; but the difference in real consumption is largely explained by changes in the rationing arrangements for food and clothing. Net capital disinvestment is thought to have amounted to rather more in 1944 than in 1943, despite a smaller amount of foreign disinvestment.

There has been no important movement in prices in recent months ; but to restrain them it
has been necessary to increase the food subsidy. This is contrary to the policy widely understood to have been implied by the Chancellor of the Exchequer in his Budget statement last year ; but it would appear from his statement in this year's Budget debate that it is now the government's policy to stabilise food prices. A distinction is drawn between food and other commodities in this respect, as is shown by the increase of $3 / 6$ per ton in the price of coal announced to take effect on May lst. Notwithstanding such increases, it is officially hoped to keep the cost of living index number within the limit of 135 mentioned last year for another twelve months, provided moderation is observed in the fixing of wages.

The increase of the agricultural minimum wage in February, though only from 65s. to 70 s., may lead to further claims in some other occupations. The most important feature of current wage discussions is the desire to raise the standard rates for normal hours, and indeed to reduce the number of hours for which they are payable, to compensate the expected loss of earnings when overtime and exceptional payments are reduced. This raises very important questions, both practical and immediate, and more theoretical and ultimate. It is to be hoped that these will be settled, not industry by industry, but on a national basis. Existing rates for the normal week have increased since 1939 by nearly $50 \% ~(40 \%$ if the exceptional rises in agriculture and mining are excluded), and evidently very much depends on whether they are stabilised at this or at a higher level. There is a tendency now to make wage bargains which are intended to remain in force for a number of years.

In presenting a budget which makes no substantial change in taxation, the Chancellor of the Exchequer indicated that a revised budget might be presented later in the year.

## EVENTS OF ECONOMIC IMPORTANCE.

1945
Feb. 1st U.K. ... ... Price control and licensing of metal-working machine tools relaxed.
4th Pacific ... ... Americans enter Manila.
„ 7th International
... President Roosevelt, Marshal Stalin and Mr. Churchill meet at Yalta.
" 9th Netherlands $\quad$... $\begin{aligned} & \text { New York Banks to grant rehabilitation loan of } \$ 100 \mathrm{Mn} \text {. at } 1 \frac{1}{2} \% \text {. } \\ & \text { " 12th Greece ... }\end{aligned}$
" 12th Russian Front ... Budapest occupied.
" 19th Pacific ... ... Americans land on Iwojima.
" 23rd Turkey ... ... Declares war on Axis.
" 24th Egypt ... ... Declares war on Axis.
March 4th U.K. ... ... Male agricultural workers' minimum weekly wage increased by
" 6th West Front
" 8th Sweden ..
" 8th Switzerland
" 12th Norway ...
" 20th Burma .
21st Australia..

23rd West Front
27th France ...
30th Russian Front
April 1st Pacific ... ... Americans land on Okinawa.
" 5th U.S.S.R....


7th Pacific
, 9th Russian Front
10th Italy ...
12th U.S.A. ...
19th Russian Front
20th West Front
24th U.K
25th International
... Cologne captured. 16.90 Kronor to the $£$. affecting the war. free loan at $2 / 2 \frac{1}{2} \%$.
... Japanese cleared from Mandalay. to $3 \frac{1}{4} \%$.
... Occupation of Danzig. ity pact of 1941.
... Russians enter Vienna. Konigsberg falls.
... Death of President Roosevelt.
... Russians announce assault on Berlin.
... Organised resistance in Nuremberg ends.
... Monetary agreement with U.K. Rate of exchange fixed at
... Agreement with the Allies on trade and financial matters
... New York Banks to grant Bank of Norway $\$ 16 \mathrm{Mn}$. security-
... Sterling loan conversion operations announced affecting $£ 94 \mathrm{Mn}$. stocks: one third to be repaid, balance converted from $5 \%$
... Field Marshal Montgomery's major crossing of the Rhine.
... Financial agreement with U.K. signed, settling past claims and providing reciprocal credit of $£ 100 \mathrm{Mn}$.
... Soviet Government denounces Russo-Japanese five-year neutral-
... Naval battle resulting in heavy losses for the Japanese.
... 8th Army launch new offensive in the Adriatic sector.
... Budget presented. No major change in taxation.
... Opening Session of World Security Conference at San Francisco.

## FINANCE \& BANKING IN THE FIRST QUARTER OF 1945.

By P. B. Whale.

Government Finance.-Government expenditure averaged about $£^{9} 9 \mathrm{Mn}$. a week more during the first quarter of this year than in the preceding quarter. This is, however, no more than the normal seasonal increase, and speaking broadly, it may be said that the higher rate of expenditure of the preceding six months has been maintained without change. Revenue receipts showed their usual large seasonal increase, almost doubling in comparison with the previous quarter ; in comparison with a year earlier their increase fully matches the increase in expenditure. The weekly average deficit fell this quarter to less than $£ 28 \mathrm{Mn}$., practically the same figure as that for the first quarter of 1944.

For the financial year ending March 31st, Ordinary Expenditure exceeded the estimates by $£ 120 \mathrm{Mn}$., whilst Ordinary Revenue exceeded the estimates by $£ 136 \mathrm{Mn}$., so that the deficit was $£ 16 \mathrm{Mn}$. less than anticipated. A large part of the excess in expenditure has been attributed by the Chancellor to expenditure on war damage. The revenue amounted to $53 \%$ of the expenditure.

The aggregate deficit for the first quarter of the year was $£ 360 \mathrm{Mn}$., and the amount raised by borrowing was just under $£ 353 \mathrm{Mn}$.

GOVERNMENT REVENUE AND EXPENDITURE (£Mn.)

| Weekly Averages 1939-Oct.-Dec. |  | Revenue. | Expenditure. |  | Deficit. |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Total. | Services. | Total |  |
|  |  | 15.9 | $35 \cdot 6$ | $41 \cdot 8$ | $25 \cdot 9$ |
| 1940 -Jan.-Mar. |  | $38 \cdot 8$ | $45 \cdot 1$ | $48 \cdot 0$ | $9 \cdot 2$ |
| April-June |  | 14.5 | $47 \cdot 1$ | $53 \cdot 4$ | 9.2 38.9 |
| July-Sept. |  | $20 \cdot 1$ | $66 \cdot 6$ | $69 \cdot 6$ | $49 \cdot 5$ |
| Oct.-Dec. |  | $22 \cdot 8$ | $77 \cdot 0$ | 83.5 | $60 \cdot 7$ |
| 1941 Jan.-Mar. |  | $51 \cdot 0$ | 88.5 | $90 \cdot 1$ | $39 \cdot 1$ |
| April-June | $\ldots$ | 24.5 | $75 \cdot 8$ | $82 \cdot 6$ | 58.1 |
| July-Sept. |  | $32 \cdot 2$ | $85 \cdot 4$ | $89 \cdot 3$ | $57 \cdot 1$ |
| Oct.-Dec. |  | $37 \cdot 2$ | $89 \cdot 8$ | 96.9 | 59-7 |
| 1942 -Jan.-Mar. | $\ldots$ | $66 \cdot 3$ | $96 \cdot 2$ | $99 \cdot 5$ | $33 \cdot 2$ |
| April-June | $\ldots$ | $42 \cdot 6$ | $92 \cdot 2$ | $99 \cdot 6$ | $57 \cdot 0$ |
| July-Sept. |  | $46 \cdot 3$ | $93 \cdot 4$ | $98 \cdot 8$ | 57.0 |
| Oct.-Dec. |  | $45 \cdot 9$ | $103 \cdot 7$ | 111.2 | 65.3 |
| 1943-Jan.-Mar. |  | $81 \cdot 9$ | 117.0 | 121.9 | $40 \cdot 0$ |
| April-June |  | $41 \cdot 3$ | $100 \cdot 3$ | 108.0 | 66.7 |
| July-Sept. |  | 51.9 | $99 \cdot 3$ | 106.3 | $54 \cdot 3$ |
| Oct.-Dec. |  | $47 \cdot 0$ | $100 \cdot 8$ | 108.5 | $61 \cdot 5$ |
| 1944 Jan.-Mar. |  | $92 \cdot 4$ | $112 \cdot 6$ | $120 \cdot 2$ | $27 \cdot 8$ |
| April-June |  | 46.2 | 101.2 | $109 \cdot 2$ | 63.0 |
| July-Sept. |  | 55-9 | 107.1 | 116.0 | $60 \cdot 1$ |
| Oct.-Dec. |  | $49 \cdot 9$ | 106.7 | 114.3 | 64.4 |
| 1945-Jan,-Mar. |  | 96.2 | $115 \cdot 4$ | 123.9 | $27 \cdot 7$ |
| Jan. 1-27 |  | $107 \cdot 2$ | 100.9 | 108.3 | 1.1 |
| Jan. 28-Feb |  | $110 \cdot 9$ | $121 \cdot 0$ | 127.4 | 16.5 |
| Feb. 25-Mar |  | $75 \cdot 0$ | 122.4 | $133 \cdot 5$ | 16.5 58.5 |

In the accompanying table for Government Borrowing the figures for Department Ways and Means Advances have been corrected to exclude the effect of the funding of savings bank advances and repayments to the savings banks: these
transactions are omitted from the upper part of the table relating to long and medium term borrowing. Subscriptions to the loans offered to the public on tap produced $£ 327 \mathrm{Mn}$. : and with the current increase in savings bank deposits Large and Small Savings were about $£ 427 \mathrm{Mn}$. in comparison with $£ 437 \mathrm{Mn}$. in the first quarter of 1944. The new Exchequer Bonds brought in $£ 165 \mathrm{Mn}$.

| GOVERNMENT BORR | WING. <br> (£Mn.) Jan. (27 days) | FIRST <br> Feb. (28 days) | QUART $\begin{gathered} \text { March } \\ (35 \text { days }) \end{gathered}$ | ER 1945 <br> Quarter <br> (90 days |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates. | 16.65 | 17.55 | 11.35 | $45 \cdot 55$ |
| 3\% Defence Bonds... . | $7 \cdot 1$ | $6 \cdot 0$ | $7 \cdot 0$ | $20 \cdot 1$ |
| $3 \%$ Savings Bonds . | $23 \cdot 1$ | 24.55 | $48 \cdot 3$ | $96 \cdot 0$ |
| $2 \frac{1}{2} \%$ Nat. War Bonds |  |  | $\cdot 3$ | $\cdot 3$ |
| $1 \frac{3}{4} \%$ Exchequer Bonds | 32.95 | $49 \cdot 75$ | $82 \cdot 45$ | 165.15 |
| Other Debt | -6 | 1.8 | $-4 \cdot 2$ | -1.8 |
| Total long \& medium term borrowing |  | $\cdot 1$ | $\cdot 0$ |  |
|  | . $80 \cdot 4$ | 99.5 | $145 \cdot 2$ | $325 \cdot 05$ |
| Tax Reserve Certificates ...-26.1 |  | $-49.75$ | $-1.2$ | $-77 \cdot 1$ |
| Treasury Deposits ... | 5.0 | 1.5 | 58.0 | $64 \cdot 5$ |
| Treasury Bills |  | $-52.5$ | $-58.25$ | $-125 \cdot 2$ |
| W. \& M. Adv. Govt. Depts. (20.1) |  | (51.95) | (151.8) |  |
| Total... |  | (5195) | . 75 | $-58.5$ |
| Total... | -74.7 | $-48.8$ | $151 \cdot 1$ | $27 \cdot 55$ |
| Total borrowing | $5 \cdot 65$ | $50 \cdot 7$ | $296 \cdot 3$ | $352 \cdot 6$ |

Floating Debt.-Only a small amount of the deficit was left to be covered by short term borrowing and with the increase in savings bank deposits there was a surplus of some $£ 70 \mathrm{Mn}$. This was needed to repay Tax Reserve Certificates. Rather roughly, the remaining increase of $£ 124 \mathrm{Mn}$. in Departmental Ways and Means, after deducting the increase of $£ 100 \mathrm{Mn}$. in savings bank deposits, balanced the decline in Treasury Bills; and the increase in Treasury Deposits balanced the decline in Bank Ways and Means. The decline in Treasury bills can be split into a reduction of $£ 84 \mathrm{Mn}$. in tap bills and a reduction of $£ 40 \mathrm{Mn}$. in tender bills. The latter figure would appear to represent approximately the extent to which bank credit was replaced by loans from official sources in financing the short term debt: for it is about equivalent to the decline in Net Deposits plus the increase in Advances minus the decrease in Investments of the banks.

Bank of England.-The end of the year peak in the note circulation was followed by the usual seasonal contraction. But the growth until the middle of February had brought the circulation up to the peak figure again by the middle of April. Some reduction in the use of
notes may result from the calling in of notes of $£ 10$ and upwards as from April 30th.

The assets of the Bank have declined with the smaller volume of Bankers' Deposits required by the system.

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

It will be seen that the decline in Net Deposits, now usual in the early months, amounted this year to $£ 27 \mathrm{Mn}$., comparing the December and March returns. Cash declined by more than this amount ( $£ 33 \mathrm{Mn}$.) and there were also declines in Call loans ( $£ 19 \mathrm{Mn}$.) and Investments ( $£ 11 \mathrm{Mn}$.) On the other hand Advances, as is not unusual at this season, showed an increase ( $£ 19 \mathrm{Mn}$.) and there were also increases in Treasury Deposits ( $£ 13 \mathrm{Mn}$.) and Discounts ( $£ 5 \mathrm{Mn}$.). The liquid assets ratio was again nearly $56 \%$ in the March returns.

NINE CLEARING BANKS.

| Gross <br> Deposits. | Balance with <br> Other Banks and <br> Items in Transit. | Net <br> (Mn. |
| :---: | :---: | :---: |
| Neposits. |  |  |
| 3180 | 113 | £Mn. |
| 3438 | 181 | 3067 |
|  |  | 3257 |
| 3354 | 133 | 3221 |
| 3437 | 138 | 3299 |
| 3537 | 125 | 3412 |
| 3823 | 194 | 3629 |
| 3788 |  |  |
| 3894 | 131 | 3657 |
| 4041 | 121 | 3721 |
| 4320 | 188 | 3920 |
|  |  | 4131 |
| 4244 | 141 | 4103 |
| 4190 | 139 | 4051 |
| 4241 | 137 | 4104 |

Security Prices.-Our index number of industrial security prices after registering a set-back in February, recovered in March, and in April advanced further to its highest figure since February, 1937. The set-back, which, as noted in our last Bulletin, began in the middle of January, appeared to be the first reaction of the market to the favourable news from the Eastern European Front. Possibly a section thought the time ripe for profit-taking. At any rate second thoughts have brought a renewal of confidence in the prospects of industrials in the face of the full tide of military successes.

The index for fixed interest securities has continued to m8ve steadily upwards.

The Budget.-Although the Chancellor of the Exchequer has tentatively reduced his estimate of Vote of Credit expenditure for the coming financial year by $£ 500 \mathrm{Mn}$. and the estimate for Total Ordinary expenditure by $£ 372 \mathrm{Mn}$. in comparison with the 1944/45 estimates, the new Budget proposes no major change in taxation.

Minor taxation changes include the raising of E.P.T. profit standards by one-tenth of the amount they fall short of $£ 12,000$ (from April 1st, 1945); abolition of the import duty on hydro-carbon oils used in processes of chemical synthesis and the granting of an equivalent allowance on home production of hydro-carbon oils for this purpose; withdrawal of allowances on distillation of industrial alcohol and reduction in licence duty in respect of industrial distilling; increased graduation in taxation of motor passenger (hackney) vehicles and lorries (from January 1st, 1946) ; and the change from horse-power to cubic capacity basis in the taxation of motorcars (from date to be fixed). Of wider importance was the announcement of an agreement with the U.S.A. for the avoidance of double taxation in all direct taxes. The legislation to implement this agreement is also to provide for the conclusion of similar agreements with the Dominions and other countries.

## CORRIGENDUM-

We regret that certain errors occurred in the printing of the Government Borrowing Table for the last quarter of 1944 in our January Bulletin. We here give the Table as it should have appeared.

GOVERNMENT BORROWING. FOURTH QUARTER, 1944. (£Mn.)
Oct. Nov. Dec. Quarter

|  | Oct. (28 days) | Nov. (28 days) | Dec. (36 days) | Quarter (92 days) |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates, | 10.5 | 10.15 | 11.7 | 32.35 |
| 3\% Defence Bonds | $5 \cdot 3$ | $6 \cdot 8$ | $6 \cdot 2$ | $18 \cdot 3$ |
| 3\% Savings Bonds | $22 \cdot 2$ | 21.45 | $24 \cdot 7$ | $68 \cdot 3$ |
| $21 . \%$ Nat. War Bonds | $20 \cdot 8$ | 121.4 |  | 142.2 |
| $1 \frac{1}{4} \%$ Exchequer Bonds |  | 8.3 | 28.95 | 37,25 |
| Other Debt ... ... | $4 \cdot 1$ | $-0.45$ | $0 \cdot 4$ | $-4.2$ |
| Repayments ... | $1 \cdot 65$ | $-1.6$ | - | $3 \cdot 2$ |
| Total long \& medium term borrowing ... | 53.0 | 166.05 | $72 \cdot 0$ | 291.0 |
| Tax Reserve Certificates | $8 \cdot 2$ | $22 \cdot 15$ | $42 \cdot 5$ | 72.85 |
| Treasury Deposits ... | 123.0 | -4.5 | $94 \cdot 0$ | 212.5 |
| Treasury Bills | 54.55 | $25 \cdot 65$ | 30.55 | 110.75 |
| W. \& M. Adv. Govt. Depts. | 47-1 | $16 \cdot 8$ | 73.9 | 137.8 |
| ,", Bank of England. | $-20 \cdot 2$ | 26.7 | $31 \cdot 7$ | 38.2 |
| short-term borrowing | $212 \cdot 6$ | 86.8 | 872.65 | $572 \cdot 1$ |
| Total borrowing | $265 \cdot 6$ | 252.9 | $344 \cdot 6$ | $863 \cdot 1$ |

# PRICES, WAGES, SALES, UNEMPLOYMENT. 

By A. L. Bowley.

PRICES.-The few changes that have taken place during the past twelve months in wholesale and retail prices are sufficiently indicated in the following tables.

|  | $\begin{aligned} & 1943 \\ & \text { Mar. } \end{aligned}$ | 1943 <br> Dec. | $1944$ Mar. | $1944$ <br> Dec. | $\begin{aligned} & 1945 \\ & \text { Mar. } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cereals | 223 | 202 | 202 | 198 | 197 |
| Meat, fish, eggs | 144 | 144 | 144 | 144 | 144 |
| Other food and Tobacco | 173 | 182 | 182 | 179 | 179 |
| Total, Food, \&c. | 177 | 175 | 175 | 173 | 173 |
| Coal... | 158 | 158 | 172 | 191 | 191 |
| Iron and Steel | 142 | 142 | 142 | 144 | 146 |
| Non-ferrous metals | 126 | 125 | 127 | 127 | 125 |
| Cotton | 167 | 168 | 171 | 197 | 197 |
| Wool | 170 | 178 | 179 | 180 | 180 |
| Other textiles | 179 | 180 | 181 | 184 | 187 |
| Chemicals and Oils | 154 | 162 | 163 | 163 | 162 |
| Miscellaneous | 184 | 187 | 191 | 193 | 195 |
| Building Materials | 142 | 145 | 147 | 148 | 150 |
| Total, Materials, \&c. | 159 | 162 | 164 | 169 | 170 |
| Grand Total ... | 165 | 167 | 168 | $170 \cdot 5$ | 171 |

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

|  | $\begin{array}{r} 1943 \\ \text { Mar. } 1 \end{array}$ | $\begin{gathered} 1943 \\ \text { Dec. } 1 \end{gathered}$ | $\begin{gathered} 1944 \\ \text { Mar. } 1 \end{gathered}$ | $1944$ <br> Dec. 1 | $\begin{array}{r} 1945 \\ \text { Mar. } 1 \end{array}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Beef, British | 19 | 19 | 19 | 19 | 19 |
| ," Imported | 29 | 29 | 29 | 29 | 29 |
| Mutton, British | 11 | 11 | 11 | 11 | 11 |
| " Imported | 8 | 8 | 8 | 8 | 8 |
| Bacon ... . | 50 | 50 | 50 | 50 | 50 |
| Fish | 32 | 26 | 26 | 27 | 27 |
| Flour | 26 | 28 | 29 | 29 | 29 |
| Bread ... | 9 | 9 | 9 | 9 | 9 |
| Tea | 21 | 21 | 21 | 21 | 21 |
| Sugar (Gran.) | -1 | - 32 | 32 | 32 | 32 |
| Milk | 32 | 33 | 32 | 33 | 32 |
| Butter | 28 | 28 | 28 | 28 | 28 |
| Cheese | 30 | 30 | 30 | 30 | 30 |
| Margarine | 12 | 12 | 12 | 12 | 12 |
| Eggs ... | , | , | 1 | 1 |  |
| Potatoes... | 6 | 28 | 26 | 7 | 7 |
| All Food (Wt. 53)* | 20 | 22 | 22 | 22 | 22 |
| Rent (, 17) | 1 | 1 | 1 | 1 | 1 |
| Clothing (,, 16) | 73 | 64 | 65 | 67 | 67 |
| Fuel (, , 9) | 34 | 34 | 38 | 45 | 46 |
| Miscell. (, 5) | 50 | 63 | 63 | 63 | 63 |
| All items ( , , 100) | 28 | 28 | 29 | 30 | 30 |

* In the Bulletin for January, 1945, the weights stated were those for the original basis in 1914, and were not applicable to the percentages in the Table. The weights now entered are as computed in the Bulletin for October, 1944, p. 75, col. d., in the relevant Table; they allow for the change in the relative expenditures on the separate items, due to the unequal increases of prices from 1914 to 1939 .

No change was recorded in the index for April 1st.

The level of food prices has been preserved by subsidies, which have been stated from time to time as at the rate of:-

| $£ \mathrm{Mn}$. per annum |  |  |  |
| :--- | :---: | :---: | :---: |
| $1942-3$ | $\cdots$ | $\cdots$ | 170 |
| $1943-4$ | $\cdots$ | $\cdots$ | 202 |
| 1944 (end) | $\ldots$ | 218 |  |
| 1945 (Mar.) | $\ldots$ | 225 |  |

As reported in the Times (24.3.45. the Financial Secretary to the Treasury stated that since January-when it was $£ 218 \mathrm{Mn}$--the estimate of the current cost of the food subsidies has risen to $£ 225 \mathrm{Mn}$. a year owing to increases in the cost of sugar, tea, milk, cereals and eggs. The $£ 225 \mathrm{Mn}$. can be apportioned as follows :-

| Bread, Flour and Oarmeal |  |  |  |
| :--- | :---: | :---: | :---: |
| Meat | $\ldots$ | $\ldots$ | $\ldots$ |
| Potatoes | $\ldots$ | $\ldots$ | $\ldots$ |
| Eggs | $\ldots$ | $\ldots$ | $\ldots$ |
| Sugar | $\ldots$ | $\ldots$ | $\ldots$ |
| Milk | $\ldots$ | $\ldots$ | $\ldots$ |
| Cheese.... | $\ldots$ | $\ldots$ | $\ldots$ |
| Bacon ... | $\ldots$ | $\ldots$ | $\ldots$ |
| Tea | $\ldots$ | $\ldots$ | $\ldots$ |
| Other subsidies | $\ldots$ | $\ldots$ |  |


| £Mn. |
| ---: |
| 65 |
| 24 |
| 28 |
| 16 |
| 17 |
| 20 |
| 4 |
| 2 |
| 3 |
| 46 |
| 225 |

This sum is nearly two shillings weekly per head of the population. It seems to be anomalous that at the same time $£ 45 \mathrm{Mn}$. is collected annually in Customs and Excise on food, viz. (Budget Estimated Receipts for 1944-45) Sugar $£ 30 \mathrm{Mn}$., Tea $£ 10 \mathrm{Mn}$., Beef and Veal $£ 5.3 \mathrm{Mn}$.

The duty on tea is about 6 d . per pound, the retail prices about 2 s .10 d . That on sugar is said to average $2 \frac{1}{4} \mathrm{~d}$., the retail price 4 d .

The increase in taxes on articles included in the Cost-of-Living Index accounts for an increase of about $3 \frac{1}{2} \%$ since 1939. To the extent that changes in this index are reflected in wagebargaining this is in part met by the Government.

The estimates for Customs and Excise in 1944-45 were $£ 268 \mathrm{Mn}$. on beer and $£ 390 \mathrm{Mn}$. on tobacco, or 2 s . to 2 s .6 d . and 3 s . to 3 s . 8 d . per head of the population weekly. The tax on beer is about $7 \frac{1}{4} \mathrm{~d}$. per pint and on tobacco about 1 s . 9d. per oz. Tobacco is known to be underweighted in the Cost-of-Living Index, but its very general consumption should rank it as a conventional necessity. Beer is not included in that Index.

The whole organisation of subsidies paid out of taxation has proved to be a very cumbersome method of stabilising the cost of basic goods for consumption, and its success in stabilising wages has been incomplete, as is shown in the following sections.

WAGES.-The only change of importance between last December and March was the increase in the agricultural minimum for men from 65s. to 70 s. weekly that took effect in February.

The following table shows in summary form the changes in normal weekly rates that have
taken place during the past three years in a period when retail prices were nearly stationary.

|  | $\begin{aligned} & 1939 \\ & \text { Aug. } \end{aligned}$ | $\begin{gathered} 1942 \\ \text { March } \end{gathered}$ | $\begin{aligned} & 1943 \\ & \text { March } \end{aligned}$ | $1944$ <br> March | 1945 <br> March |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Bricklayers | 100 | 118 | 118 | 123 | 128 |
| , Labourers | 100 | 123 | 123 | 128 | 136 |
| Printers \& Compositors | 100 | 113 | 115 | 125 | 125 |
| Dock Labourers | 100 | 115 | 115 | 123 | 123 |
| Engineers: Fitters... | 100 | 120 | 129 | 129 | 135 |
| ,, Labourers | 100 | 126 | 138 | 138 | 146 |
| Shipbuilders ... | 100 | 129 | 140 | 140 | 147 |
| Railwaymen . | 100 | 121 | 127 | 134 | 141 |
| Cotton | 100 | 135 | 147 | 156 | 156 |
| Wool | 100 | 129 | 138 | 146 | 146 |
| Local Authorities | 100 | 121 | 126 | 132 | 140 |
| Trams | 100 | 124 | 124 | 131 | 139 |
| Lorry Drivers | 100 | 119 | 122 | 126 | 130 |
| Boots ... . | 100 | 121 | 121 | 132 | 137 |
| Confectionery | 100 | 121 | 141 | 149 | 159 |
| Tailoring . | 100 | 123 | 137 | 137 | 153 |
| Shirts .. | 100 | 123 | 137 | 137 | 153 |
| Tobacco | 100 | 123 | 122 | 128 | 130 |
| Coal $\dagger$ | 100 | 140 | 163 | 176 | 193 |
| Agriculture | 100 | 173 | 173 | 187 | 201 |
| Weighted Average ... | 100 | 127 | 135 | 141 | 148 |
| Cost of Living Index | 100 | 129 | 128 | 129 | 130 |

The explanation and detail of the composition of this Wage-rate Index-number were shown in Bulletin, January, 1944, p. 6 .
$\dagger$ Average earnings per man-shift.
Increases for lorry drivers and in some subordinate occupations in cotton result in a fractional increment in the index for April, 1945.

In addition, the award announced on April 26th of a flat increase for all engineers of 4s. 6d. per week will raise the entries in the table above for fitters and labourers to 141 and 155 respectively, and the weighted average to 150 . If the increase is also given to shipbuilders, their entry is similarly raised to 158 .

As explained in our last Bulletin it has been necessary to substitute average earnings per shift, instead of changes in piece-rates, as the basis for coal-miners. These earnings have been as in the table below. Weekly earnings are also shown.
AVERAGE EARNINGS OF ALL WAGE-EARNERS IN COAL-MINES. Great Britain.


These figures are computed from the Statistical Digests issued by the Ministry of Fuel and Power. It will be noticed that earnings per shift and per week have risen considerably since 1943. No change in piece-rates or flat additions was reported between July, 1942, and

May, 1944 ; but in January, 1944, the National Tribunal made an award raising the national minimum for men, and in May an agreement was made to stabilise the resulting wages till December, 1947, subject to a cost-of-living allowance.

The average number of shifts worked per week and the output of coal per man-shift appear to have been nearly the same in 1939 and 1944.

The effect of excluding coal and agriculture from the compilation of our wage-rate indexnumber as shown above, is as follows :-


In the following pages the movement of earnings as distinct from rates is discussed. When overtime and special payments cease, there will be a considerable reduction of earnings, unless wage-rates or other factors change, but not necessarily by the amount indicated by the difference between the index-numbers for earnings and rates; for the relative numbers in occupations and industries and the relation of men's to women's wages may differ from those in 1939 in wages which the composition of the index does not take into account.

Each year there has been a considerable increase from November to December and a more than compensating fall to January. In the winter of $1944 / 5$ sales (averaged over these three months) were definitely greater than in previous years, the increase compared with last year being most marked in clothing.

RETAIL TRADE
INDEX NUMBER OF RETAIL SALES. (Value).

Great Britain.
Average daily sales in $1942=100$. Averages Nov.-Jan.

|  |  | $1941 / 2$ | $1942 / 3$ | $1943 / 4$ | $1944 / 5$ |
| :--- | :---: | :---: | :---: | :---: | :---: |
| All $\ldots$ | $\ldots$ | 103 | 101 | 103 | 111 |
| Food | $\ldots$ | 98 | 100 | 105 | 109 |
| Other | $\cdots$ | 109 | 103 | 100 | 112 |
| Apparel | 101 | 95 | 86 | 101 |  |
| Household | 114 | 96 | 92 | 97 |  |

1945 showed the highest February figures for the past five years in all the above groups except the last. Food sales were $4 \%$ greater than last February, non-food $10 \%$ greater, including apparel $13 \%$. The Jan./Feb. rise in groups 3 and 4 was due to availability of new coupons in February.

UNEMPLOYMENT.-The table on Unemployment (p. 38) indicates same increases in the numbers unemployed at January 15th, 1945, as compared with October 16th, 1944. The dates are not identical with the periods to which
the unemployment fund returns relate, but the figures are consistent in indicating some increase in unemployment as compared with the winter of 1943/4. Further detail is not available.


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


## Annual Statistics

Later figures for insertion in table p. 10 of January Bulletin.

```
1938-44-revised series from Cmd. 6623.
    Public Expenditure £Mn.-1027, 1484, 3344, 4627, 5106,
        5781, 5914.
    Public Revenue £Mn.-880, 971, 1254, 1831, 2343, 2881,
        3154.
    Other Public Issues (net) £Mn.-73, 10, 567, 1031, 1047,
        1060, 898.
Year 1944:-
    Post Office and Trustee Savings Banks-£325 Mn.
    Savings Certificates, etc.- £377 Mn.
Exports-£Mn.
    1943-19.0, 9.3, 200.8, 232.8.
    1944-19.0, 7.7, 225.8, 258.1.
Retail Trade-% of 1942
    1944-107, 101, 105.
Coal Output-185.5 Mn. Tons in 1944.
```


## EARNINGS AND HOURS OF WORK, 1944.

By A. L. Bowley.

The Report in the Ministry of Labour Gazette, February, 1945, on earnings and hours in July, 1944, covers the same ground as the previous accounts, with an addition on dock labourers' earnings.

Table I shows the principal results of the main tabulation, which excludes coal-mining and agriculture and the major part of railway employment. It will be seen that the increase in earnings has continued, but at a slower rate in 1943-44 than in previous years. Men's earnings in the last year increased only $2 \frac{1}{2} \%$, and youths' (owing no doubt to the calling up of the groups over eighteen years) did not change. Women's earnings increased $3 \frac{1}{3} \%$, and girls' $7 \%$. Altogether the change was under $3 \%$. At the same time wage-rates for the same group of industries (weighted as in 1938) increased $4 \%$. ALL INDUSTRIES INCLUDED IN GENERAL REPORT.

Table I.-Average Weekly Earnings and Wage-rates as percentages of levels in 1934.

| Earnings <br> Men <br> (over 21) |  |  | Women <br> (over 18) | Youths | Girls |
| :---: | :---: | :---: | :---: | :---: | :---: | All | Wage-rate |
| :---: |
| Index |
| All |

That earnings grew at a slower rate than wages is due to a reduction in the hours worked, as shown in Table II. The average hours for all workers decreased from 50.0 to 48.6 per week, that is $3 \%$, and average earnings per hour increased from 22.5 d . to 23.9 d ., that is
$6 \%$, somewhat more than did wage-rates. Men worked only $3 \frac{1}{2}$ hours weekly more in 1944 than in 1938, women one hour, while for girls there was a slight reduction.


Earnings per week worked gained on wagerates for normal hours rapidly from 1938 to 1943, but in 1943-44 (owing in part to the reduction of hours) the process was reversed.

While there was some increase in earnings in the great majority of industries from 1943 to 1944, the reduction in hours was by no means uniform. In 15 industries hours actually increased, while in 80 they decreased. The average is dominated by the engineering and metal groups of industries, in several of which the reduction was about 3 hours. In July, 1944, the maximum hours for men were 55.8 in paper manufacture, the minimum 45.1 in dressmaking.

Since the publication of the White Paper, Cmd. 6564, Statistics relating to the War Effort of the United Kingdom, it is possible to examine more closely the effect of the change in the relative numbers of men, youths, women and girls on average earnings. From the statements of average earnings above we have only two equations to determine four quantities. If the classification in the White Paper could be adjusted exactly to match that of industries, the missing equations could be established, but as it is there remains an element of approximation. The next paragraphs show the working from the averages.

Write $\mathrm{m}, 1, \mathrm{w}, \mathrm{g}$ for the percentages of men, youths under 21 years, women and girls under 18 years respectively of the whole number employed.

For July, 1944, express the average earnings for each class as a fraction of the average earnings of all.

We have for the relation of average earnings

$$
1.29 \mathrm{~m}+0.491-0.66 \mathrm{w}+0.36 \mathrm{~g}=100
$$

and also

$$
m+1+w+g=100
$$

Eliminating w, we get

$$
\mathrm{m}=54+\cdot 281+\cdot 49 \mathrm{~g}
$$

Then m is certainly greater than 54 . If we take as an hypothesis:-

$$
\begin{aligned}
\mathrm{l} & =\mathrm{g}=5 ; \\
\text { then } & : \\
\mathrm{m} & =58, \mathrm{l}=5, \mathrm{w}=32, \mathrm{~g}=5 .
\end{aligned}
$$

This probably is too high a value for $\mathrm{m}+1$ (see below), and the figures suggest:-

$$
\mathrm{m}=56, \mathrm{l}=3, \mathrm{w}=37, \mathrm{~g}=4
$$

For 1938 the corresponding equations are

$$
1.30 \mathrm{~m}+0.491+0.61 \mathrm{w}+0.35 \mathrm{~g}=100
$$

$$
\mathrm{m}=57+\cdot 181+\cdot 38 \mathrm{~g} .
$$

At this date the percentages were probably approximately:-

$$
\mathrm{m}=60 \frac{1}{2}, \quad \mathrm{l}=9 \frac{1}{2}, \quad \mathrm{w}=54 \frac{1}{2}, \quad \mathrm{~g}=5 \frac{1}{2} .
$$

As in 1938 the majority of girls under 18 years were employed, and that age group was not called-up in 1944, it is to be expected that the values of $g$ would be much the same at both dates. For youths under 21 years (1) the call to the services must have made a very considerable reduction.

The general increase in females and decrease in males in civil employment is shown in Table III. For comparison with the wages statistics we have to exclude Agriculture, Mining, parts of Transport and Central and Local Government, Distribution and Professions. We then have estimates for the relative numbers of males $(\mathrm{m}+1)$ and females ( $\mathrm{w}+\mathrm{g}$ ), and some information about the ratio, w ; g.

TABLE III.-EMPLOYMENT IN INDUSTRIAL GROUPS Cmd. 6564.
Group I.-Munitions

| Metals, Engineering, Aircraft, Ships, Chemicals, etc. |  |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
|  | 1939 | 1944 | 1939 |  | 1944 |
|  |  | 000 |  | Percentage. |  |
| Males | 2600 |  | 3210 | 84 | 64 |
| Fermales | 506 | 1851 | 16 | 36 |  |
| Total | 3106 | 5081 | 100 | 100 |  |

Group II.

| Food, Agriculture, Mining, Transport, Government. |  |  |  |  |
| :--- | :---: | :---: | :---: | ---: |
| Males | 4688 | 4059 | 85 | 71 |
| Females | 852 | 1644 | 15 | 29 |
|  |  | 5703 | 100 | 100 |
| Total | 5540 | 5703 |  |  |


| Males <br> Females | $\begin{aligned} & 5798 \\ & 3479 \end{aligned}$ | $\begin{aligned} & 2900 \\ & 3102 \end{aligned}$ | $\begin{aligned} & 65 \\ & 35 \end{aligned}$ | 48 52 |
| :---: | :---: | :---: | :---: | :---: |
| Total | 9277 | 6002 | 100 | 100 |
| Groups I, II, III together. |  |  |  |  |
| Meles | 13086 | 10169 | 73 | 01 |
| Fernales | 4837 | 6597 | 27 | 39 |
| Total | 17923 | 16766 | 100 | 100 |

Most of Group II and part of Group III are not included in the wage tables above. When the industries concerned are excluded the resulting percentages in the aggregate are approximately:-Males $59 \%$, Females $41 \%$ in 1944, and Males $71 \%$, Females $29 \%$ in 1939, which agree with the figures for $\mathrm{m}+\mathrm{l}$ and $\mathrm{w}+\mathrm{g}$ given above.

TABLE IV.-EARNINGS AND WAGES AS PERCENTAGES OF THEIR 1938 LEVEL.
All workers in Ministry of Labour's general report.

|  | Actual change in average earnings ... | 1938 | 1942 | 1043 | 1944 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 100 | 160 | 176 | 18 |
| B. | No change in total relative numbers in industries | 100 | 149 |  |  |
| C. | No change in relative numbers in industries or in sex distribution within industries | 100 | 140 | 1012 | 107 |
| D. | Changes in wage-rates | 100 | 124 | 130 | 170 |
| E. | Changes in wage-rates allowing for overtime.... | 100 | - | 144 | 145 |

Table IV gives some means of separating the effects of the various factors that have raised earnings relatively to wages. These are the greater growth of the more highly-paid industries, the promotion of men and, especially, of women from unskilled to more skilled work, and payment for overtime and night-work and perhaps the substitution of women for youths at higher wages. On the other side is the substitution of women for men.

In 1944 if the only change had been the increases of wages for the normal week, as in our wage-rate index-number, without any changes in the relative numbers by industry, occupation, sex or age, the increase over 1938 would have
been about $35 \frac{1}{2} \%$ ( D in the Table). Actual average earnings, however, had increased $81 \frac{1}{2} \%$ (A).

If there had been no change in the age and sex distribution in any of the 95 industries, nor in the relative size of industries, but only the effects of increased hours, greater efficiency, and promotion of men and women in occupations within an industry, the increase would have been $70 \%$ (C).

If, however, there had been no change in the relative size of industries, but changes in age and sex distribution within them, the increase would have been a little less, viz., $67 \frac{1}{2} \%$ (B).*

From these figures we deduce that by 1944 :-
Loss by substitution of women: ... $100\left(1 \quad \frac{B}{C}\right)=1 \frac{1}{2} \%$
Gain by unequal growth of industries: $100\left(\frac{A}{B}-1\right)=8 \%$
Residual gain by overtime, bonuses, $100\left(\frac{\mathrm{C}}{\mathrm{D}}-1=\right) 25 \%$
upgrading within industries, etc.
Of the last entry the contribution of the increase in hours may be estimated as follows. If overtime and night-work together are reckoned at time-and-a-half the percentage increase in hours 1944-1938 is 7, i.e. :-

$$
3 / 2(48.6-46.5) \times 100 \div 46.5 \text {; }
$$

up to 1943 the increase so reckoned was $11 \%$. These increases lead from D to E in the Table, and go some way towards raising D to C . For men only the corresponding increases to 1943 and 1944 respectively were $16 \%$ and $11 \%$.

The substitution of women for men and youths in the aggregate of industries, apart from all other changes, has little effect on the general average. Women, as soon as they are qualified, receive the same wages as men in the same occupation, but presumably work fewer overtime hours ; on the other hand they may receive more than the youths they replace. If the average earnings of men, youths, etc. in 1944 are weighted by the proportions in these groups in 1938 ( $\mathrm{m}, \mathrm{l}, \mathrm{w}, \mathrm{g}$ for 1938), the increase from 1938 to 1944 is approximately $83 \%$, as compared with

[^8]$81 \frac{1}{2} \%$ when the changed proportions in 1944 are used.

Additional information for Railways and Docks may be summarized as follows. That for Coal mines is given on p. 28.

The earnings in the Railway Service, including the London Passenger Transport Board, are computed for one week in March each year. Those of the " conciliation staff," as distinct from the shop and artisan staff, were as follows :-


The small increase in youths' earnings is due partly to the calling-up of many of those aged 18 or more, partly to the upgrading of youths to men's occupations and wages. As the latter group is included in the men's average, the average increase for men above 21 years would presumably be a little greater than that shown above if these youths were excluded.

The entry for railways in our wage-rate index-number is 134 for March, 1944 (March $1939=100$ ). The difference between this and the 158 above is presumably mainly due to additional overtime.

For Docks average earnings in the second quarter of 1944 were 161s. weekly; this was the period including D day. In the last week of June they were 172s. For workers engaged for longer periods than one day the average in July, 1944, was 123 s . 10d. weekly, i.e., 28.6 d . per hour for 52.3 hours ; in October, 1938, they had been 72 s . 10d. weekly, i.e., about 18.4 d . for 47.5 hours. The increases over five or six years are considerably greater than in the basic rates used in our wage-rate index, viz., $19 \cdot 9 \mathrm{~d}$. per hour in 1938, 24:3d. in 1944.

The inclusion of agriculture, mining and railway service with the main industrial group, together with some allowance for the underestimate for dock labour, leaves the general increase of earnings from 1938 to 1944 at 81 or $82 \%$ as in Table I.

## THE NATIONAL INCOME IN 1944

By T. Barna.

The new White Paper brings the official estimates of the national income and expenditure up to 1944.* During 1944 the wartime rise in the national income has slowed down, and it is probable that output reached its peak in that year. It is therefore appropriate to summarise the main changes since 1938.

Employment.-A clearer picture of the war economy is gained if figures indicating changes in employment are given first. These are based on Unemployment Fund receipts and the White Paper on Britain's War Effort. (Cmd. 6564.) While total employment expanded by $20 \frac{1}{2} \%$ in six years, civilian employment actually fell, owing to the vast expansion of the armed forces. $\dagger$ The natural increase in the working population and the balance of migration was $600,000, \star \star$ which was approximately balanced by the number killed, disabled, or prisoners of war. ${ }^{\star \star \star}$ But employment was reduced by $1,900,000$, and in addition, $1,800,000$ full-time and 900,000 parttime workers, of whom about 400,000 were men

TABLE I.

| Wage-earners Mn. |  | 193 | 19 | 19 | 1941 | N. Ir |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 13.7 | 13.9 | 13.4 | 13.7 | 13.9 | 13.5 | 13.2 |
|  | \% | 100 | 1011 | 98 | 100 | 1011 | 981 | $96 \frac{1}{2}$ |
| Other civilians |  |  |  |  |  |  |  |  |
| Total | Mn . | 6.5 | 6.5 | 6.4 | 6.4 | 6.4 | 6.3 | 6.3 |
|  | civilians |  |  |  |  |  |  |  |
|  | Mn . | 20.2 | 20.4 | 19.8 | 20.1 | 20.3 | 19.9 | 19.5 |
|  | \% | 100 | 101 | 98 | 991 | 100를 | $98 \frac{1}{2}$ | $96 \frac{1}{2}$ |
| Forces | \& C.D. |  |  |  |  |  |  |  |
|  | Mn . | 0.4 | 0.8 | 2.6 | 3.8 | 4.5 | 5.1 | 5.3 |
| Total | Mn . | 20.6 | 21.2 | 22.4 | 23.9 | 24.8 | 25.0 | 24.8 |
|  | \% | 100 | 103 | 109 | 116 | $120 \frac{1}{2}$ | 121 ${ }^{\frac{1}{2}}$ | 12012 |

Indexes of Employment (Weighted) and Hours of Work.

| Wage-earners | 100 | $101 \frac{1}{2}$ | 98 | $98 \frac{1}{2}$ | 99 | 95 | 93 |
| :--- | ---: | ---: | :--- | ---: | ---: | ---: | ---: |
| Total civilians... | 100 | 101 | $97 \frac{1}{2}$ | 97 | $96 \frac{1}{2}$ | $93 \frac{1}{2}$ | $91 \frac{1}{2}$ |
| Total $\ldots$ | $\ldots$ | 100 | 103 | 111 | $117 \frac{1}{2}$ | 122 | 121 |
| Forces \& C.D. |  |  |  |  | 120 |  |  |
| \% of Total $\ldots .$. | 3 | 5 | 14 | $19 \frac{1}{2}$ | 23 | 25 | 26 |
| Hours of work... | 100 | $101 \frac{1}{4}$ | 105 | 106 | $106 \frac{1}{2}$ | 107 | $104 \frac{1}{2}$ |
| Total man-hours | 100 | 103 | 103 | 106 | 108 | $105 \frac{1}{2}$ | 101 |
| Total wage-units | 100 | 103 | 103 | $105 \frac{1}{2}$ | $106 \frac{1}{2}$ | 103 | $98 \frac{1}{8}$ |

NOTE :-Based partly on Unemployment Fund returns (cf. Economic Journal, 1943, p. 268), and partly on Cmd. 6564. N.B. that Civil Defence is included with the Forces, and figures refer to the U.K., and all ages, and include domestic servants. Hours of work based on Ministry of Labour and coal mines returns, with certain adjustments.

[^9]working full-time, helped to increase the total number employed, so that the total increase may be estimated at $4,600,000$.

Indexes of employment are also given, in which the numbers of men, women and juveniles employed are combined according to their earning power. $\ddagger$ Forces and Civil Defence accounted for one-quarter of the volume of employment in 1944. The changes in the hours of work are also estimated, and hence changes in the total number of hours worked by wage-earners. The effect of the increase in hours was actually greater than indicated, since hours worked by men increased more than those worked by women; this has been taken into account when estimating changes in employment in terms of wage-units, i.e. man-hours adjusted for the changing sex and age composition of the workers. In terms of wage-units employment gradually expanded until 1942, but fell since then and was $1 \frac{1}{2} \%$ below the 1938 level in 1944.

Net National Income.-The division of the national income according to types of income shows little change. A correction has been made for the valuation of stocks, $\|$ and on this basis the share of wages in home-produced output (excluding the pay of the Forces and the rent of dwellings) has slightly risen ; without the correction (which is more proper here) it was $42 \%$ in both 1938 and 1944. But (again without the correction) the share of salaries has fallen from $27 \%$ to $22 \%$, and consequently the share of profit incomes rose from $31 \%$ to $36 \%$. Earn-

TABLE II.


[^10]ings per head rose by $72 \%$, and somewhat more $(78 \%)$ if adjustment is made for the increased proportion of women. Salaries per head (with similar adjustment) rose by about $60 \%$.§

Expenditure.-The new White Paper makes it possible to classify net national expenditure distinguishing government war and non-war expenditure, and to include both public and private investment at home in one item. The figures, all shown at factor cost, can be extracted from Cmd. 6623, except for the correction for the valuation of stocks, as above. War expenditure in 1944 came to $54 \%$ of the national income and all public expenditure (other than transfers) to $60 \%$. This means a contraction from $55 \%$ (and $61 \%$ ) in 1943. The pay of the Forces rose considerably, but other expenditure fell, bringing the rate of total war expenditure to a standstill. Consumption rose by $£ 200 \mathrm{Mn}$. in the last year. Disinvestment at home was greater in 1944 than in the preceding two years, though the trend of this item is biased by taking depreciation allowances at a conventional figure. Borrowing from abroad, however, is still diminishing year by year.

## TABLE III.

NET NATIONAL EXPENDITURE ( $£ \mathrm{Mn}$.) $\begin{array}{lllllll}1938 & 1939 & 1940 & 1941 & 1942 & 1943 & 1944\end{array}$
$\left.\begin{array}{l}\text { Personal } \\ \text { sumption }\end{array} \begin{array}{llllllll}\text { cohn- } & \cdots, 605 & 3,670 & 3,760 & 3,815 & 3,955 & 3,970 & 4,185\end{array}\right]$ sumption
Public current non-war expenditure on $\begin{array}{lccccccccc}\text { goods \& } & \text { ser- } & & & & & \\ \text { vices } & \ldots & \ldots & 440 & 455 & 465 & 495 & 515 & 520 & 525\end{array}$
$\begin{array}{cccccc}\begin{array}{c}\text { Investment } \\ \text { home } \ldots\end{array} & \text { at } & 390 & 210 & -260 & -220\end{array}-115-175-205$
Investment abroad $\quad \ldots-90-270-815-815-680-695-665$
War expenditure, other than Forces
pay $\begin{array}{llllllllll}\ldots & \ldots & 270 & 625 & 2,025 & 2,815 & 2,975 & 3,375 & 3,240\end{array}$
$\begin{array}{ccccccrrr}\text { Pay of Forces \& } \\ \text { C.D. } & \cdots & \cdots & 75 & 140 & 440 & 690 & 875 & 1,055 \\ 1,225\end{array}$
$\begin{array}{cccccccc}\text { Net National Ex- } \\ \begin{array}{c}\text { penditure }\end{array} & \ldots & 4,690 & 4,830 & 5,615 & 6,775 & 7,525 & 8,050\end{array} 8,305$ penditure $\begin{array}{ccccccccc}\text { Total war ex- } \\ \text { penditure } & \cdots & 345 & 765 & 2,460 & 3,505 & 3,850 & 4,430 & 4,465\end{array}$ Total public
current expen-
diture on goods
$\begin{array}{lllllllll}\text { \& services } & \cdots & 785 & 1,220 & 2,925 & 4,000 & 4,365 & 4,950 & 4,990\end{array}$
NOTE :-All items are shown at factor cost. Hence the Pay of the Forces is less than in the previous Table because of indirect taxes on payment in kind.

The division between war and non-war uses can be better assessed if we take the homeproduced gross national income plus imports. To obtain the output of consumption goods, consumption figures have been adjusted for changes in stocks ; similarly war expenditure has been adjusted for changes in war stocks held under private finance. Also, consumption goods supplied under lease-lend have been excluded from consumption and a corresponding value added to war output (against which this item was

[^11]set for accounting purposes). Exports are taken net, i.e. shipping income derived from carrying imports, etc., is excluded.

A better indication of the use of resources is obtained if an adjustment is made as follows for the difference between net output in the Forces (as measured by pay) and in other employment.

TABLE IV.
RELATIVE IMPORTANCE OF WAR OUTPUT

|  | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Non-war output: | \% | \% | \% | \% | \% | \% | \% |
| Consumption. goods | 63 | 60 | $48 \frac{1}{1}$ | $43 \frac{1}{1}$ | $42 \frac{1}{2}$ | 401 $\frac{1}{2}$ | 42 |
| Government... | $7 \frac{1}{2}$ | $7 \frac{1}{2}$ | $6 \frac{1}{4}$ |  | $5 \frac{1}{2}$ | $5 \frac{1}{2}$ | $5 \frac{1}{2}$ |
| Investment. goods | 14 | $11 \frac{1}{2}$ | $5 \frac{1}{2}$ | 5 | 4 | 3 | 3 |
| Exports | $9 \frac{1}{2}$ | $8 \frac{1}{2}$ | $6 \pm$ | 5 | $3 \frac{1}{2}$ | 3 | 3 |
| War output | 6 | 12, $\frac{1}{2}$ | $33 \frac{1}{2}$ | 41 | 44 $\frac{1}{2}$ | 48 | $46 \frac{1}{2}$ |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

The average civilian net output is assumed for the Forces, with due regard to differences in age and sex-composition. On this basis war output has an added importance, as shown by the percentages in brackets. The importance of war output is even greater than shown above, if it is considered that the proportionate contribution of cash-imports to consumption may be greater than to war output.

Consumption. - Detailed information is available on personal consumption. Expenditure on consumption expanded in six years by $26 \%$. Part of this was due to a sharp increase in indirect taxation, offset (to some extent) by subsidies. The rise in expenditure at factor cost was $16 \%$ only. But the volume of consumption fell : the low-point was reached in 1943 22\% below the 1938 level ; since then there was a rise of 2 points. The weighting of the volume index is apparently based on market prices; but if it was based on factor cost (which is more appropriate for the purposes of the White Paper) the reduction shown would be greater, since the consumption of heavily-taxed commodities actually expanded. Market prices rose by $57 \%$ and factor cost by $44 \frac{1}{2} \%$. The cost-of-living index shows a rise which may be estimated to be near the latter figure if the effect of indirect taxes and subsidies is eliminated; this indicates that the index is biased not because it is out-ofdate, but because of the effect of wartime taxes and subsidies on it. Prices were still rising in the last year, though at a much smaller rate than in previous years.

| TABLE V. |  |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| PERSONAL | CONSUMPTION |  |  |  |  |  |  |
| Value index - | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 |
| at market prices | 100 | $102 \frac{1}{2}$ | $106 \frac{1}{2}$ | $111 \frac{1}{2}$ | 118 | 120 | $125 \frac{1}{2}$ |
| at factor cost ... | 100 | 102 | $104 \frac{1}{2}$ | $105 \frac{1}{2}$ | $109 \frac{1}{2}$ | 110 | 116 |
| Volume index... | 100 | 100 | 88 | 81 | 80 | $77 \frac{1}{2}$ | $80 \frac{1}{2}$ |
| Price index- <br> at market prices <br> at factor cost $\ldots$ 100 | 100 | $102 \frac{1}{2}$ | 121 | 138 | $147 \frac{1}{2}$ | 155 | $156 \frac{1}{2}$ |
| NOTE :-Figures given in, or derived from, Cmd. 6023, Tablos |  |  |  |  |  |  |  |

The index numbers of volume or price do not take into account all changes in quality, e.g., in the alcohol content of beer. The concept of factor cost is precarious, since about half of all subsidies which were paid to home farmers had no effect on price to the consumer (if the world price is taken as the standard). Against this must be set the deterioration in quality mentioned, and the fact that lease-lend imports are valued at 1941 prices. So an index of 145 should be about right to indicate the rise in factor cost. The rise in import prices was greater, and eliminating this factor the index would stand at or below 140 .

A more important consideration is that it would be appropriate to include in consumption not the output of durable consumption goods, but the services derived from them. A smaller fall in consumption would then be indicated. $\boldsymbol{\sigma}$

TABLE VI.
NET NATIONAL EXPENDITURE AT 1938 PRICES ( $£ \mathrm{Mn}$.).


The national expenditure can now be estimated in terms of constant prices. For consumption the official estimates are taken. Public current non-war expenditure is assumed to have been stabilised at its 1939 level; consideration of the contents of this item would justify this assumption. The smallness of the rise in money terms is due to the heavy proportion of loan charges and maintenance quotas set aside at conventional figures. Investment at home was deflated by using an index based on iron and steel prices, building materials prices and labour cost for gross investment in fixed capital. Depreciation and maintenance allowances were taken as constant in real terms; while an index of wholesale and retail prices was used for changes in civilian stocks; and another index, showing a smaller increase, for deflating changes in war working-

[^12]capital. Investment abroad indicates what this item would have been at 1938 import and export prices; for the deflation of imports f.o.b. prices have been used, ${ }^{\star}$ since the difference between c.i.f. and f.o.b. prices represents mainly payments to British residents. The pay of the Forces and Civil Defence has been taken in proportion to the numbers employed corrected for changes in the sex-composition. For other war expenditure it is impossible to make exact estimates at this stage ; but we can place the estimates within reasonable limits by assuming that prices in this sector (a) moved as consumption prices, or (b) remained constant. It is likely that the true figures are about half-way between these limits for the later years, though it would be unwise to assume that the relation of the true figure to the limits was the same year by year. It is not impossible that prices in this sector fell during the last year.

It is now possible from Table VI. to set out what may be termed the 'real' sources of war finance, that is, after elimination of the change of prices.


The first line in this Table is obtained from the line ' net national expenditure' in Table VI.

The first impact of the war was borne chiefly by disinvestment of capital at home and abroad, but later increasing output took the most important share. Five-and-a-third years of war meant, apart from increased effort and factors not susceptible of economic measurement, forgoing $£ 3,300 \mathrm{Mn}$. in consumption; reducing capital equipment and stocks by $£ 1,050 \mathrm{Mn}$., and forgoing the normal investment of $£ 1,950$ Mn . (at 1938 prices) ; selling $£ 1,100 \mathrm{Mn}$. of oversea assets ( $£ 950 \mathrm{Mn}$. at 1938 prices), and borrowing $£ 2,600 \mathrm{Mn}$. ( $£ 1,800 \mathrm{Mn}$. at 1938 prices, considering expected prices at the time of repayment). The total is $£ 9,100 \mathrm{Mn}$. at 1938 prices, equivalent to two pre-war years' national income. No allowance is made for war damage to properiy on the one hand, but on the other hand capital goods made for war purposes, which will be of use in peacetime, are not included.

[^13]INDEX NUMBERS OF PRICES IN 12 COUNTRIES. Mainly based upon the Monthly Bulletin of the League of Nations.


FINANCE.


NEW CAPITAL IS8UES-
BANK OF ENGLAND-
PRINCIPAL BANKS-

TREASURY BILLS-

MONEY-

Index Nos. of Prices and Field as percentage of 1924 level; on 15th of month.
issues during month in Gt Britain (a) for U. K. (b), for Abroad, excluding Government loans, etc.- As published
by THE MDDLAND BANK, LTD. Six-months' totals from 1240.
Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November 22nd, 1928
Current Deposit and other accounts," etc. Before September, 1939, averages for the month of 9 clearing banks -ercluding the National Bank itd and the Dlstrict Bank) afterwards, data for last making up day of the month.
UD to June, 1940, 11th-17th of month, thereafter end of month
issued by tender. Total of Bills issued by tender during 13 weeks preceding date of Erchequer Return Day-to.Day Rate and 3 Months' Rate. Arerages for week ending 15th of month


PRICE OF SOLO-
PRICE OF SILVER-
Until September, 1939, average (London) price per fine oz. for week ending 15 th of month.-ECONOMIST Average (cash) price of bar silver for week ending 15 th of month to Dec. 1944, Standard (.925 fine) Arom Jan. 1945, 999 fine.-ECONOMIST.
Based on new index first published (averages for month) of 200 commodities as percentage of 1924 average
BOARD OF TRADE INDEX
Based on new index first published in January, 1935.-BOARD OF TRADE JOURNAL
STATIST (SAUERBECK)
for 1924.-STATIST
COST OF LIVING INDEX-Ministry of Labour's index showing movement since 1924 living prevalent in working-class households before Aug 1914 . For maintaining unchanged the standard of RETAIL FOOD. RENT- As above, for food only March 1st is shown against February-to facilitate comparison with "Statist " dndex WAGE INDEX- RENT- . As above, for food only and for rent and rates.
WAGE INDEX- For description, see Sp. Memo. No, 28 and Bulletin for January, 1944, pp.

$\dagger$ 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;" Lower line and subsequent figures exclude these
§ Includes cumulative figure of exports to Russia

COAL OUTPUT-
EXPORTS-

Quarterly output of saleable coal-MINISTRY OF FUEL
Exports of U:K. Produce and Manufactures.-BOARD OF TRADF
is based are derived from the sares during the whole of 1942 for the category to which it relates. Index numbers corresponding month of the previous var. For die dally sales for any month as compared with the BANK OF ENGLAND. MINISTRY OF LABOUR GAR telephone, savings bank and postal orders.-BOARD OF TRADE JOURNAL MINISTRY OF LABOUR GAZETTE.

## RECENT MOVEMENTS IN UNITED STATES.

Information communicated by Mr. ERIC SCHIFF, Washington.

15th March, 1945.
GENERAL SURVEY. - In 1944 the machinery which during the first two war years had been built up to meet the unprecedented requirements of the present struggle was utilized to capacity, or nearly so. This capacity proved adequate for the purpose; such additions to plants and productive facilities as were still made were of relatively minor importance. Of the total amount spent for new manufacturing facilities since the inauguration of the defence program in 1940, only some $13 \%$ were spent in 1944, and of this reduced total only $75 \%$ were for munitions industries, as compared to $90 \%$ of much higher totals in 1943 and 1942. Nor did the administrative machinery which was set up to co-ordinate economic activity during the war require much further expansion. If its present volume proves adequate during the remaining phases of the war, as is likely, future historians will probably say that the American war economy was able to function with a smaller amount of regimentation than most belligerent nations were forced to introduce.

All in all, economic life in this country during 1944 was marked by a higher degree of stability, as compared with the two preceding years. The main stabilizing factor was, of course, the relative decline in the rate of increase in war expenditures. While at an unprecedented absolute level, these expenditures were only about $5 \%$ higher than in 1943, whereas from 1942 to 1943 the increase had been $67 \%$, and from 1941 to 1942 more than $270 \%$. Manufacturing activity was very intensive, but the gross value of goods transported was only slightly larger than in 1943. Prices were creeping upward in most lines, and hidden price increases through deteriorations in the quality of goods and services have come to play a somewhat larger part than before, but so far the inflationary forces have been kept under reasonably effective control. As in the two preceding years, technological improvements in production have greatly aided in adjusting the flow of supply to the continuously increasing demand. In this respect the strides made in farm mechanization, while less in the limelight than the technological innovations in manufacturing, have perhaps been of even greater importance. According to official sources, agricultural output per worker has increased $34 \%$ since 1939, and average crop yields per acre harvested increased $16 \%$ during the same period.

The achievements of American agriculture in meeting the requirements of the past three years are reflected in the fact that in 1944, notwithstanding the enormous amounts of food that had to be diverted for military purchases and LendLease shipments, civilian food consumption in most groups of foodstuffs was above the 19351939 average. Food prices were more stable than most of the other price groups. Consumer spending in general, owing to the more limited choice of goods available, was less diversified during the war years than it had been in peace time, but the more severe restrictions have so far been confined to categories of goods whose total cost does not bulk too large in the consumer's budget. Thus the net restrictive effect of the limitations imposed by rationing on total consumer spending has not so far offset the stimulating effect of the increased flow of money incomes.

At the present moment the feeling is fairly general that the military events now in the making will soon bring the American war economy to an important turning point, but there is no agreement as to whether the phase to follow will be one of relaxation or one of greater restriction. At the time of writing most signs point to increased tightening. This may seem paradoxical in view of the military situation which is even more promising than it was four months ago when everybody was looking forward to the extensive relaxations expected for the period after V-E Day. The reaction of the country as represented by its official spokesmen to the present military successes is in fact quite different from what it was last autumn. Military and civilian authorities, anxious to prevent the rise of a new wave of premature complacency, are now extremely wary in giving estimates of cutbacks and reconversions that will be possible after the end of the war in Europe. General planning for 1945 provides for a substantial increase in war production. The official estimate of the value of munitions to be turned out in 1945 has been revised upward from $\$ 56,500 \mathrm{Mn}$., as announced last October, to $\$ 64,500 \mathrm{Mn}$. Authorizations for additional production for civilian needs have shrunk to a negligible volume, and hopes for an early return of the tendency to permit expansions in these fields are being discouraged in every possible manner. Indeed, further curtailments in the civilian supply of important articles such as garments and some


EMPLOYMENT, INTERNAL ACTIVITY, TRADE.

groups of durable goods are predicted. The army is buying heavily, and agencies in Washington are busier than they have been since long with the issuing of new regulations to enforce the necessary adjustments of production volumes and price relations. A definite tightening of the supply situation is already making itself felt in many lines. At the same time it would not be correct to say that the optimistic feeling which the recent military successes have created is without any visible influence on the trend of economic policy. Debates on national service legislation are a case in point. On February 1 the House of Representatives, under the impress of appeals by the President, General Marshall, and Admiral King, passed a bill which for the first time introduced compulsion as a means of securing an adequate supply of manpower. The Senate, after a long debate which obviously was influenced by the extremely favourable war news of the last few weeks, has now adopted a bill which would change existing legislation only to the extent of providing for heavier penalties for employers who violate the manpower regulations already in force. What type of bill will finally become law is uncertain at present.

BUSINESS, LABOUR, AND RAW MATERIALS. - Taking the present level of technical productivity and the present manpower situation as data, the current volume of aggregate industrial production probably represents a ceiling. Possible developments on the labor front are a factor clouding the business outlook for the next few months. Unions have for some time shown a tendency to present their demands in such a way that the granting of the demands would not involve any direct violation of previously established and generally accepted principles such as those laid down in the "Little Steel Formula." Wage negotiations and wage disputes have therefore increasingly turned on "fringe" increases of various descriptions, rather than on basic rate increases. But the net result, to the extent that concessions were won, has nevertheless been the virtual abandonment of the original wage line. In some quarters it is anticipated that after the end of the war in Europe deflationary wage movements may come under way and that this may result in more labour unrest.

While in respect of effective demand and selling prices the business outlook for the immediate future is now, if anything, even brighter than it was at the turn of the year, it is overshadowed by the tight raw material situation already referred to. It is particularly remarkable
that scarcities have developed, or are about to develop in the metals group, which so far has not, except for the first few months of the war, been a major scarcity spot. The supply situation in steel, copper, lead, and other metals is much tighter than it was some months ago. The same is true of such vital non-metallic raw materials as rubber and lumber. Allotments of carbon steel and copper to manufacturers of durable consumers' goods have been cut by $23 \frac{1}{2} \%$ and $10 \%$, respectively. In the textile field additional percentages of the supply of wool and other materials have been diverted from ordinary business channels to meet the expected requirements of the armed forces. Perhaps the most important decision of this kind was made recently by the War Production Board when it set allotments of metal for railroad plant and equipment at about $30 \%$ below the levels demanded by the Office of Defense Transportation for the second quarter. Some observers, recalling the fact that the railroad plant and rolling stock has long been under an extraordinary strain, have expressed concern over the effects which an enforced further postponement of overdue repairs and replacements might have on the efficiency and safety of rail transportation in a period when transportation requirements will in any event be very heavy.

POST-WAR PROBLEMS.-If interest in questions concerning the economics of transition from war to peace has for the moment slackened somewhat, the same cannot be said of the longrange problems of future peace-time economic policy. So far as the international field is concerned, the thesis that the country will have to make substantial and continuous contributions to the economic reconstruction of the world, as well as to the preservation of sound international economic relations, is now accepted in most quarters. But few steps of any importance will be taken without having gone through intensive questioning at home. One of the first cases has turned up just now, as Congress is about to question whether a recent agreement with France which provides for Lend-Lease transfer of certain civilian goods after the war, does not exceed the limitations of the Lend-Lease authority which the Legislature hasbestowed upon the Administration. A second and much more important matter, the Bretton Woods Agreement, is now scheduled for debate in Congress.

As for internal economic policy after the war, there is still much disagreement even as to principles. In statements of administration spokesmen, union leaders, and representatives of other groups outside the business world a
tendency towards more radical views has been visible for some time. In particular, a good deal of public support is now being given to the idea that it should be formally proclaimed that every American citizen able to work has the righta right in the full legal sense, on equal footing with the basic rights under the Constitutionto a remunerative job. This right, it is suggested, should be given effect by making the maintenance of full employment a direct and legal responsibility of the government. This is the idea underlying, e.g., a legislative proposal which was made public in December by the War Contract Sub-committee of the Senate Military Affairs Committee. The first problem which arises here is to define the criteria of full employment. In the last few months it has frequently been tried to answer this question by the simple device of forecasting the approximate number of prospective employables at some time after the war, and basing suggestions for long-range policy on this assumed number. Estimates as heard in public discussions regarding the prospective number of persons in need of employment after the war vary greatly; almost every rounded figure between 54 million and 60 million has already been mentioned. The proposal of the War Contract Sub-committee is more careful. It suggests that the President, along with his regular annual budget message, should transmit to Congress estimates, relating to the ensuing fiscal year, of the number of jobs needed to provide full employment, the dollar volume of the
national product needed to provide this number of jobs, the volume of business and public spending required to secure this national product, and, finally, the volume of business and public spending that is actually expected. In case the expected volume of expenditure should be less than the " required " volume it is suggested that the government should work out a program to fill the gap by additional federal expenditure.

While not outlining any such scheme, the President's budget message of January, 1945, was to a considerable degree inspired by a similar ideology. Public comment has not failed to point out that what the President transmitted to Congress was a peace budget message rather than a war budget message. So far as the war expenditure in the new fiscal year is concerned, the President's estimate of $\$ 70,000 \mathrm{Mn}$.-which, incidentally, would mean the first reduction in war expenditures since America's entry into the war-is admittedly of an extremely tentative character. The main part of the budget message was devoted to post-war fiscal policy in relation to the problem of full employment. What the President outlined here was a program of huge public spending in many fields, based on the consideration that full employment in peacetime can be assured only when the reduction in war demand is approximately offset by additional peacetime demand, a thing which-this obviously is the further conclusion implied-cannot be expected to happen unless the government steps in with spending on a large scale.

## CANADA

## Information communicated by Professor D. C. MacGregor of the University of Toronto.

## April 2nd, 1945.

OWING to limitation of space, and in order to preserve comparability with other countries, the figures presented in these letters have been confined mainly to a standard group of nineteen series. During the thirteen years since these series were first presented, others have become more significant, especially since 1939, and important new material has become available.* Series which have been of greater importance during the war are: disbursements of the Dominion government, war contracts placed for the account of other allied governments, the balances of payments in U.S. dollars and sterling, details of war loan flotations, various measures of aggregate (national) income, construction work on war projects, manpower estimates covering civilians and the armed forces, the extent to which industrial capacity and primary sources of power are utilized, production of war materials et cetera.

The nineteen series have also changed in content and meaning, as well as in importance. Thus, carloadings of freight have become less indicative of the volume of railway freight traffic as cars have been loaded more heavily ; electric power production has become more indicative of volume of industrial output with the decline in use of off-peak power for steam boilers ; indexes of commodity prices are obviously less indicative of demand and supply, and less satisfactory even as measures of existing prices; exports now result mainly from international gifts and loans, giving rise to foreign exchange only in certain cases ; employment statistics can be interpreted only with help from the associated figures of payrolls ; retail sales, which have attracted special attention because of their prolonged rise in this country and the United States, may indicate either the ability of the economic system to attain unprecedentedly high levels of efficiency, or a rise of prices which is concealed from the price indexes through resort to product variation and the disappearance of cheaper lines of goods, or a smaller war effort than indicated by the published figures.

If instead we consult estimates of aggregate (i.e. national) income and expenditure, similar

[^14]difficulties arise. The character of money income has been altered by additional direct taxation and more or less forced lending, and the character of consumers' outlay by changes in, restrictions upon or complete absence of, purchasable articles, to say nothing of the rise in those prices not covered by indexes of the cost of living.

Most seasonal fluctuations have altered during the war. It seems best to use uncorrected figures and to make comparisons with the same month in earlier years.

It must be admitted that the method of preparing and presenting these reports has not kept pace with the increasing complexity of the economic situation. In order to save time in preparation and space in printing, the reports concentrate on aggregates and do not give enough attention to their components. With the full and even hyper-employment of most agents of production during the last two years, most of the principal changes have occurred in the components of statistical series rather than in the aggregates, but these changes can be discovered and shown only after making laborious regroupings of official figures, a task which is a study in itself. In some cases, moreover, figures of the important components have been suppressed or delayed, or (as in the case of prices) controlled in such a manner that they have lost their usual significance.

The contrast between continued monetary expansion and virtual stability in the physical product of industry is still conspicuous. Recorded federal expenditures were some $4 \%$ lower than the year before, for the last ten months ending January, but as revenues declined in almost the same proportion (owing to lower yield of customs duties and sales and excise taxes) the deficit was not appreciably reduced. Consequently government borrowing continues at the same level and the supply of money is still increasing at about the same average amount per month. The turnover of money, as measured by bank debits, is increasing almost in proportion to the enlargement of its supply.

Retall sales in towns and cities (col. 16, p.45) have also been increasing, a marked advance over 1943 levels having continued through the autumn. Larger-than-average increases occurred in sales of hardware and furniture and are thought to reflect increased production, while heavier sales of clothing have been at the expense of inven-

|  | finance． |  |  |  |  | prices． |  |  |  | trade and production |  |  |  |  |  |  | MPLOYMEN |  |  |
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| A198 |  |  |  | ${ }_{\text {l }}^{1125}$ | ${ }_{1}^{195}$ | ${ }_{59}$ | ${ }_{7}^{73}$ |  |  | ${ }_{46}^{43}$ |  | ${ }_{26}^{26}$ | 194 | lit | ${ }_{\text {c }}^{2193} 19$ | 8：8 | ${ }_{109}^{100}$ | $\begin{aligned} & 100 \\ & 90 \\ & 08 \end{aligned}$ | 200 |
| ${ }_{1}^{1935}$ | ${ }_{1}$ | 9\％1 | 2993 | 10t | ${ }_{2}^{221}$ |  |  |  |  | ${ }_{67}^{53}$ | ${ }_{8}^{80}$ | 39 | 115 | $\frac{515}{46}$ | $\begin{aligned} & 197 \\ & 208 \end{aligned}$ | 96.5 | $\begin{aligned} & 977 \\ & 87 \\ & 87 \end{aligned}$ | $\begin{array}{r} 98 \\ 104 \end{array}$ | ${ }_{100}^{100}$ |
|  | 116 | 109．8 | ${ }_{258}^{238}$ | ${ }^{98}$ | ${ }_{22}^{235}$ | ${ }_{74} 8$ |  |  |  |  | ${ }_{71}^{84}$ | 32 | 127 |  | $\begin{aligned} & 220 \\ & 2020 \\ & 202 \end{aligned}$ | $\begin{aligned} & 04.5 \\ & 01.2 \end{aligned}$ | $\begin{aligned} & 101 \\ & 107 \\ & 107 \end{aligned}$ | $\begin{aligned} & 115 \\ & 111 \end{aligned}$ | 1115 |
|  | ${ }_{7} 9$ | ${ }_{\substack{101-8 \\ 1052}}^{10}$ | ${ }_{287}^{264}$ | ${ }_{113}^{104}$ | ${ }^{2285}$ |  |  |  |  | ${ }_{90}^{65}$ | 137 | 32 | $\frac{125}{135}$ s |  | ${ }_{235}^{221}$ | ${ }_{\text {116．}}^{104}$ | $\begin{aligned} & 111 \\ & 192 \end{aligned}$ | $\begin{aligned} & 115 \\ & 135 \end{aligned}$ | ${ }_{126}^{114}$ |
|  | ${ }_{64}^{88}$ | ${ }^{100 \cdot 6}$ | ${ }_{379}^{37}$ | 118 | ${ }_{303}^{303}$ | ${ }_{82}^{71}$ | ${ }^{89}$ |  |  | 121 |  |  |  | 178 | 270 | ${ }_{\text {l }} 13518$ | ${ }_{131}^{130}$ | $1{ }^{172}$ | 175 |
|  | 68 | 1015 | 324 | 131 | 307 |  |  |  |  | － |  |  |  |  |  |  |  |  |  |
|  | ${ }^{68}$ | 100－2 | 3 | 127 | 304 |  |  |  |  |  |  |  | 197 | ${ }_{186}^{145}$ | $\begin{aligned} & 279 \\ & 279 \\ & 298 \end{aligned}$ |  | 154 | $\begin{aligned} & 181 \\ & 185 \end{aligned}$ | 163 <br> 168 <br> 168 |
|  | ${ }_{69}^{69}$ | $100 \cdot 2$ | 343 | ${ }_{1}^{125}$ | ${ }_{301}^{301}$ |  | ${ }_{93}^{93}$ |  |  | 141 | ${ }_{164}^{140}$ | 56 | ${ }_{129}^{199}$ | ${ }^{164} 128$ | $\xrightarrow{3812}$ |  | 148 | $\begin{aligned} & 185 \\ & 187 \\ & 187 \end{aligned}$ | $1 \begin{aligned} & 168 \\ & 168 \\ & 1\end{aligned}$ |
| ${ }_{\text {D }}$ | 67 | ． 3 | 369 | 120 | 310 | 75 | 92 |  |  | 126 | 152 |  | ${ }_{208}^{202}$ | 185 | 261 | 177 | 125 | 187 | ${ }_{168}^{169}$ |
|  | ${ }_{65}^{67}$ | ${ }_{99}^{99} 3$ | ${ }_{2}^{329}$ | ${ }_{116}^{116}$ | ${ }_{318}^{310}$ |  |  |  |  | ${ }_{20}^{42}$ | $\begin{aligned} & 158 \\ & 168 \end{aligned}$ | 43 36 | ${ }_{216}^{216}$ | ${ }_{99}^{28}$ | ${ }_{249}^{272}$ | $150 \cdot 9$ | 118 | 919 | 165 |
| ${ }_{\text {M }}^{\text {M } \mathrm{MPR}_{\text {R }}}$ | ${ }_{62} 6$ |  | ${ }^{418}$ | 138 <br> 128 <br> 1 | ${ }_{326}^{330}$ | 79.5 | ${ }_{92}$ |  |  | 142 | 170 | 40 | ${ }_{221}^{208}$ | ${ }_{144}^{153}$ | ${ }_{271}^{279}$ |  | （104 | $\begin{aligned} & 196 \\ & \hline 192 \\ & 202 \end{aligned}$ | 165 |
| $\frac{\text { MAY }}{\text { MUN }}$ | ${ }_{63}^{62}$ | ${ }_{989}^{99}$ | 377 | ${ }_{116}^{124}$ | 312 | 80 | ${ }_{92}^{92}$ | 95 | ${ }_{116 \cdot 7}^{116 \cdot 1}$ | 148 | ${ }_{205}^{236}$ | 60 | 217 222 20 | $\begin{aligned} & 197 \\ & 197 \\ & 180 \end{aligned}$ | ${ }_{287}^{283}$ |  | 238 | （e9 | 172 |
| July | 6 | 98．7 | 370 | 112 | ${ }^{317}$ |  | ${ }_{92}^{92}$ |  |  | 139 | 199 |  | 229 | 18 | 294 |  | 147 |  | 178 |
| AEP | 6 |  |  | ${ }_{108}^{108}$ | ${ }_{\substack{331 \\ 348 \\ 368}}$ | 8 |  |  |  |  |  |  |  |  |  |  |  | 18 | 179 |
| OCP NOV NEC | 71 | 94 | 419 | ${ }_{1}^{126}$ | ${ }_{\substack{360 \\ 365}}$ | ${ }^{86} 8$ | ${ }_{92}^{92}$ |  |  | ${ }_{128}^{126}$ | ${ }_{2011}^{209}$ |  | 239 | 108 | 29 |  | 15 | $\begin{aligned} & 219 \\ & 2202 \\ & 202 \end{aligned}$ | ${ }_{188}^{188}$ |
| ${ }^{\text {1043 }}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 220 | ${ }^{184}$ |
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| ${ }_{\text {M }}^{\text {MAY }}$ SUNE | ${ }^{84}$ | ${ }_{97}^{97 \cdot 3}$ | ${ }_{4}^{54}$ | ${ }_{126}^{126}$ | ${ }_{415}^{415}$ | ${ }_{94}^{93}$ | ${ }_{93}^{93}$ |  |  | 147 | ${ }_{251}^{251}$ | 46 | ${ }^{267}$ | $\begin{aligned} & 84 \\ & 94 \\ & 74 \end{aligned}$ | $\begin{aligned} & 284 \\ & 288 \\ & 298 \end{aligned}$ | 54．5 | ${ }_{126}^{126}$ | 23 226 226 | 181 |
| ${ }_{\text {JULY }}^{\text {JUG }}$ | ${ }_{89}^{91}$ | ${ }_{97}^{97.3}$ | 40 | ${ }_{116}^{123}$ | ${ }_{398}^{396}$ |  | ${ }_{93}^{93}$ |  |  | ${ }_{151}^{151}$ | 306 |  |  |  | 293 |  |  | 228 | 186 |
| （ect | ${ }_{80}^{88}$ | ${ }_{97} 97$ | ${ }^{468}$ | 108 | ${ }_{\substack{398 \\ 408 \\ 411}}$ |  | 94 |  |  |  |  |  |  | 17 |  | ${ }_{\text {liber }}^{162.5}$ |  | 230 | 186 |
| No | 80 80.5 |  | ${ }_{4}^{591}$ | 138 <br> 120 | ${ }_{4}^{445}$ | ${ }_{105}^{1104}$ | ${ }_{94}^{94}$ |  |  | 135 | ${ }^{293}$ |  | ${ }^{283} 828$ | 70 | 319 |  | 128 | 231 | 189 |
| J |  |  |  |  |  |  |  |  |  | 135 | 308 |  | 282 | 108 | 288 | $167 \cdot$ | 106 | 226 | 186 |
| （JAN． | －82 | ${ }_{97} 97.3$ | ${ }_{421}$ | $\begin{aligned} & 1145 \\ & { }_{102}^{105} \end{aligned}$ | $\begin{aligned} & 427 \\ & 427 \\ & 427 \end{aligned}$ | $\begin{aligned} & 104 \\ & \text { 104 } \\ & 104 \end{aligned}$ |  |  |  | $\begin{aligned} & 126 \\ & \left.\begin{array}{c} 138 \\ 158 \end{array}\right) \end{aligned}$ |  |  |  |  |  |  |  |  |  |
| APRIL |  | 97．2 | － 456 |  | ${ }^{451} 45$ | ${ }^{104}$ |  |  |  | ${ }_{1}^{157}$ | ${ }_{287}^{290}$ |  |  | 202 140 |  |  |  |  | 180 |
| Junt | ${ }_{84}$ | 27. | 52 | ${ }_{120}^{126}$ | ${ }_{483}^{485}$ | ${ }_{102}^{102}$ |  |  |  | 15 | ${ }_{3}^{371}$ | ${ }_{67}^{91}$ |  | ${ }_{112}^{109}$ | 315 |  | 111 | $\begin{aligned} & 225 \\ & 226 \end{aligned}$ | 180 |
|  | ${ }_{87}^{87}$ | 97： | 47 |  |  | 102 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| SE | $\begin{aligned} & 85 \\ & 86 \\ & 86 \\ & 86 \end{aligned}$ | $\begin{aligned} & 9700 \\ & 97700 \\ & 9720 \end{aligned}$ | $\begin{aligned} & 482535 \\ & 4925 \\ & 493 \end{aligned}$ | $\begin{aligned} & 1060 \\ & 105 \\ & 105 \end{aligned}$ | 496 | ${ }_{103}^{101}$ |  |  |  | 160 |  |  |  | 104 |  |  | $\begin{aligned} & 1.24 \\ & \hline 1.14 \\ & \hline 104 \end{aligned}$ | $\begin{aligned} & 282 \\ & \hline 220 \\ & 202 \end{aligned}$ | 183 |
| NEC | ${ }_{87}^{86}$ | 97：9 | ${ }^{\text {507 }}$ | ${ }_{130}^{136}$ | 522 |  | ${ }_{94}^{94}$ |  |  |  |  |  |  | 1 |  |  | 研 |  | ${ }_{188}^{184}$ |
| JAN | ${ }_{93}^{89}$ | ${ }_{96}^{96} 9$ | ${ }^{507}$ | 125 | 505 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | 105 | 94 |  | ${ }^{118 \cdot 6}$ |  |  |  |  | 98 | ${ }_{264}^{279}$ | 175 |  |  |  |

Datbs of Skribs：Cols 4，5，17－19，end of

# Col．1．－＂Investors＇Index．＂Index of current market valuation Notes on Seribs 

holders＇equity in 95 companies（\％of 1935－39）
＂2．－Based on the calculated yield of a bond havin maturity period．（\％of 1935－9．）
Excludes debits to accounts of cising about $85 \%$ of total debits April，1935．Iargely Refers to operations in Canad by financial transactions． and municipal governments．
＊5．－Includes governmental deposits．Excludes all deposits with provincial ，6－8．－Col． 6 comprises 70 items banks，and with trust companies．
n 9．－Comprises separate groms；col．7， 322 items；col．8， 567 items furnishing，sundries（including services）lighting，rent，clothing，home 11．－Bxcludes，

1937 ；includes gold in small quantities only，non－monetary gold since
＊12．Comprises＂t 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．－

representing seasonal variation．Includes 4I weighted serios largely amplitude of rerign to overstate Weighting and fith an upward bias． sentation sentation 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 days and for seasonal variation．Refers to 13 groups adjusted for number of business chain stores only，representing chiefly urbepartment，variety，＂and $100 \%$ ．Monthly series commenced from I M23． from 1923

## 2 17．－Includes workers on relief projects．

workers on same basis as is employees only．Includes part－time civil servants and underweights the service industries labourers and
tories. Rural sales (country general stores) in the autumn were only slightly above 1943, although marked advances have occurred in the Prairie Provinces where farm income is now exceptionally high.

Production: The principal contractions of activity have taken place in construction work for war purposes, in the British Commonwealth Air Training Plan, and in various kinds of industrial war productions. Declines occurred in the value of output of guns, small arms, armoured vehicles, shells and miscellaneous stores, but these were almost wholly offset by increases in the value of other items such as instruments, aircraft and unarmoured vehicles (Financial Post, December 23). Revising the table of value of war output presented a year ago, which is considered a fair indication of changes in the volume of output, we have :

| $1939-40$ | $\ldots$ | $\$ 311 \mathrm{Mn}$. | 1943 | $\ldots$ | $\$ 2,738 \mathrm{Mn}$. |
| :--- | :--- | :---: | :---: | :---: | :---: |
| 1941 | $\ldots$ | 810 | 1944 | $\ldots$ | 2,660 (prel.) |
| 1942 | $\ldots$ | 2,056 |  |  |  |

Output in 1944 as a whole fell $3 \%$ below 1943, and exceeded last year's forecast by more than $6 \%$. The decline at the year's end was probably greater than $3 \%$.

Private construction, restrictions on which were relaxed more than a year ago, has been curtailed again owing to shortages of materials and labour. Wartime construction to last September was officially stated on September 15th to have totalled $\$ 1,381 \mathrm{Mn}$., including equipment installed.

Gold output has now been reduced to about half that of 1941, owing to diversion of resources to war purposes.

The employment index, which in April, 1944, began to fall behind the corresponding figures of 1943, had reached a point some $2 \frac{1}{2} \%$ below by the end of 1944 . Of more interest than the small change in the aggregate index are the marked declines of employment in the manufacture of durable goods and in mining and construction. It is said that war output is being maintained with $20 \%$ fewer workers, or a reduction of about 200,000 persons, mainly owing to increased efficiency. The released workers have gone into the army or into high priority occupations such as logging, transport, communications and badly understaffed services such as street railways and cartage . . . Evidently the previous full-time work and payment of overtime continues, to judge from the indexes of weekly payrolls which have declined less than the indexes of employment ; the high level of payrolls also reflects in part the increases in wage rates noted below.

The figures of unfilled demands for labour remain as large as a year ago, and the numbers of insured persons reported out of work is not appreciable except in the provinces of Quebec and British Columbia. In January and February, 1945, unemployment benefits were paid covering 704,000 man-days, against 228,000 man-days a year earlier. Large proportionate increases are to be expected in view of the negligible unemployment hitherto.

Manpower statistics.-An estimate of the size and occupational distribution of the population of age 14 years and over at June 1st, 1939, 1940, 1943 and 1944 was published in the Labour Gazette (Ottawa) Nov., 1944, p. 1307-8.

COMMODITY EXPORTS did not increase in the second half of 1944, but continued at the high level established in the previous twelve months (roughly $\$ 3,400 \mathrm{Mn}$. per annum). Imports continue at about $\$ 1,700 \mathrm{Mn}$. per annum, or only slightly above 1942. The various positive and negative balances which may be derived from the trade figures in the customary manner have little or no meaning except in trade with the United States. Imports from the United States and more especially from the United Kingdom are checked by the greater advance of costs and selling prices in those countries (cf. Bulletin I, January, 1945, p. 11) ; imports which cannot be sold within Canadian ceiling prices will not be purchased unless a government subsidy is paid.

Railway freight traffic (carloadings) did not fall below the previous year until December, and has now returned to the high levels of March, 1944. The great pressure under which freight has been handled is best shown in the effects of heavy snowfalls in eastern Canada and the United States during December and January; the resulting dislocation of traffic was the most widespread yet reported, and still persists.

The railways' net revenues have fallen greatly as a result of increases in wages.

Prices and Food Supply.-The increase in wheat prices to $\$ 1.25$ a bushel which took place in the summer of 1943 (see letter of April, 1944, p. 46) was not accompanied by proportionally higher prices for other agricultural products. As a consequence prairie farmers diverted their efforts away from producing coarse grains and hogs and into wheat growing; western wheat acreage rose $40 \%$ and the hog population fell $19 \%$ during last year, while sows bred to farrow over the six months ending May, 1945, are 17\% less than the year before.

A further increase in wheat prices paid to Canadian growers has now been made in the form
of a decision to pay the world price (defined as 35 c . less than the U.S. price, and 18c. above the former level of $\$ 1.25$ ) for all wheat bought by the government for Great Britain, or UNRRA or Mutual Aid accounts ; hitherto it will be recalled that the Canadian wheat grower participated in prices higher than $\$ 1.25$ only on wheat sold to the United States and one or two neutral nations. The former disparity between wheat and hog prices is now wider than ever. At the same time as the government is paying the farmers more for their wheat it is asking them (on the basis of an earlier recommendation) to cultivate $8 \%$ fewer acres, and is restricting deliveries of the 1945 crop firmly to 14 bushels per authorized acre.

It may nor be altogether an accident that higher wheat prices and the $\$ 200 \mathrm{Mn}$. per annum outlay for family allowances (to commence in July) are both timed more accurately with respect to the coming federal election than for purposes of post-war stabilization.

The price of newsprint paper has risen $\$ 3.00$ a ton, and now stands at $\$ 61.00$ (New York basis), compared with an average price of $\$ 47.30$ in 1940 and $\$ 52.36$ in 1943.

The indexes of wholesale and retail prices give no indication of the continued (and, I believe, intensified) inflationary pressure ; but the marked rise in stock and bond prices and great activity in the flotation of all manner of new gold mining issues probably result from the "spill over" from enlarged money incomes. Property values have of course been rising. The available statistics, which relate only to farms, show an average rise of $25 \%$ in the value of farm land since 1940, the most rapid advances being in the Maritime Provinces and Quebec. (Quarterly Bulletin of Agricultural Statistics, Oct.-Dec., 1944, p. 138).

Wage Rates. Preliminary figures of industrial wage rates for thirteen industries in 1943 have now been published, continuing the sum-

mary formerly appearing in " Wages and Hours of Labour in Canada." The greatest increase has been in logging and saw-milling and the least in the printing trade; in the former industry wages in the base period were relatively low and in the latter reladively high. Indexes for these two industries and the weighted average for all groups are shown in the following table, together with the average wages of male farm help in successive Januarys.

Income.-Estimated gross and net cash income from sale of farm products has risen further. The following table is adapted from Quarterly Bulletin of Agricultural Statistics. (Ottawa. D.B.S.) April-June, 1944, p. 10 . Additional information relating to income in kind and government payments to agriculture, is given in the same source. Closely comparable figures for 1926-36 appear in Appendix 4 to the Report of the Royal Commission on Dominion-Provincial Relations (Ottawa, 1939).


Wage and salary payments, as shown by the monthly index of weekly payrolls, collected in conjunction with the employment index, have moved as follows over the last three years (June 1, $1941=100):$

|  |  | 1942 | 1943 | 1944 |
| :--- | :--- | :---: | :---: | :---: |
| January-June | $\ldots$ | 120 | 139 | 145 |
| July-December | $\ldots$ | 135 | 148 | 149 |

Average weekly earnings per head, computed from the same source, rose from $\$ 31.60$ in November, 1943, to $\$ 32.29$ in November, 1944.

Dividend payments of $\$ 280 \mathrm{Mn}$. in 1944 were recorded by the Financial Post (December 9, p. 23) compared with $\$ 286 \mathrm{Mn}$. in 1943 and $\$ 288 \mathrm{Mn}$. in 1942.

From the foregoing indications, an increase of from $5 \%$ to $10 \%$ probably occurred during 1944 in the money incomes paid to or received by individuals. I here assume that the whole net profits of farming and other owner-operated businesses are reckoned as withdrawn from the business by the owners.

In the closing months of 1944 appreciable declines from the corresponding levels of the previous year occurred for the first time in employment and railway traffic. Electric power
production and exports had already fallen behind in the spring and summer respectively. In the autumn a general slackening of government controls occurred and reconversion to civilian output was being widely discussed and even experimented with; meanwhile a shortage of butter and pork was developing. A general belief that the war would be over by Christmas prevailed. Following the German counter-offensive in December the situation changed ; increased war output for Canadian and other accounts was undertake, and civilian shortages became more evident. Butter and sugar rations have been reduced and unexpectedly drastic restrictions on housing and on movements of population into certain crowded areas have been put in force. The public is now being prepared for further controls of consumption, and a renewal of meat rationing is likely if shipping space is available for overseas exports. Fewer civilian tyres and motor trucks will be available. Shortages of clothing, particularly cottons and hosiery, have been a source of annoyance. The Prices Board complains that with enlarged buying power the same supplies as in earlier years no longer suffice. The perennial shortage of coal was relieved by an unusually mild spell of weather in February and March.

In the letter of last September an error was made in describing the legislation enacted by Parliament a few weeks earlier. The Family Allowances Act was passed ( 8 Geo. VI, ch. 40), but not the anticipated legislation for health insurance and old age pensions.

It now appears that the recent legislation designed to encourage private investment after the war is a well integrated programme which touches the problems of investment at many points, including revision of taxation. The common element in the various Acts is the effort to reduce risk to private lenders and to introduce further specialization in investment institutions. The principles of the new policy were outlined in a comprehensive statement of the Minister of Finance on January 3 last.

Taxation of co-operative enterprises, and of annuities and family corporations, is being investigated by federal Royal Commissions.

A special session of Parliament is now being held to vote interim supply to cover the period until after the election, to be held in the summer.

ADDENDA: In Bulletin IV, October, 1944, p. 90 , second column, second line from bottom: insert after "half a year's output" the words "of automotive equipment."

On the same page, first column, line 15 , insert after exports" the words "of farm products."

Bibliographical note.-Articles and government documents on special subjects referred to in these letters are listed in the Bibliography of Canadian Economics, published quarterly in the Canadian fournal of Economics and Political Science. (Toronto. University of Toronto Press.)

The period discussed in the foregoing letter is examined in more detail by industries in the March, 1945, number
of the Bank of Nova Scotia Monthly Review.



# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

## BULLETIN III. VOL. XXIII

JULY, 1945.

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## LONDON \& CAMBRIDGE ECONOMIC SERVICE

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## UNITED KINGDOM.

## THE ECONOMIC POSITION.

Fuly 24th, 1945.

WITH the end of the fighting in Europe, government expenditure during the second quarter of 1945 was over $£ 100$ Mn . lower than in the corresponding quarter of 1944. On the revenue side a fall in receipts from Excess Profits Tax has been offset by a further rise in the yield of Income Tax, and total revenue for the quarter was slightly higher than a year ago. The deficit for the quarter, at $£ 695 \mathrm{Mn}$., was thus over $£ 120 \mathrm{Mn}$. less than last year. On the other hand, subscriptions to long-term loans were much lower than last year, partly in consequence of the postponement of the usual savings campaign and partly perhaps as the result of some tendency on the part of the public to increase personal expenditure, and much more had to be borrowed from the banks. As a result, net clearing bank deposits rose by nearly $£ 240 \mathrm{Mn}$. during the quarter, as against only $f_{64} \mathrm{Mn}$. in the second quarter of 1944 . The Bank of England's note circulation has also risen a good deal more than in the corresponding period of last year. It is to be hoped that it will be possible in the near future to check this acceleration in the rate of monetary expansion.

There has been little change in wholesale or retail prices since March, except a rise in the price of coal which affects the index number of both, and a seasonal increase in the latter, which, at 207 on June 30th was $34 \%$ above the level of September, 1939. A statement by the Minister of Food on the prices that would obtain if food subsidies were withdrawn, suggests that in that case the index would jump to about $50 \%$ above the pre-war level.

Meanwhile the wage-rate index has, with increases in wages for builders, cotton operatives and local authority employees, risen in July, 1945. about $52 \%$ above August, 1939 ; this average is made up of very divergent items, from $23 \%$ for dock-labourers' time-rate minimum to $101 \%$ for the agricultural workers' minimum. There is little doubt that there will be pressure for increase in those wages which have risen least, as overtime and facilities for extra earnings become reduced. A new standard of working-class expenditure has been formed during the war, and there is now additional pressure on many unrationed goods. A considerable part of the increased expenditure, however, is on tobacco, and is mainly due to the high rate of duty.

## EVENTS OF ECONOMIC IMPORTANCE.

1945

| April | 30th | U.K. |
| :---: | :---: | :---: |
| May | 1st | U.K. |
| " | 2nd | Italy |
| " | 3 rd | Burma |
| " | 4th | Turkey |
| " | 7th | Germany |
| " | 8th | Europe |
| " | 9th | U.K. |
| " | 16th | U.K. |
| " | 23rd | U.K. |
| " | $\begin{aligned} & \text { 23rd- } \\ & 24 \text { th } \end{aligned}$ | U.K. |
| " | 27th | U.K. |
| " | 28th | U.K. |
| " | 29th | U.K. |
| " | 31st. | U.K. |


| June | 1st | Syria | $\ldots$ |
| :---: | ---: | :--- | ---: |
| $"$ | 8th | U.K. | $\ldots$ |
| $"$ | 11th | U.K. | $\ldots$ |
|  |  |  |  |
| $"$ | 15th | U.K. | $\ldots$ |
| $"$ | 20th | Pacific | $\ldots$ |
| $"$ | 25th | India | $\ldots$ |
| $"$ | 26th | U.S.A. | $\ldots$ |


.. Bank of England recalls notes of values of $£ 10$ and above.
... Price of coal increased by further $3 / 6 \mathrm{~d}$. per ton.
... German forces surrender unconditionally.
... British enter Rangoon.
... Anglo-Turkish Trade and Payments Agreement signed.
... Germany surrenders unconditionally.
V-E. Day.
... Increase of $£ 50 \mathrm{Mn}$. to $£ 1,300 \mathrm{Mn}$. in Bank of England's fiduciary note issue.
... Text of Housing (Temporary Accommodation) Bill issued.
... Names announced of directors of Finance Corporation for
Industry, Ltd.
... Mr. Churchill resigns and forms new " Caretaker " Government.
... Reductions announced in rations of bacon, cooking fat and soap.
... North Atlantic convoy system discontinued.
... Relaxations announced in control of engagement of labour.
... Chancellor announces relaxation of control of capital issues.
... Government orders British troops to intervene.
... Vote of credit for $£ 1,750 \mathrm{Mn}$.
... Relaxation of export control comes into force. Prices of lead and zinc increased.
... Parliament dissolved.
... U.S. troops complete occupation of Okinawa.
... Viceroy's conference opens at Simla.
... World Security Charter signed by representatives of fifty nations at San Francisco.
... Mr. Byrnes succeeds Mr. Stettinius as Secretary of State.
... Income of $£ 50 \mathrm{Mn}$. to $£ 1,350 \mathrm{Mn}$. in Bank of England's fiduciary note issue.
... General Election.
... British and United States Governments recognise new Government, of National Unity.
... Simla conference ends in failure.
... "Big Three " conference opens at Potsdam.
... Industrial and Commercial Finance Corporation, Ltd., registered.
... Increased powers given to local authorities to requisition empty houses and licence housing work.
... Details published of scheme for rehabilitation of Malayan rubber industry.
... General Election results. Clear Labour majority, resignation of Mr. Churchill, Mr. Attlee forms Labour Government.

# FINANCE \& BANKING IN THE SECOND QUARTER OF 1945. 

By P. B. Whale.

Government Finance.-The rate of Government expenditure for the second quarter of this year has shown a marked decline in comparison with the preceding quarter, the weekly averages for Supply and Total Expenditure falling respectively from $£ 117 \mathrm{Mn}$. to $£ 93 \mathrm{Mn}$. and from $£_{1} 126 \mathrm{Mn}$. to $£ 101 \mathrm{Mn}$. This is more than the usual seasonal decline and it is natural to associate it with the termination of the European fighting, although it may be noted that it was in the first two months of the quarter that the expenditure was lowest, and that Supply Expenditure in June, 1945, averaged $£ 2$ Mn. a week more than in June, 1944. On the basis of the figures for this month, one could only speak of a reduction from the higher level of 'expenditure reached in the second half of 1944. Government revenue receipts for the quarter showed their usual seasonal drop to about half the weekly average of the first quarter, but were nearly $£ 1 \mathrm{Mn}$. a week higher than a year earlier. The average weekly deficit was $£ 53 \mathrm{Mn}$., as against $£ 29 \mathrm{Mn}$. in the preceding quarter and $£ 63 \mathrm{Mn}$. in the second quarter of 1944.

The total deficit, or excess of Ordinary Expenditure over Ordinary Revenue for the quarter was approximately $£ 695 \mathrm{Mn}$., and the amount raised by borrowing was $£ 708 \mathrm{Mn}$.


Subscriptions to loans on tap to the public brought in $£ 279 \mathrm{Mn}$., or $£ 275 \mathrm{Mn}$. if we deduct repayments of ordinary debt. Savings bank
deposits increased during the quarter by about £66 Mn., so that we have a Large and Small Savings total of $£ 341 \mathrm{Mn}$.-or rather more if we allow for the reduction in the banks' holdings of long-term securities. The absence of a special savings campaign (postponed until the autumn) may be cited to explain the lower figure of subscriptions comparing the first six months of the year with previous years ; but this does not seem to explain a drop of about $£ 86 \mathrm{Mn}$. in the comparison between the last and the preceding quarters.

|  | $\begin{gathered} \text { Apr. } \\ \text { (28 days) } \end{gathered}$ | $\underset{(28 \text { days })}{\text { May }}$ | $\begin{aligned} & \text { June } \\ & \text { (35 days) } \end{aligned}$ | 2nd Qtr. <br> (91 days) |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certificates | 10.45 | $8 \cdot 2$ | $9 \cdot 9$ | $28 \cdot 55$ |
| 3\% Defence Bonds... | $6 \cdot 9$ | $4 \cdot 6$ | $7 \cdot 4$ | 18.9 |
| 3\% Savings Bonds | $33 \cdot 7$ | 21.8 | $25 \cdot 9$ | 81.4 |
| $2 \%$ Nat. War Bonds |  | $0 \cdot 2$ | $25 \cdot 9$ | $26 \cdot 1$ |
| 1 \% Exchequer Bonds | $48 \cdot 3$ | 42.85 | 33.25 | 124.4 |
| Other Debt | 1.6 | 1.4 | -5.5 | - 2.5 |
| Repayments | -1.6 | $1 \cdot 5$ | 1.5 | $4 \cdot 6$ |
| Total long \& medium term borrowing | . $\overline{99 \cdot 4}$ | 77.5 | $95 \cdot 3$ | $272 \cdot 2$ |
| Tax Reserve Certificates | $8 \cdot 9$ | 20.2 | 26.5 | 55.6 |
| Treasury Deposits | 136.5 | 67.5 | 12.5 | 216.5 |
| Treasury Bills | $-47 \cdot 3$ | $40 \cdot 1$ | 114.7 | 107.5 |
| W. \& M. Adv. Goyt. Depts. | - $4 \cdot 4$ | -13.1 | $38 \cdot 2$ | 20.65 |
| , Bank of England | 7.8 | 1.7 | $26 \cdot 3$ | 35.8 |
| short-term borrowing | $101 \cdot 45$ | 116.35 | 218.2 | 436.0 |
| Total borrowing | 200.85 | 193.9 | 313.5 | 708.2 |

Floating Debt.-The amount left to be raised by short-term borrowing (including the investment of savings bank deposits) was $£ 436 \mathrm{Mn}$. Tax Reserve Certificates brought in $£ 55 \frac{1}{2} \mathrm{Mn}$. As usual, Treasury Deposits constituted the largest item in the increase in floating debt, but Treasury Bills outstanding increased $£ 107 \mathrm{Mn}$. and Ways and Means advances $£ 56 \mathrm{Mn}$. Bills issued by tender increased $£ 170 \mathrm{Mn}$., with a decline of $£ 63 \mathrm{Mn}$. tap bills; but the distinction does not appear to be of importance. If we add the increase in Departmental Ways and Means to the increase in Treasury Bills and deduct the increase in savings bank deposits, we are left with an increase of $£ 62 \mathrm{Mn}$. in bills to be financed. The increase in the note circulation would very nearly sufflce to cover this.

Bank of England.-The note circulation has again increased very considerably, $£ 54 \mathrm{Mn}$. between mid-March and mid-June, $£ 60 \mathrm{Mn}$. between mid-April and mid-July. This increase, despite the withdrawal of notes of $£ 10$ and larger denominations from April 30th, may reflect
increased provision for holiday expenditure. The fiduciary issue was increased by two further $£ 50 \mathrm{Mn}$. steps, at the beginning of May and the beginning of July.

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


It will be seen that there was an exceptionally large increase of $£ 239 \mathrm{Mn}$. in the Net Deposits of these banks comparing the March returns and the end-of-June figures. In the corresponding period in 1944 the increase had been only $£ 64 \mathrm{Mn}$. The last increase brings the figure for June 30th, 1945 , to $214 \%$ of the June, 1939, figures.

In the assets of the banks the increase in
deposits is more than covered by the increase in Treasury Deposits. Changes in discounts and money at call cancelled one another, and there were declines in both Investments and Advances. The $10.4 \%$ cash ratio was maintained by rather more than the usual degree of window-dressing and extensive assistance from the Bank of England at the end of the half-year.

Security Prices.-Our index number of prices of industrial securities fell sharply during May, but subsequently recovered to a mid-July figure which was only slightly below the high level reached in April. Prices of fixed interest securities ceased to rise in May, fell slightly in June, and recovered in July. These irregular movements in security prices seemed to be the result of conflicting forces, on the one hand of the continued pressure of funds awaiting investment, and on the other of uncertainty about the results of the General Election and of the relaxation of the restrictions on new capital issues.

New Capital Issues.-The partial relaxation on May 31st of the restrictions on new capital issues has not yet been reflected in any substantial increase in the amount of new issues. It may well be some time before the supply position of labour and materials is such as to give rise to any very marked increase in requirements for new capital.

## PRICES, WAGES, ETC.

By A. L. Bowley.

PRICES.-The only changes of importance in wholesale prices since March have been a considerable increase for coal in May and higher maximum prices for non-ferrous metals in June. The large rise in potatoes towards the end of

| CHANGES IN PRINCIPAL GROUPS. August, $1939=100$ throughout. |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1943 <br> June | $1944$ <br> June | $1944$ <br> Dec. | $\begin{aligned} & 1945 \\ & \text { Mar. } \end{aligned}$ | $1945$ June |
| Cereals | 223 | 200 | 198 | 197 | 195 |
| Meat, fish, eggs ... | 144 | 144 | 144 | 144 | 144 |
| Other food and Tobacco | 173 | 181 | 179 | 179 | 191 |
| Total, Food, \& | 177 | 174 | 173 | 173 | 177 |
| Coal... | 158 | 172 | 191 | 191 | 208 |
| Iron and Steel | 142 | 143 | 144 | 146 | 147 |
| Non-ferrous metals | 126 | 127 | 127 | 125 | 126 |
| Cotton | 167 | 196 | 197 | 197 | 199 |
| Wool ... | 170 | 179 | 180 | 180 | 180 |
| Other textiles $\ldots$ | 179 | 182 | 184 | 187 | 187 |
| Chemicals and Oils | 154 | 163 | 163 | 162 | 162 |
| Miscellaneous | 184 | 192 | 193 | 195 | 195 |
| Building Materials | 142 | 147 | 148 | 150 | 151 |
| Total, Materials, \&c. | 159 | 167 | 169 | 170 | 171 |
| Grand Total | 165 | 169 | $170 \cdot 5$ | 171 | $173 \cdot 5$ |

May (included in other food) was seasonal and temporary.

Among the retail prices included in the Cost of Living that of coal increased in April (at May 1st $10 \%$ above May 1st, 1944) and that of potatoes rose in May and June. The price of potatoes always rises in the early summer with the introduction of the early crop and falls in the autumn with the main crop. The percentages in recent years have been :

> POTATOES : RETAIL PRICES.
> Sept. $1,1939=100 . \quad\left(6 \frac{1}{2} \mathrm{~d}\right.$. for 7 lbs.$\left.\right)$

| May 1st | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 106 | 1944 | 1945 |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| June 1st | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 105 | 106 | 107 |
| July 1st | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 147 | 132 | 229 |
| Aug. 1st | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 160 | 135 |  |
| Sept. 1st | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 128 | 128 |  |
| Oct. 1st $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 108 | 109 |  |

This year the increase has been earlier than usual owing to shortage of old potatoes.

In the formation of the index-number the original weight given to potatoes was about oneninteenth of the whole for food.

COST-OF-LIVING INDEX-NUMBER


On June 30 the index was 207, and the increase above Sept. 1, 1939, nearly 34

Subsidies.-Details of the effect of subsidies were given by the Minister of Food on June 1st (Manchester Guardian, June 2nd) in which the current retail prices of the subsidised foods are compared with " the estimated retail prices if the subsidies were withdrawn."


It is not stated how these prices are estimated, ${ }^{\star}$ but in any case they are hypothetical. If subsidies were withdrawn the price charged might still depend on official regulation and the quantities bought depend partly on rationing and partly on consumers' choice.

Nevertheless it is interesting to see what would be the effect on the Cost of Living Indexnumber if the hypothetical prices were substituted for the actual. The calculation is shown in the accompanying Table. The results may be thus summarised.

[^15]INDEX-NUMBERS OF COST OF LIVING.
July 1914 Sept. 1939 May lst 1945
Food
Rent
All

Food
Rent
All

| 100 | 138 |
| :--- | :--- |
| 100 | 162 |
| 100 | 155 |

Sept. 1939

| Actual | New prices |
| :---: | :---: |
| 168 | 208 |
| 166 | 166 |
| 203 | 227 |


| May |  |
| :---: | :---: |
| lst 1945 |  |
| Actual | New prices |
| 123 | 151 |
| 102 | 102 |
| 132 | 147 |

Thus the Cost of Living Index as commonly quoted would be changed from +103 to $+127 \%$ above the 1914 basis. The increase since September, 1939, would be +47 instead of $+32 \%$. Food prices would increase by the change in the ratio $168: 208$, that is about $24 \%$; and all retail prices (including rent) increase about $12 \%$.

It may be added that personal expenditure on food was estimated for the year 1944 at $£ 1,200 \mathrm{Mn}$. (Cmd. 6623). Total subsidies on food at the current rate are at the rate of about $£ 225 \mathrm{Mn}$. per annum, of which about $£ 180$ relate definitely to food included in the Cost of Living calculation. If the whole subsidy were included in food expenditure, that would be raised by $19 \%$. Since the subsidies are allotted to the less expensive and more general foods, the relation between this $19 \%$ and the $24 \%$ in the preceding paragraph is of the kind to be expected.

In the Table, Column 1 gives the weights applied to the percentage changes, which are proportional to the expenditures in the original budgets as modified in 1914. Column 2 shows the index numbers for May, 1945, written (e.g.) as 1.52 for the increase of $52 \%$. Column 3, product of Columns 1 and 2 , shows the expenditure on the original goods at the prices in May, 1945, relatively to total expenditure 1,000 in 1914. The total gives the index for May as $1,681 \div 1,000=1.68$, or increase of $68 \%$, which is the Ministry of Labour's figures.

Column 4 gives the prices in pence (per unit shown on the left) in May, 1945, as stated by the Ministry of Labour. They are the same as those in the May number of the Ministry of Labour Gazette, except that the prices of British meat have been averaged. Column 5 contains the hypothetical prices if the subsidies were withdrawn. Finally, the figures of Column 3 are raised in the proportion of Column 4 to Column 5 to give Column 6; where no subsidies are named the entry in Column 3 is repeated.

WAGES.-Since March the flat increase of 4s. 6d. (named in the last Bulletin) for engineers and ship-builders has become effective, lorry drivers have received an additional 4 s . weekly and in June adult workers in the cotton industry were raised 7s. per week, and in July, building artisans and labourers increased 1 d . and $\frac{3}{4} \mathrm{~d}$. an hour respectively.

CHANGES IN WAGE-RATES.
1942-5, as percentage of August, 1939.

|  | $\begin{array}{r} 1942 \\ \text { March } \end{array}$ | $\begin{array}{r} 1943 \\ \text { March } \end{array}$ | $\begin{array}{r} 1944 \\ \text { March } \end{array}$ | $\begin{array}{r} 1945 \\ \text { March } \end{array}$ | $\begin{gathered} 1945 \\ \text { July } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Bricklayers | 118 | 118 | 123 | 128 | 133 |
| Prin Labourers | 123 | 123 | 128 | 136 | 141 |
| Printers \& Compositors | 113 | 115 | 125 | 125 | 125 |
| Dock Labourers | 115 | 115 | 123 | 123 | 123 |
| Engineers: Fitters... | 120 | 129 | 129 | 135 | 141 |
| , Labourers | 126 | 138 | 138 | 146 | 154 |
| Shipbuilders ... | 129 | 140 | 140 | 147 | 156 |
| Railwaymen | 121 | 127 | 134 | 141 | 141 |
| Cotton | 135 | 147 | 156 | 156 | 172 |
| Wool | 129 | 138 | 146 | 146 | 146 |
| Local Authorities | 121 | 126 | 132 | 140 | 143 |
| Trams ... | 124 | 124 | 131 | 139 | 139 |
| Lorry Drivers | 119 | 122 | 126 | 130 | 135 |
| Boots | 121 | 121 | 132 | 137 | 137 |
| Confectionery | 121 | 141 | 149 | 159 | 159 |
| Tailoring | 123 | 137 | 137 | 153 | 153 |
| Shirts ... | 123 | 137 | 137 | 153 | 153 |
| Tobacco | 123 | 122 | 128 | 130 | 132 |
| Coal $\dagger$ | 140 | 163 | 176 | 193 | 193 |
| Agriculture | 173 | 173 | 187 | 201 | 201 |
| Weighted Average | 127 | 135 | 141 | 148 | 152 |
| Cost of Living Index | 129 | 128 | 129 | 130 | 134 |

The explanation and detail of the composition of this Wage-rate Index-number were shown in Bulletin for January, 1944, p. 6.
$\dagger$ Average earnings per man-shift
Cotton.-Prior to the war wages of cotton weavers and spinners were depressed, but an increase in the late autumn of 1939 raised spinners' rates about $6 \%$ and weavers' $5 \%$. Further increases on the piece lists took place in 1940, 1941 and 1942 in the traditional form of percentage changes in the standard lists. In November, 1942 (for spinners), and in January, 1943 (for weavers), flat-rate money increases were made instead of percentages. The amount was 5s. weekly for all adults, which is estimated (rather uncertainly) to have been equivalent to an average of $8 \frac{1}{2} \%$ on the wages before the increase. In January, 1944, there was a further increase for adults of 4s. and finally another of 7s. in June, 1945. Minor adjustments and inincreases for junior operatives have been made during the war. The resulting index-numbers as included in the general index on p. 59 are :-

| INDEX OF COTTON WAGES. |  |  |  |  |  |  |  |  |  |
| :--- | :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1929 | Dec. | $\ldots$ | $\ldots$ | 100 | 1941 | Jan. | $\ldots$ | $\ldots$ | 120 |
| 1939 | Aug. | $\ldots$ | $\ldots$ | 92 |  | April | $\ldots$ | $\ldots$ | 122 |
|  | Dec. | $\ldots$ | $\ldots$ | 100 | 1942 | Jan. | $\ldots$ | $\ldots$ | $124 \frac{1}{2}$ |
| 1940 | Jan. | $\ldots$ | $\ldots$ | 104 | 1943 | Jan. | $\ldots$ | $\ldots$ | 135 |
|  | April | $\ldots$ | $\ldots$ | $110 \frac{1}{2}$ | 1944 | Jan. | $\ldots$ | $\ldots$ | $143 \frac{1}{2}$ |
|  | July | $\ldots$ | $\ldots$ | 113 | 1945 | June | $\ldots$ | $\ldots$ | 158 |

Coal.-The most recent return relates to the fourth quarter of 1944. As there was very little increase in the earnings per shift above the third quarter, it may be that the rise in earnings per shift which took place in the earlier part of 1944 without any change in rates has reached its maximum temporarily.

Recent figures are as follows. For intermediate dates see p. 28 of the April Bulletin.


RETAIL TRADE.-The official indexnumber of the value of retail sales has been at a high level since August, 1944 (see table p. 60). In May, 1945, it was at its maximum for any month other than December's, but attention is drawn to the fact that as the index numbers relate to average daily sales, they tend to have been artificially raised by the occurrence of Whitsun and V-E. holidays in May. This particularly applies to foodstuffs for which weekly purchases would be concentrated into fewer shopping days.

Comparison of the period February to May, 1945, with that of 1944, is also affected to some extent, but Whitsun fell in May in both years. For the four months, daily average sales of foodstuffs were $6 \%$ higher than last year, other goods $9 \%$ higher and the total $7 \%$ higher.

UNEMPLOYMENT.-There were nearly 100,000 persons reported as unemployed in midJanuary, which was 20,000 more than in January, 1944, but equal to the January, 1943, total. This year there was a reduction of less than 10,000 from January 15th to April 16th when there were still 90,000 on the registers for Great Britain. (see table on p. 60).

Total benefits paid out by the Unemployment Fund rose in the first quarter of 1945, but comparisons with earlier quarters are affected by increases in the rate of benefit as from November 2nd, 1944.

|  | UNEMPLOYMENT FUND (General Weekly Averages = £000's. |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Benefits |  |  |  |  |  |  |
| Years | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 |
| Qrs. 1 | 1126 | 784 | 320 | 91 | 56 | 49 | 100 |
| Qr. 2 | 781 | 383 | 160 | 68 | 53 | 47 |  |
| 3 | 617 | 389 | 112 | 66 | 48 | 46 |  |
| 4 | 699 | 432 | 83 | 61 | 50 | $79 \dagger$ |  |
| Employees' Contributions |  |  |  |  |  |  |  |
| Years | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 |
| Qrs. 1 | 408 | 409 | 483 | 493 | 479 | 455 | 447 |
| 2 | 421 | 437 | 485 | 495 | 469 | 465 |  |
| 3 | 474 | 414* | 485 | 490 | 463 | 464 |  |
| 4 | 417 | 455 | 486 | 481 | 455 | 426 |  |

* The rate of contributions was increased in August, 1940, and the limiting income raised in September, 1940.
$\dagger$ Increase of Benefit Act, operative from Nov. 2nd, 1944


# DOCK LABOURERS' WAGES, 1888 to 1945 

By A. L. Bowley.

In view of the discontent of dock-labourers with the resumption of the rates of pay that were formerly normal, it may be of interest to give a summary account of their wages over a long period. Their relation to the wages of the building labourers and building artisans provides a useful background.


Prior to 1889 the London docks tended to be the last refuge of the casual labourer, an alternative to a loose attachment to the building industries. The hourly rate was then $5 \mathrm{~d} .{ }^{\star}$ In the great Dockers' Strike of 1889 the objective was "the full round orb of the dockers' tanner," and so the wage became 6 d . an hour. At some date before 1914 it was raised to 7 d .

Between 1914 and October, 1918, wages, including a war bonus, were approximately doubled. In April, 1919, hours were reduced from 60 weekly to 44 ( 11 half-days of 4 hours each), a full week's wages remaining at about 64s. 2d. In May, 1920, after the report of a Court of Inquiry, rates were raised to 2 s . an hour, that is 88 s . for a full week. The rate was rapidly reduced step by step to 55 s. in 1923, and then rose slowly and irregularly till it was 71s. 6 d . ( 6 s . 6 d . per half-day) at the outbreak of the present war.

These rates all refer to pure time work of the lowest grade. There were for many classes higher rates and piece-rates and overtime. The half-day became the ordinary unit of engagement in 1919. Eleven half-days made the full ordinary week.

During the European War this minimum rate was raised to 7s. in November, 1939, to 7 s .6 d . in July, 1940, and to 8s. (the rate set by the 1920 Court of Inquiry) in March, 1944. Thus the increase in this basic minimum time-
rate during the war has been only $23 \%$. These figures since 1920 relate not only to London, but to all principal ports.

These time-rates, however, appear to have little relation to actual earnings. The only published statements are (Ministry of Labour Gazette, Feb. 1945, p. 25) statistics relating to

BRICKLAYERS
LABOURERS
all classes of labour in the reserve pools established at nearly all ports in Great Britain. These show :


No direct comparisons can be made with the pre-war minimum of 71 s . 6 d ., which, it should be emphasised, applied only to the lowest grade of labour.

The reserve pools named above were constituted in connection with the mobilisation of dock labour, administered by the National Dock Corporation established in 1941. All workers coming under this scheme reported for work every half-day, and if there were none available received 5 s . 6 d ., raised subsequently to 6 s .

The difficulties in June, 1945, ostensibly arising from the reduction of the special payments connected with D day, may result (or have resulted by the time this note is published) in an increase in the basic minimum.

From the Table it is seen that the docker's wage caught up with the building labourer's after the last war, passed it, and reached the bricklayer's rate in 1940.

[^16]
## LABOUR DISPUTES IN WAR-TIME

By A. L. Bowley.

In the Bulletin of October, 1943, some account was given of the loss of time owing to labour disputes in the last and present wars.* The following Tables I and II bring the statistics up to the end of the European War with additional information in Table III.

The statistics are compiled from those published in the Ministry of Labour Gazette and include all stoppages reported that involved ten or more workers or one hundred or more man-days. The numbers in the Tables under Workers include persons thrown out of work indirectly without actually participating in the dispute.

Since August, 1943, disputes have been rather more prevalent than in previous years, and, at least in coal-mining and engineering, have involved rather more men and more mines or factories. But there has been no major dispute that extended over more than relatively small parts of the industries. Coal mining in each period named in Table II accounted for more than half of the workers involved in stoppages in all industries, and in the second period for about $60 \%$ of the days lost. A considerable part of the total was due to disputes arising out of the Award in January, 1944, by which minimum wages were raised, but a demand for increased piece-rates refused. Engineering and shipbuilding account for a considerable proportion of the aggregate, but in these industries disputes were generally local and due to questions of interpretation of awards or to local causes of discontent.

The aggregate of days lost during the five and three-quarter years of the war, viz : about 10 Mn ., is equivalent to less than one day spread over the whole of industry. Even in coal-mining the loss in the second period was probably only between 1 and $1 \frac{1}{4} \%$ of the shifts worked.


|  | Four Years Sept. 1939 Aug. 1943 |  |  | Twenty-one Months Sept. 1943 May 1945 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { s. } \\ & \text { s. } \\ & \text { on } \\ & \text { an } \\ & \text { an } \end{aligned}$ | $\begin{aligned} & \text { D } \\ & \text { An } \\ & \text { in } \\ & 0^{\circ} 8 \end{aligned}$ |  | $\begin{aligned} & \infty \\ & \text { 苟 } \\ & 0 \\ & 0 \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ | $\begin{aligned} & 2 \infty \\ & 0 \\ & 40 \\ & 0 \\ & 0 \\ & 1 \end{aligned}$ |  |
| Coal | 1998 | 823 | 2280 | 2077 | 832 | 3394 |
| Engineering \& Ships | 1131 | 359 | 1238 | 839 | 301 | 1556 |
| Iron, Steel, other Metals | 490 | 84 | 332 | 259 | 34 | 119 |
| Textiles ... ... ... | 204 | 33 | 159 | 93 | 10 | 55 |
| Clothing | 84 | 23 | 80 | 56 | 8 | 14 |
| Building \& Contracting | 302 | 66 | 172 | 82 | 11 | 18 |
| Transport ... ... | 202 | 86 | 268 | 163 | 74 | 263 |
| Others | 442 | 70 | 232 | 217 | 24 | 69 |
| Totals | 4853 | 1544 | 4761 | 3786 | 1294 | 5488 |



| AVERAGE | NUMBER OF WORKERS <br> PER DISPUTE | INVOLVED |  |
| :---: | :---: | :---: | :---: |
|  | Stoppages beginning in | 1943 | 1944 |
| Directly | ... ... ... ... ... ... | 250 | 325 |
| Indirectly | $\ldots \mathrm{lllll}$ | 60 | 50 |
| Total | $\ldots$... $\quad .$. | 310 | 375 |

The number of disputes, which averages about 35 per week throughout the five and threequarter years, is certainly large, but Table III shows that the great majority lasted less than a week, and indeed many were settled within a day. These brief stoppages each affected only a small number of workers, and were usually confined to one undertaking or locality.

This account does not extend to the date of the recent bus strike in the Midlands nor include the dockers' controversy.

[^17]INDEX NUMBERS OF PRICES IN 12 COUNTRIES. Mainly based upon the Monthly Bulletin of the League of Nations.

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

| 1939 | 2nd half | ... | 110 | 99 | 104 | 98 | 101 | 101 | 111 (g) |  | 104 | 104 | (a) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1940 | 1st , | ... | 119 | 100 | 106 | 101 | 105 | 103 | $128{ }^{8}$ |  | 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 ", | $\ldots$ | 118 | 109 | 127 | 119 | 117 | 108 | 134 | 136 | 152 | 151 | 117 |
| 1942 | 2nd , | ... | 119 | 113 | 132 | 123 | 117 | 108 | 134 | 145 | 158 | 157 | 136 |
| 1943 | 1st ," | ... | 122 | 112 | 132 | 130 | 121 | 109 | 143 | 150 | 159 | 162 | 146 |
| 1943 | 2nd , | ... | 123.5 | 110 | 135 | 133 | 116 | 110 | 149 | 156 | 157 | 163 | 146 |
| 1944 | lst ", | ... | 124 | 110 | 134 | 138 | 117 | 111 | 1 | 168 | 156 | 165 | 146 |
| 1944 | -July ... | ... | 125 | 112 | 134 | 137 | 120 | 119 |  | 170 | 157 | 167 | 145 |
|  | Aug. ... | ... | 124 | 111 | 133 | 134 | 115 | 117 |  | 171 | 157 | 165 | 146 |
|  | Sept. ... | $\ldots$ | 124 | 110 | 133 | 135 | 120 | 112 |  | 177 | 157 | 166 | 145 |
|  | Oct. ... | ... | 124 | 110 | 134 | 136 | 123 | 111 |  | 17 | 157 | 166 | 144 |
|  | Nov. | ... | 124 | 110 | 13. | 138 | 121 | 111 |  |  | 156 | 166 | 144 |
|  | Dec. | ... | 124 | 111 | 132 | 139 | 123 | 112 |  |  | 156 | 166 | 145 |
| 1945 | Jan. | ... | 124 | 111 | 133 |  | 123 | 113 |  |  | 156 | 166 |  |
|  | Feb. ... | ... | 124 | 111 | 131 |  |  | 113 |  |  | 156 | 167 | 144 |
|  | Mar. | $\ldots$ | 124 124 | 111 | 131 |  |  |  |  |  |  | 167 | 144 |
|  | Apr. May ... | $\ldots$ | 124 |  |  |  |  |  |  |  |  | 167 | 145 |
|  | June ... | $\ldots$ | 127 |  |  |  |  |  |  |  |  |  |  |

[^18]

## STOCKS \& SHARES-

## NEW CAPITAL ISSUES-

BANK OF ENGLAND-
PRINCIPAL BANKS-
TREASURY BILLS-
MONEY-

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 dubllshed Deposits 1940.
Deposits. 11th-17th of month
Bank Notes and Currency No
Bank Notes and Currency Notes in circulation 11th-17th of month. Issues amalgamated, November $22 n d, 1928$. "Current Deposit and other accounts." etc. Before September, 1939, averages for the month of 9 clearing banks (t.e.- excluding the National Bank, Ltd., and the Dlstrict 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 Bills issued by tender during
Issued by tender. Total of Bills issued by tender during 13 weeks preceding date of Exchequer Return.
Dherwise issued. Total of Treasury Bills in existence less those 1ssued by tender
Day-to.Day Rate and 3 Months' Rate. Averages for week ending 15th of month.

|  | WHOLESALE. |  |  |  |  |  |  |  | RETAIL. |  |  | WAGES. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Price of | Bar | Board of Trade Index Nos. |  |  | Statist (Sauerbeck) Index Nos, |  |  | M, of Labour. |  |  | Index |
|  | Gold. <br> s. per fine $o z$. | Silver <br> (Cash). <br> d. per oz. | General \% | Food. \% | Materials, etc. \% | Food. \% | $\begin{gathered} \text { Raw } \\ \text { Materials. } \\ \% \end{gathered}$ | Total. \% | Cost of Living. \% | Food. \% | Rent \% | Weekly <br> Wage-Rates \% |
| 1924 A r... | 93.69† | 34.0 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | $100 \times$ |
| 1929 Ar... | 84.95 $\dagger$ | 24.5 | $82 \cdot 2$ | 87.4 | 79.4 | 84 | 81 | 82 | 94 | 94 | $103 \cdot 5$ | 994 |
| 1934 Av... | $137.65 \dagger$ | 21.4 | $63 \cdot 3$ | 64.8 | $62 \cdot 4$ | $59 \cdot 5$ | 58 | 59 | 80.5 81.5 | 72 | 106 | 94 |
| 1985 Av... | $142.10 \dagger$ | 29.0 | 64.0 | 66.0 | $62 \cdot 7$ | 59 | 61.5 | 61 | 81.5 | 73.5 | 107 | 95 |
| 1936 Av... | $140.29+$ | $20 \cdot 2$ | 67.9 78.2 | 69.9 77.8 | 66.7 78.0 | ${ }^{62}$ | 65 75 | 64.5 | 84 88.5 | 76.5 | 108 | 97\% |
| 1987 Av... | $140 \cdot 76 \dagger$ | $20 \cdot 1$ 19.5 | 78.2 72.9 | $77 \cdot 8$ $74 \cdot 1$ | 78.0 72.1 | 65 | 75 66 | 65.5 | 89 | 82 | 109 | 104 |
| 1938 Av... | 142.49 154.99 | 19.5 | 74.1 | 74.4 | 73.6 | 65 | 72 | 69 | 91 | $83 \cdot 5$ | 110 | 1053 |
| 1940 Av... | 168.00 Ş | $22 \cdot 2$ | 98.4 | $101 \cdot 4$ | 96.4 | 86 | 96.5 | 93 | 106 | 97 | 111 | 117 |
| 1941 Av... | 168.00 S | 23.4 | $109 \cdot 7$ | 111.1 | 108.4 | 96.5 | 106 | 102.5 | 113.5 | 98.5 | 112 | 127 |
| 1942 Av .. | 168.00S | 23.5 | 114.6 | 119.8 | 111.4 | 108.5 | $109 \cdot 5$ | $109 \cdot 5$ | 114 | 95 | 112 | 1364 |
| 1943 Av... | 168.00 S | 23.5 | 117.0 | 121.6 | 114.1 | 106.5 | 113.5 | 111 | 115 | 97 | 112 | 151 |
| 1944 Av... | $168.00 §$ | $23 \cdot 5$ | 119.5 | $120 \cdot 1$ | 118.4 | 105.5 | 120 | 114 | 115 | 99 | 112 | 151 |
| $\begin{aligned} & 1942 \\ & \text { JAN... } \end{aligned}$ | $168 \cdot 00$ § | 23.5 | 112.4 | $115 \cdot 4$ | $110 \cdot 3$ | $104 \cdot 5$ | 108 | 107 | 114.5 | 96 | 112 | 133 |
| FEB. | 168.00 S | 23.5 | 113.9 | 119.4 | $110 \cdot 7$ | 113 | 108 | $110 \cdot 5$ | 114.5 | 95 | 112 | 133 ${ }^{3}$ |
| MAR...... | 168.00 s | 23.5 | 114.2 | $120 \cdot 1$ | 110.6 | 113 | 108.5 | $110 \cdot 5$ | 113.5 | 94 | 112 | 1344 |
| APRIL ... | 168.00 | $23 \cdot 5$ | 114.7 | 121.6 | 110.6 | 114 | 109 | 111 | 114.5 | 94 | 112 | 1344 |
| MAY...... | 168.00 S | $23 \cdot 5$ | 115.4 | $123 \cdot 7$ | 110.7 | 114.5 | 111 | $112 \cdot 5$ | 113.5 | 93.5 | 112 | 1342 |
| JUNE | 168.00s | 23.5 | 114.7 | 122.1 | 110.6 | 114 | 109 | 111 | 114.5 | 94 | 112 | $135 \frac{1}{2}$ |
| JULY ... | 168.005 | 23.5 | 115.0 | $120 \cdot 7$ | 111.6 | $104 \cdot 5$ | $109 \cdot 5$ | 108 | 115 | 94 | 112 | 1381 |
| AUG....... | 168.00 S | 23.5 | 114.2 | $117 \cdot 9$ | 111.6 | $104 \cdot 5$ | 109 | 107•5 | 114.5 | 94 | 112 | 1384 |
| SEPT...... | 168.00 S | $23 \cdot 5$ | 114.2 | $117 \cdot 2$ | $112 \cdot 1$ | $104 \cdot 5$ | 109.5 | $107 \cdot 5$ | 114.5 | 95 | 112 | $138 \frac{1}{4}$ |
| OCT. ...... | 168.00 | $23 \cdot 5$ | $115{ }^{\circ}$ | 118.5 | 112.5 | 105 | 110 | 108 | 114.5 | 95.5 | 112 | 1382 |
| NOV....... | 168.00 | 23.5 | 115.6 | $120 \cdot 3$ | 112.7 | 105 | 111 | 109 | 114.5 | 96.5 | 112 | 1384 |
| $\begin{aligned} & \text { DEC....... } \\ & 1943 \end{aligned}$ | 168.00§ | 23.5 | 116.0 | 121.0 | 112.8 | 105 | 112 | $109 \cdot 5$ | $113 \cdot 5$ | 96.5 | 112 | 1383 |
| JAN. ...... | 168.005 | 23.5 | 116.5 | 121.5 | 113.4 | $107 \cdot 5$ | 112 | $110 \cdot 5$ | $113 \cdot 5$ | 96.5 | 112 | $140 \frac{1}{2}$ |
| FEB. | 168.00 S | $23 \cdot 5$ | 116.5 | $121 \cdot 6$ | $113 \cdot 3$ | $107 \cdot 5$ | 112 | 110 | $113 \cdot 5$ | 97 | 112 | $140 \frac{1}{2}$ |
| MAR....... | 168.00 S | $23 \cdot 5$ | 116.6 | 121.7 | 113.4 | $107 \cdot 5$ | 112.5 | 111 | 113 | 97 | 112 | $142 \frac{5}{4}$ |
| APRIL ... | $168 \cdot 00$ S | 23.5 | $117 \cdot 1$ | $122 \cdot 7$ | 113.7 | 108 | $113 \cdot 5$ | 111.5 | $113 \cdot 5$ | 97 | 112 | $143 \frac{1}{2}$ |
| MAY ...... | 168.008 | $23 \cdot 5$ | $117 \cdot 4$ | 123.4 | 113.7 | 108 | $114 \cdot 5$ | 112 | 113 | 97 | 112 | 1444 |
| JUNE..... | 168.00 § | $23 \cdot 5$ | $117 \cdot 3$ | $122 \cdot 7$ | 113.9 | $107 \cdot 5$ | 114 | 112 | $114 \cdot 5$ | 98.5 | 112 | $144 \frac{1}{4}$ |
| JULY ... | 168.008 | 23.5 | 117.9 | 124.8 | 113.8 | 109 | 114 | 112.5 | 113.5 | 98 | 112 | 1449 |
| AUG...... | 168.00 § | 23.5 | 116.6 | $120 \cdot 4$ | 114.1 | 105.5 | 114.5 | 111 | 113 | $97 \cdot 5$ | 112 | 1449 |
| SEPT. ... | 168.00 S | $23 \cdot 5$ | $117 \cdot 1$ | $120 \cdot 8$ | $114 \cdot 7$ | $105 \cdot 5$ | 114.5 | 111 | 113.5 | 98.5 | 112 | $144 \frac{3}{4}$ |
| OCT. ...... | 168.00 S | 23.5 | 116.8 | $119 \cdot 7$ | 114.9 | 105 | 114 | 110.5 | 113.5 | 98.5 | 112 | 145 |
| $\begin{aligned} & \text { NOV....... } \\ & \text { DEC. ...... } \end{aligned}$ | 168.00 $168.00 §$ | 23.5 23.5 | 117.0 117.5 | 119.6 120.5 | 115.0 115.3 | 104.5 | 114.5 | 110.5 | $113 \cdot 5$ | 98.5 | 112 | $145 \frac{1}{2}$ |
| $\begin{aligned} & \text { DEC....... } \\ & 1944 \end{aligned}$ | 168.00 § | $23 \cdot 5$ | 117.5 | $120 \cdot 5$ | $115 \cdot 3$ | $104 \cdot 5$ | 114.5 | $110 \cdot 5$ | 113.5 | 98.5 | 112 | 1464 |
| JAN. ...... | $168.00 §$ | 23.5 | 117.9 | $120 \cdot 8$ | 115.8 | $104 \cdot 5$ | 115 | 111.5 | 114.5 | 98.5 | 112 | $148 \frac{1}{4}$ |
| FEB. ...... | 168.00 S. | $23 \cdot 5$ | $118 \cdot 3$ | $120 \cdot 8$ | 116.5 | 105 | 115.5 | 111.5 | 114.5 | 98.5 | 112 | 1484 |
| MAR...... | 168.00 § | 23.5 | 118.5 | $120 \cdot 5$ | 116.9 | 105.5 | 116 | 112 | 114.5 | 98.5 | 112 | 1483 |
| MAY ...... | 168.00§ | 23.5 23.5 | 119.0 119.4 | $120 \cdot 3$ $120 \cdot 3$ | 117.6 118.2 | 105.5 | 118.5 | 113.5 | 114.5 | 98.5 | 112 | $151 \frac{1}{4} \ddagger$ |
| JUNE | $168.00 §$ | 23.5 | 119.4 | 119.9 | 118.5 | 105.5 | 121 | 115 | 115 | 99 | 112 | $153 \frac{1}{4}$ |
| JULY ... | 168.00 § | $23 \cdot 5$ 23.5 | 120.1 | 122.0 | 118.4 | 107 | 122 | 116 | 115.5 | 100 | 112 | 1533 |
| AUG....... | $168.00 \$$ | 23.5 | 120.4 | $120 \cdot 8$ | 119.5 | 105 | 123 | 116 | $115 \cdot 5$ | 99 | 112 | 1544 |
| 8EPT. .... | $168.00 §$ $168.00 §$ | 23.5 23.5 | $120 \cdot 1$ $119 \cdot 9$ | 119.3 118.5 | 119.8 119.8 | 105 | 121.5 | 115 | 115 | 99 | 112 | $154 \frac{1}{2}$ |
| NOV........ | 168.00§ | 23.5 | 119.9 | 118.5 | 119.8 | 105 | 121 | 115 | 115 | 98.5 | 112 | I5 $5 \frac{1}{4}$ |
| DEC........ | $168.00{ }^{\text {S }}$ | 23.5 | 120.2 | 118.5 119.2 | 120.0 | 105 105.5 | 122 | 115.5 115.5 | 115 115.5 | 98.5 98.5 | 112 112 | $155 \frac{1}{2}$ $155 \frac{1}{2}$ |
| JAN. ...... | 168.00 S | 25.5 | 120.2 | 119.0 | 120.2 | 106 | $122 \cdot 5$ | 116 | 115.5 | 98.5 | 112 | 155 |
| FEB. ...... | 168.00 S | 25.5 25.5 | 120.2 | $119 \cdot 1$ | $120 \cdot 1$ | 106 | 122.5 | 116 | 115.5 | 98.5 | 112 | $156 \frac{1}{2}$ |
| MAR...... | $168.00 §$ 168.008 | 25.5 25.5 | $120 \cdot 7$ $120 \cdot 6$ | 119.0 | 120.7 | 107 | 122.5 | 116.5 | 115.5 | 98.5 | 112 | $156 \frac{1}{2}$ |
| MAY...... | $160 \cdot 00$ \$ | 25.5 | $120 \cdot 6$ | 118.7 118.7 | 120.9 | 106 | 124 | 117 | 116 | 98.5 | 112.5 | $156 \frac{1}{2}$ |
| JUNE ..... | q172.25§ | 25.5 | 122.2 | 121.5 | 121.9 | 111 | 124.5 125.5 | 118 120 | 116.5 118.5 | 100 | 113 113 | $158 \frac{1}{4}$ $160 \frac{1}{4}$ |
| JULY .. | 172.25§ | $25 \cdot 5$ |  |  |  |  |  |  |  |  |  | 161 |
|  | $\dagger$ Average of daily quotations for year. § Bank of England Official Rate. |  |  |  | f Raised on June 9th. <br> $\ddagger$ Revised to end of Series. |  |  | * December, 1924 .\|| Provisional to end of series. |  |  |  |  |

PRICE OF SOLO-
PRICE OF SILVER-
BOARD OF TRADE INDEX
STATI8T (SAUERBECK) INICES
INDEX

Until September, 1939, average (London) price per fine oz. for week ending 15 th of month.-ECONOMIST. Average (cash) price of bar silver for week ending 15 th of month to Dec. 1944, Sfandard (. 925 fine); 1rom Jan. 1945, . 999 fine.-ECONOMIST.
Geometric Mean of Wholesale Prices (averages for month) of 200 commodities as percentage of 1924 average Based on new index first published in January, 1935.-BOARD OF TRADE JOURNAL for 1924.-STATIST
Ministry of Labour's index showing movement since 1924 in cost of maintaining unchanged the standard of month,-e.g., reading for Mg-class households before Aug., 1914. For ist of month, but placed against previous As above, for food only and for rent and rates
For description see Sp. Memo, No, 28 and Bulletin for January, 1944, pp, 6-8,


[^19]
## COAL OUTPUT- <br> EXPORTS-

POST OFFICE RECEIPTS-UNEMPLOYMENT-

Quarterly output of saleable coal.-MINISTRY OF FUEL
Exports of U:K, Produce and Manufactures,-BOARD OF TRADE
Index of value of sales in Departmental Stores, Co-operatives, multiple and independent shops. Each index is based on average daily sales during the whole of 1942 for the category to which it relates. Index number are derived from the percentage movements of the daily sales for any month as compared with the BANK OF ENGLAND, Daily averages, ex telegraph, telephone, savings bank and postal orders.-BOARD OF TRADE JOURNAL MINISTRY OF LABOUR GAZETTE.

# RECENT MOVEMENTS IN UNITED STATES. 

Information communicated by Mr. ERIC SCHIFF, Washington.

## 15th fune, 1945

AFTER VICTORY IN EUROPE.-At the time of writing it is too early for anything but a highly tentative and general estimate of the impact of V-E Day on the American economy. High-ranking spokesmen of the armed services, still apprehensive of a premature let-down at home, maintain the cautious attitude they took before the fighting in Europe ended. The public is being warned not to expect for 1945 any very substantial decline in the demands of the army upon the domestic economy. Nevertheless it is fairly clear that there will be some absolute and relative rise in production for civilian needs during the one-front phase of the war. In fact, the partial shift to a peacetime production basis has already begun in large sections of American industry. In many lines, not much reconversion will be needed to accomplish this shift. Many industries will use the available plant, equipment, superintendents and workers, for the manufacture of peacetime products instead of the war materials produced so far (say, refrigerators instead of aircraft parts), and in industries producing materials of general use (steel, coal, etc.) even the products turned out will remain the same. In a report on reconversion recently published by the Chairman of the War Production Board it was stated that out of 51.2 million of civilian workers some 44.6 million are in occupations which can continue as before regardless of munition schedules (agriculture, railroads, steel, mining, retail trade, etc.). The specialised war industries which will be directly affected by the cutbacks-aircraft, shipbuilding, ordnance and signal equipment, war chemicals, Federal war agencies-have until recently given jobs to about 6.6 million persons, a high absolute figure no doubt but only a minor percentage of the total.

American industry goes into the reconversion campaign in a fairly strong financial position. It is true that part of what makes the liquidity status of most balance sheets appear so high at present, is in reality earmarked for tax payments and deferred replacements. Even so it is likely that industry will be able for some time to finance a substantial proportion of the reconversion requirements out of internal sources. Nor will the absorption of an increased volume of civilian goods by the markets cause much headache. During the period immediately ahead the civilian demand for most articles will be about as unlimited as the governmental demand it will re-
place. The size of the pent-up civilian demand for consumer goods may be roughly gauged from a tabulation which the Office of Civilian Requirements has recently published, and which aims at giving an idea of the numbers of durable household articles which could be sold immediately at prevailing prices if the quantities demanded were ready for sale. The estimates are based on the results of interviews with 4,500 families, believed to add up to a representative cross-section of the nation as a whole, who were asked if they would buy right away a refrigerator, a sewing machine, etc., if there were plenty of these things in the stores. The findings, and their comparison with the results of a similar investigation made a year ago, are as follows :-

| Number of Household Appliances |  |
| :---: | :---: |
| which could immediately be Sold |  |
| to Private | Consumers :- |
| End of May, 1945 | End of May, 1944 |
| 5,852000 | $3,827,000$ |
| $3,451,000$ | $2,323,000$ |
| $4,501,000$ | 2,3900000 |
| $5,085,000$ | $2,682,000$ |
| $5,195,000$ | $4,019,000$ |
| $5,835,000$ | $4,262,000$ |

Adding to this the enormous pent-up replacement demand for producers' durables, it is clear that at least for durable commodities the finding of sales outlets will not be a major problem during the transition period.

SUPPLY PROSPECTS DURING THE RECONVERSION PHASE.-The main uncertainty factors are on the supply side. During the period covered by this review, only the limited cutbacks which occurred before the collapse of Germany could make themselves felt in the domestic commodity supply. During the first six months after V-E Day government war contracts will probably be cancelled at a rate of $\$ 2,000 \mathrm{Mn}$. a month. The effect of the new situation on the domestic supply of goods and services for civilian use cannot now be forecast with any accuracy. Since the end of hostilities in Europe the government has large amounts of surplus material on hand, much of which will eventually find its way into civilian markets. However, the checking of these inventories to determine what is not needed in the Pacific will take time, and several months may well elapse before these surplus items contribute to the flow of supplies for civilian needs. As for the resumption of civilian production, the main favourable sign at present is the rather liberal


* End of month. Average price of all listed shares.

EMPLOYMENT, INTERNAL ACTIVITY, TRADE.

attitude of the supervising agencies. The removal of prohibitions against consumer goods manufacture has come under way more rapidly and had reached larger proportions than had been anticipated in many quarters. Needless to say, permission to produce an article does not mean that the article will be produced in quantity if, as is the case in many lines, the supply of the raw materials required for the fabrication is still largely absorbed by priority orders. While in some vital metals such as steel, copper and aluminium, the supply situation has undoubtedly eased as a result of the end in Europe, other basic materials such as tin, rubber and others will remain scarce until the Pacific and Far Eastern sources are won back. Effective July 1, all quota limitations on the production of farm machinery and repair parts were removed. Owing to the scarcity of various materials, however, no great increase in actual production is expected. The War Production Board has also relaxed its control over the installation of durable facilities by big manufacturing concerns, public utilities, institutes, etc. The gas and electric companies are reported to have appropriated some $\$ 405 \mathrm{Mn}$. for the next twelve months, which is $50 \%$ more than the amount they spent on construction in 1944. It is estimated, however, that more than $\$ 600 \mathrm{Mn}$. could have been appropriated were it not for the continuing shortage in materials and manpower. Auto manufacturers were authorised to resume production of new passenger cars after July 1st, but they will not be given any priority assistance in obtaining materials. It is officially estimated that about 200,000 new passenger cars will be produced during the second half of 1945. Furthermore, the War Production Board has revoked its ban on the manufacture of household refrigerators, and has authorised production of 700,000 washing machines during the second half of the year. A certain number of minor household items were also removed from the control list. The supply of hardware, metal tools and typewriters is expected to increase somewhat during the next few months. The revival of residential construction, for which there is a substantial immediate demand quite apart from the great post-war housing programmes, will be slow, owing to the continuing shortage in lumber. The outlook for an early increase in the scanty supply of textiles for civilian use is dim.

[^20]post-armistice price fall) most observers agree that this time, too, the transition from war to peace will be the most critical period in the inflation problem. In the fight against inflationary price movements the government has so far mainly relied on administrative price controls. At present, security prices and real estate prices are about the only major price groups not under direct government control. While it has now been officially announced that after the end of the war all controls and restrictions of production will be lifted without delay, it is generally assumed that the relaxation of price controls will be very gradual. However, maintenance of administrative price ceilings will not by itself solve the problem, whose roots lie in the continuous rise in bank credit and money in circulation. If this expansion were not for the time being partly neutralised by what is commonly and misleadingly referred to as an extraordinary rise in consumer saving, the present ceilings could hardly be enforced by any administrative price control. That a large portion of this socalled new consumer saving is out of relation to any genuine " propensity to save" on the part of consumers, and will in all probability be spent as soon as patriotic and other non-recurrent motives for holding it have disappeared, can be inferred from a simple quantitative comparison with normal times. During the inter-war period, net saving in this country accounted for $9-10 \%$ of the disposable income (i.e. income after taxes) of individuals. In 1944 what was statistically recorded as net savings accounted for $29 \%$ of disposable net income of individuals, as compared with $20 \%$ during the last war. Most of these "savings" have been indirectly created by expansion of bank credit, and represent liquid funds which will be spent as soon as the war is over, some of them maybe even earlier.

This country has made great efforts toward the ideal goal of financing the war out of taxes and genuine savings alone. With every new war bond drive, these efforts have been intensified. Recent statements by President Truman and other administration leaders, which were directed against widespread hopes and demands for a tax reduction during the one-front phase of the war, may be regarded as another testimony that the administration continues to prefer hard and unpopular ways of financing to seemingly easier ones. In the present (seventh) war bond drive, in which the goal for sales to individuals was set higher than in any previous drive, the Treasury is experimenting with various new devices, all of which aim at preventing or at least reducing resales of war bonds by individuals to banks, as well as sales of previously acquired securities by
people who regand this as the most convenient way to obtain the money with which to subscribe for the new war bonds. Whatever the success of these devices may be, however, the experience of the last few years has shown once and for all that, in this country at least, a war of middle-twentieth-century dimensions simply cannot be financed exclusively by non-inflationary means. Puritans who demand this demand the impossible.

There is some discussion as to what should be done to mitigate the inflationary shock which the "hot money" now in the hands of consumers must be expected to produce when the war is over. The Federal Reserve Board suggest maintenance, over a longer period than was originally contemplated, of the restrictions of consumer credit which were introduced at the beginning of the war. In peacetime the absolute and relative size of consumer credit has long been one of the characteristic features of economic life in America. In 1939, $12 \%$ of all retail sales were instalment sales, and no less than $23 \%$ were charge-account sales. Restrictions now in force prescribe, for most commodities sold on instalment, a $33 \frac{1}{3} \%$ down payment and a maximum maturity of twelve months. For charge sales, where in peacetime the periods of collection had shown great regional variation but were often quite long, payment not later than on the tenth day of the second month after sale is now prescribed. Owing partly to these restrictions, partly to the disappearance from the markets of the durable goods predominantly sold on instalment, consumer credit outstanding has dropped sharply during the war years. In 1944, instalment sales were only $3 \%$ of all retail sales. The percentage ratio of charge-account sales, on the other hand, was still at the remarkably high level of $19 \%$ of all retail sales, and the absolute dollar value of these sales was at an all-time peak.

## RECONVERSION \& EMPLOYMENT.-

 The first signs of the new employment problems which will turn up in the course of reconversion are now beginning to show. The average work week, one of the few indicators of general business activity which were rising at the beginning of the year, is turning downward. Shutdowns in specialised war industries have already changed the employment situation in some areas. Detroit, e.g., is now being counted officially as a " balanced or slight surplus labour area." If all adjustments in the economic mechanism took place without frictions and lags, the demand situation in the markets for civilian goods would enable civilian production to absorb without difficulty the workers no longer needed in war production. However, in view of wage maladjustments andmigration difficulties which will no doubt be present in many cases, it is not expected that unemployment will be entirely absent during the transition period. At the present moment a rapid reabsorption of dismissed workers is hampered by the fact that the wages prevailing in most peacetime industries-agriculture, textiles, and others - are definitely unattractive to persons who have grown accustomed to the wage standards which war factories have been allowed to establish. It is primarily for this reason that the first efforts of the War Production Board to induce released war workers to shift to essential civilian jobs have met with little success. Some modifications of wage ceilings in the low-wage civilian industries will probably be necessary, notwithstanding the fact that the administration as a matter of general policy is against major wage rises during the reconversion phase. It has been estimated officially that within three months unemployment in the United States will be about $1,900,000$, which is more than double the current figure of 800,000 . In another official forecast an unemployment level of $2,500,000$ was predicted by May, 1946. Nationally, these are not catastrophic figures, but if assumed as correct they do open up the prospect of a certain number of distressed areas and a good deal of labour unrest.

POSTWAR OUTLOOK. - Some recent events and discussions have shed further light on the probable trends of the post-war economic policy of this country. Congress is now discussing the prolongation of the Reciprocal Trade Agreements Act which has been a cornerstone of American foreign trade policy ever since its adoption eleven years ago. Mere renewal of the original authorisation to reduce tariff rates by agreement $50 \%$ below those of 1930 would not mean too much, since much of this original authorisation is used up by now. If not more were granted than an extension of this original authorisation, most additional tariff reductions would in the future again be subject to Congressional approval. On the other hand, if the administration obtained the requested additional power to reduce tariff rates $50 \%$ below present levels, an important step toward intensified international economic collaboration would be made.

In the question of post-war taxation about the only thing on which there is agreement is the impossibility for a long time to return to pre-war levels. Leading tax plans for the first post-war period contemplate yields of the Federal personal income tax between $\$ 8,000 \mathrm{Mn}$. and $\$ 13,000 \mathrm{Mn}$. in good years. In 1929 this tax yielded $\$ 1,000$ Mn., and in $1940, \$ 1,500 \mathrm{Mn}$. Forecasts like these gain support from recent estimates of post-
war Federal Budget expenditures. In a study just published by the Brookings Institution, these expenditures are estimated at $\$ 22,300 \mathrm{Mn}$. annually, which is about three times the annual Federal expenditure in the fiscal year 1938. It must be emphasised that the Brookings study leaves out of consideration possible Federal expenditures that may be called for by post-war housing programmes, by the widely expected extension of social security, or by the responsibilities the government would have if the Murray full-employment bill or something like it became law.

Of the post-war plans just mentioned, the housing programmes have not so far outgrown the discussion stage, but the necessity for largescale action in this field is widely accepted. In fact, "rebuilding of American cities" is frequently referred to as one of the urgent tasks of the coming peacetime economy. To the outside observer this may at first glance seem surprising. Not only have American cities and towns escaped the ravages of the war ; their relative youth, as compared with other countries, seems to indicate that replacement demand for residential units cannot yet be large. It is true that only an insignificant percentage of American residential building is more than fifty years old. So far practically all residential construction in this country has been new construction, whose growth rate, disregarding cyclical fluctuations, has closely followed the rate of growth of the population. Demolitions, other than those occasioned by local expansions of business districts at the expense of residential districts, have been negligible. In a not distant future, however, the first big wave of replacement demand in American housing will be due. The Census of 1940 has revealed that in American residential quarters the number of units which are objectionable for hygienic or other reasons is much larger than the age composition of all dwellings would lead one to expect. And for the replacement construction which will be planned, some Federal financial
aid in one form or other will probably be required.

The same is true of the expected broadening of social security. This post-war task has now been carried one step further by the introduction into Congress of a bill to amend the existing Social Security Law. The bill provides for Federal grants and loans for construction and expansion of hospitals and related facilities, public health services, maternal and child health and welfare services, and public assistance to needy individuals. Moreover, introduction of a national social insurance system comprising insurance for health, unemployment, disability and retirement is provided for in the bill. Whatever financial construction may be adopted in the final legislation, previous experience with large-scale social security schemes all over the world suggests that in actual practice much of the financial requirement will have to be met out of general revenue.

The Director of War Mobilisation, Mr. Vinson, has now publicly endorsed the WagnerMurray full-employment bill which was introduced in the Senate in January and whose main features were briefly reported in the last quarterly survey. The endorsement was couched in rather general and cautious terms ; yet the fact that the bill is now to some degree backed by the administration must be recorded as an event of some importance. Should it become law, the bill would mean the biggest single step toward a planned economy ever made in this country. It would mean nothing less than the annual budgeting of national production and employment, with the proviso that any excess of the estimated fullemployment volume of production and investment during the budget period over the estimated actual volume of production and investment during the same budget period would have to be regarded as a prospective deficiency in the national budget, to be wiped out by Federal spending on as large a scale as is necessary to make the deficiency disappear.

## SOUTH AFRICA.

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

25th fune, 1945.

GOVERNMENT FINANCE, 1944/45Revenue Account.-Expenditure and revenue collections respectively were $£_{3}$ Mn . and about $£ 6 \mathrm{Mn}$. in excess of the original budget figures. Excess Profits Duty had yielded $£ 4 \cdot 4 \mathrm{Mn}$. more than was estimated.

Loan Account.-At the time of the Budget (February, 1945) stock issues were expected to amount to $£ 70 \cdot 7 \mathrm{Mn}$. $£ 58.0 \mathrm{Mn}$. was expected to be absorbed by Loan Expenditure (see table), $£ 5 \cdot 3 \mathrm{Mn}$. ${ }^{\star}$ by retirement (in the first quarter of 1945) of the remaining stock repatriated by the Reserve Bank, $£ 4.3 \mathrm{Mn}$. by reduction of temporary debt and $£ 0.1 \mathrm{Mn}$. by issue expenses, leaving a balance of $£ 3 \mathrm{Mn}$. to be carried forward and used after the end of the financial year for the reduction of the Union's external debt in London. (Actual stock issues amounted to $£ 73.0 \mathrm{Mn}$. $\dagger$ and actual temporary debt reduction to $£ 2.0 \mathrm{Mn} . \ddagger$ )

The final redemption of the repatriated stock held by the Reserve Bank left an amount of about $£_{2} 2.6 \mathrm{Mn}$. to be found by the Government in respect of premiums paid by the Reserve Bank on the stock acquired from abroad. $£ 1.5 \mathrm{Mn}$. of this was to be met by the use of part of the surplus on 1944/45 revenue account.

1945/46.-The reduction of approximately $£ 6 \mathrm{Mn}$. charged to revenue account for war expenditure was counterbalanced by an estimate of $£ 3.5 \mathrm{Mn}$. for allowances to demobilised soldiers (in addition to gratuities, which were provided for under the Defence vote) and an additional $£ 2 \mathrm{Mn}$. for various social services.

The anticipated rise in expenditure, and to a smaller extent the anticipated rise in revenue, are largely explained by proposals to revise the Government's financial relations with, and increase the subsidisation of, the Provinces, and to pass through the budget certain native taxation devoted to native education and increase expendi-

[^21]ture upon this object. Deficiencies of revenue following from these rearrangements, amounting apparently to about $£ 2 \mathrm{Mn}$., as well as an additional amount of $£ 1.4 \mathrm{Mn}$. to be found for increased allowances to civil servants, were for the most part expected to be met out of existing sources of revenue. Only some $£ 0.5 \mathrm{Mn}$. was proposed to be raised by new taxation. §

Currency.-The volume of local currency rose during 1944 by $£ 44 \mathrm{Mn}$., a sum approximately equivalent to the large increase, occurring in spite of a further decline in the output of the gold mines, in the Reserve Bank's reserves of gold and foreign bills plus the relatively small increase in the commercial banks' advances and investments. $£ 9 \mathrm{Mn}$. of repatriated stock was cancelled by the Government (in the first quarter of 1944), while during the year the commercial banks' investments in Government securities increased by only about $£ 1 \frac{1}{2} \mathrm{Mn}$. The effect of this cancellation upon the volume of money was, however, offset by a loan of $£ 10.8 \mathrm{Mn}$., not included in Table C, by the Reserve Bank to the Government. (This loan was repaid in the first quarter of 1945, but, during the same period, the commercial banks' holdings of Government stock increased by about $£ 15 \mathrm{Mn}$.)

The outward movement of gold and bills 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, $£ 1 \mathrm{Mn}$. higher in 1944 than in 1943 ( $£ 85 \mathrm{Mn}$. minus $£ 39 \mathrm{Mn}$. instead of $£ 78 \mathrm{Mn}$ minus £ 33 Mn .) ||


Imports from principal countries, in $£ \mathrm{Mn}$., changed from 1943 to 1944 as follows: U.K. 19 to 24 ; U.S., 12 to 18 ; Canada, 2 to 3 ; India, 8 to 11 ; Argentina and Brazil together, 15 to 8 ; Belgian Congo, 3 unchanged ( $0 \cdot 6$ in 1941) ; Southern Rhodesia, 1 to 2 ( 0.6 in 1941).

The Tables relating to 1938/39 onwards in Bulletin III, Vol. XXI, p. 64, and in Bulletin III, Vol. XXII, p. 68 are continued on p. 69 :-


TABLE A.
GOVERNMENT REVENUE ACCOUNT $£ \mathrm{Mn}$.


* Customs and Excise, Posts, Telegrapns and Telephones and Inland Revenue.
+ Included in Line 2.
$\ddagger$ Exchequer Receipts and Issues.
§ 1945 Budget estimates.
TABLE B.
GOVERNMENT LOAN ACCOUNT $£ \mathrm{Mn}$.
1943/44 1944/45

1. Loan Expenditure met from Borrowings...$\quad 49 \cdot 8 \S \quad 58 \cdot 0 \S\|\quad 56 \cdot 0 \S\|$
2. Defence Expenditure* $50 \cdot 0$ Public Debt $\dagger$ at year end
3. Total
$474 \cdot 7$
$50 \cdot 0 \|$
$535 \cdot 7 \|$
4. External $18 \cdot 7$ 18.2
5. Temporary $\ddagger \ldots$... $40 \cdot 2$ 35.8

* Included in Loan Expenditure.
$\dagger$ Sinking Fund has not been deducted. The Budget estimate of the Sinking Fund at the end of $1944-45$ was $£ 13 \cdot 0 \mathrm{Mn}$.
$\ddagger$ Included in Line 3. (Mainly Treasury Bills.)
§ After allowing for transfer of surplus from previous year's revenue account.
\| 1945 Budget estimates.

TABLE C
APPROXIMATE INCREASES OF THE VOLUME OF MONEY AND ITS BASES. (£Mn.)

| First | Year <br> Qtr. | 6 years <br> ending | First <br> Qtr. |
| :---: | :---: | :---: | :---: |
| 1944 |  | 1944 | 1945 |
| 6 | 44 | 218 | 15 |
|  |  |  |  |
| 14 | 38 | 160 | 15 |
| -9 | -9 | 9 | -7 |
| 5 | 29 | 169 | 8 |
|  |  |  |  |
| 2 | 4 | -11 | 2 |
| 1 | 1 | 50 | 15 |
| 1 | 5 | 39 | 17 |
| 6 | 34 | 208 | 25 |

Volume of Money*
Reserve Bank :-
2. Reserves of International

Currency $\dagger$
3. "Investments " ...
4. Total of Lines 2 and 3

Commercial Banks :
5. Advances and Discounts
6. Investments
7. Total of Lines 5 and 6
8. Total of Lines 4 and 7

* Government and private deposits with Reserve and Commercial Banks and notes in circulation. $£ 120 \mathrm{Mn}$. at end of 1938.
$\dagger$ Gold at currency valuation and foreign bills.

TABLE D.
AVERAGE MONTHLY CLEARINGS. (£Mn.)

|  | CLEARINGS |  | (£Mn.) |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 1938 | 1943 | 1944 | 1 st |
| 7 towns including Johannesbur | 78 | 130 | 136 | Qtr. |
| 6 ,, excluding | 30 | 61 | 63 | 72 |

CORRIGENDA-April Bulletin, p. 32
Col. 1, para. 2, line 13. For employment read unemployment.
Col. 2, line 3 below table. For $=$ read -


# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

## BULLETIN IV. VOL. XXIII,

OCTOBER, 1945.

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## UNITED KINGDOM. THE ECONOMIC POSITION.

## October 25th, 1945.

THOUGH it is now nearly three months since the end of the Japanese war, government expenditure still remains at a very high level, partly in consequence of the payment of compensation for the cancellation of contracts, war gratuities, etc., and of the end of LendLease. Despite the fact that revenue has been well maintained, the reduction in the deficit in the third quarter, as compared with the corresponding period of 1944, was less than in the previous quarter. The expansion in bank credit has, however, recently been checked by the "Thanksgiving" Savings Campaign, while the long rise in the note circulation at last shows signs of slackening. The recently introduced interim Budget provides for moderate reductions in Income Tax from April next, in the form of a restoration of personal allowances, and a reduction of 1s. in the standard rate of tax, while E.P.T. is to be reduced to $60 \%$ as from January. This last measure has resulted in a sharp rise in prices of ordinary shares, while the recent cut in short-term interest rates and expectations of an attempt to reduce long-term rates further have caused prices of fixed-interest securities to improve.

Wholesale prices have on the average changed very little during the past twelve months, moderate rises for some commodities being balanced by falls for others. The cost-of-living index showed more than the usual summer rise owing to the dearness of potatoes, but it had by September very nearly returned to its former level, very slightly above that of a year before.

With the increase of railway operatives' wages the index of wage-rates has continued its slow upward tendency. As compared with 1938 or 1939 the position in September was: wholesale prices plus about $70 \%$, cost-of-living index plus $31 \%$, wage-rate index plus about $55 \%$. If subsidies were abolished the cost-of-living index would reach over $50 \%$ above the pre-war level, and it would be further increased if allowance were made for the increased rent which many families have to meet. These figures indicate, but do not measure exactly, the extent of inflation during the war. There has been very considerable variation between the increases in the separate constituents of each of the three indexnumbers.

The wage situation is evidently now critical. On the one side the increases in wage-rates for pre-war hours and occupations have varied greatly, as can be seen from the table on p. 76 below, and there is a resulting disequilibrium between different industries, partly masked by the varying amounts of overtime and special war payments. On the other side, considerable groups of workmen are faced with a substantial reduction of earnings as these special and temporary payments cease. In addition, the balance between rates for skilled and unskilled men has been disturbed by the system of equal money increases for all employed, so that the reward for skill is (allowing for the reduced value of money) less than before the war. It is clear that a definite wage policy is needed, and that sectional bargaining cannot lead to equilibrium, though it probably would be inflationary.

## EVENTS OF ECONOMIC IMPORTANCE.

1945. 

| Aug. | 2nd | International | Report of Potsdam Conference issued. Council of Foreign Ministers of five principal allied powers to be instituted. |
| :---: | :---: | :---: | :---: |
| " | 6th | Fapan | First atomic bomb dropped (on Hiroshima). |
| " | 8th | Russia | War declared on Japan. |
|  |  | Austria | Allied control council set up. |
| " | 9th | U.K. | Increase in railway wages announced as from July 30th. |
| " | 15th | U.K. | End of war with Japan announced. V.J. day celebrated. New Parliament meets. |
| " | 16th | U.K. | Monetary agreement with Denmark signed. |
| " | 21st | U.K. | Prime Minister announces immediate end of Lend-Lease. |
| " | 29th | Fapan | American occupation begins. |
| Sept. | 1st | U.K. | Clothes ration reduced for new period. |
| " | 7th | U.K. | Monetary agreement with Holland signed. |
| " | 10th | U.K. | Council of Foreign Ministers meets in London. |
| " | 13th | U.S.A. | Anglo-American financial and economic discussions open in Washington |
| " | 15th | U.K. | London " Thanksgiving", Savings week opens. |
| " | 24th | U.K. | Price of silver raised from $25 \frac{1}{2}$ d. to 44 d. per oz., following increase in U.S. price for foreign silver from 45 cents to 71 cents per oz. |
| " | 29th | Argentina | Trade and Commercial agreement with U.K. terminated as from August 21st. |
| Oct. | 1st | U.K. | Development Areas Treasury Advisory Committee appointed. |
| " | 2nd | $U . K$. | Minister of Labour announces substantial acceleration of demobilisation. |
| " | 3rd | U.K. | Meeting of Council of Foreign Ministers ends in deadlock. |
| " | 4th | Greece | Voulgaris government resigns. |
| " | 9th | Argentina | Colonel Peron resigns. |
| " | 10th | U.K. | Minister of Labour makes statement on dock strike. Troops to be used to unload ships. <br> Text of Bank of England Bill issued. |
| " | 14th | East Indies | Disturbances in Indo-China and Java becoming more serious. Indonesian " People's Army " declares war on Dutch. |
| " | 15th | U.K. | President of Board of Trade gives particulars of Working Parties to be set up for Cotton, Pottery, Hosiery, Furniture and Footwear industries. |
| " | 16th | U.K. | Commons approves $£ 2,000 \mathrm{Mn}$. vote of credit. |
|  |  | Greece | The Regent, Archbishop Damaskinos, assumes premiership. |
| " | 18th | U.K. | Treasury Deposit Rates reduced to $\frac{5}{8} \%$. Clearing Bank Rates for call money and deposits reduced to $\frac{1}{2} \%$. |
| " | 21st | Austria | Provisional Government recognised by Allies. |
|  |  | France | General Election. |
| , | 23rd | $U . K$. | Interim Budget. Standard rate of income tax reduced to 9/and personal allowances to be restored to 1939 level as from April, 1946. E.P.T. reduced to $60 \%$ as from January, 1946. |

# FINANCE \& BANKING IN THE THIRD QUARTER OF 1945. 

By F. W. Paish.

Government Finance.-The rate of government expenditure during the third quarter has averaged only about $£ 6 \mathrm{Mn}$. per week below the third quarter of 1944, showing a smaller fall on the year than in the second quarter. The maintenance of expenditure at this high level at a time when output for government account is being rapidly reduced is attributed, at least in part, to payments in compensation for the premature termination of war contracts. Revenue continues to show an increase over last year, thanks mainly to larger receipts from motor vehicle duties and miscellaneous sources. The fall in receipts from E.P.T. is still being largely offset by the higher yield from Income Tax, and the fall in Customs more than offset by the rise in Excise. The continued high yield from Income Tax is presumably due to Schedule D collections on account of last year's profits. Under P.A.Y.E., the yield from taxes on earned income might be expected immediately to reflect the fall in average earnings (see p. 80).

| GOVERNMENT REVE | REVENUE Revenue. | ND EXP <br> Expen <br> Supply | NDITL ture. | E (£Mn. Deficit. |
| :---: | :---: | :---: | :---: | :---: |
| Weekly Averages | Total. | Services. | Total |  |
| 1939-Oct.-Dec. ... | 15.9 | $35 \cdot 6$ | $41 \cdot 8$ | $25 \cdot 9$ |
| 1940-Jan.-Mar. | 38.8 | $45 \cdot 1$ | $48 \cdot 0$ | $9 \cdot 2$ |
| April-June | 14.5 | $47 \cdot 1$ | $53 \cdot 4$ | $38 \cdot 9$ |
| July-Sept. | $20 \cdot 1$ | $66 \cdot 6$ | $69 \cdot 6$ | $49 \cdot 5$ |
| Oct.-Dec. | 22.8 | $77 \cdot 0$ | $83 \cdot 5$ | $60 \cdot 7$ |
| 1941-Jan.-Mar. | $51 \cdot 0$ | 88.5 | $90 \cdot 1$ | $39 \cdot 1$ |
| April-June | 24.5 | $75 \cdot 8$ | $82 \cdot 6$ | $58 \cdot 1$ |
| July-Sept. | $32 \cdot 2$ | 85.4 | $89 \cdot 3$ | $57 \cdot 1$ |
| Oct.-Dec. | $37 \cdot 2$ | $89 \cdot 8$ | $96 \cdot 9$ | $59 \cdot 7$ |
| 1942-Jan.-Mar. | $66 \cdot 3$ | 96.2 | $99 \cdot 5$ | $33 \cdot 2$ |
| April-June | $42 \cdot 6$ | $92 \cdot 2$ | $99 \cdot 6$ | $57 \cdot 0$ |
| July-Sept. | $46 \cdot 3$ | $93 \cdot 4$ | 98.8 | $52 \cdot 5$ |
| Oct.-Dec. | $45 \cdot 9$ | 103-7 | 111.2 | $65 \cdot 3$ |
| 1943-Jan.-Mar. | 81.9 | $117 \cdot 0$ | $121 \cdot 9$ | $40 \cdot 0$ |
| April-June | $41 \cdot 3$ | $100 \cdot 3$ | $108 \cdot 0$ | $66 \cdot 7$ |
| July-Sept. | $51 \cdot 9$ | $99 \cdot 3$ | 106.3 | 54.3 |
| Oct.-Dec. | $47 \cdot 0$ | $100 \cdot 8$ | $108 \cdot 5$ | $61 \cdot 5$ |
| 1944 -Jan.-Mar. | 92.4 | $112 \cdot 6$ | $120 \cdot 2$ | $27 \cdot 8$ |
| April-June | $46 \cdot 2$ | $101 \cdot 2$ | $109 \cdot 2$ | $63 \cdot 0$ |
| July-Sept. | $55 \cdot 9$ | $107 \cdot 1$ | 116.0 | $60 \cdot 1$ |
| Oct.-Dec. | $49 \cdot 9$ | $106 \cdot 7$ | 114.3 | 64.4 |
| 1945-Jan.-Mar. | $97 \cdot 0$ | 116.6 | $125 \cdot 6$ | $28 \cdot 6$ |
| April-June | $47 \cdot 0$ | 92.5 | $100 \cdot 5$ | $53 \cdot 5$ |
| July-Sept. | $57 \cdot 3$ | $99 \cdot 5$ | $110 \cdot 0$ | $52 \cdot 7$ |
| July 1-28 | $61 \cdot 2$ | $99 \cdot 1$ | $107 \cdot 2$ | $45 \cdot 9$ |
| July 29-Aug. 25 | $49 \cdot 5$ | $91 \cdot 3$ | $103 \cdot 3$ | $53 \cdot 8$ |
| Aug.26-Sept. 30 | $60 \cdot 0$ | 106.1 | $117 \cdot 1$ | $57 \cdot 1$ |

Total expenditure for the quarter was $£ 1,444 \mathrm{Mn}$., and Ordinary revenue $£ 751 \mathrm{Mn}$., leaving a deficit of $£ 693 \mathrm{Mn}$., or nearly $£ 100$ Mn . less than in the third quarter of last year. Credit was taken for net receipts of $£ 90 \mathrm{Mn}$. under the War Risks Insurance Act, 1939, thus reducing the deficit further to $£ 603 \mathrm{Mn}$.

This amount, plus other minor expenditures on capital account, were covered by borrowings
of $£ 610 \mathrm{Mn}$. Despite the "Thanksgiving savings week, small savings, including $£ 55 \mathrm{Mn}$. from increases in Post Office Savings Banks, contributed only $£ 129 \mathrm{Mn}$., as compared with $£ 144 \mathrm{Mn}$. last quarter and $£ 171 \mathrm{Mn}$. in the third quarter of last year. Allowing for the increase in Savings Bank Deposits but deducting the $£ 117 \mathrm{Mn}$. of $3 \%$ Terminal Annuities issued to the Post Office Savings Bank in July to fund Ways and Means Advances, the net amount borrowed on long and medium term was only $£ 211 \mathrm{Mn}$., or little more than in the third quarter of 1944, when there was no savings week. This comparison, however, is certainly unjust, since it seems likely that the bulk of the $£ 244 \mathrm{Mn}$. of $3 \%$ War Loan repaid in July was already in official hands ; the actual amount raised on long and medium term from the public may therefore have been in the neighbourhood of $£ 400 \mathrm{Mn}$.
GOVERNMENT BORROWING. THIRD QUARTER OF 1945
(£Mn.)

Floating Debt.-After adding back the funded Advances from the Post Office Savings Bank and deducting the increase in Savings Bank Deposits, the increase in the Floating Debt for the quarter was nearly $£ 400 \mathrm{Mn}$. Of this $£ 267 \mathrm{Mn}$. was in the form of Treasury Bills, $£ 90 \mathrm{Mn}$. by tender, and the remainder through the tap. The bulk of the rest of the deficit was covered by Ways and Means Advances from Government Departments. Treasury Deposit Receipts, the main inflationary item, increased by only $£ 46 \mathrm{Mn}$., as compared with $£ 216 \mathrm{Mn}$. last quarter and $£ 231 \mathrm{Mn}$. in the corresponding quarter of 1944.

Bank of England.-The long rise in the note circulation is at last showing some signs of slackening. Whereas the rise from mid-June to mid-September was $£ 54 \mathrm{Mn}$., the rise from mid-July to mid-October was only $£ 27 \mathrm{Mn}$. Since the mid-August peak there has this year been a slight fall in the circulation, whereas in the corresponding period of last year there was a rise of $£ 12 \mathrm{Mn}$. Apart from a temporary rise at the end of September, due largely to the incidence of Treasury Bill payments and maturities, Bankers' Deposits have shown little further increase.

Clearing Banks. - Net deposits of the nine clearing banks (omitting District and National) rose by $£ 176 \mathrm{Mn}$. during the third quarter. This is considerably less than in the previous quarter,

and rather less than in the third quarter of last year, when, however, there was no Savings week.

The expansion in the banks' holdings of Treasury Deposits was only $£ 26 \mathrm{Mn}$., as compared with $£ 246 \mathrm{Mn}$. in the previous quarter, but the effect of the larger issue of Treasury Bills by tender was seen in increases of $£_{\mathrm{I}} 79 \mathrm{Mn}$. in Discounts and $£ 28 \mathrm{Mn}$. in Call Money. There were also some increases in Investments and a very small recovery in Advances. The cash reserves of the banks were maintained at a comfortable level throughout, and in September stood at $10.6 \%$.

Security Prices.-Prices of Industrial Securities, which by the eve of the election results had recovered to their April level, fell sharply on the change of Government, but have since recovered the greater part of the loss and at the middle of October stood above their June level. The reaction in prices of fixed interest securities was very slight and these have fully recovered to their pre-election level.

New Capital Issues.- Issues of new capital, as compiled by the Midland Bank, totalled $£ 4.9 \mathrm{Mn}$. for the third quarter, as compared with $£ 6.9 \mathrm{Mn}$. for the whole of the first half of the year. Activity in the new issue market, while still very small, is thus showing some slight signs of recovery.

# THE BUDGET. 

By F. W. Paish.

The Interim Budget of 1945, introduced on October 23rd, has introduced the first major change in our structure of direct taxation since rates were increased to their full war-time level in 1941. As was to be expected, it has proved to be largely a poor man's budget. The principal reliefs in the crushing burden of income tax, to come into effect at the end of the financial year, the first practicable date, take the form of a restoration of personal allowances to the pre-war levels of $£ 110$ for single persons and $£ 180$ for married couples. The total exemption limit is raised to $£ 120$ a year, so that the phenomenon of a single man with a salary just above the exemption limit paying an abnormally high marginal rate of tax on the first few pounds of his earnings above the limit still remains, though in a much less marked form. In addition, the standard rate of tax is reduced from $10 /-$ to $9 /-$ in the $f$, and graded
more gently for small incomes, while surtax rates are stepped up to give the existing marginal rate of income tax plus surtax of 19/6 in the $£$ for incomes over $£ 20,000$ a year.

The effects of income tax reductions on incentive to earn are twofold. In general, decreases in the average rate of tax (i.e., increases in aggregate net income) tend by themselves to reduce incentive, at least in the short run, while decreases in the marginal rate of tax, which increase the net rate of payment for additional work, tend to increase it.* Which of the two effects is likely to be stronger in the case of any particular person can only be determined by a detailed examination of his particular circumstances. In the present case, there is a clear increase in incentive for all the $2,000,000$ taxpayers who now cease to be liable for tax,

[^22]as well as for those whose incomes are only a little above the exemption limit. For others with incomes below $£ 500$ the effects are variable, and for some ranges of income (e.g., between $£ 150$ and $£ 300$ for single persons and around $£ 400$ for married men with two children) incentive may actually be reduced. Above $£ 500$ the change in incentive seems to be very small, though in general there seems to be a slight increase. From this point of view it is unfortunate that the Chancellor could not have seen his way to restoring the earned income allowance to the pre-war figure of one-sixth, which would have helped to increase incentive at all levels of income up to $£ 1,500$, and it is hoped that this relief will have first priority of any future tax reductions. The cessation of the post-war credit scheme and the consequent conversion of the unrestored margin of allowances from a compulsory interest-free loan into an ordinary tax may also have some effect in decreasing incentive, but the results of this change will probably be very small.

The other obviously important item in the field of direct taxation is the reduction in the E.P.T. rate from $80 \%$ to $60 \%$ as from January 1st, 1946, and the decision to accelerate refunds of the $20 \%$ repayable on tax already collected. Deficiency payments to firms reclaiming tax paid in the past to cover current losses will cease at the end of 1946. As E.P.T. is collected a year in arrear, the reduction in rate will cost the Treasury little in 1946-7, while the stimulus it will give to both enterprise and efficiency should be considerable. The refund of the $20 \%$ must, and the benefits of reduced taxation no doubt very largely will, be used for the reconversion of industry to meet post-war demands rather than for distribution in increased dividends.

Apart from the immediate removal of purchase tax on household cooking, heating and refrigerating appliances, and the change in the basis of motor-car licence duties from nominal horse-power to cylinder capacity, there are no important changes in indirect taxation.

In resisting the pressure to make other reductions in purchase tax the Chancellor is almost certainly wise. In normal times the function of a high price for a scarce article is two-foldon the one hand it reduces demand to the level which the current supply is sufficient to meet, and on the other it encourages an expansion in the supply. In war conditions, when it is impossible or undesirable to induce an increase in the supply of many articles of consumption, it serves only the first of these functions, and the exceptional profits earned by those who are able or
allowed to produce the limited supply are, from the community's point of view, unnecessary. We have thus two sets of prices-the lower ones, which are just sufficient to elicit the quantity of production which is possible or thought desirable, and the higher ones, which can equate demand to the available supply. If the government can impose taxes equal to the differences between the two sets of prices, it can absorb for the benefit of the community what would otherwise go in excess profits to suppliers. The only other alternatives are pricefixing without rationing, leading to an excess in demand over supply at the prices fixed and an increase in the only too familiar phenomena of shop-hunting, queues and under-the-counter sales ; or an extension of the rationing system to difficult or unsuitable fields. The retention of purchase taxes is made the more necessary by the increasing amount of subsidies paid to keep down the prices of essential foodstuffs. These subsidies, however necessary on social and political grounds, undoubtedly have the effect of increasing the amount of money available for spending on other goods and of intensifying the upward pressure on their prices. The purchase taxes help to withdraw from circulation the extra purchasing power generated by the subsidies and so reduce the danger of inflation; they will also provide the government with a useful weapon for influencing priorities in the re-conversion of industry to civil production.

One of the most criticised of the taxes which are retained is the purchase tax on motor vehicles. But it is surely worth while considering whether it would not have a less distorting effect on the type of car produced if the purchase tax were retained permanently as the motorist's contribution to the general revenue, while the petrol tax provided his contribution to the maintenance of the roads. This would leave the way free for a repeal of the tax on cylinder capacity and for the production of a type of car more likely to appeal to export markets.

Finally, reference must be made to the Chancellor's suggestion that he will, if possible, force long-term interest rates down to a still lower level. Though the cheap money policy is now more than a dozen years old, this is the first time that an attempt has been made to pursue it in conditions of full employment in peace-time. If the weapon of a rise in interest rates as a check to threatened inflation is now to be permanently abandoned, other techniques must be substituted. Of these, the only fully effective one seems likely to be the maintenance for an indefinite period of the full machinery of physical controls and rationing.

## PRICES, WAGES, ETC.

By A. L. Bowley.

PRICES.-Among wholesale prices a slight rise in cereals between June and September this year was more than compensated, according to the Board of Trade Index, by a seasonal fall in fruit and vegetables. In the three months a fall in the prices of petroleum products balanced an increase in non-ferrous metals. The general result is a slight reduction in the total index.

| CHANGES IN PRINCIPAL GROUPS. August, $1939=100$ throughout. |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1944 | 1944 | 1945 | 1945 | 1945 |
|  | June | Dec. | Mar. | June | Sept, |
| Cereals | 200 | 198 | 197 | 195 | 197 |
| Meat, fish, eggs | 144 | 144 | 144 | 144 | 144 |
| Other food and Tobacco | 181 | 179 | 179 | 191 | 185 |
| Total, Food, \& | 174 | 173 | 173 | 177 | 175 |
| Coal... | 172 | 191 | 191 | 208 | 208 |
| Iron and Steel | 143 | 144 | 146 | 147 | 147 |
| Non-ferrous metals | 127 | 127 | 125 | 126 | 128 |
| Cotton . | 196 | 197 | 197 | 199 | 200 |
| Wool | 179 | 180 | 180 | 180 | 180 |
| Other textiles | 182 | 184 | 187 | 187 | 187 |
| Chemicals and Oils | 163 | 163 | 162 | 162 | 159 |
| Miscellaneous | 192 | 193 | 195 | 195 | 196 |
| Total, Materials, \&c. | 167 | 169 | 170 | 171 | 171 |
| Grand Total | 169 | $170 \cdot 5$ | 171 | $173 \cdot 5$ | 173 |
| Building Materials | 147 | 148 | 150 | 151 | 151 |

The only change in the prices of food included in the cost of living index is that the shortage of potatoes has passed and by September 1st the price was very nearly the same as a year before. The price of clothing has fallen and that of fuel risen since June, in each case by a trifling amount.

The cost of living index after rising in the summer had returned to its May lst level by September 1st, was unchanged on October 1st, and was less than $1 \%$ higher than a year before.

COST.OF-LIVING INDEX.NUMBER


WAGES. - The only change of importance since July in the wage rates included in our index was a considerable increase for railwaymen.

CHANGES IN WAGE-RATES.

|  | $\begin{array}{r} 1943 \\ \text { March } \end{array}$ | 1944 <br> March | $1945$ <br> March | $\begin{aligned} & 1945 \\ & \text { July } \end{aligned}$ | 1945 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Bricklayers | 118 | 123 | 128 | 133 | 133 |
|  <br> Labourers | 123 | 128 | . 136 | 141 | 142 |
| Compositors | 115 | 125 | 125 | 125 | 125 |
| Dock Labourers | 115 | 123 | 123 | 123 | 123 |
| Engineers: Fitters... | 129 | 129 | 135 | 141 | 141 |
| Shi, Labourers | 138 | 138 | 146 | 154 | 154 |
| Shipbuilders | 140 | 140 | 147 | 156 | 156 |
| Railwaymen | 127 | 134 | 141 | 141 | 154 |
| Cotton | 147 | 156 | 156 | 172 | 172 |
| Wool A ${ }_{\text {Luthor }}$ | 138 | 146 | 146 | 146 | 146 |
| Local Authorities | 126 | 132 | 140 | 143 | 143 |
| Lorry Drivers | 122 | 126 | 139 130 | 139 | 139 |
| Boots ... | 121 | 132 | 137 | 137 | 137 |
| Confectionery | 141 | 149 | 159 | 159 | 169 |
| Tailoring | 137 | 137 | 153 | 153 | 153 |
| Shirts | 137 | 137 | 153 | 153 | 153 |
| Tobacco | 122 | 128 | 130 | 132 | 131 |
| Coal $\dagger$... | 163 | 176 | 193 | 193 | 193 |
| Agriculture | 173 | 187 | 201 | 201 | 201 |
| Weighted Average | 135 | 141 | 148 | 152 | 154 |
| Cost of Living Index | 128 | 129 | 130 | 134 | 131 |

The explanation and detail of the composition of this Wage-rate Index-number were shown in Bulletin, for January, 1944, p. 6.
$\dagger$ Average earnings per man-shift.
RETAIL TRADE.-In August, as in May, the significance of the monthly index-numbers (see p. 94) was affected by the incidence of V-days as well as the usual Bank Holiday. If based upon weekly sales instead of daily averages the total index for August might have been some $10 \%$ lower.

Comparison with last year is affected by the fact that in the summer and autumn of 1944 the levels were depressed by the prevalence of flying bombs. The recorded figures for the seven months' period February-August were, however, increases of $6 \%$ in the value of total sales, $4 \%$ in food and perishables, and $9 \%$ in other goods. Among the subsidiary groups, sweets and tobacco rose $10 \%$, furniture, etc., $30 \%$, hardware $23 \%$, sports and travel goods $25 \%$.

The variable dates of release of clothing coupons influence monthly and other comparisons.

UNEMPLOYMENT.-The lowest recorded total of unemployed insured persons was 63,000 in July, 1944. The number increased to 81,000 in October, 99,000 in January, 1945, and after a spring recovery to 90,000 in April increased again to 113,000 in July, 1945-after V E day
but before V J day. Only 15,000 juveniles were included either in July, 1945, or July, 1944.

There was a corresponding minimum in the third quarter of 1944 in the amount of benefit paid by the unemployment fund. The latest figures, for the second quarter of 1945, show a fall in payments as compared with the first quarter but no change in contributions received, suggesting a decrease of unemployment but no change in the number of employed insured persons.

| UNEMPLOYMENTWeekly Av |  |  |  | $\begin{aligned} & \text { (General } \\ & \mathrm{s}=£ 000 \text { 's. } \end{aligned}$ |  | Scheme) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | fits |  |  |  |
| Years | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 |
| Qrs. 1 | 1126 | 784 | 320 | 91 | 56 | 49 | 100 |
| Qrs 2 | 781 | 383 | 160 | 68 | 53 | 47 | 93 |
| 2 | 617 | 389 | 112 | 66 | 48 | 46 |  |
| 4 | 699 | 432 | 83 | 61 | 50 | $79 \dagger$ | - |
| Employees' Contributions 1945 |  |  |  |  |  |  |  |
| Years | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 |
| Qrs. 1 | 408 | 409 | 483 | 493 | 479 | 455 | 447 |
| 2 | 421 | 437 | 485 | 495 | 469 | 465 | 447 |
| 3 | 474 | 414* | 485 | 490 | 463 | 464 | - |
| 4 | 417 | 455 | 486 | 481 | 455 | 426 |  |

* The rate of contributions was increased in August, 1940, and the limiting income raised in September, 1940. Increase of Benefit Act, operative from Nov. 2nd, 1944.


# RAILWAY WAGES, 1914 to 1945 

By A. L. Bowley.

Railway Wages.-It is advantageous to place current changes in wages and claims for increases in perspective with earlier movements, which have had different characteristics in different industries. The slatistical information available is special and peculiar to each industry. For railways we have fairly copious data for the average standard wages and actual earnings for different occupations (such as drivers or signalmen), for many dates from 1920 onwards, but only imperfect and scattered figures for the numbers in the occupations, and none for the distribution within the occupation (e.g., express or goods train engine-drivers). The actual awards at each date of change are explicit, but again the numbers affected by such a decision as to raise the minimum wage are usually not known at all exactly. Average wages and earnings generally refer to adults, but for some purposes the wages of 'juniors' -and more recently of women-are needed to arrive at the change of the general average in the industry, and the relative numbers are only known at a few dates circa 1924. Finally there are questions of delimitation between manual workers and clerks and other salaried persons, between permanent and temporary workers, between traffic grades and workshops, and 'conciliation' grades and others. The number of insured persons in railways, currently reported in the general accounts of employment prior to the war, exclude the great bulk of permanent railway servants who have contracted out of the scheme. In these circumstances great care is needed in the definitions of average wages and average earnings, and a rather slight element of approximation is present in index-numbers showing their movements.

The Period 1914-1939.-In December, 1913, an estimate of average weekly wages for normal time for railway servants,* excluding workshops, was given as 26 s . 6 d ., with alternatives of 29 s . for adult males, and 27 s . 11d. for earnings of all. (See Prices and Wages in the United Kingdom, 1914-1920, p. 163.) During the war years, 1914-1918, war bonuses were given amounting to about 33 s ., by November, 1918. In February, 1919, an eight-hour day, and then or later a 48 -hour week, was adopted as standard. In October, 1919, there was a general strike on railways, and an important settlement was reached at the end of the year, which dominated wage-rates up to 1939. Apart from grading, standardizing and levelling up the lower wages, the terms of the settlement were in brief:-

To the 1914 rates 38s. weekly was added, and termed 'abnormal rate'. 'Permanent rates' were fixed at twice the pre-war rate. The abnormal rate was subject to change with the cost-of-living index-number: 1s. wage for each 5 points movement in the index. In December, 1919 (taken as standard), the cost of living index was 225 ( 125 per cent. above July, 1914) ; it rose to a maximum 276 in November, 1920, and fell to a minimum 136 in May. 1933. By the time the index had fallen to 170 in 1924 the abnormal rate had for most grades been reduced till the wage equalled the permanent rate. The minimum permanent rate was for porters, grade 2, outside the London district, namely 40s. In 1924 the average minimum wage of agricultural labourers was about 28 s .

[^23]In December, 1924, average wages were estimated to be 113 per cent., approximately 30s., above July, 1914. For all workers this average was assumed (for the purposes of our wage-index number) to be 56s. 6 d. , corresponding to 58 s , or 59 s . for adult males, the ambiguity resulting from different accounts of the numbers in each grade. In 1930 the average was practically the same as in 1924, but in 1930 and 1931 there were reductions of 6 or 7 per cent. on wages and earnings, parts of which were gradually restored by 1937. In March, 1939, wages were $3 \frac{1}{2}$ per cent. below, and earnings 4 per cent. above, their levels in December, 1924.

We have so far :-

|  |  |  | 1913 | 1924 | 1939 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Adults : earnings $\ldots$ | $\ldots$ |  | or 1914 |  |  |
| All workers : wages... | $\ldots$ | $\ldots$ | 43 | 100 | 104 |
|  |  |  | 47 | 100 | $96 \frac{1}{2}$ |

Here the line for earnings is based directly on official statistics-the returns of railway companies; that for wages contains an element of approximation.

The Period 1939-1945.-The gradual increase of earnings relative to wages is noticeable in the last paragraph. In fact overtime and Sunday work are essential to the continuous working of the railways, and it is a question whether what may be termed normal overtime should not be included in the basis for measuring the percentage effect of increases. For the purposes of our wage index-number it had to be decided whether the war-time increases should be related to the average earnings of adults in 1938 or 1939, viz. 68s. weekly, or to estimated average wages of all for normal hours, viz. 54 s . $6 \mathrm{~d} . \star$ There are two reasons for deciding on the former basis in spite of some breach in continuity. Firstly, war-time increases have been mainly flat-rates, differing for adults and juniors, and the average effect is not known. Secondly, it was desired to get some measure of excess overtime due to war conditions.

The increases for adult males during the war have been :-


[^24]The 'war advance' corresponds to the 'abnormal rate' of 1920, and the standard rates to the 'permanent rates'. As in other industries it will have to be determined in the near future how far standard-rates should be stepped up, and war advances stepped down (if at all), and whether compensation shall be given for the loss of abnormal overtime.

The changes in 1942 were of a complicated character. First, drivers and firemen obtained an increase of 4 s . ; this was finally merged in a general increase of 5 s . all round. $\dagger$ Secondly, minimum rates were increased. Apart from slight changes due to the cost of living index the minimum for rural porters, grade 2, remained at or near 40s. till 1938. It was raised in July, 1939, and again in October, when the minima for grade 2 porters were 47 s ., 48 s ., 50 s . in rural, industrial and London districts respectively. By February, 1941, these rates had risen, with the general increase of 11 s . In 1942, besides the further flat rate increase of $5 \mathrm{~s} ., 4 \mathrm{~s} .6 \mathrm{~d}$. was added to the minima, which became $67 \mathrm{~s} .6 \mathrm{~d} ., 68 \mathrm{~s} .6 \mathrm{~d} ., 70 \mathrm{~s}$. $6 \mathrm{~d} .$, and consequential increases were given to the lowest paid workers to bring their wages up to the minimum. The numbers affected are not known exactly, but it is estimated that these special increases amounted to an average of about 2 s . 9 d . a week, spread over the whole of the operatives. No doubt these increases in the minimum were partly due to the rapid rise of agricultural wages. Thus we have:-


Average Earnings.-Statistics of average earnings were published annually from 1924 to 1938, and more recently for March, 1939, 1943 and 1944, and those for March, 1945 will soon be available. They are given in the first column below :-


The basis of column A includes normal overtime, and to the 1939 entry are added the flat-rate increases and effect of raising the minimum. These are proportional to the

[^25]numbers used in our wage-index. But it is uncertain whether the increased rates for overtime of time-and-a-quarter, time-and-a-half, etc., are applied to the standard rate or to the warrate. In column A it is taken that they apply to the standard rate; but if they apply to the war-rate, we have to go back to the standard rate, about 58s. in 1939, and add the flat increase
to that, as in column $B$, to get the percentage changes.

Whichever column we take, it is clear that overtime has increased considerably. The standard week is 48 hours; the figures suggest that average hours worked were about 54 in March, 1939, and 58 to 60 in 1944, but the data are insufficient for establishing these figures.

# EARNINGS AND HOURS OF WORK, JANUARY, 1945. 

By A. L. Bowley.

The Ministry of Labour's report on Average Earnings and Working Hours in the Principal Industries at fanuary, 1945,* is more interesting than the recent accounts in this series, both because for the first time there is some information about the numbers employed, and because, also for the first time, average earnings had generally diminished. Average hours worked had already begun to return towards normal in July, 1944.

It is important to remember that the report is already nine months out of date. The tendencies observed last January must have continued and been accentuated by October. While overtime and nightwork diminished and consequently average hourly earnings would tend to fall as well as total earnings, basic wage-rates continued to rise in compensation, so that in fact average hourly wages were as high in January, 1945, as in July, 1944. Of the various factors that have caused the increase in money earnings for men since October, 1938, viz. $73 \%$ in the group of industries considered, the increase of wage-rates has been the most important, accounting for about $38 \%$; change of occupation $8 \%$, upgrading and piece-work $20 \%$ and overtime and night work about $7 \%$. In most industries there would be little substance in a plea that higher time-rates were now necessary to compensate the loss of overtime earnings ; nevertheless there have been a considerable number of increases in wages between January and September this year, and there has been no check in the general slow rise of the wage-rate index-number.

Average Weerly Earnings.-Table I. shows the changes of average weekly earnings for sixteen industrial groups and for all combined at each of the nine dates for which returns have been made. The first part relates to all workers, the second to men aged twenty-one years and over only. In nearly all the lines there are increases in each period up to July, 1944, and a slight decrease to

[^26]January, 1945; exceptions are in the groups affected by the weather-quarrying, stone-work and building-where there are several reductions or absences of increase in January (for which the figures are in italics). The increases over the whole period are greatest in the Metal group (and Rubber in the Miscellaneous group) and least in Printing and Public Utilities. Building does not come high in the order of increases. The average for all at each date is dominated by the large metal group.

In the reports the average changes of wagerates for a normal week are calculated (apparently on the same basis as the wage-rate index-number used in the Bulletin), weighted by numbers employed in 1938, and the results are given in the last line but one in Table I. These increases account for less than half the growth from 1938 to July, 1944. (In the last period there was a further increase in rates, but a diminution in earnings.) The rest is due to (a) fuller employment, overtime and night-work ; (b) extended systems of piece-work and other payments by results and (c) relative growth of industries in which earnings were specially high, while (d) the increased proportion of women relative to men has lowered the average earnings.

In the Table, line B (not computed in the reports) gives an estimate of the change on the basis that the relative numbers of persons in the ninety-five industries separately shown had not changed, while the average earnings in each industry were affected by the change in the proportions of men, youths, women and girls, thus eliminating the effect of cause (c). Thus the growth of highly paid industries accounts for fourteen out of the seventy-six points of increase up to January, 1945. This difference increased up to July, 1943.

Line C (an approximate computation given in the reports) shows the effect of eliminating changes in sex as well as in industries, and thus

TABLE I.-PERCENTAGE INCREASES OF AVERAGE WEEKLY EARNINGS, OVER OCTOBER, 1938.


* The returns for the metal group in 1940 were incomplete, and the general average for that date should be raised from 30 to 31 or 32 . A - including actual numbers employed. B - no change in number of persons employed in each group. C - no change also in sex or proportion of juveniles.
shows the loss of earnings (two to five points as compared with B) by the substitution of women's work for men's with some modification of the proportion of youthst and girls. Thus the effect of cause ( $d$ ) is measured.

The residual difference of 27 points between wage-rates and earnings ( $65 \frac{1}{2}-38 \frac{1}{2}$ in January, 1945 ) is due to (a) overtime and (b) piece-work, to which we should add upgrading of work, that is, an increasing proportion on the better paid jobs. As in the Bulletin of April, 1945, p. 31, we can make a rough estimate of (a) on the basis that overtime is paid on an average at one-and-ahalf times ordinary hours.

The results, which are rough and approximate, but serve to indicate the order of magnitude of the effects, are :-

|  | 1938 | 1943 | 1944 | 1944 | 1945 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Oct. | July | Jan. | July | Jan. |
| Wage-rates... ... | 100 | 130 | 132 | $135 \frac{1}{2}$ | 1381 |
| Corrected for Overtime | 100 | 145 | 142 | $144 \frac{1}{2}$ | 141 |
| Line C C | 100 | 165 | 166 | 170 | $165 \frac{1}{2}$ |
| Earnings increase | 0 | 20 | $24 \frac{1}{2}$ | $25 \frac{1}{2}$ | $24{ }^{2}$ |

The last line but one estimates roughly the contribution of piece-work and upgrading (cause (b), etc.) to the general average increase in earnings.

Part of the residuum is no doubt due to the considerable increase of women's earnings as they were upgraded to men's jobs. A very rough computation for men only gives :-

|  |  |  | 1943 | 1944 |  | 1945 |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | July | Jan. |  |  |
|  |  | $\ldots$ | $\ldots$ | 13 | 15 | July |
| Residuum | $\ldots$ | $\ldots$ | Jan. |  |  |  |
| Earnings increase | $\ldots$ | $\ldots$ | 76 | 79 | 80 | 19 |

Put in other words the increase in men's earnings to January, 1945, viz. $73 \%$, was very

[^27]roughly due to about 8 points from growth of industries, 7 or 8 points from overtime, 19 or 20 points from increase in piece-work payments and 38 or 39 to basic wage-rates.

There has been a considerable variation among the increases of the four groups, men, youths, women and girls, and also among the different industries.

TABLE II.

| Average Earnings <br> (shillings perweek) |  | Percentage |  |  |
| :---: | :---: | :---: | :---: | :---: |
| 1938 | 1944 | 1945 | 1944 | 1945 |
| increase over 1938. |  |  |  |  |
| Oct. | July | Jan. | July | Jan. |
| 69.0 | 124.3 | 119.3 | 80 | 73 |
| 26.1 | 47.3 | 44.1 | 81 | 69 |
| 32.5 | 64.3 | 63.2 | 98 | 94 |
| 18.5 | 34.9 | 33.7 | 89 | 82 |

For men alone the percentage increases in average earnings from October, 1938, to January, 1945, range in the ninety-five industries recorded from 34 (printing, publishing, bookbinding) and 37 (tobacco) to 87 (rubber), 93 (cotton, which was affected by short-time in 1938) and 103 (dressmaking). The median increase was 64 , and the quartiles 57 and 75 .

TABLE III.
HOURS GF WORK AND HOURLY EARNINGS.
Average hours worked weekly.


Percentage increase of hourly earnings, 1945, over 1938 :-men, 67 ; youths, 73 ; women, 96 ; girls, 89 ; all, 74 .

From January, 1944, to July, 1944, men's average hours were reduced in eighty industries, increased in 15. From July, 1944, to January, 1945, men's average hours were increased in the gas, water and electricity supply industries ( 0.6 , $0.9,0.8$ hours), very slightly increased in pig-iron and dress, and reduced in the remaining ninety industries. Reductions in the open air occupations ranged from 2.6 (building) to 5.2 hours (contracting). Otherwise reductions were fairly equally spread over the whole range, 0.1 to 2.4 hours. (Median of all for men 1.1 hours, quartiles 0.5 and 2.0).

The average hours for men in the different industries in January, 1945, ranged from 42 to 56 ; median 49 , quartiles 47 and 50 . The average increase over October, 1938, to January, 1945, was only 1.7 hours. Among the 84 industries (excluding the outdoor occupations) men's hours were reduced in fourteen cases, unchanged in three and increased in sixty-seven. In only fifteen industries (including ships, tinplate, rayon and paper) was the increase as much as two-and-half hours.

Average hourly earnings need close study. Re-writing the wage-rate index of Table I. and the earnings figures of Table III. as percentages of their levels in July, 1943, we have :-


The recent reduction of average earnings of youths and girls is perhaps attributable to lower average ages, as the older ones have been drafted into other services.

Men lost three-and half-hours overtime between July, 1943, and July, 1945, and since overtime is payable at a higher rate than normal time, this would tend to a reduction of average hourly earnings. Making allowances for this we may estimate that their average rate for normal hours increased 7\% from July, 1943, to July, 1944, and a further $1 \%$ or more to January, 1945. The amendments are nearly the same if the statistics for all workers are taken. Thus normal hourly rates have risen rather more in recent
months than the published figures suggest, and more rapidly than the wage-rates index (Table I.) ; but the differences are inconsiderable.

Relative numbers of Men and Women EMPLOYED.-Details are published of the numbers of men, youths, women and girls covered by the employers' returns. Though in some returns sex and ages were not distinguished the omissions were not numerous enough to affect the proportions. $\ddagger$ More serious is the consideration that the actual returns did not cover all factories, etc., and the incompleteness varied considerably between industries ; thus it is indicated that the building industry (where the number of women and girls is insignificant) is under-represented. We can, however, estimate the proportions in the eighteen principal industrial groups as in Table V with reasonable security that the numbers are approximately correct. § No sufficient com-

TABLE V.
PROPORTIONS BY SEX AND AGE IN THE INDUSTRIAL GROUPS. JANUARY 1945.

Percentages.

| Percentages. |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\underset{\sim}{5}$ | $\begin{aligned} & \text { ga } \\ & \text { an } \\ & 0 \\ & \text { in } \end{aligned}$ |  | I - - |  |  |
| Mining (excl. coal), quarries | 88 | 8 | 96 | 3 | 1 | 4 |
| Stone, cement, coke | 83 | 8 | 91 | 8 | 1 | 9 |
| Brick, pottery, glass | 56 | 11 | 67 | 26 | 7 | 33 |
| Chemicals, explosives | 59 | 5 | 64 | 31 | 5 | 36 |
| Metal Production | 78 | 7 | 85 | 14 | 1 | 15 |
| Engineering, aircraft, ships | 66 | 11 | 77 | 22 | 1 | 23 |
| Metal Trades . | 46 | 8 | 54 | 41 | 5 | 46 |
| Textiles .. | 32 | 5 | 37 | 52 | 11 | 63 |
| Leather, Fur | 58 | 9 | 67 | 27 | 6 | 33 |
| Clothing ... | 20 | 5 | 25 | 57 | 18 | 75 |
| Food, drink, tobacco | 49 | 9 | 58 | 33 | 9 | 42 |
| Wood-working .. | 57 | 18 | 75 | 22 | 3 | 25 |
| Paper, printing ... | 51 | 8 | 59 | 31 | 10 | 41 |
| Building, contracting | 84 | 15 | 99 | 1 | 0 | 1 |
| Miscellaneous ... | 48 | 8 | 56 | 39 | 5 | 44 |
| Transport (excl. railways) | 75 | 4 | 79 | 21 | 0 | 21 |
| Public Utilities | 80 | 3 | 83 | 17 | 0 | 17 |
| $\begin{array}{crr}\text { Government } \\ \text { tories } & \ldots & \text { Fac. }\end{array}$ | 62 | 5 | 67 | 33 | 0 | 33 |

parison, however, can be made with pre-war figures, because the relative numbers in different occupations and industries have changed greatly, and because the earlier figures exclude persons of pensionable age and boys and girls under sixteen.

For the composite of all the eighteen groups no exact figures can be given because of the irregularity of the sample; but a very rough estimate suggests that $59 \%$ were men (twentyone years and over), $8 \%$ youths, $29 \%$ women

[^28](eighteen years and over) and $4 \%$ girls. These proportions relate only to the industries which are subject of the report, and exclude agriculture, mining, railways, and all non-industrial occupations. These proportions are higher for men and youths and lower for women than the approximate estimates given in the Bulletin, April, 1945, p. $30, \|$ which were partly based on the figures in the White Paper on the War Effort. The difference may be due to the inclusion in the White

Paper totals of the clerical and administrative groups in the industries, where women typists and clerks may predominate, while the returns in the Ministry of Labour Gazette presumably relate to manual workers in the common sense of the word.

[^29]
# IMPORTS AND EXPORTS. 

By A. L. Bowley.

The Board of Trade has now published Trade Returns* showing in considerable detail the course of trade since 1938. The most recent relates to the six months January to June, 1945. $\dagger$ The tabulations in general are in the same form as in pre-war accounts.

The definitions of trade given at the beginning of each account need careful study. Those goods imported under Lend-Lease or Mutual Aid arrangements are included. Stores for the Forces brought in by government vessels have always been excluded. From 1942 imports by Government Departments of munitions and military and naval stores are excluded ; in earlier years (not dealt with in this note) they were included.

Excluded from Exports are stores and munitions owned by the Government of this country which are shipped for the use of the United Kingdom Forces abroad and for the services institutes, the Y.M.C.A. and similar organisations. But goods, other than munitions and non-commercial supplies, supplied to any other government are included.

Further details and explanations are given.
The salient totals for Trade (excluding 1939-41) are given in the accompanying Table I in round millions. As usual "Food, etc.,"

[^30]includes Drink and Tobacco. Materials include in some cases the first stage of manufacture. Miscellaneous (apart from a small entry in 1938 for Living Animals not for food) consists of Parcels Post, which has increased rapidly, even though parcels despatched to prisoners of war are excluded.

TABLE I
EXTERNAL TRADE : 1938, 1942, 1943, 1944, and half 1945. Exports. British Produce. £Mn.

|  | 1938 | 1942 | 1943 | 1944 | 1945 $18 t$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Food, etc. | 36 | 19 | 19 | 19 | half |
| Materials, etc. | 57 | 10 | 9 | 8 | 6 |
| Manufactures... | 365 | 236 | 201 | 226 | 134 |
| Miscellaneous... | 13 | 6 | 4 | 5 | 6 |
| Total | 471 | 271 | 233 | 258 | 173 |
| To British Countries | 235 | 175 | 149 | 170 | 99 |
| Foreign Countries | 236 | 96 | 84 | 88 | 74 |
| Re-Exports. £Mn. |  |  |  |  |  |
| Food, etc. ... ... | 12 | $1 \frac{1}{2}$ | $2 \frac{1}{2}$ | $2 \frac{1}{2}$ | 10 |
| Materials, etc. | 30 | 1 | 1 | 2 | 8 |
| Manufactures... | 18 | 2 | $2 \frac{1}{2}$ | 3 | 5 |
| Miscellaneous... | $1 \frac{1}{2}$ | 0 | 0 | 0 | 0 |
| Total To British Countries |  | $4 \frac{1}{2}$ | 6 |  | 23 |
| To British Countries Foreign Countries | 11 50 | $\stackrel{2}{21}$ | $2 \frac{1}{2}$ | $2 \frac{3}{4}$ | $1 \frac{1}{\frac{1}{2}}$ |
| Total Imports. |  |  |  |  |  |
| Food, etc. | 430 | 435 | 513 | 519 | 25812 |
| Materials, etc. | 248 | 236 | 2631 | 279 | $134 \frac{1}{2}$ |
| Manufactures... | 234 | 312 | 441 | 478 | $195 \frac{1}{2}$ |
| Miscellaneous... | 8 | 13 | $15 \frac{1}{2}$ | 30 | $9 \frac{1}{2}$ |
| Total ... | 920 | 996 | 1233 | 1306 | 598 |
| From British Countries | 372 | 456 | 479 | 514 | 264 |
| Foreign Countries | 548 | 540 | 754 | 792 | 334 |
| Excess of Imports ... | 388 | 720 | 俍 | 192 | 析 |

Prior to the war a geographical analysis of the destination of exports was given quarterly in the Bulletin. As it has some current interest as showing the relative importance of various regions as customers before the war and the complete change by 1944, Table II continues the figures in the same form as before. (See for example the Bulletin for February, 1939.)

TABLE II.
VALUE OF EXPORTS OF U.K. PRODUCE AND MANUFACTURES IN 1938 and 1944.


VOLUME OF TRADE.-For many years the Board of Trade published statistics showing the effects of re-valuing each class of exports and imports by the average value of the class (total value divided by quantity) of a selected base year. The base years hitherto taken have been successively 1924, 1930 and 1935. This method tends to eliminate changes of price, and the resulting totals (as percentages of that of the base year) are termed "Index Numbers of Volume." There are two permanent difficulties in this method. One is that a perceptible part of Imports and Exports is not recorded in quantities, but only in value, so that it must be assumed that in each group for which "volume " figures are given, the change in price for such a
part is proportional to that for the remainder where quantities are stated; this difficulty is familiar in connection with an index of production. The other difficulty is that the goods entered under the same term, e.g. " worsted tissues," may as the years pass contain different proportions of different goods, so that an "average" square yard is not of constant content. This difficulty is specially marked when machinery is entered by weight or motor cars by number. It may be that exports on the whole improve in quality or complexity without changing their designation; in such a case "average value" rises more than price; the distinction between average value and price is in fact emphasised in the publications.

In normal years this difference is not considerable, and a check is obtained each time a new base year is taken. But in the circumstances of the war any close relation is accidental, for such a large proportion of goods has become of modified character. Apart from the changes in machinery and vehicles, there are such changes (mentioned in the report) as selling boneless meat, or dehydrating eggs and milk.

The year 1935 is taken as the base year in the report, for consistency with pre-war figures. The "volume" figures then only show what would have been the value of trade if there had been no change in price since 1938 and no change in quality since 1935. They have an indicative and corrective purpose, but cannot safely be used for further computation. Some of these are given in Table III, where (as in the reports) they are changed proportionally so that 100 stands for the 1938 computation.

## TABLE III.

INDEX NUMBERS OF VOLUME.

|  | Years |  |  |  | Half-Years |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1938 | 1942 | 1943 | 1944 | 1938 | 1945 |
| Exports |  |  |  |  |  |  |
| Food | 100 | 34 | 34 | 31 | 100 | 80 |
| Materials | 100 | 10 | 9 | 7 | 100 | 10 |
| Manufactures | 100 | 40 | 32 | 34 | 100 | 40 |
| All | 100 | 37 | 29 | 31 | 100 | 40 |
| Retained Imports |  |  |  |  |  |  |
| Food | 100 | 73 | 78 | 75 | - | - |
| Materials | 100 | 63 | 59 | 61 | - | - |
| Manufactures | 100 | 72 | 94 | 103 | - | - |
| All | 100 | 70 | 77 | 79 | - | - |

Index numbers of "average value" are obtained, as illustrated in the Note below, by the condition that the product of the indexnumbers of volume and average value must equal (one hundred times) the index-number of total current values. This is a purely numerical process and does not give the change of average price in any ordinary sense. Apart from a change of date from 1935 to 1938 it is akin to the result of weighting the observed prices, e.g. in 1938 and 1944, by the quantities in 1944,
and it yields an approximate answer to the question, how much less would the goods that were traded in 1944 have cost if the prices had been the same as in 1938? But this is not the question that would generally be asked, and the figures for average values are likely to be misunderstood and misused. They are not, for example, appropriate to a measurement of " the terms of trade," nor for a comparison with the ordinary index-numbers of wholesale prices. In normal short periods, when changes of kind and quantities are small, such comparisons could be made with reasonable security.

Note.-The methods by which the indexnumbers are computed appear to be as follows:-

Write $\mathrm{Q}_{0}, \mathrm{Q}_{8}, \mathrm{Q}_{4}, \mathrm{Q}_{5}$ for quantities of any one kind of commodity exported in half the year 1935 and the first half-years of 1938, 1944, 1945 , and $\mathrm{P}_{0}, \mathrm{P}_{8}, \mathrm{P}_{4}, \mathrm{P}_{5}$ for the corresponding prices or average values per unit.

Then if all exported goods were included the total value of exports in the four periods can be written:-

$$
S \mathrm{P}_{0} \mathrm{Q}_{0}, S \mathrm{P}_{8} \mathrm{Q}_{8}, S \mathrm{P}_{4} \mathrm{Q}_{4}, S \mathrm{P}_{5} \mathrm{Q}_{5} .
$$

When the later returns are revalued at the prices of 1935 they become:-

$$
S \mathrm{P}_{0} \mathrm{Q}_{8}, S \mathrm{P}_{0} \mathrm{Q}_{4}, S \mathrm{P}_{0} \mathrm{Q}_{5} .
$$

The index-numbers of volume for 1944 and 1945 in relation to 1938 are then :-

$$
100: \frac{S \mathrm{P}_{0} \mathrm{Q}_{4}}{S \mathrm{P}_{0} \mathrm{Q}_{8}} \times 100: \frac{S \mathrm{P}_{0} \mathrm{Q}_{5}}{S \mathrm{P}_{0} \mathrm{Q}_{8}} \times 100
$$

The index-numbers of "average values" are deduced from the consideration that the priceratio multiplied by the quantity-ratio should equal the ratio of total values.

Then the index of " average value " for 1944 in relation to 1938 is:-

$$
100 \frac{S \mathrm{P}_{4} \mathrm{Q}_{4}}{S \mathrm{P}_{8} \mathrm{Q}_{8}} \div \frac{S \mathrm{P}_{0} \mathrm{Q}_{4}}{S \mathrm{P}_{0} \mathrm{Q}_{8}}
$$

and for 1945 :-

$$
100 \frac{S \mathrm{P}_{5} \mathrm{Q}_{5}}{S \mathrm{P}_{8} \mathrm{Q}_{8}} \div \frac{S \mathrm{P}_{0} \mathrm{Q}_{5}}{S \mathrm{P}_{0} \mathrm{Q}_{8}}
$$

The ratio of the 1945 index to that of 1944 is then :-

$$
\frac{S \mathrm{P}_{5} \mathrm{Q}_{5}}{S \mathrm{P}_{4} \mathrm{Q}_{4}} \div \frac{S \mathrm{P}_{0} \mathrm{Q}_{5}}{S \mathrm{P}_{0} \mathrm{Q}_{4}}
$$

For total exports of United Kingdom Produce we have from pages 1 and 2 of the Accounts for January-June, 1945 (unit $£ 100,000$ )
$S \mathrm{P}_{8} \mathrm{Q}_{8}=2354 \quad S \mathrm{P}_{0} \mathrm{Q}_{8}=2092$, in ratio 100 $S \mathrm{P}_{4} \mathrm{Q}_{4}=1308 \quad S \mathrm{P}_{0} \mathrm{Q}_{4}=658 \quad$, 31 $S \mathrm{P}_{5} \mathrm{Q}_{5}=1730 \quad S \mathrm{P}_{0} \mathrm{Q}_{5}=833 \quad$ " 40

The last column is given in the accounts as the index-numbers of volume.

Index-numbers of average value are then

$$
100 \times \frac{1308}{2354} \div \frac{658}{2092}=176.6 \text { for } 1944
$$

and

$$
100 \times \frac{1730}{2354} \div \frac{833}{2092}=184.5 \text { for } 1945
$$

an increase of $4 \frac{1}{2}$ per cent. from 1944 to 1945.
These results to the nearest whole number are as given in the accounts.

It is seen that the index-numbers of average values are complicated in form. If we had not the double base, 1935 and 1938, but only 1935 the form would be the known one $100 S \mathrm{P}_{4} \mathrm{Q}_{4} /$ $S \mathrm{P}_{0} \mathrm{Q}_{4}$, that is, Paasche's formula. But the still more familiar form is Laspeyre's $100 S \mathrm{P}_{4} \mathrm{Q}_{0} /$ $S \mathrm{P}_{0} \mathrm{Q}_{0}$, where the earlier quantities are used as the weights. This form is used by the Board of Trade, the Economist and the Statist in their wholesale price index-numbers, and in the Cost of Living index. The backward weighting by Paasche's formula is used mainly by mathematical statisticians for cross-checking or more elaborate work.

In the earlier publication on the Import Trade the computed Index-numbers of Average Values were not for retained imports, but for all imports, presumably computing them as indicated above. Since the results will not be exactly the same as those for retained imports we shall not find that the product of the indices of price and volume exactly equal the indices for value. But in fact computation shows that the difference is insignificant not only for the total and sub-totals or groups, but for all but perhaps four of the 47 classes separately shown.

The methods now described appear to have been used for each of these 47 classes separately, but it is not stated how the lacunae where no quantities or numbers are recorded (but only values) are treated.

## A MANPOWER BUDGET FOR 1950.

By T. Barna.

1. A manpower budget is complementary to a forecast of the national income and expenditure, and not a substitute for it. It requires the same assumptions as the income forecast, except the assumption relating to the general level of prices (or wages); given the same assumptions, the manpower budget is bound to be consistent with the income forecast. That alone would not justify the preparation of a manpower budget ; such a budget, however, could refine our forecasts, in so far as it can bring into play different assumptions relating to the productivity of different sections of industry, instead of a single assumption relating to the overall productivity of industry. But this implies that relative prices will change (prices becoming relatively low where productivity rises relatively fast) ; the latter will react on the distribution of the national expenditure, which, in its turn, influences the manpower budget. Ideally, therefore, the manpower budget and the income forecast ought to be developed simultaneously.
2. Within this space, however, it is only possible to give estimates in the nature of first approximations ; this is chiefly due to the lack of preparatory work on pre-war statistics. We shall first estimate the industrial distribution of the population in 1938; secondly, output and employment in industrial groups in 1938; thirdly, the manpower potential of 1950 ; and, lastly, output and employment in industrial groups in 1950. Though it is not possible to give exact estimates, it is possible to prepare figures under different alternative assumptions, which will yield certain broad conclusions. We have, however, neglected problems arising out of increasing or diminishing returns, as well as those caused by a change in the price structure.
3. Table I shows the industrial distribution of the population in 1938, relating to employment averaged over the year. For boys and girls aged 14 and 15 figures are supplied by unemployment insurance statistics, except for non-insurable occupations (private domestic service and some in agriculture) which were estimated with reference to the census. The publication of figures for mid-1939 in The War Effort of the U.K. (Cmd. 6564), which no doubt take into consideration the national registration of 1939, greatly facilitated the preparation of estimates for men and women aged 16 to 64 years. It is, however, a lengthy task to reconcile these figures with insurance and other published
statistics. To estimate the number of elderly persons is more difficult, since they were not insured for unemployment. Some information is given by statistics relating to insurance for pensions; otherwise it was necessary to use census figures, bearing in mind Mr. Colin Clark's interpretation that a number of elderly persons were therein returned as unemployed who in fact were unoccupied.

TABLE I.
DISTRIBUTION OF THE INDUSTRIAL POPULA. TION, U.K.
Average Numbers in 1938


Notes.-This table is based mainly on unemployment insurance statistics, and The War Effort of the U.K. (Cmd. 6564), App. A and B. The figures here differ in scope from the official estimates in that they refer to average employment during 1938 ; include persons of all ages ; include Northern Ireland; include private domestic service; and give a somewhat different industrial classification.

The official estimates were transferred to a 1938 basis with reference to insurance figures, considered separately for both sexes, aged 16-64. This was supplemented by separate estimates for ages 14-15, and 65 and over. Northern Ireland was included, considering insurance and census statistics. Agricultural and railway statistics were also taken into account, as well as census statistics, in connection with service industries. The number in private domestic service is derived from the 1931 census by assuming $5-10 \%$ increase, and allowing for gardeners, etc., being included elsewhere and for unem. ployed.

Note that the age limit for women in the official estimate is 59 , in insurance statistics 64 ; that fishing is here included in primary industries, and not with transport ; that postal services are included in transport and communications and not in government service; and that government service excludes employment by the government in the industries specified.
4. Next, the employed population is to be distributed among four main branches of production: for private consumption, government consumption (i.e. government expenditure on current goods and services), exports and investment. It is also necessary to estimate the income generated in these four branches of activity. From the estimate of the four items at market prices, indirect taxes (less subsidies) are deducted, since these represent a transfer to the government and do not generate incomes; secondly, imports are deducted, since expenditure on imports does not generate incomes in Britain; lastly, depreciation and maintenance costs entering into the value of consumption and exports are transferred to the investment sector because it is there that they generate incomes. The resultant setting out of the home-produced national income in table II is eminently suitable for translation into terms of manpower: the estimates represent the value of net output in each branch of activity.

| TABLE II. |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| OUTPUT AND | EMPLOYMENT, U.K., 1938 . |  |  |  |  |  |  |

Notes.-The value of output column is based on the second column of table 7 of the official estimate of the national income. (Cmd. 6623, 1945). The estimates represent that part of the national expenditure which generates incomes in Britain, under the different headings; that is, they exclude payments for taxes (and include subsidies), and payments for imports. Depreciation charges generate incomes in the investment industries.

The figures given here differ from Cmd. 6623 in so far as subsidies were added to the value of private consumption, and not government consumption. Also, investment in stocks (estimated at $£ 25 \mathrm{mn}$.), was added to the output of consumption and not investment industries. A correction ( $£ 70 \mathrm{mn}$.) has been added for the valuation of stocks. The total is equivalent to the home-produced national income, and falls short of the net national income by $£ 205 \mathrm{mn}$, the amount of the net income from abroad.
5. Table I shows $10,790,000$ persons employed in primary and secondary (the so-called 'productive' industries). Of this number it was estimated that $4,055,000$ were engaged in the investment industries, consisting of a proportion of persons in coal-mining (producing coal to be used in any form in the investment industries); all in other mining and mining products; all in building, construction, and the manufacture of building materials; one quarter in chemicals; all in metals, engineering and shipbuilding, except those in motor, cycle and aircraft, radio, lamps, watch, refrigerator, sewing machine, etc., manufacture; about $40 \%$ in motor, cycle, and aircraft, repre-
senting lorry and aircraft production; and about $15 \%$ in gas, water and electricity, supplying the above industries.

To this number were added 125,000 persons in the distributive trades dealing in investment goods and, at the end of the analysis, 260,000 in general services such as goods transport $(210,000)$, finance and professions (e.g. architects) ; this gives a total of $4,440,000$. Gross expenditure on fixed capital at home was $£ 830 \mathrm{Mn}$. (see table V), on armaments $£ 253 \mathrm{Mn}$., and capital goods valued at $£ 140 \mathrm{Mn}$. were exported ; a total of $£ 1,205 \mathrm{Mn}$., of which (allowing for taxes, imports and depreciation) $£ 920 \mathrm{Mn}$. generated income in the investment industries; in other words, this was the value of the net output of $4,440,000$ persons. Dividing this number in proportion to output, $3,105,000$ were producing investment goods other than armaments or goods for export; of whom $1,535,000$ were replacing used up capital, and $1,570,000$ adding to the stock of the national capital.
6. Consumption goods industries (i.e. ' productive' industries other than investment industries and the production of coal for export or the railways) employed $6,510,000$, and the distribution of consumption goods a further $2,925,000$, a total of $9,435,000$. Direct services (passenger transport*, postal services sold to persons $\dagger$, personal professional services $\ddagger$, hotel, entertainment, laundry and other services, and private domestic service) employed $3,600,000$. Thus we have $13,035,000$ persons with a net output of $£ 3,000 \mathrm{Mn}$., of which $£ 2,710 \mathrm{Mn}$. represents incomes generated by private consumption, and $£ 290 \mathrm{Mn}$. by consumption goods and direct services exported or sold to the government. The net output of direct services, estimated from expenditure on these services, represents some $£ 650 \mathrm{Mn}$. As there is little difference in net output per head between the sector producing goods and that producing direct services (if we omit from the latter private domestic service with a particularly low output per head), it is possible to make a proportionate deduction for exports and goods sold to the government, leaving $11,870,000$ persons producing for private consumption. General services comprising goods traffic, commerce, banking, finance and insurance, and postal and professional services sold to business, employed

[^31]$1,365,000 \S$. This was distributed between the production of goods for consumption, investment, export, and the government, allowing a high proportion to enter into invisible exports. Allocating 865,000 to consumption, personal consumption gave employment to $12,735,000$; or, if we include depreciation and maintenance in this sector of the economy, $13,820,000$.
7. Persons engaged in government service do not necessarily produce for government consumption, and not all government consumption is produced by persons employed by the government. The $1,125,000$ persons in government service exclude those in postal services, municipal gas, water and electricity undertakings and so on, whose output is sold to the public ; but some similar element remains included, as, for instance, teachers whose pay might be recovered from the public in the form of fees (included in private consumption). On the other hand, the government buy from private industry for the purpose of collective consumption ; the food for school meals, for instance, is not produced by government employees.

The armed forces employed 355,000 persons with an output of $£ 78 \mathrm{Mn} .| |$, armament production (as in section 5) employed 830,000. Other war expenditure came to $£ 45 \mathrm{Mn}$., and current non-war expenditure to $£ 456 \mathrm{Mn}$.; a total of $£ 501 \mathrm{Mn}$. giving rise to a net output of $£ 384 \mathrm{Mn}$. Estimating the net output per head of persons in government service at $£ 340$, and of other persons producing the above output at the average for the consumption industries, a total of $1,330,000$ persons was employed in this sector, giving $2,515,000$ as the appropriate number for table II. But if we include those producing for depreciation and maintenance (chiefly roads), we obtain $2,765,000$. If we also include those producing for government non-war capital formation*, a total of $3,300,000$ is obtained, over $16 \%$ of the employed population.
8. Exports of investment goods (as in section 5) employed 505,000 ; exports of coal $\dagger$ (in proportion to total coal production) employed 170,000 miners ; exports of consumption goods, together with goods and services sold to tourists, employed (at the average for the consumption industries) 985,000; general services (goods transport embodied in exports, shipping, commerce, finance, insurance and professional ser-

[^32]vices) 215,000 , a total of $1,875,000$. If we allow for depreciation and maintenance charged against exports, a total of $2,075,000$ were employed $\ddagger$, or $10 \%$ of the employed population.
9. Table II gives the results obtained so far. It is, however, a complicating factor that the productive power of different groups of persons (juveniles, men, women and elderly people) is not equal, and a particularly high proportion of men is employed in the investment industries, whilst the armed force's consisted (in 1938) wholly of men. The estimates were, therefore, re-calculated in terms of equivalent men (aged 16-64); for lack of other information, productive power was taken in proportion to earning power, and the average weekly wages of each class were used for weightings.
10. Employment in 1938 is summarised in table IV according to sex and age groups. Adding to this the number of unemployed (in both insured and uninsured occupations), the total working population is obtained. The working population is classified according to sex and age in table III. Next, the population and its sex and age distribution was estimated for 1950 allowing for war casualties and for some

TABLE III.


* For better comparison the percentages refer to persons over 16 only

Notes.-The 1938 age distribution is based on the estimates of the Registrars General, interpolated where necessary. The working population (employed and unemployed) was first obtained by applying to each sex and age group the proportions found working in the 1931 census. This was then adjusted

[^33]to the actual number working in 1938 (as found in table IV), which was $1 \frac{1}{2} \%$ below the expected number for men aged 16-64 (probably because long-term unemployed persons ceased to be counted as such), and $4 \%$ above it for women aged 16-64. For men over 65 it was assumed (following Mr, Colin Clark) that half the difference between the hypothetical number and the actual number in employment were unemployed, the other half unoccupied (retired) who preferred to regard themselves as unemployed.

The population estimates for 1950 except those for persons under 16 were based on the figures of Mr. F. J. C. Honey (Jour. Inst. Act., 1937, p. 323), given for 1951. The estimates in this table are based on interpolation for 1950; the figures were further adjusted for some 300,000 forces and mercantile marine, and 75,000 civilian casualties in the war (killed or permanently disabled), and an assumed migration into Britain between 1938 and 1950 of some 100,000 persons. Mr. Honey assumes falling mortality rates, whilst the assumptions relating to fertility rates do not affect the estimates of the working population. It was assumed that for men 16-64 the same proportion was working in each group as in 1931 (before the long-term unemployed were removed from the register), for other groups as in 1938.

The number of persons under 16 was obtained by interpolation, and adjustment for Northern Ireland, from the forecast of the Registrars General (Cmd. 6358, 1942).
immigration, mostly immediately before and during the war. From this the working population was estimated on the assumption that the proportion working in each group will not change. The difference in the number of the working population aged over 16, between the two dates is very slight. There is some shift to older age groups, and also the proportion of men to women shows an increase.

Employment in 1950 is estimated on the assumption that the school-leaving age is raised to 16 and that full employment exists. ${ }^{\star}$ The latter is taken as implying an average of 500,000 unemployed ( $3 \%$ of all wage-earners). This could mean that total employment is expected to increase by $4 \frac{1}{2} \%$. But owing to changes in the relative age and sex distribution, average earning power is also expected to increase by $5 \%$, giving an increase of $9 \frac{1}{2} \%$ in terms of equivalent men. The increase in earning power is chiefly due to two factors : firstly, the raising

| TABLE IV. |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| EMPLOYM | ENT, | U.K. | 1938 | AND | 1950. |  |
|  |  |  |  |  | 1938 | 1950 |
|  |  |  |  |  | 000's | 000's |
| Boys and Girls, 14-15 | years |  |  |  | 970 |  |
| Men, 16-64 years |  |  | $\ldots$ | ... | 12,910 | 14,470 |
| Women and over |  |  |  |  | 520 | 730 |
| Women, 16-59 years | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 5,480 | 5,420 |
| " 60 and over |  |  |  |  | 350 | 460 |
| Total persons... |  |  |  |  | 20,230 | 21,080 |
| Equivalent men |  | $\ldots$ |  |  | 16,300 | 17,860 |

Notes.-For 1938 based on sources of table I. In addition to the numbers employed, the working population in 1938 included unemployed. The following estimates were used for registered and unregistered unemployed (in thous.) : boys and girls 20 ; men (16-64) 1,550 ; women (16-64) 500 ; men $(65+) 120$; women $(65+) 20$; total 2,210 .

For 1950 it was assumed that the school-leaving age is raised to 16 and that unemployment amounts to 500,000 , evenly distributed over the groups.

To calculate the equivalent number of men each group was weighted by its average 1938 wage.

* A state of full employment, however, might influence the proportion of the population seeking work. Its net effect cannot be foretold with certainty, but it is likely to increase the working population.
of the school-leaving age does not diminish total production in proportion to the number withdrawn from industry; secondly, a higher proportion of adult men was unemployed in 1938 than of any other class. It is possible that the rise in productive power is overestimated by taking it as the equivalent of the rise in earning power ; on the other hand we ignore the possible increasing returns in industry as a whole, consequential upon full employment, given the 1938 excess capacity of industry.

11. We now turn to estimate the manpower requirements of 1950 . We shall make three alternative assumptions as to changes in productivity per equivalent man between 1938 and 1950: (1) No change in productivity, except a $15 \%$ increase in the armament industries; (2) $5 \%$ increase in private consumption industries, $10 \%$ in investment and export industries, $15 \%$ in armament industries, no change in other government services; and (3) $10 \%$ increase in private consumption industries, $20 \%$ in investment and export industries, $15 \%$ in armament industries, no change in the armed forces, $5 \%$ increase in government non-war services. Two alternative investment plans will be drawn up, a heavy and a light programme. It is thus possible to draw up six alternative models showing the distribution of manpower ; but the combination of no increase in productivity and a heavy investment programme would necessitate (under the assumptions set out below) a cut of one-eighth in consumption below the pre-war level; hence this model has been omitted as an unrealistic one, and only the other five are shown in table VI $\dagger$. The manpower requirements of government consumption, exports and investment are estimated independently, allocating the residue of manpower to private consumption. It remains to investigate the degree to which restriction on (or encouragement to) consumption is necessary to avoid inflation (or unemployment).
12. It will be assumed that the armed forces will employ 750,000 men. It will also be assumed that armaments and other war production will be three times their average pre-rearmament volume $\ddagger$. This will involve a defence expenditure, other than the pay of the armed forces, of $£ 200 \mathrm{Mn}$. (at 1938 prices), or less

[^34]than in 1938. In addition to all other prewar services the government will spend on goods and services (at 1938 prices) $£ 70 \mathrm{Mn}$. for education, $£ 55 \mathrm{Mn}$. for health services and $£ 40 \mathrm{Mn}$. on other account $\S$. Total government expenditure on goods and services (which, of course, excludes the cost of social insurance, and so on) will be $£ 986 \mathrm{Mn}$. in 1950 (at 1938 prices) as against $£ 814 \mathrm{Mn}$. in 1938. It will be assumed that the import content of this expenditure will not be more than in 1938 ( $£ 80 \mathrm{Mn}$.) ; that is, savings on armament imports will be balanced by imports for the new government services. Allowing for taxes, imports, and depreciation, income-generating government consumption will amount to $£ 793 \mathrm{Mn}$. It is likely that about 70,000 persons will be employed in the new educational services, 30,000 in the health services directly, and 325,000 in all new services indirectly. With some saving in armaments and increased productivity in armament production, but with about double the pre-war armed forces, government consumption will employ $3,020,000$; or, allowing for a $5 \%$ increase in non-war productivity, $2,940,000$.
13. Two programmes have been drawn up for investment in fixed capital: a heavier (A) programme and a lighter (B) programme, as given in table V .

TABLE $V$.
GROSS INVESTMENT IN FIXED CAPITAL.
(In million 1938 £'s.)

| 1938 | 1950 |  |
| ---: | :---: | :---: |
|  | A <br> (Heavy) | B <br> (Light) |
| 180 | 290 | 220 |
| 150 | 180 | 165 |
| 90 | 100 | 95 |
| 60 | 90 | 75 |
| 120 | 190 | 140 |
| 120 | 250 | 150 |
| 110 | 150 | 130 |
| 830 | 1,250 |  |

Notes.-Estimates for 1938 based on those given by I. Bowen and A. W. T. Ellis, in Oxford Economic Papers, March 1945, and table D in Cmd. 6520, 1944. For 1950 the building of 500,000 houses ( 400,000 in B) is assumed with $15 \%$ improvement over 1938 in average size or quality ( $10 \%$ in B). Note that for plant and machinery even the B programme more than doubles the pre-war rate of net investment.

The former programme is equivalent to doubling the 1938 rate of net investment in fixed capital; the latter is one-quarter above the 1938 rate. It will be assumed that, whatever the size of the investment programme, the import content of investment will be the same as in 1938 ( $£ 100 \mathrm{Mn}$.). The net outputs corresponding to the two programmes are $£ 1,008 \mathrm{Mn}$., and $£ 764 \mathrm{Mn}$. respectively ; the manpower requirement ranges, in the different models, between 3 and $4 \frac{1}{2}$ millions.

[^35]14. The export requirements will be calculated on the assumption that the pre-war terms of trade have not altered, and that the ordinary balance of payments should be nil. In addition, exports are assumed to provide for some repayment of the sterling debt to overseas countries, and, in models adopting investment programme A, $£ 100 \mathrm{Mn}$. worth of goods (at 1938 prices), chiefly capital goods, will be sent to aid the reconstruction of Europe on some long-term credit basis. In the first place it can be estimated that our net foreign income will amount (at 1938 prices) to one-third of its pre-war size, $£_{70} \mathrm{Mn} . \mid$. By the assumptions in sections 12 and 13 , the import content of government consumption and of investment will be the same as in 1938. The import content of private consumption was calculated on the assumption of free imports ; that is, the pre-war marginal propensity to import ( $15 \%$ ) is applicable to the difference between the 1950 consumption (whatever its amount) and its pre-war level. The income-generating effect of exports (allowing for depreciation) will be between $£ 684 \mathrm{Mn}$. and $£ 813 \mathrm{Mn}$. With a greater rise in productivity, a greater volume of exports is needed; on the other hand the improvement in the competitive position of Britain also becomes greater. The production of this output involves, in the different models, $2 \frac{1}{2}-2 \frac{3}{4}$ millions. Any deterioration in the terms of trade (for which, however, there are as yet no signs), or any failure in the export drive, will lead to a tighter manpower position and a lower real national income. The net output of 1950 exports is between one-third and two-thirds above the pre-war level; within this expansion, however, there is likely to be a relative shift from exports of services to those of goods.
15. The manpower left for private consumption is now obtained, in the different models, as a residue. ${ }^{\star \star}$ The output corresponding to this, is, however, not calculated in strict proportion to employment, as in the case of exports and investment, but in proportion to the number of equivalent men left for this branch of production, that is, considering that investment industries employ a predominant proportion of men, and the now expanded

[^36]armed forces consist wholly of men. Adding back imports for consumption allowed for in section 14, and depreciation, it is possible to compare consumption in 1950 with that in 1938. It can be seen that, even with full employment, if there is no rise in productivity, or if with only a small rise in productivity the more ambitious investment programme is aimed at, the pre-war level of consumption cannot be maintained.
16. The results are given in table VI. The table also gives an index of productivity (in terms of equivalent men, with 1938 as 100) for the economy as a whole, which is the result of the various assumptions relating to changes in productivity. Adding the output in the various branches of the economy, and the specified value of income from abroad, an index of the real national income is obtained. The difference between these two indices is due partly to differences in employment between 1938 and 1950, and partly to differences in income from abroad. The rise in productivity in models 4 and 5 is similar to the assumption of Mr. Kaldor's income forecast, ${ }^{\star}$ and the distribution of national expenditure is not inconsistent with his plan III $\dagger$. The conclusion is that such a
distribution of the national expenditure (giving so low a proportion to private consumption), can be achieved only through rationing or a budgetary surplus, if inflation is to be avoided. $\ddagger$ It is, therefore, evident that an increase in productivity considerably larger than that assumed in models 4 and 5 is necessary in order to produce the requirements of extended public services, a reasonable investment programme, exports to finance our imports, and to sustain an unrestricted private consumption without the aid of unduly high taxation or inflation.
17. These calculations do not pretend to accuracy; they merely indicate the line along which a manpower budget can be worked out. From table VI it would be possible to proceed farther, by making assumptions as to the composition of exports or consumption, to obtain the industrial distribution of the population to be compared with that in table I and with the present distribution ; but this would lead to a multiplication of models beyond the scope of this article.

[^37]TABLE VI.
OUTPUT (AT 1938 PRICES) AND EMPLOYMENT, U.K., 1938 AND 1950.

| Industries producing for : | 1938 |  | Estimates for 1950 |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Value Employ. of Out. ment put |  | Value of Out. put | del 1 Employ. ment | Value of Out. put | del 2 Employment | Value of Output | del 3 Employ. ment | Value of Out. put | del 4 Employ ment | Mo <br> Value of Out. put | del 5 Employ. ment |
| Private consumption Government Exports Investment (gross) | $\begin{array}{r} £ M n . \\ 2,710 \\ 634 \\ 497 \\ 643 \end{array}$ | $\begin{aligned} & 000 \text { 's } \\ & 12,735 \end{aligned}$ | £Mn. 000's 2,705 (11,780) |  |  |  | $\text { £Mn. } 000 \text { 's }$ |  | £Mn. | 000's | £Mn. | 000's |
|  |  |  |  |  | $2,600 \quad(10,930)$ |  |  |  | 2,850 | (11,450) |  | $(12,570)$ |
|  |  | 2,515 | 793 | 3,020 |  | 3,020 | 793 | 3,020 | 793 | 2,940 | 793 | (2,940 |
|  |  | 1,875 | 684 | 2,590 | 763 | 2,700 | 736 | 2,530 | 813 | 2,640 | 787 | $2,490$ |
|  |  | 3,105 | 764 | 3,690 | 1,008 | 4,430 | 764 | 3,350 | 1,008 | 4,050 | 764 | $3,080$ |
|  | 4,484 | 20,230 | 4,946 | 21,080 | 5,164 | 21,080 | 5,236 | 21,080 | 5,464 | 21,080 | 5,526 | 21,080 |
| Index of : |  |  |  |  |  |  |  |  |  |  |  |  |
| Productivity per man* | 100 |  |  |  | 105 |  | 107 |  | 111 |  | 113 |  |
| Real net national in- | 100 |  |  | 99 |  |  |  |  |  |  |  |  |
| comet ${ }^{\text {co. }}$, ... |  |  | 107 |  | 112 |  | 113 |  | 118 |  | 119 |  |
| Total Consumption $\ddagger \ldots$ | 100 |  | $99$ |  | $95 \frac{1}{2}$ |  | 108 |  | $104 \frac{1}{2}$ |  | $116 \frac{1}{2}$ |  |
| Consumption per head $\S$ | 100 |  | $99 \frac{1}{2}$ |  | 96 |  |  |  | $105^{2}$ |  | $117^{2}$ |  |

* Related to equivalent number of men, See table IV.
$\dagger$ Net national income (at 1938 prices) exceeds home produced output (as shown) by $£ 205 \mathrm{Mn}$. in 1938 and $£ 70 \mathrm{Mn}$. in 1950.
$\ddagger$ The index for 1950 should be $1 \frac{1}{2}$ points higher, if allowance is made for certain consumption (e.g. health services), provided privately in 1938 and by the government in 1950.
§ The index for 1950 is to some extent dependent upon the birth rates assumed for the next few years. See table III.
Model 1.-No change in productivity over 1938. Investment programme B.
Model 2.- $10 \%$ increase in productivity in investment and export industries, $5 \%$ in consumption industries, no change in government non-war services, Investment programme A and aid to Europe.
Model 3.-As model 2, with investment programme B.
Model 4.-20\% increase in productivity in investment and export industries, $10 \%$ in consumption industries, $5 \%$ in government non-war services. Investment programme A and aid to Europe.
Model 5.-As model 4, with investment programme B.
All models assume $15 \%$ increase in the productivity of armament industries, and no change in that of the armed forces.

INDEX NUMBERS OF PRICES IN 12 COUNTRIES.
Mainly based upon the Monthly Bulletin of the League of Nations.

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

II. RETAIL, COST OF LIVING, \% OF JAN.-JUNE, 1939

|  |  |  |  | II. |  | (e) | , | , | 析 | (c) | (d) |  |  | (b) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1939 | 2nd half | ... | 108 | 100 | 101 |  | 99 | 101 | 100 | 107 |  | 103 | 102 | 100 |
| 1940 | ... ... | ... | 120 | 104 | 105 |  | 103 | 104 | 103 | 120 | (f) | 116 | 110 | 101 |
| 1941 | ... ... | ... | 129 | 110 | 112 |  | 108 | 106 | 105 | 121 | 122 | 134 | 127 | 105 |
| 1942 | ... ... | ... | 130 | 119 | 116 | (f) | 117 | 112 | 108 | 125 | 137 | 146 | 141 | 116 |
| 1943 |  |  | 129 | 123 | 118 | 101 | 124 | 113 | 110 | 133 | 153 | 149 | 149 | 122 |
| 1944 | 1st half | ... | 130 | 122 | 118 | 101 | 128 | 110 | 112 | 143 | 169 | 149 | 152 | 123 |
| 1944 | -July ... | $\ldots$ | 131 | ) 123 | 118 |  | 128 | 112 | 116 | 147 | 171 | 149 | 153 | 125 |
|  | Aug. ... | ... | 131 | \} 123 | 118 |  | 127 | 107 | 115 | 148 | 172 | 149 | 152 | 125 |
|  | Sept.... | ... | 130 | \} | 118 | 100 | 128 | 110 | 112 | 155 | 174 | 149 | 152 | 125 |
|  | Oct. ... | ... | 130 | ) | 118 |  | 130 | 113 | 111 | 157 | 175 | 149 | 153 | 125 |
|  | Nov. ... | ... | 130 | $\} 123$ | 118 |  | 131 | 113 | 112 | 161 | 177 | 149 | 153 | 125 |
|  | Dec. ... | ... | 131 | \} | 118 | 100 | 131 | 116 | 112 |  | 178 | 149 | 153 | 125 |
| 1945 | -Jan. ... | ... | 131 | ) | 118 |  | 131 | 122 |  |  | 184 | 149 | 153 | 125 |
|  | Feb. ... | ... | 131 | \} 122 | 118 |  | 131 | 124 |  |  |  | 149 | 153 | 125 |
|  | Mar. ... | $\ldots$ | 131 | \} | 118 | 101 | 132 | 133 |  |  |  | 149 | 153 | 125 |
|  | Apr. ... | ... | 132 | ) | 118 |  |  | 133 |  |  |  | 149 | 153 | 126 |
|  | May ... | $\ldots$ | 133 |  | 119 |  |  |  |  |  |  | 149 | 154 | 126 |
|  | June ... | ... | 137 |  |  |  |  |  |  |  |  |  | 154 | 127 |
|  | July ... | $\ldots$ | 134 |  |  |  |  |  |  |  |  |  |  |  |
|  | Aug. ... | $\cdots$ | 132 |  |  |  |  |  |  |  |  |  |  |  |
|  | Sept.... | $\ldots$ | 132 |  |  |  |  |  |  |  |  |  |  |  |



[^38]

NEW CAPITAL ISSUES-
BANK OF ENGLAND-
PRINCIPAL BÃNKS-

TREASURY BILLS-

Index Nos, of Prices and Yield as percentage of 1024 level; on 15th of month.
Sensitive Index.-Geometric Mean of monthly percentage changes.
by THE MID montit In Gt, Britain (a), for U.K. (b), for Abroad, excluding Government loans, etc, As published
Deposits MIDLAND BANK, LTD. Six-months' totals from 1940
Bank N. 11 th-17th of month
Circulation 11th-17th of month. Issues amalgamated, November 22nd, 1928,
Current Deposit and other accounts," etc. Before September, 1939, averages for the month of 9 clearing bank
National Bank, Lid, and the Dlstrict Bank), afternards, data for last making up day of the month
issued by tender. Total th month, thereafter end of month,
Otherwise issued. Total of Treasury Bills in existence less those issued by tender
Day-to.Day Rate and 3 Months' Rate. Averages for weet ending 15 th by tender

|  | WHOLESALE. |  |  |  |  |  |  |  | RETAIL. |  |  | WAGES. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Price o | Bar | Board of Trade Index Nos. |  |  | Statist (Sauerbeck) Index Nos. |  |  | M, of Labour. |  |  |  |
|  | Gold. <br> s. per <br> fine $o z$. | Silver <br> (Cash). <br> d. per oz. | General \% | Food. \% | Materials, etc. \% | Food. \% | Raw <br> Materials. \% | Total. \% | Cost of Living. \% | Food. \% | Rent \% | Weekly <br> Wage-Rates. <br> \% |
| 1924 Av... | 93.69† | $34^{\circ} 0$ | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 * |
| $1929 \text { Av... }$ | 84.95 $\dagger$ | 24.5 | $82 \cdot 1$ | $87 \cdot 4$ | $79 \cdot 4$ | 84 | 81 | 82 | 94 | 94 | 103.5 | 994 |
|  |  | 21.4 | 63.2 | $64 \cdot 8$ | $62 \cdot 4$ | $59 \cdot 5$ | 58 | 59 | 80.5 | 72 | 106 | 94 |
| 1934 Av... 1985 Av... | 132.10+ | 29.0 | 63.7 | 66.0 | $62 \cdot 7$ | 59 | 61.5 | 61 | 81.5 | 73.5 | 107 | 95 |
| 1986 Ar... | 140.29 $\dagger$ | 20.2 | $67 \cdot 6$ | 69.9 | 66.7 | 62 | 65 | 64 | 84 | 76.5 | 108 | $97 \%$ |
| 1987 Av... | $140.76 \dagger$ | 20.1 | 77.9 72.6 | $77 \cdot 8$ $74 \cdot 1$ | 78.0 $72 \cdot 1$ | 71.5 65 | 75 66 | 73.5 65.5 | 88.5 89 | 82 82 | 108 | 1044 |
| 1938 Av... | 142.49 | 19.5 $20 \cdot 5$ | $72 \cdot 6$ 73.6 | $74 \cdot 1$ | 73.4 | 65 | 72 | 69 | 91 | $83 \cdot 5$ | 110 | $105 \frac{1}{4}$ |
| 1939 Av... 1940 Av... | 154.99 168.00 S | 20.2 | 978 | 101.0 | 96.3 | 86 | 96.5 | 93 | 106 | 97 | 111 | 117 |
| 1940 Av... | 168.00 § | 23.4 | 1093 | 111.1 | 108.4 | 96.5 | 106 | 102.5 | 113.5 | 98.5 | 112 | 127 |
| 1941 Av... | 168.00 S | 23.5 | 114.2 | $119 \cdot 8$ | 111.4 | 108.5 | $109 \cdot 5$ | 109•5 | 114 | 95 | 112 | 1364 |
| 1943 Av... | 168.00 S | 23.5 | 116.6 | 121.6 | 114.1 | 106.5 | 113.5 | 111 | 113.5 | 97.5 | 112 | 144 |
| 1944 Av... | 168.00 § | 23.5 | 119.0 | $120 \cdot 1$ | 118.4 | 105.5 | 120 | 114 | 115 | 99 | 112 | 151 |
| $\begin{aligned} & 1942 \\ & \text { JAN... } \end{aligned}$ | 168.00§ | 23.5 | 112.0 | $115 \cdot 4$ | $110 \cdot 3$ | $104 \cdot 5$ | 108 | 107 | 114.5 | 96 | 112 | 133 |
| FEB. ....... | 168.00 § | 23.5 | 113.5 | 119.4 | $110 \cdot 7$ | 113 | 108 | 110.5 | 114.5 | 95 | 112 | 133 年 |
| MAR...... | 168.00 S | 23.5 | 113.7 | $120 \cdot 1$ | 110.6 | 113 | 108.5 | $110 \cdot 5$ | 113.5 | 94 | 112 | 1344 |
| APRIL ... | 168.00 § | 23.5 | 114.2 | 121.6 | 110.6 | 114 | 109 | 111 | 114.5 | 94 | 112 | 1344 |
| MAY...... | 168.00 § | $23 \cdot 5$ | 115.0 | 123.7 | 110.7 | 114.5 | 111 | 112.5 | 113.5 | 93.5 | 112 | 1342 |
| JUNE | 168.00 § | 23.5 | $114 \cdot 3$ | $122 \cdot 1$ | $110 \cdot 6$ | 114 | 109 | 111 | 114.5 | 94 | 112 | $135 \frac{1}{2}$ |
| JULY ... | 168.00§ | 23.5 | 114.6 | $120 \cdot 7$ | 111.6 | 104.5 | $109 \cdot 5$ | 108 | 115 | 94 | 112 | 1384 |
| AUG....... | 168.00 | 23.5 | 113.7 | 117.9 | 111.6 | 104.5 | 109 | $107 \cdot 5$ | 114.5 | 94 | 112 | 1384 |
| SEPT...... | 168.00 § | $23 \cdot 5$ | 113.8 | 117.2 | $112 \cdot 1$ | $104 \cdot 5$ | $109 \cdot 5$ | $107 \cdot 5$ | 114.5 | 95 | 112 | 1384 |
| OCT. ...... | 168.00 § | 23.5 | 114.5 | 118.5 | 112.5 | 105 | 110 | 108 | 114.5 | 95.5 | 112 | 1382 |
| NOV....... | 168.00 § | 23.5 | 115.2 | 120.3 | 112.7 | 105 | 111 | 109 | 114.5 | 96.5 96.5 | 112 | 1388 |
| $\begin{aligned} & \text { DEC....... } \\ & 1943 \end{aligned}$ | 168.00§ | $23 \cdot 5$ | $115 \cdot 7$ | 121.0 | 112.8 | 105 | 112 | 109.5 | 113.5 | 965 | 112 | 1384 |
| JAN. ...... | 168.00 S | 23.5 | $116 \cdot 1$ | 121.5 | 113.4 | 107.5 | 112 | $110 \cdot 5$ | $113 \cdot 5$ | 96.5 | 112 | $140 \frac{1}{2}$ |
| FEB. | 168.00 | $23 \cdot 5$ | 116.1 | 121.6 | $113 \cdot 3$ | 107.5 | 112 | 110 | 113.5 | 97 | 112 | $140 \frac{1}{2}$ |
| MAR...... | 168.00 S | 23.5 | 116.2 | $121 \cdot 7$ | 113.4 | $107 \cdot 5$ | 112.5 | 111 | 113 | 97 | 112 | 142 |
| APRIL ... | 168.00 § | 23.5 | 116.6 | $122 \cdot 7$ 123.4 | 113.7 113.7 | 108 | 1114.5 | 112 | 113.5 | 97 | 112 | $144 \frac{1}{2}$ |
| JUNE | 168.00 § | 235 | 116.8 | $122 \cdot 7$ | 113.9 | $107 \cdot 5$ | 114 | 112 | 114.5 | 98.5 | 112 | $144 \frac{1}{4}$ |
| JULY | 168.00 § | 23.5 23.5 | 117.5 | 124.8 | 113.8 | 109 | 114 | 112.5 | $113 \cdot 5$ | 98 | 112 | $144 \%$ |
| AUG...... | 168.00 § | 23.5 | 116.6 | $120 \cdot 4$ | $114 \cdot 1$ | 105.5 | 114.5 | 111 | 113 | $97 \cdot 5$ | 112 | 1443 |
| SEPT. ... | 168.00 § | 23.5 | 116.7 | $120 \cdot 8$ | 114.7 | 105.5 | 114.5 | 111 | 113.5 | 98.5 | 112 | $144{ }^{1}$ |
| OCT. | 168.008 | $23 \cdot 5$ 23.5 | 116.4 | $119 \cdot 7$ | 114.9 | 105 | 114 | 110.5 | 113.5 | 98.5 | 112 | $145 \frac{1}{2}$ |
| DEC. | 168.00 § | 23.5 | $117 \cdot 1$ | $120 \cdot 5$ | 115.3 | $104 \cdot 5$ | 114.5 | $110 \cdot 5$ | 113.5 | 98.5 | 112 | $146 \frac{1}{4}$ |
| 1944 | $168.00 §$ | $23 \cdot 5$ | 117.5 | $120 \cdot 8$ | 115.8 | $104 \cdot 5$ | 115 | 111.5 | 114.5 | 98.5 | 112 | 1484 |
| FEB. ...... | 168.00 S | 23.5 | 117.9 | $120 \cdot 8$ | 116.5 | 105 | 115.5 | 111.5 | 114.5 | 98.5 | 112 | $148 \frac{1}{4}$ |
| MAR....... | 168.00 § | 23.5 | 118.1 | $120 \cdot 5$ | 116.9 | 105.5 | 116 | 112 | 114.5 | 98.5 | 112 | 1488 |
| APRIL .... | $168 \cdot 00 §$ | $23 \cdot 5$ | 118.6 | $120 \cdot 3$ | 117.6 | $105 \cdot 5$ | 118.5 | 113.5 | 114.5 | 98.5 | 112 | $151 \frac{1}{2}$ |
| MAY ...... | $168 \cdot 00$ § | $23 \cdot 5$ | 119.0 | $120 \cdot 3$ | 118.2 | 105.5 | $120 \cdot 5$ | 115 | 114.5 | 98.5 | 112 | 153 |
| JUNE ..... | $168.00 \S$ | 23.5 | 119.0 | $119 \cdot 9$ | 118.5 | 105.5 | 121 | 115 | 115 | 99 | 112 | $153 \frac{1}{4}$ |
| JULY ... | $168.00 \S$ | 23.5 | $119 \cdot 7$ | 122.0 | 118.4 | 107 | 122 | 116 | 115.5 | 100 | 112 | 153 |
| AUG..... | $168 \cdot 00$ § | $23 \cdot 5$ | 120.0 | $120 \cdot 8$ | 119.5 | 105 | 123 | 116 | $115 \cdot 5$ | 99 | 112 | $154 \frac{1}{4}$ |
| SEPT. .... | 168.00 § | 23.5 | 119.7 | $119 \cdot 3$ | 119.8 | 105 | 121.5 | 115 | 115 | 99 | 112 | $154 \frac{1}{2}$ |
| OCT. . . . . | 168.00 § 168.008 | 23.5 | 119.4 | 118.5 | 119.8 | 105 | 121 | 115 | 115 | 98.5 | 112 | I55 $\frac{1}{4}$ |
| NOV...... | $168.00 §$ 168.008 | 23.5 23.5 | 119.5 | 118.5 | 120.0 | 105 | 121.5 | 115.5 | 115 | 985 | 112 | $155 \frac{1}{2}$ |
| DEC...... | 168.00§ | 23.5 | 119.8 | 119.2 | 120.0 | 105.5 | 122 | 115.5 | 115.5 | 98.5 | 112 | $155 \frac{1}{2}$ |
| JAN. ...... | $168 \cdot 00$ Ş | 25.5 | 119.8 | 119.0 | 120.2 | 106 | 122.5 | 116 | 115.5 | 98.5 | 112 | 1553 |
| FEB. ..... | $168.00 \$$ | 25.5 | 119.8 | $119 \cdot 1$ | $120 \cdot 1$ | 106 | 122.5 | 116 | 115.5 | 98.5 | 112 | $156{ }^{\frac{3}{4}}$ |
| MAR...... | $168.00 \S$ | 25.5 | 120.2 | 119.0 | 120.7 | 107 | 122.5 | 116.5 | $115 \cdot 5$ | 98.5 | 112 | 156 |
| APRIL ... | $168.00 §$ $160.00 \$$ | $25 \cdot 5$ 25.5 | $120 \cdot 1$ 120.6 | 118.7 | 120.9 | 106 | 124 | 117 | 116 | 98.5 | 112.5 | 1563 ${ }^{\text {d }}$ |
| JUNE ..... | ¢172.25§ | 25.5 25.5 | 120.6 121.8 | 118.7 121.5 | 121.6 122.0 | $107 \cdot 5$ 111 | 124.5 125.5 | 118 | 116.5 118.5 | 100 103 | 113 113 | 158 |
| JULY | 172.258 | 25.5 | $122 \cdot 3$ |  |  | 108.5 | 125.5 | 119 | 117 | 101 | 113 | 161 ${ }_{4}^{\text {¢ }}$ |
| AUG...... | 172-258 | 25.5 25.5 | $122 \cdot 1$ | $122 \cdot 2$ | $122 \cdot 1$ | 106.5 | 124 | $117 \cdot 5$ | 116 | 99 | 113 | $162{ }^{\frac{3}{4}}$ |
| SEPT. ... OCT. | $172 \cdot 25 \$$ $172.25 \$$ |  | 121.5 | $120 \cdot 4$ | 122.0 | 106 | 124 | 117 | 116 | 99 | โ13 | $162{ }^{164}$ |
| $\dagger$ Average of daily quotations for year. <br> § Bank of England Official Rate. |  |  |  |  | * December, 1924. |  | ${ }^{\circ}$ Raised on Sept. 24th.\|| Provisional to end of series. Revised |  |  |  |  |  |

PRICE OF GOLD-
PRICE OF SILVER-
BOARD OF TRADE INDEX -
STATIST (SAUERBECK)
COST OF LIVING INDEX-
RETAIL FOOD RENT
RETAIL FOOD: RENT $\quad$ As above, for food only and for rent and rates,
WAGE INDEX-


Upper figure for February, and those for previous dates include those elassified by interviewing panels as "unsuitable
for ordinary (or normal full time) industrial employment;" Lower line and subsequent figures exclude these.
§ Includes cumulative figure of exports to Russia.
$\ddagger$ Abnormal No. of Holidays
Provisional.

COAL OUTPUT-
EXPORT8-
IMPORTS-
IMPORTS-

[^39]
# RECENT MOVEMENTS IN UNITED STATES. 

Information communicated by Mr. ERIC SCHIFF, Washington.

## 15th September, 1945.

THE PROGRESS OF RECONVERSION. -In the few weeks since Japan declared her willingness to accept the Potsdam declaration, the transformation of the American economy from a wartime to a peacetime economy has got under way with remarkable speed. While it is much too early to strike even a preliminary balance, the majority of industry reports have so far been encouraging. In some lines the technical changes necessary for reconversion have been completed, or are about to be completed, without substantial loss of employment. Reports published by the War Manpower Commission indicate that only 23 of 410 large industrial plants in six southern States expect to discontinue production entirely because of the end of the war. In the typical war industry regions unemployment has, in part, reached sizeable proportions, but the outlook for an early re-employment of the dismissed war workers is in most cases described as fairly good. Many civilian industries are still handicapped by manpower shortage; the New England textile industry is a notable example. To some extent the reabsorption of war workers in peacetime industry is now hampered by the still unclosed gap between the wages received in the war industries and those offered by the prospective new employers. Unwillingness to accept wage cuts, ability to live for a while on reserves accumulated out of wartime earnings, physical fatigue and a desire for a period of rest, these and other factors have combined in creating a situation where many of the dismissed war workers are not too anxious to get new jobs at once. Besides, a certain proportion of those dismissed in the first wave of lay-offs consists of people who do not normally form part of the peacetime labour force-women, over-aged persons, and other categories.

Total employment in manufacturing industries dropped 11 per cent during August from an estimated level of 13.9 million on July 31st to $12 \cdot 3$ million on August 31st. On the employment situation to be expected in the months ahead there exists now a well-diversified assortment of predictions, ranging all the way from " a great boom" to some ten million unemployed. According to a report by the Office of War Mobilization and Reconversion, 1.5 to 2 million persons will have been released from war work within six to eight weeks, in addition to $2 \cdot 7$
million men and women who were released within the first ten days after Japan's surrender and of whom 900,000 could be immediately re-employed in peacetime jobs in the same plants. The armed forces plan to discharge $8,800,000$ men in ten months. These figures show, at any rate, that the re-employment problem to be solved is as big as was generally anticipated during the war. On the whole, however, business men are fairly confident that the problem will prove manageable, and this feeling is reflected in various reports on plans for rapid industrial expansion. The General Electric Co. expects by September, 1946, to be employing 140,000 persons as against 70,000 before the war. Several weeks ago the Department of Commerce released a significant report on the plans of representative industrial groups for capital outlays in the first twelve months after the end of the war in Europe. According to this report, which was based on a mailed questonnaire returned by nearly 7,000 manufacturing companies and all major public utility and railroad corporations, outlays planned at the time of reply reached $\$ 6,000$ million, which is $25 \%$ above the dollar volume of industrial capital outlay in 1929 and more than twice the average of 1937-1940. The planned expenditures are for plant, new equipment, and alterations. At the time the questionnaires were returned business must have expected the war with Japan to continue during part of the period for which the plans were made. It is not unlikely that replies to a similar questionnaire sent out now would add up to an even more impressive total figure.

In respect of price developments during reconversion, most indications point to a slow and cautious moving back to a situation where the adjustment of demand and supply will be left to the self-regulating forces of the market. In general, price control is expected to last longer than the restrictions of production, most of which will probably be removed by the end of the year. The rationing of sugar, fats (including butter), oil, and passenger car tyres may last into 1946, whereas meat, shoes, and rubber footwear, are expected to be off the list of rationed articles in the near future. The pace at which rent control will be relaxed will vary with the development of the housing situation in various areas. Some upward revision of many controlled prices in accordance with
the rise in labour and materials costs is anticipated for the coming months. The huge potential purchasing power now in the hands of consumers (in form of war bonds and other liquid assets) has not as yet influenced the market situation very much. That the danger of inflation is still present is emphasized in practically all official and non-official declarations on the reconversion outlook. At the same time it is now possible to state definitely that during the war period the effort to keep price movements under control has been much more successful than during the last war.

As for the development of the relations between business and labour during the transition period, prospects are uncertain. In recent weeks strikes have increased both in number and size.

## THE COMING AMERICAN PEACE

 ECONOMY.-In the early phase of the war many people had predicted for the beginning of the post-war era an almost irresistible tendency, even in this country, towards some sort of an "économie dirigée" into which many institutions set up "for the duration" would be integrated as more or less permanent elements. No such tendency is visible to-day. All statements recently made by leading administration spokesmen say or imply that a complete removal of all wartime controls is planned, and that the pace of the removal will be dictated, not by considerations of principle, but by practical and technical necessities only. This is not to say that there will be no expansion, as compared with the inter-war period, of governmental activity and regulation in the economic field. Some parts of the President's September message to Congress did, in fact, outline such an expansion ; this is true, in particular, of the programme for an increase in the present minimum wage, the proposals for an early action on the full employment bill, and the plans for Federal action to support agricultural prices, to aid residential construction, and to further regional development of the natural resources of the country. However, with only one exception, all of the measures proposed are but further steps on paths with which the American nation was familiar when the war broke out. The exception is, of course, the Murray full employment bill, Congressional hearings on the bill have started earlier than had been expected. At the same time, prominent supporters of the bill, among them the Secretary of the Treasury, have made it clear that their attitude does not imply any lack of confidence in the ability of private business to secure a high volume ofpeacetime employment. In the last few months quite a literature has grown up around the problem of the level which capital investment and national product will have to reach if full employment is to be secured. Estimates by experts of highest renown show an extraordinarily wide range of variation, a clear indication of the complexity of the problem. However, the belief that the required level can be reached, within the framework of the traditional free enterprise economy, is at this moment fairly widespread.

Besides the all-overshadowing problem of how to prevent another great depression, the thirties have left a legacy of unsolved questions on which public discussion has now again started with full vigour. To mention but one of them, there is the monopoly problem with its specifically American tinge. In a large portion of the American population an intensive faith in "free enterprise " is coupled with an equally intensive distrust of " big business," which is largely identified with monopolistic exploitation. Whether and by what means it might be possible to preserve workable competition in vital American industries has been a hotly debated question ever since it was found that the weapon of the existing anti-trust legislation had not proved very effective. To provide a solid basis for policy decisions in this field, more information on the degree of monopoly power in various industrial groups will have to be obtained than is now available. Efforts of statisticians during the thirties have shed some additional light on the degree of concentration in American industry. It was found that in industry as a whole (excluding finance) concentration was increasing from 1918 to 1929, but did not change greatly, (disregarding short-term fluctuations,) from 1929 to 1939. The percentage of total corporate assets held by the smallest $75 \%$ (size measured by value of assets) of corporations was $4.44 \%$ in 1931 and $4.00 \%$ in 1939 ; the corresponding percentages held by the largest 5\% of corporations was $86.3 \%$ in 1931 and $85.9 \%$ in 1939. However, the degree of concentration is an inadequate measure of the degree of monopolization or monopoly power. What it would be necessary to measure is the deviation of actual prices, outputs, employment, etc., from those which would rule under workable competition. On this decisive point the statistical investigations of the last few pre-war years, including the extensive series of volumes - Hearings and Monographs - prepared for the Temporary National Economic Committee, have brought disappointingly little new insight. Indirectly,
some of the evidence now available suggests that even in definitely monopolistic or oligopolistic industries the actual behaviour of selling prices is not too widely different from what it would be if the industries were competitive. With all due allowance for the inadequacy of concentration indices as measures of monopoly, it is nevertheless remarkable that in this country all efforts to trace a correlation between the concentration ratios in various industries and the percentage changes in product prices in these industries for a given period, or between the concentration ratios and the changes in quantities produced during a given period, have had negative results. It would seem that even in monopolistic or oligopolistic situations the market demand curves, owing to the threat of potential competition and/or the availability of substitutes, frequently are more nearly horizontal than one might think. Moreover, some recent statistical cost studies have revealed that in certain important industries, notwithstanding their high volume of capital equipment, costs per unit of output (and, hence, marginal costs) remain practically constant over surprisingly wide ranges of output. In American industry at its present stage of development in respect of diversification and flexibility, heavily U-shaped curves of average and marginal costs for individual producers do not seem to be as frequent as the prominent part played by these curves in contemporary economic theory would suggest. If even in monopolistic or oligopolistic industries cost curves are predominantly flat or only slightly upward concave over relevant ranges of output, it is perfectly understandable that even in these industries prices are not greatly in excess of marginal costs. Should further research prove this to be the actual situation, much American thinking on anti-trust legislation and other questions of policy in this field may be thoroughly revised.

## LOOKING BACKWARD ON WAR

 FINANCES.-To give a preliminary balance sheet of the truly revolutionary changes in government financing which were necessitated by the war one can do no better than to quote a few figures from the Summary Report of the Secretary of the Treasury, published on July 21st,1945. The end of the period covered by the Report-June 30th, 1945-was so near the close of the actual fighting that the figures given may be said to cover roughly the war as a whole. From July 1st, 1940, the beginning of the defence finance, to July 9th, 1945, total expenditures of the United States Government amounted to $\$ 325,000 \mathrm{Mn}$. which is nine times the total expenditure of the Government from July 1st, 1916, to the end of 1919 . Some $41 \%$ of this amount was financed by government receipts from taxes and other non-borrowing sources. The balance had to be borrowed; actual borrowing was even somewhat larger, as the Treasury during the war pursued a policy of keeping large cash balances. As a result of the unprecedented borrowing operations, interest payments by the Federal government rose to $\$ 3,600$ million in the fiscal year ending June 30th, 1945, as against $\$ 2,600$ million in fiscal 1944 and $\$ 1,800$ million in fiscal 1943. The rise would have been even more marked, had not this war been the first major armed conflict in the history of this country which was financed at a low and declining level of interest rates. On June 30th, 1914, the average rate of interest on the interest-bearing debt of the United States Government was $2.36 \%$; by June 30th, 1920, the rate had increased to $4.22 \%$. In the equally long period from June 30th, 1939, to June 30th, 1945 , the average rate of interest fell from $2.53 \%$ to $1.94 \%$. The fact that, nevertheless, the forces of inflation could be kept under more effective control in this war than in the first World War, undoubtedly lends support to the view that in a modern war high interest rates are not the powerful brake they may have been in earlier and more limited emergencies. As the Treasury Report emphasizes, the types of expenditure which are sensitive to interest rates, especially those for housing and for durable producers' goods other than those specifically usable for war purposes, are relatively insignificant during a war of modern dimensions, and are in any event restricted by direct controls. In respect of the coming peace economy, on the other hand, the Report endorses the traditional view that the expenditure types with high interest elasticity will be of strategic importance, and that low interest rates will therefore be " a definite factor in the stimulation of full employment."

## CANADA

## Information communicated by Professor D. C. MacGregor of the University of Toronto.

THE following are the latest periods for which figures are available at the time of writing :- Table p. 99.

| Production | $\ldots$ | $\ldots$ | Col. 13, 14 | June |
| :--- | :--- | ---: | ---: | :--- |
| Retail Sales | $\ldots$ | $\ldots$ | 16 | July |
| Exports of Agricul- |  |  |  |  |
| tural Produce | $\ldots$ | 12 | July |  |
| Bank Loans | and |  |  |  |
| Deposits | $\ldots$ | $\ldots$ | 4,5 | July 31 |
| Employment... | $\ldots$ | $17-19$ | July 31 |  |
| Prices ... | $\ldots$ | $\ldots$ | $1,2,6-9$ | August |
| Foreign Trade | $\ldots$ | 10,11 | August |  |
| Carloadings $\ldots$ | $\ldots$ | 15 | August |  |
| Bank Debits ... | $\ldots$ | 3 | August |  |

It is evident that only the earliest results of the surrender of Germany and virtually none of the results of the surrender of Japan are recorded in the figures now available.

If no upper limits were imposed on prices, some economic response to the end of hostilities would have been evident at once in the commodity markets, owing to cessation of wartime purchases. In the present circumstances, however, public announcements of cancellation of contracts and removal of various forms of control have up until now been the principal indication of the end of the war.

On Friday, September 28, the Minister of Finance said :-
"Already the government has cancelled practically all its contracts for purchases for war purposes. The substantial settlements still to be made on these accounts represent almost entirely settlements in respect of past operations and the cancellation of contracts."
The bulk of contracts for the United Kingdom and the United States have also been cancelled, but a substantial part of the shipbuilding programme for both the United Kingdom and Canada is being carried to completion.

On August 24th the chairman of the Wartime Prices and Trade Board stated that of 300 orders restricting civilian production at the beginning of 1944, only 64 were now in force.

As will appear below, moderate reductions in the level of aggregate employment and output have taken place, but there are indications
that changes have been much more rapid since June 1st.

Agriculture.-Grain crops are smaller than last year in all parts of the country but especially in the Prairie Provinces, where wheat production has fallen $26 \%$, oats $25 \%$, and barley $18 \%$. It is thought that the exportable surplus of wheat will be less than the last crop-year's exports. In the east an improved yield of hay and clover has offset reduced crops of oats and barley, but yields of legumes, root crops and fodder corn are lower ; apple crops are the lowest for many years.

The reduced out-turn in the west has led to an embargo on export of oats and barley, and even to restrictions on shipment to the head of the Great Lakes, owing to the large local requirement for feedstuffs.

Wheat prices for the crop year ending July 31, 1946, were announced by the Government on September 19th. The initial payment to farmers is to be $\$ 1.25$, as before, with export sales at $\$ 1.55$ or 9 cents higher than sales under Mutual Aid, which terminated on July 31st. In addition the Government announced a minimum price of $\$ 1$ a bushel over the next five years.

Employment.-Employment as a whole (col. 19) at July 31st, had fallen $5 \%$ below the comparable 1944 level, $6 \%$ below 1943, and $2 \%$ below 1942. The downturn which is now clearly apparent in the graphs, seems to have occurred some twelve months ago but cannot be located precisely, owing to the difficulty of isolating seasonal influences. Employment in the manufacturing industries (col. 18), which began to fall two years ago, is now $11.7 \%$ below its maximum despite recent increases in the staffs of most manufacturing industries producing civilian goods. In other industries such as transport, communications, logging, trade and restaurants, further increases have in part offset the loss in manufacturing. The decline in the general index from its maximum at the end of November, 1943, is $8.1 \%$, representing some 155,000 persons.

Employment in construction has not yet recovered appreciably, despite an increase in the value of contracts awarded.

According to the Minister of Reconstruction the number of factory workers engaged in war
[Canada


* Series Discontinued. Cols. $13,14,16$-seasonally adjusted.
+ Not corrected for seasonal fluctuation.

Datrs of Sbries : Cols. 4, 5, 17-19, end of month; 1-2, 6-8, 16, averages; 9, beginning of month. Source : Dominion Bureau of Statistics.
Col. 1.-"Investors' Index" Index Notes on Series
holders' equity in 95 companies (\% of 1935-39).
2.-Based on the calculated yield of a bond having a constant 15-yea
maturity period. ( $\%$ of 1935-9.).

Excludes debits to accounts of central bank since its fotal debits. April, 1935. Largely influenced by financial transactions.
" 4.-Refers to operations in Canada only. Includes loans to provinc Includes mipal governments.
postal and Quebec savings banks. Excludes all deposits with provincial,
, 6-8.-Col. 6 comprises 70 items ; col. 7,322 itemst companies
Comprises separate groups for food, fuel, lighting; col. 8,567 items.
furnishing, sundries (including services). Base 1935-9-100\%
1937 ; includes gold in small quantities and non-monetary gold since
etc., in earlier gold in small quantities only, shipped as dust, quartz
" 12.-Comprises " animal products,
includes partly and fully manufactured vegetable products" groups, from imported raw materials,

Col. 13.-Adjusted for seasonal variation. Includes 41 weighted series largely representing foreign trade in raw materials. Tends to overstate Weighting and factors fluctuations, probably with an upward bias. wentation to factors indicating 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 Revised back to January, 1938. Index of value, comprising urban deparment, variety and independent stores; also country general Btores. Adjusted for number of business days and seasonal variation. Base $1935=100$. From January, 1929, to December, 1937, does not include country general stores.
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, civil
production dropped from 650,000 to 425,000 between the beginning of May and the beginning of August.

At April 1st last the proportion of women in firms covered by the employment index had fallen to 267 per thousand, against 270 per thousand twelve months earlier. ${ }^{\star}$

The number of claims filed for unemployment insurance has changed as follows:-

|  |  |  | 1943 | 1944 | 1945 |  |
| :--- | :--- | :--- | :--- | ---: | :--- | :--- |
| Jan,_March | $\ldots$ | $\ldots$ | $\ldots$ | 14,505 | 34,702 | 48,709 |
| April-June | $\ldots$ | $\ldots$ | $\ldots$ | 7,752 | 14,343 | $28,112^{*}$ |
| July $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 1,087 | 3,106 | 10,886 |
| August | $\ldots$ | $\ldots$ | $\ldots$ | 1,370 | 3,241 | $20,557 \dagger$ |

Days of compensated unemployment were, in thousands :-


| August | $\cdots$ | $\cdots$ | $\cdots$ | 16 | 58 | 358 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |

* Labour Gazette, August, 1945, p. 1213.
$\dagger$ Statistical Report on Operation of the Unemployment Insurance Act (Ottawa, Dominion Bureau Statistics), July, 1945, and August, 1945, etc.
As the total number of insured persons registered at June 30th last was 2,460,000, the 108,264 claims filed so far this year amounts to $4.4 \%$ of the insured population. In August, 19,521 persons or $0.8 \%$ of the insured population received benefits.

Finance.-Federal receipts and expenses over the first five months of the fiscal year were slightly lower than a year ago, and showed a marked decline at the end of the period.

|  | April-August |  |  | Aug. <br> 1944 | Aug. <br> 1945 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1943 | 1944 | 1945 |  |  |
| Total expenses ... \$ Mn. | 1,805 | 1,905 | 1,855 | 471 | 390 |
| Total current receipts | 1,085 | 1,163 |  |  |  |
| Excess of Expenses | 1,085 | 1,163 | 1,068 | 224 | 181 |
| over receipts ... , | 720 | 742 | 787 | 247 | 209 |

At the termination of the Eighth Victory Loan last May, subscriptions of $\$ 1,569 \mathrm{Mn}$. were reported, of which $\$ 836 \mathrm{Mn}$. were bought by private individuals. Sale of the loan was accompanied by the usual banking support, the totals of bank loans and of security holdings both increasing by some $\$ 300 \mathrm{Mn}$.

Continuing the table presented in April, 1944 (p. 46), we have the following changes in commercial banking accommodation in connection with successive flotations. The security holdings of the Bank of Canada have been added in column (d).

The note circulation in the hands of the public, which in 1938 averaged $\$ 203.7 \mathrm{Mn}$., amounted to $\$ 665 \mathrm{Mn}$. at the end of the fourth

[^40]loan and to $\$ 745 \mathrm{Mn}$. at the end of the fifth loan. For subsequent dates in the attached table the circulation was $\$ 804, \$ 892$ and $\$ 930$ Mn . respectively.


Notes to Table.-In the month before each of the above flotations, total loans (col. b), were $\$ 1,076 \mathrm{Mn}$., $\$ 962 \mathrm{Mn}$., $\$ 1,048 \mathrm{Mn}$. and $\$ 1,130 \mathrm{Mn}$. respectively. It follows that bank loans extended to purchasers of bonds during the months of the loan flotations were approximately $\$ 225 \mathrm{Mn}$., $\$ 300 \mathrm{Mn}$., $\$ 300$ and $\$ 300 \mathrm{Mn}$. respectively.

From the foregoing it appears that the monetary expansion has continued. In July, however, some of the proceeds of the Victory Loan were used to repay short-term issues held by the commercial banks. The security holdings of the latter fell from $\$ 3,955 \mathrm{Mn}$. at June 30 to $83,802 \mathrm{Mn}$. at July 31. It will be recalled that there was a similar (though short-lived) reduction in bank portfolios during the spring of 1943.

Interest Rates have declined further in the last nine months, the index of Dominion government bond yields having fallen from 97.0 to 94.4 . (This fall of 2.6 points may be contrasted with a fall of only 0.3 points in the nineteen months ending November, 1944). The Banking system's security purchases do not seem enough to account for the fall, and though larger foreign buying of outstanding Canadian bonds is reported, the net increase in the last seven months is only $\$ 28.4 \mathrm{Mn}$. The change can perhaps be accounted for as a " sympathetic movement" following the recent decline of interest rates on mediumterm bonds in the United States, where comparable taxable issues fell from $2.36 \%$ in midNovember to $2.00 \%$ in mid-July. The Canadian decline, which usually lags a month or two behind, has been from 2.73 to $2.30 \%$. The yield for a comparable security in the United Kingdom ( $3 \frac{1}{2} \%$ war loan callable on or after December 1st, 1952) fell from 2.93 to $2.88 \%$ in mid-February but had risen to $2.96 \%$ on July 18th. $\dagger$

[^41]A White Paper on Employment and Income zvith special reference to the Initial Period of Reconstruction, was presented to Parliament in April.

The first session of the twentieth Parliament commenced on September 6th. On September 28th the Government asked for an appropriation of $\$ 1,365 \mathrm{Mn}$. for war and demobilization, to be added to the interim appropriation of $\$ 2,000 \mathrm{Mn}$. provided last April for the same purpose. As shown in the following comparison, the reduction from the war appropriation of the two previous years is more than $\$ 1,000 \mathrm{Mn}$.
$1940-41$ § $778 \mathrm{Mn} .1942-43 \$ 3,789 \mathrm{Mn}$. $1944-45$ § $4,454 \mathrm{Mn}$ $1941-42$ \$ $1,382 \mathrm{Mn}$. $1943-44 \$ 4,679 \mathrm{Mn} .1945-46$ § $3,365 \mathrm{Mn}$.

Total expenditures reaching from $\$ 4,600$ to $\$ 4,700 \mathrm{Mn}$. are anticipated, to which must be added some $\$ 300 \mathrm{Mn}$. for loans to government agencies, making total cash requirements of some $\$ 5,000 \mathrm{Mn}$. against $\$ 6,000 \mathrm{Mn}$. in 1944-45 (cf. letter of October, 1944, p. 90).

Partly for reasons explained in the letter of last April, meat rationing was reimposed in September. Vigorous opposition was encountered from butchers as a result of coupon values which did not anticipate public preferences correctly. The coupon values are now being revised.

Gasoline and fuel-oil rationing and restrictions on commercial vehicles were removed immediately after the surrender of Japan. Conspicuous increases in road traffic, including the international movement of tourists, followed immediately.

In order to permit suspension of the War Measures Act without immediately discontinuing the elaborate structure of wartime regulations which it authorises, the government proposes to introduce " a measure to extend certain specified emergency powers to meet emergencies in the period of reconstruction." (Hansard, September 1945, p. 8). It is expected that control of prices will continue for some time, and this may call for continued restrictions on certain exports.

A Decennial Index to the Canadian fournal of Economics and Political Science has been published, continuing the cumulated index published in Volume I, Number I of the fournal.


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[^0]:    *Statistics relating to the War Effort of the U.K. (Cmd. 6564): § $60-8$ and App. E.
    Accounts relating to the Export Trade of the U.K. : (I) for the years 1938, 1942, 1943.
    (2) " " $\quad 1939,1940,1941$.

    See also :-
    Annual Statement of Trade
    (I) 1938 , (2) 1939, (3) 1940 (vol. III only).

    Accounts of Trade and Navigation, Dec., 1940.

[^1]:    $\dagger$ E.g., Gilbert and Jaszi in Survey of Current Business (U.S. Dept. of Commerce), March, 1943, p. 10. Cf. also munitions prices on p. 9 of Second Report on Mutual Aid (Cmd. 6570).

[^2]:    $\ddagger$ Cf. Professor Bowley in Oct., 1944, Bulletin, pp. 76-7.

[^3]:    - Cf. Economic Fournal, 1943, p. 271, for British prices. It was alleged by The Banker (Jan., 1945, p. 7) that leaselend imports are recorded in Britain at two-thirds of their official dollar price. The figures given here do not lend support for this assumption; but if it were the case the true rise in U.S. munitions prices would be considerably greater than shown here, i.e. $2 \frac{1}{2}$ times the pre-war price.

    The lower figure is calculated with current weights, the higher figure (officially given for all recorded exports) with base-year weights.

[^4]:    (a) B.L.S. Index.
    e) New Index \% of December, 1942

    * Provisional.

[^5]:    * Commercial Opinion, September, 1944. Report of an address to a joint meeting of the Johannesburg Chamber of Commerce and the Witwatersrand Commercial Exchange.

[^6]:    * Average of Jan. 1st and July 1st. $\quad+$ Including $£ 15 \mathrm{Mn}$. British Treasury Bills

[^7]:    † A comparison of official pre-war figures with figures in a report of a recent speech by the President of the Footwear Manufacturers' Association in South African Industry and Trade, September, 1944.

[^8]:    * A, C and D are given in the Ministry of Labour Gazette. B is computed from the estimated numbers in each of the 95 industries in 1938 and the average earnings in them in 1938 and 1944.

[^9]:    * An Analysis of the Sources of War Finance and Estimates of the National Income and Expenditure in the years 1938 to 1944. (Cmd. 6623.)
    ** Of this less than half accounted for by immigration, mainly from Eire.
    *** Including 200,000 disabled or invalided out of the Forces, who were permanently or temporarily unable to work, and about 150,000 prisoners of war.
    $\dagger$ Part-time workers are counted as one-half full-time worker. Counting them as one, total employment rose by $23 \%$, and civilian employment fell by $1 \%$ only.

[^10]:    $\ddagger$ Weights : men 1 , women 0.6 , and juveniles 0.3 .
    || cf. Economic Fournal, 1943, p. 264. Two different corrections are necessary, one for changing prices, and another for changing volumes. (Cf. Stamp, The National Capital, p. 106.)

[^11]:    §No doubt the rise in small salaries was greater since directors' salaries are limited.

[^12]:    - For instance, production of wireless sets virtually stopped, but nine out of ten pre-war sets still gave service.

[^13]:    * cf. last Bulletin, p. 8.

[^14]:    * e.g. An index of payrolls, a new grouping of employment in manufactures according to durable and non-durable goods, improved figures of bond issues and repayments,
    and of farm income.

[^15]:    * If the estimates were obtained by dividing the subsidies (as stated for example in the April Bulletin, p. 27) by the quantities consumed, it is found that these quantities per head of the whole population per week are about : bacon 6 ozs., tea $2 \frac{1}{2}$ ozs., sugar $5 \frac{3}{4}$ ozs., milk 4 pints, cheese $2 \frac{1}{4}$ ozs., potatoes $5 \frac{1}{2}$ lbs., and (if the whole meat subsidy were devoted to British beef) $\frac{3}{4} \mathrm{lb}$. British beef,

[^16]:    * Booth's Life and Labour of the People in London, 1893 Reprinted from the XIXth Century, Sept. 1887.

[^17]:    * A summary was broadcast on January 16th, 1944

[^18]:    a) B.L.S. Index. (b) N.I.C.B. Index
    (e) New Index \% of December, 1912.
    (c) Tokyo Bank Index, excl. rent.
    (f) No comparable earlier figures.
    (d) Excl. rent and clothes.

    * Provisional g) Official Index
    $\uparrow$ Figures are averages for month, or mid-month or end of month figures

[^19]:    $\dagger$ Upper figare for February, and those for previous dates include those classified by interviewing panels as "unsuitable for ordinary (or normal full time) industrial employment;" Lower line and subsequent figures exclude these.
    § Includes cumulative figure of exports to Russia.

[^20]:    THE INFLATION PROBLEM IN THE RECONVERSION PERIOD.-Recalling that the more drastic part of the inflation caused by the last war took place, not during the war itself, but after the armistice (and not even immediately thereafter but delayed by a brief and deceptive

[^21]:    $\star £ 5.0 \mathrm{Mn} .5 \% 1950 / 70$ and $£ 0 \cdot 3 \mathrm{Mn} .1954 / 64$ Local Registered Stock.
    $\dagger £ 2.5 \mathrm{Mn} .3 \% 1958 / 68$ (Lists closed). $£ 0.9 \mathrm{Mn}$. NonInterest Bearing (Second Issue). $£ 45 \cdot 1 \mathrm{Mn} .3 \% 1959 / 69$ (Lists closed). $£ 7 \cdot 3 \mathrm{Mn} .3 \% 1960 / 70 . £ 14 \cdot 8 \mathrm{Mn} .2 \%$ 1951 (Lists closed). $£ 2.4 \mathrm{Mn} .4 \%$ Pensions Stock (special issue to the Public Debt Commissioners).
    $\ddagger$ Exchequer Receipts and Issues.

[^22]:    * See Economica, Vol. VIII, 1941, p. 239.

[^23]:    * This term normally includes the "conciliation grades,' viz., all engaged in the manipulation of traffic and permanent way gangers, etc.

[^24]:    $\star$ Adults' average normal wages were about 58 s ., and overtime and Sunday work raised earnings by about
    one-sixth.

[^25]:    $\dagger$ This change was inaccurately summarized in Bulletin Jan. 1944, p. 7. In the Table on p. 8 the rates for 1924 and 1939 are for adults and juniors togethet, while that for December, 1943, is rather an abstraction, obtained by applying the general 29 per cent. increase, 1939-1943,
    to the rate entered for 1939 .

[^26]:    **Ministry of Labour Gazette, August, 1945.

[^27]:    $\dagger$ This has changed as youths over eighteen years have been called up and perhaps as younger boys have been drafted to industry.

[^28]:    $\ddagger$ This may be judged by the relation of the average earnings of the four groups to the average for all.
    $\int$ This also can be supported by the agreement of the average earnings in each industry by the published averages for the groups.

[^29]:    There in line 17 from the bottom, first column of print, $\mathrm{w}=54 \frac{1}{2}$ is a misprint for $\mathrm{w}=24 \frac{1}{2}$. This figure was an approximate estimate for the percentage of women in these industries in 1938.

[^30]:    * Accounts relating to The Export Trade of the United Kingdom for the years 1938, 1942 and 1943.
    Accounts relating to The Export Trade of the United Kingdom for the years 1942, 1943 and 1944.
    Accounts relating to The Import and the Re-export Trade for each of the years 1938 to 1944.
    Accounts relating to The Trade of the United Kingdom during January-June, 1945.
    $\dagger$ Corresponding figures are to be issued for nine and twelve months, 1945, and monthly publication is to be resumed in 1946.

[^31]:    * Employment on railways was divided between passenger and goods traffic in proportion to receipts.
    $\dagger$ Post Office employment was divided between services sold to persons and to business in proportion to receipts. $\ddagger$ Including religion, a proportion of law, medicine, education and arts.

[^32]:    § Including coal production for railways

    - Equivalent to their pay in cash and kind.
    - Including 25,000 in general services (goods transport, finance and professions).
    * See Cmd. 6623, item 9 .
    $\dagger$ Including bunker coal.

[^33]:    $\ddagger$ Mr. E. A. G. Robinson (Economic fournal, 1945, p. 73) gives $1,650,000$; but the scope of this figure is not stated.
    § Boys and girls aged 14 and 15 counted as one-sixth, women as one-half, men 65 and over as two-thirds of a man aged 16-64.

[^34]:    $\dagger$ Productivity here refers to annual and not hourly output. This shows the incompatability of a cut in hours and an ambitious investment programme, unless output per man increases in spite of shorter hours.
    $\ddagger$ Armament production in 1938 was exceptional for a peace year.

[^35]:    § Chiefly an allowance for contingencies as yet unforeseen.

[^36]:    This allows for some repayment of the sterling debt.

    - A deterioration in the British shipping position (not balanced by a relative rise in freight rates) will mean that a higher proportion of our imports will be brought here in foreign ships; which implies a rise in the propensity to import. Against this must be set the effects of war-time self-sufficiency in diminishing the propensity to import.
    ** The margin of error attached to this figure is, therefore, great. Hence the estimates in table VI are in brackets

[^37]:    * Full Employment in a Free Society, App. C.
    $\dagger$ Ibid, table 61 (p. 392).
    $\ddagger$ Assuming the pre-war propensities to consume and save to hold good.

[^38]:    (a) B.L.S. Index.
    (e) New Index \% of December, 1942.

    * Provisional.
    c) Tokyo Bank Index, excl. rent
    (d) Excl. rent and clothes
    (f) No comparable earlier figures.
    (g) Official Index

[^39]:    Quarterly output of saleable coal-MINISTRY OF FUEL
    Exports of U.K. Produce and Manufactures.-BOARD OF TRADE
    Exports of
     is based on average daily sales during the whole of 1943 for the muliple and independent shops. Each Index re derived from the percentage movements of the dally salestory to which it relates. Index numbers corresponding month of the previous year. For discussion see Board of Trade Journal anpared with the ANK OF ENGLAND
    DNIS averages, ex telegraph, telephone, savings bank and postal orders.-BOARD OF TRADE JOURNAL MNISTRY OF LABOUR GAZETTE

[^40]:    *Sex Distribution of Persons in Recorded Employment at April 1st, 1945. Ottawa, Dominion Bureau of Statistics

[^41]:    * Sales and Purchases of securities between Canada and other countries, July 1945. (Ottawa, Dominion Bureau of Statistics, International Payments Branch., p. 1.)
    † ibid, p. 7.

