## LONDON \& CAMBRIDGE ECONOMIC SERVICE

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## EXECUTIVE COMMITTEE.



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# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

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## UNITED KINGDOM. THE ECONOMIC POSITION.

Fanuary 22nd, 1946
FINANCE AND BANKING.

GOVERNMENT expenditure and revenue remained at a high level until the end of 1945, but in January expenditure has shown a sharp decline as compared with the corresponding period of the previous year, and revenue has also fallen, though considerably less sharply, mainly in consequence of a lower yield from income tax. The war-time monetary expansion also shows signs of having passed a peak. The post-Christmas fall in the note circulation has been much more marked than last year, while the effect of the heavy purchases of $3 \%$ Savings Bonds before their issue was discontinued is seen in a fall in the Clearing Banks' holdings of Treasury Deposit Receipts, only partially offset by increases in Discounts, Investments and Advances. Prices of fixed interest securities have recovered more than, and industrials part of, their December fall.

TRADE.-During the months of August to November of 1945, exports and imports fluctuated, exports at about nearly nine-tenths of the monthly average of 1938 and imports at about $10 \%$ above the 1938 average. These are money values; quantities are considerably lower than before the war. The monthly average excess of the value of imports over exports was $£ 45 \mathrm{Mn}$. in these months, as compared with $£ 32 \mathrm{Mn}$. in 1938

PRICES.- There has been no significant change of wholesale or retail prices in recent months. In December, 1945, the Board of Trade
index of wholesale prices was a little over $1 \%$ higher than the year before ; the Cost-of-Living Index had risen 2 points, that is $1 \%$. Wholesale prices have increased about $68 \%$ during the war, the retail food index only $22 \%$, and the Cost-ofLiving Index $31 \%$.

WAGES.-Increases of wages have been awarded to dock-labourers, printers, builders, Local Government labourers and in the woollen industry. The demand for an increase in agriculture has been refused. Our general index-number of wage-rates stands at $60 \%$ above August, 1939, or, excluding agriculture and coal, at about $50 \%$; for docks the increase in minimum rates is $45 \%$ and for wool generally $58 \%$. The Committee on the dockers' wages held that their award was "fairly in line with increases which have been applied in other industries." If this can be taken as an attempt at a general statement of policy, the implication is that $50 \%$, or a little less, above pre-war rates is the norm for increases. Earnings per shift in coal-mines and agricultural minimum rates have, however, doubled, owing to exceptional conditions.

EMPLOYMENT.- The percentage unemployed among insured persons in the United Kingdom rose from 0.9 in July to 2.1 in November. These numbers do not relate to all employment or unemployment, as in the process of demobilisation and re-employment there are other fluctuating factors. The Ministry of Labour Gazette gives copious figures of employment, but the various tables relate to different aggregates and need careful reading.

> We record with the deepest regret the death of Sir Charles Addis, K.C.M.G., Honorary Treasurer to the London and Cambridge Economic Service from 1923 to 1945.

## EVENTS OF ECONOMIC IMPORTANCE.

1945

|  |  | U.K | Projected nationalisation of Cable and Wireless Ltd. and Civil Aviation announced. |
| :---: | :---: | :---: | :---: |
|  |  |  |  |
| " |  | Czechoslovakia | Agreement with Czechoslovakia fixing rate of exchange at 21.50 crowns to the $£$ announced. |
|  |  |  | Treaty of friendship, neutrality and non-aggression expires. British, U.S.A. and U.S.S.R. Governments recognise Albanian Government. |
| " | 11t | Inter |  |
|  | 12th | Norway | Anglo-Norwegian Monetary Agreement signed. Rate of exchange fixed at 20.00 Kroner to the $£$. |
| " | 15th |  | Government's policy for Agriculture announced. <br> Britain, U.S.A., and Canada issue statement on atomic energy. |
| " | 19th | U.K. | Government outlines scheme for nationalisation of Electricity, Gas, Inland Transport, Dock and Harbour undertakings. |
|  | 28th | K. | Issue of $2 \frac{1}{2} \%$ National War Bonds, 1954-56, and 3\% Savings Bonds " B," 1965-75, to end as from December 15th, 1945. |
| Dec. | 10th | U.K.-U.S.A $U . K$ | Financial agreement signed. Credit of $\$ 3,750 \mathrm{Mn}$. and Loan of $\$ 650 \mathrm{Mn}$. Sterling-dollar rate to remain at $\$ 4.03$ to the $£$. |
| " | 10th |  | Fiduciary Issue increased by $£ 50 \mathrm{Mn}$. $1 \frac{3}{4} \%$ Exchequer Bonds, 1950, to be offered in exchange for $2 \frac{1}{2} \%$ Conv. Loan, 1944-49, and $2 \frac{1}{2} \%$ National War Bonds, 1945-57 due for conversion on April 1st and July 1st, 1946, respectively. |
| " | 13th | K | House of Commons approves American Loan Agreement. Relaxation of control of labour announced. |
| " | 14th | U.K. | Dock workers accept recommendations of the Evershed Com-mittee-minimum of 19s. a day. |
| " | 15th | In | Three-Power Conference of Foreign Ministers opens in Moscow. |
| , | 18th | U.K. | House of Lords approves American Loan Agreement. Congress passes Bill appropriating second year's payment of $\$ 750 \mathrm{Mn}$. for U.N.R.R.A. |
|  |  |  |  |
| " | 20th |  | Bill to nationalise Bank of France passed. Government's Coal Industry Nationalisation and National Insurance Bills issued. |
|  |  |  |  |
|  |  | Germany | British authorities assume direct control of all collieries in British zone. |
| " | 25th | France | Devaluation of the Franc to 480 to the $£$ announced. |
| " | 26th | Franc | Assembly ratifies the Bretton Woods monetary agreement. |
| " | 27th | International | Three-Power Conference of Foreign Ministers concludes with agreement on many points. <br> New schedule of iron and steel prices comes into force. |
|  | 31st | U.K. |  |
|  | 1946 |  |  |
| Jan. | 10th | United Nations | First Session of the Assembly meets in London. <br> Maximum U.K. selling price of pig lead increased by $£ 9$ per ton to $£ 39$. |
| " | 15th | $U . K$ |  |
|  | 20th | ance | General de Gaulle announces his resignation as head of the Government. |
| , | 21st | United Nations | Persia appeals to the United Nations Organisation. Steel workers strike. Other strikes include electrical and meat workers. |
|  |  |  |  |
|  |  | United Nations | Soviet and Ukrainian delegations request the Security Council to consider the questions of Greece and Indonesia. |
| \# 2 | nd | France | Three-party Government formed under the leadership of M. Felix Gouin. |

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

By F. W. Paish.

Government Finance.-There is as yet little sign of any substantial fall in the rate of government expenditure. As compared with the corresponding period of 1944 there was a drop during the last quarter of the year of less than $f_{6} 9 \mathrm{Mn}$. a week; the corresponding decreases in the second and third quarters were $£ 8.7 \mathrm{Mn}$. and $£ 6.0 \mathrm{Mn}$. respectively. Revenue continues to be well maintained at slightly above the 1944 level, rises in receipts from Income Tax, Estate Duties, Stamps, Excise and Motor-vehicle duties having more than offset falls in Sur-tax, E.P.T., Customs and Miscellaneous Receipts :-
GOVERNMENT REVENUE AND EXPENDITURE ( (fMn.)


Total expenditure for the quarter was $£ 1,386$ Mn . and ordinary revenue $£ 668 \mathrm{Mn}$., leaving a deficit of $£ 718 \mathrm{Mn}$. The credit taken for $£ 79 \mathrm{Mn}$. of net receipts under the War Risks Insurance Act reduced this to $£ 639 \mathrm{Mn}$.

Total borrowing for the period totalled $£ 656$ Mn . This net figure covers some striking changes in the composition of the debt.

The effect of the Thanksgiving weeks in the provinces is seen in a rise in small savings (despite an ominous excess of withdrawals of Savings Certificates in December) to $£ 171 \mathrm{Mn}$. in the fourth quarter, including $£ 45 \mathrm{Mn}$. from an increase in Savings Bank deposits. The main cause of the rise in long-term borrowing was, however, the rush to buy $3 \%$ Savings Bonds before their issue was discontinued in the middle
of December. The nominal total of long-term borrowing was also swelled by the issue of nearly $£ 200 \mathrm{Mn}$. of $3 \%$ Annuities to the Post Office Savings Bank to fund Ways and Means Advances. If we deduct this amount and add the increase for the quarter in savings bank deposits we get a true figure of long- and medium-term borrowing for the quarter of $£ 979 \mathrm{Mn}$.

| GOVERNMENT BORROWING, FOURTH QUARTER OF 1945 ( $£ \mathrm{Mn}$.) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | October <br> (27 days) | November (28 days) | $\begin{aligned} & \text { December } \\ & \text { (37 days) } \end{aligned}$ | $\begin{gathered} \text { 4th } \\ \text { Quarter } \\ \text { (92 days) } \end{gathered}$ |
| Nat. Savings Certs. | $19 \cdot 3$ | 16.4 | $-2.0$ | $33 \cdot 7$ |
| 3\% Defence Bonds | $36 \cdot 5$ | $32 \cdot 5$ | $21 \cdot 2$ | $90 \cdot 2$ |
| $3 \%$ Savings Bonds | 111.4 | $172 \cdot 9$ | $286 \cdot 9$ | $571 \cdot 2$ |
| $2 \frac{1}{2} \%$ Nat. War Bonds | $90 \cdot 0$ | $67 \cdot 0$ | $54 \cdot 7$ | 211.7 |
| 3\% Ter. Annuities |  |  | 198 | 198 |
| Other Debt ... | $-10 \cdot 9$ | $52 \cdot 7$ | 9 | 31 |
| Repayments ... | $-1.6$ | $-3.4$ |  | - 5 |
| Total long- and medium-term $\begin{array}{lllllll}\text { borrowing } \ldots & \ldots & 244 \cdot 7 & 338 \cdot 1 & 549 \cdot 7 & 1,132\end{array}$ |  |  |  |  |
| Tax Reserve Certs. | $-1.1$ | $10 \cdot 7$ | $35 \cdot 7$ | $45 \cdot 3$ |
| Treasury Deposits | $-34 \cdot 0$ | -245.0 | $-206.5$ | $-485.5$ |
| $\begin{array}{llllll}\text { Treasury Bills } & \ldots & -15.7 & 46.8 & 139.8 & 170.9\end{array}$ |  |  |  |  |
| Govt. Depts. <br> Bank of England | $\begin{aligned} & -17.9 \\ & -17.7 \end{aligned}$ | 44.8 | $\begin{array}{r} -224.9 \\ 8.5 \end{array}$ | $\begin{array}{r} -198 \cdot 0 \\ -9.2 \end{array}$ |
| Total short-term borrowing ... | $-86 \cdot 4$ | $-142 \cdot 7$ | $-247 \cdot 4$ | $-476.5$ |
| Total borrowing | $158 \cdot 3$ | 195.4 | $302 \cdot 3$ | $656 \cdot 0$ |
| Receipts under War Risks Insurance Act | $52 \cdot 0$ | $27 \cdot 5$ | - | 79.5 |

Floating Debt.-Apart from the decrease of about $£ 153 \mathrm{Mn}$. in Ways and Means Advances from the Post Office, due to the funding operation mentioned above, there was a decrease in the Floating Debt during the quarter of about $£ 323 \mathrm{Mn}$. This was more than accounted for by a fall of $£ 485 \mathrm{Mn}$. in Treasury Deposit Receipts, which was partially offset by a rise of $£ 171 \mathrm{Mn}$. in Treasury Bills. Some $£ 130 \mathrm{Mn}$. of this was in bills issued by tender. The partial switch from Deposit Receipts to bills as a means of short-term finance has presumably been made to suit the convenience of the banks, the proportion of whose assets held in the form of discounts and call money had recently fallen to a very low level. With the discontinuance of the issue of $3 \%$ Savings Bonds and $2 \frac{1}{2} \%$ National War Bonds, movements in the Floating Debt during the first quarter of 1946 will depend largely on the relative movements of government revenue and expenditure. If the long-awaited fall in expenditure develops soon enough to coincide with the seasonal rise in revenue, the deficit for the next three months may be comparatively small.

Bank of England.-The seasonal Christmas rise in the note circulation was almost as large as in 1944, and a further increase had to be made in the Fiduciary Issue, bringing it to a new maximum of $£ 1,400 \mathrm{Mn}$. With the gradual disappearance of many of the public war-time reasons for holding large supplies of cash, this figure may well prove to be an all-time peak, and it is reasonable to expect some decrease in the Fiduciary Issue in 1946. The increase engineered in Bankers' Deposits over the end of the year appears to have been fully adequate for even the present high level of window-dressing requirements.

Clearing Banks.-As a result of the Government's funding operations, the net deposits of the nine clearing banks (omitting District and National) fell by more than $£ 100 \mathrm{Mn}$. during the last quarter of 1945. This contrasts with a rise of about $£ 200 \mathrm{Mn}$. in the last quarter of each of the three previous years.

NINE CLEARING BANKS.

| Gross <br> Deposits. <br> £Mn. | Balance with <br> Other Banks and <br> Item Transit. | Neposits. <br> (Mn. |
| :---: | :---: | :---: |
| 3537 | 125 | NMn. <br> £Mn. |
| 3823 | 194 | 3412 |
|  |  | 3629 |
| 3788 | 131 | 3657 |
| 3894 | 173 | 3721 |
| 4041 | 121 | 3920 |
| 4320 | 188 | 4131 |
|  |  |  |
| 4241 | 137 | 4104 |
| 4517 | 174 | 4343 |
| 4654 | 135 | 4519 |
| 4618 | 138 | 4480 |
| 4551 | 139 | 4412 |
| 4609 | 195 | 4414 |

The fall in Deposits was entirely due to a decrease of over $£ 400 \mathrm{Mn}$. to $£ 1,464 \mathrm{Mn}$. in Treasury Deposit receipts, partially offset by increases of $£ 27 \mathrm{Mn}$. in Call Money, $£ 153 \mathrm{Mn}$. in Discounts, $£ 84 \mathrm{Mn}$. in Investments and $£ 47 \mathrm{Mn}$. in Advances. Apart from the usual window-dressing increase in December apparent Cash Reserves were allowed to decline in conformity with Deposits.

The increase of $£ 180 \mathrm{Mn}$. in Call Money and Discounts reflects in part the increase of $£ 130 \mathrm{Mn}$. during the quarter in issues of Treasury Bills by tender, and in part the increase in the market's allotment percentage since Bill rates were reduced in October. Despite the slightly lower rate earned on Bills, it is probable that the banks have welcomed the switch from Deposit Receipts. It may be remembered that after the war of 1914-18 the Treasury discontinued as soon as
possible a somewhat similar system of borrowing from the banks on Deposit Receipts.

Security Prices.-Prices of fixed interest securities reacted in an interesting way to the news of the impending cessation of issues of the $3 \%$ Savings Bonds. The last-minute purchases of these Bonds appear in some cases to have been financed by sales of shorter-dated securities, with the result that prices of these types of securities tended to weaken. This fall may have been due to some extent to the belief that securities with optional redemption dates standing above par were more likely to be redeemed at the earliest possible moment, but it may also represent the natural result of an increased belief in a future fall, or at least the absence of a rise, in the long-term rate of interest. The most rational explanation of the abnormally wide disparity between short and long-term rates of interest during recent years is that it was a reflection of a widespread belief that interest rates in the long run were more likely to rise than fall. If borrowers and investors alike became persuaded of the government's power permanently to keep long-term rates at or below present levels, there would be a tendency for the gap between long and short-term rates to narrow, and since the demand for borrowing on longterm is much more elastic than on short, the tendency would be for short-term rates to rise much more than for long-term rates to fall. In the very special market conditions existing, the government can presumably prevent this tendency from showing itself in the rates for Treasury Bills and Deposit Receipts ; but it would not be surprising to find the gap narrowing between the rates on medium-term and long-term loans. The demand for the new issue of $1 \frac{3}{4} \%$ Exchequer Bonds will provide a test of how far this tendency really exists.

Prices of industrial securities after rising at the end of October almost to the highest point of the year, have since receded.

New Capital Issues.-Issues of new capital, as compiled by the Midland Bank, totalled $£ 8.6 \mathrm{Mn}$. for the last quarter, and $£ 13 \cdot 5 \mathrm{Mn}$. for the second half of the year. This is considerably the largest total for any half-year since before the war, but compares with $£ 44 \mathrm{Mn}$. in the second half of 1938 and $£ 73 \mathrm{Mn}$. in the second half of 1937. The capital market has clearly a long way yet to go before it gets back to a normal level of activity.

## PRICES, WAGES, ETC.

By A. L. Bowley.

PRICES. The few changes that occurred between September and December, 1945, are shown in the following tables.


COST-OF-LIVING INDEX-NUMBER INCREASE \% SINCE lst SEPT., 1939

|  | 1944 | 1944 | 1945 | 1945 | 1945 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | June 1 | Sept. 1 | June 1 | Sept. 1 | Dec. 1 |
| 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 | 27 | 27 | 27 | 27 | 23 |
| Flour | 29 | 29 | 29 | 29 | 29 |
| Bread... | 9 | 9 | 9 | 9 | 29 9 |
| Tea ... ... | 21 | 21 | 21 | 21 | 21 |
| Sugar (Gran.) | 32 | 32 | 32 | 32 | 32 |
| Milk . | 32 | 32 | 32 | 32 | 33 |
| Butter | 28 | 28 | 28 | 28 | 28 |
| Cheese | 30 | 30 | 30 | 30 | 30 |
| Margarine | 12 | 12 | 12 | 12 | 12 |
| Eggs ... | 1 | 1 | 1 | 1 | 1 |
| Potatoes... | 6 | 28 | 46 | 29 | 24 |
| All Food (Wt. 53) | 22 | 22 | 23 | 22 | 22 |
| Rent (, 17) | 1 | 1 | 23 2 | 22 2 | 22 |
| Clothing (", 16) | 65 | 66 | 67 | 66 | 66 |
| Fuel (", 9) | 39 | 45 | 51 | 52 | 51 |
| Miscell. ( ${ }^{\text {( }}$ ) | 63 | 63 | 63 | 63 | 63 |
| Allitems ( , , 100) | 29 | 30 | 32 | 31 | 31 |

In the items that make up the Cost-of-Living Index there have been, since December, 1944, increases of $15 \%$ in the prices of potatoes and of $4 \%$ for fuel, while rents and the miscellaneous groups have risen slightly and the price of fish has fallen 3\%.

WAGES. Since October, wage-rates have risen for builders, printers, dock-labourers, in the wool industry, for Local Authority labourers and in boot-making. Earnings per shift in coal-mines were $4 \%$ higher in the second than in the first
quarter of 1945, and the necessary adjustments have been made here and in the table, p. 18. changes in wage-rates.
1943-6, as percentage of August, 1939.

| Bricklayers | 1943 | 1944 | 1945 | 1945 | 1946 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | March | March | March | Oct. | Jan |
|  | 118 | 123 | 128 | 133 | 153 |
| Printers \& 142 |  |  |  |  |  |
|  |  |  |  |  |  |
| Compositors | 115 | 125 | 125 | 125 | 137 |
| Dock Labourers | 115 | 123 | 123 | 123 | 145 |
| Engineers: Fitters... | 129 | 129 | 135 | 141 | 141 |
| , Labourers | 138 | 138 | 146 | 154 | 154 |
| Shipbuilders ... .. | 140 | 140 | 147 | 156 | 156 |
| Railwaymen ... | 127 | 134 | 141 | 154 | 156 |
| Cotton | 147 | 156 | 156 | 172 | 172 |
| Wool | 138 | 146 | 146 | 146 | 158 |
| Local Authorities | 126 | 132 | 140 | 143 | 154 |
| Trams ... ... | 124 | 131 | 139 | 139 | 139 |
| Lorry Drivers | 122 | 126 | 130 | 135 | 135 |
| Boots ... | 121 | 132 | 137 | 137 | 163 |
| Confectionery | 141 | 149 | 159 | 169 | 169 |
| Tailoring . | 137 | 127 | 153 | 153 | 153 |
| Shirts ... | 137 | 137 | 153 | 153 | 153 |
| Tobacco | 122 | 128 | 130 | 131 | 131 |
| Coal $\dagger$ | 163 | 176 | 195 | 203 | 203 |
| Agriculture $\quad .$. | 173 | 187 | 201 | 201 | 201 |
| Weighted Average ... | 135 | 141 | 148 | 155 | 160 |
| Cost of Living Index | 128 | 129 | 130 | 131 | 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.
In the Bulletin of July 1945, p. 55 some account was given of the history of wages in the docks. The disputes have now been settled by an increase in the minimum from 8 s . to 9 s . 6 d . per half-day and consequential increases in piece-rates, etc. At the same time it is decided that if a labourer attends regularly, he is guaranteed a minimum of 94 s . weekly, whether there is work for him or not, as compared with 104s. 6 d . for 11 half-days if work is always available. These sums may be contrasted with the present bricklayer's rate of 110 s . and bricklayer's labourer's rate of 88 s . in the principal large towns.

The average earnings per shift of all employed in coal-mines are now reported to have increased from 23 s .3 d . to 24 s . 3d. (including allowances) from the first to the second quarter of 1945 ; this modifies the coal-index and the general index from last April onwards, but only to a slight extent. When the report on later earnings is available there may be further modifications.

Agricultural Wages.-The demand for an increase of the minimum rate for agricultural labourers from 70 s . to 90 s . weekly has been rejected, but the hours for which the minimum is payable have been reduced from 50 or 51 in the summer and 48 in the winter to 48 all the year round. The reduction since 1939 in average
summer hours now amounts to $3 \frac{1}{2}$ hours weekly and of winter hours to $1 \frac{1}{2}$ weekly.

It is not known what proportion of farming employees are in fact at the minimum. Men in charge of horses or cattle, shepherds and tractordrivers receive more. There are also an unknown (but not large) payment at harvest, etc., some payment by piece, and overtime payments.

The money wage is, or used to be, reduced if cottages were rent-free and for other allowances.

It is very, desirable that a statement of the average earnings per annum of each class should be ascertained and published, together with the
index numbers of retail sales, including November, 1945, show little change in respect of foodstuffs, but noticeable expansion in sales of other goods, particularly hardware and furniture (including second-hand). Clothing sales were high in September at the opening of a new coupon period and the demand has been sustained by demobilisation coupons. London trade is regaining its importance.

During the ten-months' period, FebruaryNovember, the total value of sales of foodstuffs was $3.6 \%$ greater than a year earlier and those of other goods $11 \%$ greater, including increases

WEEKLY TIME-RATES


* Porters, Grade 2, in rural areas; 1s. more in industrial areas, 3s. more in London.
$\dagger$ Average of wages in principal large towns.
$\ddagger$ Average earnings of all employed in coal-mines. In August, 1939, the average earnings per shift were 12s. Id., average number of shifts 5.1 , average weekly earnings 61s. 3d. ; in the second quarter of 1945 the corresponding figures are $24 \mathrm{~s} .2 \mathrm{~d} ., 4.9$ and 118 s , The increase in weekly earnings over the period is therefore approximately $93 \%$, while per shift it was $102 \%$. The money.statements include the value of allowances.
numbers in each class and the actual hours of work. Meanwhile it may be useful to state the change in the (weighted) average of the county minima since 1939 in comparison with some other industries. (See above table.)

There has been some decrease of the spread of wage-rates among these ten occupations. The "mean difference" between them has decreased from $24 \%$ of the average to $18 \%$. But it is evident that the increases have been greatest in the lower-paid occupations.

This note refers only to money rates, and does not take into consideration the relative amenities of town and country nor any aspect of housing problems.

RETAIL TRADE.-The most recent official
of over $33 \%$ for hardware and furnishing, but only $1.5 \%$ for boots and shoes.

EMPLOYMENT.-Statistics of employment and unemployment are discussed in the following article.

UNEMPLOYMENT FUND (General Scheme)
Weekly Averages = £000's.

| Years | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 |
| :---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Qrs. 1 | 1126 | 784 | 320 | 91 | 56 | 49 | 100 |
| 2 | 781 | 383 | 160 | 68 | 53 | 47 | 93 |
| 3 | 617 | 389 | 112 | 66 | 48 | 46 | 138 |
| 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 | 447 |
| 3 | 474 | $414^{*}$ | 485 | 490 | 463 | 464 | 451 |
| 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


# EMPLOYMENT AND UNEMPLOYMENT 

By A. L. Bowley.

The statistics relating to the numbers of insured persons, employed or unemployed, published in the Ministry of Labour Gazette for November and December are very important in themselves and in showing the basis on which future returns will be made; but they need careful reading, especially if comparisons are made with pre-war figures.

There are differences of scope in the various tables. (i) Some analyses are given for the United Kingdom, others exclude Northern Ireland. (ii) The Agricultural Scheme is sometimes included with the General Scheme, and sometimes shown separately. (iii) The recent tables include boys and girls aged 14 or 15, whereas formerly they were shown separately. (iv) The small number of persons insured under special banking and insurance schemes are usually, but not always, included in the totals, but are not shown separately.

There have also been important changes in the scope of the Schemes. From July, 1940, women aged 60 to 65 have been excluded from insurance, since they became pensionable. After September, 1940 the exemption limit for salaried persons was raised from $£ 250$ to $£ 420$.

Estimates of the effect of these changes in the number of insured persons are shown in the following Table; they hardly affect the percentages of unemployed, which were 8.7 in the grand total in July, 1939, and 0.9 in July, 1945. The number of insured persons at work on a comparable basis with 1945 was approximately $14,900,000$ in July, 1939 and $13,900,000$ in July, 1945.

A new table (December Gazette, pp. 226-7), which is to be repeated monthly, shows direct estimates of employment for current months from returns from employers. It excludes agriculture, railways, shipping, central and local government, and professional and some miscellaneous services and small industries. It relates to Great Britain only.

Domestic service is excluded from the Unemployment Insurance Scheme. The majNUMBER OF PERSONS INSURED AGAINST UNEMPLOYMENT.
General, Agricultural and Special Schemes.

| Great Britain and Northern Ireland, 000's. |  |  |  |
| :---: | :---: | :---: | :---: |
| July, 1939. Ages 16.65 "A" | 10,943 | 4,089 | 15,032 |
| Add ages 14-16 | 484 | 382 | -866 |
| S ${ }^{\text {e effect of salary limit }}$ | 349 | 15 | 364 |
| Subtract females, 60-65 | - | 40 | 40 |
| Comparable with 1945 " B " | 11,776 | 4,446 | 16,222 |
| July, 1945 ... ... "C " | 8,602 | 5,398 | 14,000 |
| Unemployed. |  |  |  |
| July 16th, 1945 | 81 | 39 | 120 |
| October 15th, 1945 | 146 | 107 | 253 |
| November 12th, 1945 | 169 | 122 | 291 |

ority of railway workers are never included in the tables.

Line "A" gives the totals as they appeared in 1939. Line "B" gives the numbers amended to make them comparable with the 1945 classification. The effects of eliminating females aged 60 to 65 and of raising the exemption limit are assumed to be the same in 1939 as in 1940, for which latter date estimates are given in the Ministry of Labour Gazette, November, 1945, p. 192.

The other figures are taken from the Gazette, November, 1939, p. 382, November, 1945, pp. 191 and 204-5, and December, 1945, pp. 230-1.

A series of tables on a different basis (Gazette for August, pp. 126-7 ; for November, pp. 194, 199-200; for December, pp. 227-8) shows the distribution of the total labour force of Great Britain, private domestic service alone omitted. The self-employed, Armed Forces, and salaried workers are all included, together with both the insured and the uninsured. The tables may be summarised as follows :-

| Great Britain, 000's |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Mid- } \\ & 1939 \end{aligned}$ | $\begin{aligned} & \text { Mid- } \\ & 1943 \end{aligned}$ | $\begin{aligned} & \text { Mid- } \\ & 1945 \end{aligned}$ | $\begin{aligned} & \text { Sept. } \\ & 1945 \end{aligned}$ | $\begin{aligned} & \text { Oct. } \\ & 1945 \end{aligned}$ | orecast End 1945 |
| Employed : |  |  |  |  |  |  |
| Armed Forces, civil defence |  |  |  |  |  |  |
| Production for forces | 1,270 | 5,077 | 3,8 | 2,930 | 2,5 | 0 |
| Other manufactures: |  |  |  |  |  |  |
| Metals and |  |  |  |  |  |  |
| Building and civil engineer- |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| $\begin{array}{llllll}\text { Distribution } & 2,887 & 2,009 & 1,958 & 1,990 & 2,011\end{array}$ |  |  |  |  |  |  |
| Other em ployed | 6,786 | 6,540 | 6,599 | 6,613 | 6,618) |  |
| Total employed | 18,480 | 22,201 | 21,428 | 20,904 | 20,624 | 19,975 |
| Registered unemployed | 1,270 | 60 | 103 | 173 | 233 | 300 |
| Service men not yet employed | - | 20 | 40 | 260 | 360 | 375 |
| Total working |  |  |  |  |  |  |
| population (excl. private |  |  |  |  |  |  |
| domestic ser- |  |  |  |  |  |  |
| vice) ... ... | 19,750 | 22,281 | 21,571 | 21,337 | 21,217 | 20,650 |

The above include the following employed in certain industries* :Metals and chemicals Textiles $\ldots \ldots$
Clothing, boots and $\begin{array}{lccccccc}\text { shoes } & \cdots & \cdots & 752 & 493 & 481 & 494 & * * 505 \\ \text { shots }\end{array}$ Mining ... ... $873 \quad 818 \quad 799$

* Total, for forces, home market and export.
** Estimated from insured employed on basis of relation to total employed found in September.
*** Approximate.

A further table (November, p. 193) shows the change in the estimated distribution by age of insured persons in Great Britain from 1937 to 1945, excluding the years 1938-41.

The comments in the Gazette on this table are of considerable interest, indicating as they do the causes which influenced the changes in the different age groups.

# THE POST-WAR BALANCE OF PAYMENTS 

By F. W. Paish.

In the discussion which has taken place on the financial agreement between the British and United States governments, recently approved by Parliament and now before Congress, attention has perhaps been focussed too much on the period of transition during the next few years, and it has, perhaps, been too easily assumed that by 1951 Britain will have emerged from the worst of her economic difficulties. A brief examination of some of the figures mentioned in the "Statistical Material presented during the Washington Negotiations" (Cmd. 6707) should be enough to dispel any easy optimism.

In Section III. of the " Statistical Material," it is estimated that, to maintain the 1938 volume of imports, post-war British exports would need to be something like $50 \%$ greater in volume than before the war, without allowing anything for an increase in imports of raw materials for incorporation in the increased exports, for the larger population and decreased unemployment, for any improvement in the pre-war standard of living, or for any repayment on the debts owed and to be owed abroad. Allowance for these might bring the required increase in exports to the neighbourhood of $75 \%$ above the 1938 level.

In Appendix III. of the same statement, net U.K. receipts from abroad on account of interest and dividends are put at $£ 97 \mathrm{Mn}$. for 1945. For 1951 and later years, we must deduct from this figure the interest part of the charge on the United States Loan, and possibly also a higher rate of interest than that at present paid on part, at least, of the foreign-owned sterling balances. On the other hand, it is reasonable to hope that many British overseas investments, especially those in Asia and S. America, which are at present yielding little or nothing, may make an increased contribution. The extent of this will probably depend to some extent on the level of prices. Some British investments are already paying a fixed rate of interest, and the yield on these may be taken as independent of the price level. Others consist of fixed interest securities which are at present partly or wholly in default;
the chance of increased payments on these would probably be diminished by a fall in prices and improved by a rise. The remainder are in variable dividend shares or direct investments ; the yield on these may be expected to vary more than in proportion to price movements. If we make a guess that the figure of $£ 97 \mathrm{Mn}$. would be appropriate to a level of prices $50 \%$ above that of 1938, and that this figure will vary proportionally with prices, and a further assumption that the terms of trade will be the same as in 1938, we can make some attempt at comparing the pre-war balance of payments with the hypothetical post-war balance at various levels of prices.
U.K. BALANCE OF PAYMENTS ON INCOME ACCOUNT. (£Mn.)


* Allowing for a sinking fund of approximately $1 \%$ on foreign debt.
$\dagger$ Including gold and silver. $\ddagger$ Less re-exports
It can be seen that, at any probable level of prices, the implied estimate of the amount of net post-war earnings from shipping, commissions,
etc. (shown in brackets), hardly errs on the side of pessimism. It seems to assume a substantial contribution from some new source, presumably the tourist trade. Even on these optimistic assumptions about the size of British " invisible exports," the increase needed in commodity exports is enormous. In 1938 the British share of the world's total export trade was about $10 \%$. In 1913 it was about $14 \%$, in $192414 \%$, in $192512 \%$ and in $192911 \%$. If world trade after the war were no greater than in 1938, the British share of total exports would have to be at least $15 \%$ and perhaps $17 \frac{1}{2} \%$. The British share would therefore have to be substantially larger than it was at the height of our pre-1914 export boom!

Any remaining facile optimism about our achieving this expansion should be submitted to the test of an inspection of the corresponding figures for the years following the last war :-

| U.K. | EXPORTS AT | 1913 PRICES | $(£ M \mathrm{Mn})$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1913 | $\ldots$ | $\ldots$ | 525 | 1922 |  | $\ldots$ |
| 1919 | $\ldots$ | $\ldots$ | 288 | 1923 | $\ldots$ | $\ldots$ |
| 104 |  |  |  |  |  |  |
| 1920 | $\ldots$ | $\ldots$ | 372 | 1924 | $\ldots$ | $\ldots$ |
| 1921 | $\ldots$ | $\ldots$ | 262 | 1925 | $\ldots$ | $\ldots$ |
| 123 |  |  |  |  |  |  |

After 1918, British exports took five years to reach $80 \%$ of the pre-war volume, and thereafter they rose very little more. The target we have to set ourselves after this war is thus incomparably higher than our achievement after the last one.

In the process of post-war trade recovery we can distinguish at least four stages. During the first, in which we now stand, we find an enormous unsatisfied demand in almost all countries for goods of almost every type. If we had the goods and could ship them, we could sell all we needed to pay for our imports, either direct to the countries from which we needed to buy or to those able to pay in " hard " currencies ; but the reconversion of our industry is still in an early stage, and we cannot meet more than a fraction of the export orders we could get. In the second stage, reconversion would be completed while the world-wide replacement and re-stocking demand still continued. Though the process of restocking is likely to take longer than after the last war, reconversion here will have to be carried through with a speed comparable with that achieved in U.S.A. and elsewhere, or the second, and most favourable, stage will for us be short or non-existent. If we experience it at all, it is likely to be in 1947 or 1948 ; the results of these years may well encourage an optimism which later years will belie, as the collapse of exports in in 1921 belied the promise of 1920.

In the third stage we shall find that the less damaged parts of the world have completed the process of replenishing stocks and making good overdue replacements, so that in these countries, even if a general transitional depression is avoided, competition becomes keener and demand more discriminating and probably very different in pattern. At the same time the process of reconstruction in the more damaged areas is still far from complete; but the demand from these countries can be made fully effective only with the help of external finance. If during this stage the United States is prepared to finance a large part of the cost of reconstruction, and especially if her loans are made without conditions as to where they are to be spent, this country's chance of being able to pay its way will be enormously increased.

The last stage, when the main tasks of reconstruction have been completed throughout the world and demand has assumed its more or less permanent peace-time pattern, may well prove to be at least as difficult for us as any of the earlier ones. Though Germany and Japan may be excluded from the production of certain types of goods, this will, if they are to live at all, merely serve to concentrate their exports on such types of goods as they are still allowed to make. At the same time demand for many types of reconstruction goods will have fallen heavily, and though, if a general slump can be avoided, total demand should not decrease, the rapid change in its direction will require, in addition to a high level of efficiency, the utmost alertness and flexibility in our export industries if our trade is not to suffer. Whatever proportion of the world's export trade we manage to obtain during the earlier stages, it seems too much to hope that we can permanently retain a share considerably greater than in 1913. Our best, and probably our only, chance of maintaining a level of exports sufficient to enable us to import as much as, or more than, in 1938 lies in a great expansion of world trade, which in turn will depend largely upon American prosperity and willingness to import.* If this can be achieved, there is a chance that, even if our share of it is comparatively modest, we shall be able to pay our way without having to condemn ourselves to perpetual austerity.

[^0]
# U.S. PLANS FOR SIXTY MILLION JOBS 

By R. G. D. Allen.

"The American people are in the pleasant predicament of having to learn to live $50 \%$ better than they have ever lived before."
(Fred M. Vinson, Third Report of the Director of War Mobilisation and Reconversion, July, 1945.)

The development of full employment policies in the U.S. is of more than passing interest to Britain. This is partly because we can pick up tips from the formulation and carrying out of U.S. plans, but mainly because what happens in the U.S. during the next decade will affect profoundly, for good or ill, the course of economic events elsewhere. In particular, upon the success of U.S. policies will depend the ability of Britain to carry out her obligations under the Loan Agreements recently negotiated in Washington. As President Roosevelt has said: "Other countries are anxiously awaiting the development of our policy . . . they are fully aware that international co-operation cannot succeed unless -the United States is prosperous." (Budget Message, January, 1945.)

It is essential, therefore, to keep a critical eye on the trend of economic policy in the U.S. There is a great variety of ways along which the U.S. can approach her post-war goal, whether this be 60 million jobs or some other specification. A multiplication of T.V.A.'s is one device which may feature and the fostering of a housing boom another. Reform of the tax structure and extensions of social security provisions are generally accepted constituents. Of more importance to Britain are the answers which will be given to a series of questions involving international economic relations. Is U.S. unemployment to be " exported" by pushing foreign sales of manufactures, by subsidising agricultural products for export? Are policies of continued foreign investment to be pursued ? Is the U.S. merchant marine to be maintained at something approaching its present size either by direct subsidy or by requiring U.S. goods to be carried in U.S. bottoms?

Post-war plans were canvassed relatively early in Britain, leading in May, 1944, to a major statement of government policy (Employment Policy, Cmd. 6527). Surprisingly little has been heard of subsequent development and implementation.

Only recently, for example, has there been a report from the committee on the Census of Production, one of the first essential steps. To the American eye, however, Britain would seem to be way out ahead in the formulation of employment policy. The British White Paper, to which
considerable thought had clearly been given, appeared before much attention had been directed to U.S. post-war plans. Further, the way ahead toward implementation seems much less obstructed in Britain than in the U.S. The outline of policy in the White Paper is quite generally accepted, so that the government can proceed to executive action with little prospect of parliamentary difficulties. The prospect is very different in the U.S., where the political system is such that the executive arm of the government can never expect to drop a fully developed policy into receptive hands in Congress. Economic programmes are formulated only after lengthy battles in the public arena of Congressional committee rooms and on the floor of the House and Senate. The whole process from the original ideas to the enactment of legislation can be extremely time-consuming, a matter of months or even years rather than weeks. This has compensating advantages since, at least, many government officials and legislators are compelled to devote thought to all aspects of the problems, to take all views into account, and to face up to, rather than to side-step, the various pressure groups concerned. Much of this spade work has been done in the past year, and it may easily be correct to say that the U.S. is now nearer an implementation of post-war policy than is the British government.

The formulation of a post-war economic programme in the U.S. can be traced in the history of the Full Employment Bill, associated with the name of Senator Murray, now before Congress. The bill was born of the marriage of the economic ideas of government officials and Congressional advisers with the political sense of Roosevelt, Wallace and progressive Congressmen, mainly, though by no means entirely, of the Democratic majority. It is convenient to evaluate the political forces before attempting an analysis of the economic situation.

Political aspects.-The Murray Bill made its public appearance from a curious quarter towards the end of 1944. Its first form was written into a report to the Senate Committee on Military Affairs by a sub-committee set up to investigate war contracts. The sub-committee was exercised by the prospect of an early and abrupt ending of munitions contracts. Draft legislation
was introduced in the Senate in January, 1945, largely re-written in committee and eventually (October, 1945) passed with amendments by the Senate as a Bill :
" To establish a national policy and program for assuring continuing full employment and full production in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government." The Bill, as passed by the Senate, is a broad measure placing on the Federal Government "the responsibility to assure continuing full employment, that is, the existence at all times of sufficient employment opportunities for all Americans able to work and desiring to work." In co-operation with all interests concerned, the Federal Government is required to develop a consistent and carefully-planned economic programme to make most effective the contribution of private enterprise and local government and to provide whatever additional stimulus is needed by Federal action. For this purpose, the Executive is to prepare for Congress an annual National Production and Employment Budget supplemented by quarterly reports on economic developments. A joint committee of the House and Senate is to be set up to make a continuing study of matters relating to the National Budget and to guide the legislative action of existing Congressional Committees.

The political supporters of the Bill have been highly successful in making the running in the Senate and in jockeying their opponents into the least favourable positions. The very wording of its title was designed to render outright opposition politically impossible. Apart from minor reservations and re-wording, only two additions were made to the Bill on its way through the Senate, one by its supporters at the committee stage and the other by its opponents on the floor of the Senate. The latter provides that projects for expenditure of federal funds "shall be accompanied by a program of taxation over a period comprising the year in question and a reasonable number of years thereafter designed and calculated to prevent during that period any net increase in the national debt without interfering with the goal of full employment." This is potentially a severe limitation on the operation of the Bill and represents something of a victory for Senator Taft, previously voted down on this point in committee.

The earlier addition is a limitation of a very different kind :
" It is the policy of the United States to discharge the responsibilities herein set forth
in such a manner as will contribute to an expanding exchange of goods and services among nations and without resort to measures or programs that would contribute to economic warfare among nations."
In reporting the Bill to the Senate, Senator Wagner stated flatly that this clause " emphasises that the day of economic isolationism in America is over " and that the U.S. is not to achieve full employment by exporting unemployment.*

Outside the Senate, the opposition has had more room to manoeuvre. In particular, the New York Times and the National Association of Manufacturers clearly regard the Bill as an attack on private enterprise and a denial of its capacity to gauge economic trends and to provide employment. They retort that the Bill will lead to more deficit spending and make-work than under the New Deal and that the last prophets to be entrusted with the forecasting of employment opportunities are Washington bureaucrats.

The political battle is not yet decided, since the Bill, after passing the Senate, ran into trouble in the House. It was referred to the Expenditures Committee, the chairman of which is strongly and publicly opposed to the Bill. Little or no action was taken until the President accused the Committee of procrastination, and the Bill was then saved from being pigeon-holed by only a single vote. It has now emerged from the Committee, and passed through the House, in a much watered-down form in which even the popular term " full employment" in the title has disappeared in favour of the less compelling label "high level of employment." The two versions, from the Senate and from the House, now go to joint conference. The President has again asked for the passage of the Senate version but it is likely that a weak compromise will emerge to be enacted when Congress reassembles after the Christmas recess. In any case, in whatever form the measure becomes law, it can scarcely be operated successfully without some change of heart in a Congress, and particularly a House, so hostile to an employment policy of the type envisaged by the White Paper on Employment Policy and the original Murray Bill.

Economic aspects.-There is a broad similarity between the Murray Bill and the ideas behind it, and the White Paper on Employment Policy. The main feature of each is the need for maintaining total expenditure at a level to assure full employment of resources. The first line of government action would be to encourage,

[^1]e.g., by taxation policies, the private sector and particularly private investment. More direct action is envisaged as needed through those sectors of the economy controllable by the government, specifically through adjustments in capital expenditures on public or semi-public account. The need for a central staff to prepare data and to analyse economic trends is recognised. The programmes also agree on some subsidiary features, e.g., that deficit financing in the short run should be governed by a budget balanced in the longer run and that stability requires some government control over the price and wage structure.

Within this area of general agreement, the emphasis varies considerably. British experience in the inter-war period with " special" areas and worker training leads to a stress on the question of mobility of labour and distribution of industry, which is not matched on the U.S. side. It is, at least, convenient to assume that U.S. private enterprise can be left to itself in these respects. Indeed, as the title of the Murray Bill stresses, there is very great emphasis in the U.S. on a programme to assure " full employment in a free competitive economy," and the Bill goes out of its way to deny that it authorises manpower control or federal operation of plants and to say that public works should generally be let on private contract. On the whole, U.S. policy shies away from public works more than the White Paper ; public capital expenditures tend to be taken in the U.S. as make-work unless suitably dressed up as development of national resources. On the other hand, the need for the encouragement of house-building (if necessary by local governments) as a main factor in maintaining a high but stable level of construction activity has to be pushed hard in the U.S., while the point scarcely arises in Britain. Finally, it is significant that the " over-savings " approach is more obvious in the U.S. argument than in the White Paper. The main difference between U.S. proponents is on the relative efficiency and desirability of measures to increase consumption and to encourage investment ; this runs through all discussions of the reform of the tax structure.

More important, the underlying economic position of the two countries is radically different. Dr. Barna (London and Cambridge Economic Service, October, 1945) shows that by 1950, given a reasonably heavy investment programme and exports sufficient to balance the international account, consumption per head can be increased little in the U.K. Per capita consumption may be allowed to rise by $10 \%$ over 1938 if there is a substantial increase in productivity per equivalent man, averaging $12 \%$ over 1938. A rise in pro-
ductivity of only half this amount would permit little or no increase in consumption per head. This assumes a slowly contracting labour force, from 22.44 Mn . in 1938 to 21.58 Mn . in $1950^{\star}$.

The U.S. prospect has none of this bleakness. The U.S. labour force is still increasing, by upwards of $10 \%$ in the decade after 1940. Productivity (output per man-hour) is commonly assumed to be capable of a large rise, perhaps one-third or more between 1940 and 1950, considerably above the more optimistic of the estimates for Britain. Though the Murray Bill is not specific on the point, it is based on the assumption that there will be nearly 60 Mn . jobs, excluding frictional unemployment, to be found in 1950 and that the gross national product will exceed \$200 Bn. $\dagger$ at 1944 prices. Comparable figures in the good year 1940 were 47 Mn . workers employed and a product less than $\$ 130 \mathrm{Bn}$. at 1944 prices. Such a growth in national output would permit, not only greater government expenditure and as much investment as could be absorbed, but an unprecedented increase in consumption. There is no need to worry, under the conditions assumed, about keeping consumption in check to allow for a desired increase in investment or exports. On the contrary, the difficulty expected is that the consumer will not be sufficiently spendthrift.

The U.S. EConomic Position.-The following analysis represents an estimate of the U.S. situation in 1950, which is optimistic in a number of respects (as noted below). The starting point is 1940, a pre-war year in many ways similar to 1938 in the U.K. The analysis is based mainly on the work of Everett Hagen and the National Planning Association, though others reach much the same results. $\ddagger$ There are some less hopeful and minority estimates, particularly those published by the Brookings Institution and the National Industrial Conference Board.§

The average labour force in 1950 can be put at 61.5 Mn . on the assumption that the " normal"

[^2]growth from 1940 will be augmented by the retention of some of the additional war workers $(1.5 \mathrm{Mn}$., net of reductions due to later entry, earlier retirement, etc.) and reduced by 0.5 Mn . war casualties (Table I). Minimum unemployment is variously assumed to be between 1.5

TABLE I.
U.S. LABOUR FORCE.
(Monthly averages, millions.)

| 1939 | 1940 | 1941 | 1944 | 1950 |
| :---: | :---: | :---: | :---: | :---: |
| $0 \cdot 4$ | $0 \cdot 5$ | $1 \cdot 6$ | $11 \cdot 4$ | $2 \cdot 5$ |
| $4 \cdot 0$ | $4 \cdot 1$ | $4 \cdot 1$ | $5 \cdot 5$ | $4 \cdot 5$ |
| $9 \cdot 4$ | $9 \cdot 2$ | $8 \cdot 6$ | 8.1 | $7 \cdot 5$ |
| 0.8 | 0.9 | $0 \cdot 9$ | $0 \cdot 8$ | 1.0 |
| $9 \cdot 6$ | $10 \cdot 3$ | $12 \cdot 5$ | $15 \cdot 9$ | $14 \cdot 5$ |
| 1.7 | $1 \cdot 6$ | $2 \cdot 1$ | $0 \cdot 7$ | $3 \cdot 0$ |
| $19 \cdot 6$ | $20 \cdot 4$ | 20.9 | $20 \cdot 8$ | $26 \cdot 5$ |
| $8 \cdot 5$ | $7 \cdot 4$ | $5 \cdot 0$ | 0.8 | $2 \cdot 0$ |
| $54 \cdot 0$ | $54 \cdot 4$ | $55 \cdot 7$ | $64 \cdot 0$ | $61 \cdot 5$ |
| - | $54 \cdot 4$ | $55 \cdot 1$ | $57 \cdot 2$ | $60 \cdot 5$ |
| - | ז | $0 \cdot 6$ | 7.0 | 1.5 |
| - | - | - | $-0.2$ | $-0.5$ |


| Normal labour force | - | 54.4 | $55 \cdot 1$ | 57.2 | 60.5 |
| :--- | :--- | :---: | ---: | ---: | ---: |
| Additonal workers | - | - | $0 \cdot 6$ | $7 \cdot 0$ | 1.5 |
| War casualties... | - | - | - | -0.2 | -0.5 |

NOTES :-Figures before March, 1940, are estimates based on later trends and seasonal variations. Figures from March, 1940, are based on data of Bureau of the Census and Bureau of Labor Statistics. Adjustments are made to reconcile differences in figures for non-agricultural employment from the two sources. In any reporting period, where a worker had been employed by more than one employer, B.L.S. include the several employments but Census only one. For 1950 projections, see text.
and 3.0 Mn ., say 2.0 Mn . to fix a figure. Taking out those sectors where unemployment is negligible, we are in fact assuming an unemployment rate above $4 \%$ as our minimum, a rather more flexible rate than the corresponding figure

|  | TABLE II. U.S. OUTPUT. (at 1939 prices) Gross National Produ Actual |  |  | Pro- | Output per head (\$) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1939 | 1940 | 1941 j | $\begin{aligned} & \text { jected } \\ & 1950 \end{aligned}$ | 1940 | jected $1950$ |
| Armed forces ... | $0 \cdot 4$ | $0 \cdot 6$ | $1 \cdot 6$ | $3 \cdot 0$ | 1,200 | 1,200 |
| Government . | $5 \cdot 8$ | $5 \cdot 9$ | $6 \cdot 0$ | $6 \cdot 8$ | 1,440 | 1,500 |
| Agriculture ... | $5 \cdot 2$ | $5 \cdot 0$ | $5 \cdot 6$ | $6 \cdot 3$ | 550 | 840 |
| Mining ... | $1 \cdot 3$ | $1 \cdot 6$ | 1.7 | $2 \cdot 4$ | 1,780 | 2,400 |
| Manufacturing | $17 \cdot 0$ | $19 \cdot 8$ | $25 \cdot 7$ | $39 \cdot 2$ | 1,930 | 2,700 |
| Construction ... | 1.9 | $2 \cdot 2$ | $3 \cdot 2$ | $5 \cdot 7$ | 1,375 | 1,900 |
| Other employed | $35 \cdot 4$ | $37 \cdot 7$ | $42 \cdot 6$ | $59 \cdot 6$ | 1,850 | 2,250 |
| Net national income ... | $67 \cdot 0$ | $72 \cdot 8$ | $86 \cdot 4$ | $123 \cdot 0$ | 1,550 | 2,070 |
| Depreciation and allowances | d $\quad 7.7$ | 7.9 | 86.4 8.4 | 9.0 | 1,550 | 2,070 |
| Business taxes | 7.7 10.4 | 7.9 12.4 | 8.4 18.5 | 9.0 11.5 |  |  |
| Social security taxes | 1.8 | $2 \cdot 0$ | 2.4 | 1.5 |  |  |
| Public debt in. terest | . 1.5 | 1.6 | 2.4 1.6 | 3.5 6.0 |  |  |
| Adjustments ... | . 0.2 | $-0.7$ | -5.0 | $6 \cdot 0$ |  |  |
| Gross national product ... | . 88.6 | 96.0 | 112.3 | 153.0 |  |  |

NOTES :-Based on data of Department of Commerce (Survey of Current Business, April, 1944). The reduction from current to 1939 prices is small in 1940, larger and approximated in various categories in 1941. No reduction is applied to public debt interest, business and social security taxes. Business taxes include corporation income taxes and indirect taxes. Social security taxes exclude government contributions to employee pension funds which are included with government. Net national income is U.S. definition of "national income" less social security taxes and public debt interest. For 1950 projections, see text.
of 3\% often taken for Britain (Beveridge, Barna). Estimates for the armed forces ( $2 \cdot 5 \mathrm{Mn}$.) and for government ( 4.5 Mn .) are also assumptions but cannot be far out. Other estimates for 1950 in Table I are based broadly on past trends.

The gross national product of the 1950 labour force is estimated at $\$ 153 \mathrm{Bn}$. at 1939 prices, or a little over $\$ 200 \mathrm{Bn}$. at 1944 or current prices (Table II). With depreciation, business taxes (including social security) and public debt interest taken out, $\$ 123 \mathrm{Bn}$. of the total of $\$ 153$ Bn . can be attributed to the employed labour force of 59.5 Mn . This is the result of various assumptions, roughly as follows.

The concepts of output per head in the armed forces and government are conventional, i.e., the wage-salary bill (including pay, allowances and subsistence for the armed forces) per person employed. At 1939 rates of pay, no change from 1940 is taken for the armed forces ; there may be a smaller proportion of officers but more specialists in 1950, counter-acting changes. A small increase is taken for government as there may be more high-salaried specialists in 1950. Agricultural output in 1950 is not estimated from the labour force, but on the assumption that it will be $10 \%$ higher per head of the total population than in 1940. The assumed continued decline in the agricultural labour force then implies a large increase in output per worker, over $50 \%$ in the decade and a rather optimistic assumption. For mining, manufacturing and construction, output per man-hour between 1940 and 1950 is assumed to continue the logarithmic trend of about $3 \frac{1}{4} \%$ increase per year found in 1923-41, i.e., output per worker (with hours unchanged from 1940) will be $35-40 \%$ higher in 1950. This is again decidedly on the hopeful side. Estimates for other employment, in transport, utilities, trade, services, etc., are more roughly based on a projection of the absolute (not percentage) trend in output per worker from the 1929 to the 1940 level, a smaller rate of growth than in the other private sectors. In effect, therefore, the projections assume that the interruption in the long-run trends in productivity following the war will have been made good by 1950, when the trend line will have been reached again.

For the employed labour force as a whole, output per head works out at $\$ 2,070$ in 1950, a rise of one-third in the decade from 1940. This is a cumulative increase of rather less than 3\% per year. Since hours are taken unchanged between 1940 and 1950, the increase in productivity per man-hour is the same as that in output per worker. The over-all figure is the result of a combination of the various changes assumed in
the individual sectors. It also reflects the changing industrial composition of the labour force, particularly the shift to the more productive manufacturing industries.

As a first step in an analysis of the expenditure which must take up the whole of the product assumed in 1950, assumptions are needed on the post-war tax system and the reserves which business will maintain. A popular proposal for post-war taxation is that devised by Ruml and Sonne\|, which takes ordinary federal expenditure (including any budget surplus) in 1950 at roughly $\$ 17 \mathrm{Bn}$. at 1939 pricees. This is less than is often assumed, but it is convenient to put in this conservative estimate. The tax system recommended to produce the necessary revenue relies largely on the personal income tax and reduces corporate and indirect taxes. Including local taxes, the estimates for 1950 are shown in Table

III. Government revenue and expenditure exclude social security contributions and payments, which are assumed to balance in 1950 (except for a small excess of payments through local governments). Undistributed profits and business reserves for depreciation and other purposes are taken at moderate levels, lower than pre-war experience would suggest as appropriate to the increased activity in 1950. As a result of these assumptions, income payments to individuals in 1950 amount to $\$ 130.5 \mathrm{Bn}$. of which $\$ 15 \mathrm{Bn}$. go in personal taxes leaving $\$ 115 \cdot 5 \mathrm{Bn}$. at the disposal of consumers. The disposition of this aggregate between spending and saving raises problems without precedent, but, as a first approximation, pre-war experience can be accepted as a guide. Data for the period 1923-40 indicate a slow upward trend in the proportion spent out of disposable income. Projection of the trend to 1950 gives consumer expenditure at $\$ 102 \mathrm{Bn}$. and savings at $\$ 13.5 \mathrm{Bn}$.

It is now easy to complete a model of expenditure in 1950, extrapolated from pre-war experience subject to the assumptions made on taxation and business reserves. Gross expendi-

[^3]ture on private investment on pre-war experience can be broadly estimated at $\$ 20 \mathrm{Bn} .-\$ 11.5 \mathrm{Bn}$. for plant and equipment, $\$ 5.5 \mathrm{Bn}$. for housing, $\$ 1 \mathrm{Bn}$. for increase in stocks and $\$ 2 \mathrm{Bn}$. for foreign investment (net export surplus). Government expenditures include nearly $\$ 6 \mathrm{Bn}$. for military purposes (based on 2.5 Mn . in the armed forces) and $\$ 6 \mathrm{Bn}$. for public debt interest. On pre-war experience, other ordinary expenditures can be put at a little over $\$ 12 \mathrm{Bn} .-\$ 4 \mathrm{Bn}$. federal and the balance local. Total revenue of $\$ 26.5 \mathrm{Bn}$. is made up with $\$ 0.5 \mathrm{Bn}$. excess of social security payments and $\$ 2 \mathrm{Bn}$. surplus. All these estimates are at 1939 prices. The extrapolated model shows a deficiency of expenditures against gross national product (Table IV). This is the point where the "over-savings" approach is particularly evident. The total product of the labour

TABLE IV.
EXPENDITURE FOR U.S. GROSS NATIONAL PRODUCT ( $\$ \mathrm{Bn}$. at 1939 prices)

|  |  | Actual | Projected 1950 |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Consumers $\ldots . .$. | $\ldots$ | 1940 |  |  | | Extrapolated | Balanced |
| :---: | :---: | :---: | :---: |

* Including foreign investment- $\$ 1.0 \mathrm{Bn}$. in 1939, $\$ 1.7$ Bn . in 1940 and $\$ 2 \mathrm{Bn}$. in 1950. With allowance for price increases, the last is of the same order of magnitude as annual British investment overseas in the years immediately before 1914.
force exceeds by some $\$ 7 \mathrm{Bn}$. the aggregate of what would be spent out of the resulting incomes. The gap can be bridged in various ways, by incentives to consumption, by encouragement of private and local government expenditures on housing, plant and equipment, by foreign investment, by extraordinary federal expenditure or by a combination of all these. Table IV shows a balanced model of expenditures in which the government surplus is wiped out and consumption and private investment are both moderately increased. In this model, investment expenditures of $\$ 22 \mathrm{Bn}$. are met by $\$ 9 \mathrm{Bn}$. of depreciation and other allowances, $\$ 2.5 \mathrm{Bn}$. undistributed profits and $\$ 10.5 \mathrm{Bn}$. borrowings. The latter is provided by consumer savings, reduced to $\$ 10.5 \mathrm{Bn}$. The National Planning Association calls this model "a thoroughly desirable picture for everyone concerned, provided we can find ways to make it come true." ${ }^{\text {d }}$

[^4]The question marks in this analysis are whether the consumer and business will spend up to the levels envisaged. The "predicament" of consumers is that they have to expand purchases to unprecedented heights. At 1939 prices, consumption at $\$ 61.7 \mathrm{Bn}$. in 1939 and $\$ 64.9 \mathrm{Bn}$. in 1940 must increase by about two-thirds to $\$ 105 \mathrm{Bn}$. in 1950. (It must be remembered that pre-war consumption was low because of widespread unemployment, 8 Mn . in 1939-40.) Consumption per head of the population in 1950 has to be $50 \%$ above the 1939-40 level. Such an increase cannot be achieved by a flat increase in all purchases; on the contrary, as the rough extrapolations of Table V show, there must be wide variations. Purchases of (e.g.) automobiles

TABLE V.
U.S. CONSUMPTON BY CATEGORIES

refrigerators, radios and house furnishings must increase to at least twice the pre-war level if past experience is any guide. The solution may depend on a more radical redistribution of income than appears likely, or on the opening up of new outlets for consumers' demand commensurable to the introduction of the internal combustion engine.

Private domestic investment also appears very high for maintenance over long periods. The figure for housing is not above what is commonly regarded as possible and desirable for at least a decade. The annual amount taken for plant and equipment is based on the pre-war relation to total product and consequently influenced by the extraordinary investment of boom years. It is, in fact, not far short of total federal investment in war facilities in five years (mid-1940 to mid1945). It would be more probable if we could count on rapid development of new products and new industries.

Expanding world trade and large increases in both U.S. exports and U.S. imports are the prerequisite for the estimate of $\$ 2 \mathrm{Bn}$. for foreign investment included in the total of $\$ 20 \mathrm{Bn}$. or $\$ 22 \mathrm{Bn}$. for private investment. U.S. merchandise exports in 1939 were $\$ 3 \cdot 2 \mathrm{Bn}$. and imports $\$ 2.3 \mathrm{Bn}$. An expansion of exports to at least $\$ 9 \mathrm{Bn}$. and of imports to at least $\$ 6 \mathrm{Bn}$. is regarded as desirable in 1950. (The valuation
is at 1939 prices and f.o.b.) Net invisible imports of $\$ 1 \mathrm{Bn}$. and foreign investment make up the difference. The aim of a continuing export surplus of this magnitude may be regarded with suspicion by the rest of the world as incompatible with the U.S. creditor position. The amount does not, however, bulk large in the U.S. economy and is by no means an indispensable factor in maintaining total expenditure. That the U.S. may abandon this aid to full employment is indicated in the " economic warfare" clause of the Murray Bill.

An analysis of the U.S. economic position on these lines is essential as a background against which to consider current actions and discussions in the U.S. A major preoccupation is with the framing of a post-war tax policy, designed with the double purpose, in many ways conflicting, of stimulating consumption and investment. A good tax system would reduce government action under the Murray Bill. The need for a larger and more stable construction industry emerges clearly. The decision has been taken, against O.P.A. opposition, to free the industry from all war controls and consideration is being given to checking increases in property values. The international responsibilities of the U.S. are increasingly recognised, though particular actions may indicate that theory and practice are not yet in line. Freer world trade, with consequent higher levels of U.S. exports and imports, and elimination of economic warfare, are considered necessary for U.S. and for world prosperity. The importance the U.S. attaches to agreement with Britain on commercial policy was evident during the recent negotiations in Washington. It appears also that the U.S. government is refusing to be rushed into any scheme for maintaining the war-inflated merchant marine.

In contrast with the grim mood in Britain, and the acceptance of continued austerity under government control, feeling in the U.S. is buoyant and optimistic. Post-war targets are set high but, as a survey by the Committee for Economic Development indicates, U.S. business is thinking in large terms. ${ }^{\star \star}$ There may be doubts whether the optimism of private enterprise would stand any sharp shock; the passage of the Murray Bill in roughly its present form would serve to provide some cover against failure.

[^5]INDEX NUMBERS OF PRICES IN 12 COUNTRIES.
Mainly based upon the Monthly Bulletin of the League of Nations.

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

| 1939 | 2nd |  | ... | 112 | 99 | 105 | 104 |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1940 | $\ldots$ | ... | ... | 140 | 110 | 113 | 114 | 112 | 120 | 103 | 117 | $\begin{aligned} & 107 \\ & 131 \end{aligned}$ | $\begin{aligned} & 110 \\ & 133 \end{aligned}$ | $\begin{aligned} & 111 \end{aligned}$ | $103$ |
| 1941 |  |  | ... | 157 | 117 | 123 | 125 | 123 | 140 |  |  | 153 | 157 | $135$ | $103$ |
| 1942 | $\ldots$ |  |  | 164 | 131 | 130 | 135 | 139 | 182 | 107 | 124 | 153 | 157 | 173 | 114 |
| 1943 | $\ldots$ | $\ldots$ |  | 167 | 137 | 136 | 144 | 150 | 182 | 107 | 134 | 177 | 173 | 198 | 129 |
| 1944 | ... | ... |  | 171 | 139 | 140 | 149 | 156 | 196 | $109$ | $142$ | 220 | 179 | 206 | 135 |
| 1944 | Oct. |  |  | 172 | 139 |  |  |  |  |  |  | 247 | 179 | 210 | 136 |
|  | Nov. |  |  | 172 | 139 | 140 | 148 | 106 | 208 | 110 | 165 | 250 | 179 | 210 | 136 |
|  | Dec. |  | , | 172 | 139 | 140 | 150 | $\begin{aligned} & 157 \\ & 156 \end{aligned}$ | 208 |  |  | 251 | 179 | 210 | 137 |
| 1945 | Jan. | .. |  | 172 | 138 |  |  |  | 210 |  |  | 250 | 179 |  | 137 |
|  | Feb. | .. | $\ldots$ | 172 | 139 | 140 | 150 | 157 | 211 |  |  | 247 | 179 | 209 | 137 |
|  | Mar. |  | ... | 173 | 139 | 141 | 150 | 157 | 211 |  |  | 248 | 179 | 209 | 138 |
|  | Apr. | ... | $\ldots$ | 173 | 140 | 141 | 151 | 157 | 212 |  |  | 248 | 179 | 209 | 138 |
|  | May | .. | $\ldots$ | 174 | 139 | 141 | 150 | 158 | $211$ |  |  | 247 | 179 | 209 | 138 |
|  | June | .. |  | 176 | 140 | 141 | 150 | 159 | $\begin{aligned} & 211 \\ & 212 \end{aligned}$ |  |  | 247 | 179 | 209 | 139 |
|  | July |  |  | 177 | 140 |  |  |  |  |  |  |  |  |  | 139 |
|  | Aug. |  |  | 176 |  | 141 | 151 | 160 | 211 |  |  | 244 | 179 | 210 | 139 |
|  | Sept. |  |  | 175 |  | 140 | 150 |  |  |  |  |  | 178 | 211 | 138 |
|  | Oct. |  |  | 175 |  | 140 |  |  |  |  |  |  | 175 | 210 | 138 |
|  | Nov. |  |  | 175 |  |  |  |  |  |  |  |  | 175 | 207 | 138 |
|  | Dec. |  |  | 175 |  |  |  |  |  |  |  |  |  | 206 | 139 |

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

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


[^6]|  | STOOKS \＆SHARES |  |  |  | MONEY＊ |  | $\begin{aligned} & \text { NEW } \\ & \text { CAPITAL } \\ & \text { ISSUES } \end{aligned}$ |  | OTHER BANKING． |  |  |  |  |  |  |  |  |  | $\begin{gathered} \hline \text { TREASURY } \\ \text { BILLS. } \end{gathered}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Industrials |  | Fixed <br> Interest |  |  |  |  |  | Bank of England． |  |  | Nine Clearing Banks． |  |  |  |  |  |  |  | \＆Mn． | ङ゙世े$£ \mathrm{Mn} .$ |
|  | $\begin{aligned} & \text { ㅇ } \\ & \text { K. } \\ & \text { Gi } \\ & \text { \% } \\ & \text { \% } \end{aligned}$ |  | $\begin{aligned} & \text { ö } \\ & \text { K. } \mathrm{H} \\ & \text { Eg } \\ & \text { \% } \end{aligned}$ | $\begin{aligned} & \text { ㅇ } \\ & \text { 충 } \\ & \text { ogax } \end{aligned}$ \% |  |  | $\begin{aligned} & \text { for } \\ & \text { U. } \mathrm{K} . \\ & \text { £ Mn. } \end{aligned}$ |  | £Mn． |  |  |  | $£ \mathrm{Mn} \text {. }$ |  |  | $£ \mathrm{Mn}$ ． |  |  |  |  |  |
| 1924 Av．．．． 1929 Av．．． | 100 139 | － | $\begin{gathered} 100 \\ 96.3 \end{gathered}$ | $\begin{aligned} & 100 \\ & 104^{\circ} 0 \end{aligned}$ | $\begin{aligned} & 22 \\ & 4 \cdot 3 \end{aligned}$ | $\begin{aligned} & 3.45 \\ & 5.31 \end{aligned}$ | $\begin{array}{r} 7.4 \\ 13.3 \end{array}$ | $\begin{gathered} 11.2 \\ 7.9 \end{gathered}$ | 62 | 50 | $\begin{aligned} & 390 \\ & 361 \end{aligned}$ | $\begin{aligned} & 1632 \\ & 1762 \end{aligned}$ | $\begin{aligned} & 242 \\ & 226 \end{aligned}$ |  | $\begin{aligned} & 791 \\ & 974 \end{aligned}$ | $\begin{aligned} & 324 \\ & 242 \end{aligned}$ | $\begin{aligned} & 11.7 \\ & 10.7 \end{aligned}$ | $\begin{aligned} & 48 \cdot 5 \\ & 55 \cdot 3 \end{aligned}$ | 442 521 | $\begin{aligned} & 159 \\ & 239 \end{aligned}$ | $\begin{aligned} & 601 \\ & 760 \end{aligned}$ |
| 1934 Av．．．． | 125 | － | 132.5 | $75 \cdot 7$ | 6 | － 81 | $8 \cdot 9$ | 3.6 | 102 | 54 | 378 | 1842 | 228 |  | 740 | 543 | $11 \cdot 3$ | $40 \cdot 2$ | 473 | 377 | 850 |
| 1935 Av．．．． | 139 | － | $136 \cdot 2$ | 73.6 | 5 | － 57 | 13.5 | 1.7 | 98 | 51 | 394 | 1961 | 264 |  | 755 | 598 | $10 \cdot 8$ | $38 \cdot 5$ | 473 | 393 | 866 |
| 1936 Av ．．．． | 161 | － | $136 \cdot 9$ | $73 \cdot 2$ | － 5 | ． 61 | 15.9 | $2 \cdot 2$ | 96 | 54 | 432 | 2104 | 312 |  | 825 | 598 | $10 \cdot 3$ | 39.2 | 576 | 225 | 801 |
| 1937 Av．．．． | 150 | － | $127 \cdot 7$ | $78 \cdot 4$ | －5 | －59 | 11.6 | 2.7 | 97 | 58 | 479 | 2172 | 276 |  | 910 | 607 | $10 \cdot 3$ | $41^{\circ} 9^{*}$ | 560 | 229 | 789 |
| 1938 Av．．．． | 123 | － | 1266 | $79 \cdot 0$ | ． 5 | 61 | $7 \cdot 7$ | $2 \cdot 1$ | 104 | 56 | 485 | 2161 | 274 |  | 930 | 593 | 10.6 | $43 \cdot 0$ | 547 | 330 | 887 |
| 1939 Av．．．． | 114 | － | 116.3 | 86.2 | －8 | 1.20 | 3.6 | $1 \cdot 9$ | 103 | 58 | 507 | 2129 | 246 |  | 943 | 564 | 10.9 | $44 \cdot 3$ | 488 | 58.2 | 1070 |
| 1940 Av．．．． | 95 | － | 123.0 | 81.6 | 1.0 | 1.04 | $0 \cdot 3$ | 0.0 | 107 | 77 | 574 | 2.377 | 357 |  | 906 | 621 | $10 \cdot 7$ | $38 \cdot 3$ |  | 十 | 1708 |
| 1941 A v．．．． | 101 | － | 131.0 | 76.6 | 10 | 1.03 | $0 \cdot 2$ | 0.0 | 118 | 69 | 652 | 2818 | 220 | 474 | 815 | 837 | $10 \cdot 4$ | $29 \cdot 1$ |  |  | 2389 |
| 1942 Av．．．． | 113 | － | 1353 | $74 \cdot 2$ | 1.0 | 1.03 | $0 \cdot 3$ | 0.0 | 131 | 60 | 807 | 3104 | 223 | 614 | 758 | 1006 | $10 \cdot 5$ | $24 \cdot 5$ |  |  | 2670 |
| 1943 Av．．．． | 135 | － | $134 \cdot 1$ | 74.9 | 1.0 | 1.03 | 0.6 | $0 \cdot 1$ | 148 | 65 | 966 | 3484 | 173 | 961 | 711 | 1072 | 10.5 | $20 \cdot 5$ |  | ＋1 | 2978 |
| 1944 Av．．．． | 148 |  | $133 \cdot 5$ | $75 \cdot 1$ | 1.0 | 1.03 | 0.5 | $0 \cdot 1$ | 176 | 66 | 1135 | 3953 | 164 | 1338 | 715 | 1082 | 10.5 | $18 \cdot 1$ | † | 十 | 3485 |
| 1948 | 112 | $+3.8$ | $135 \cdot 9$ | 73.8 | 1.0 | 1.03 |  |  | 134 | 53 | 744 | 3058 | 152 | 708 | 772 | 942 | 10.2 | $25 \cdot 2$ | 945 | 1584 | 2529 |
| FEB． | 107 | － 3.9 | $135 \cdot 1$ | 74.5 | 1.0 | 1.03 |  |  | 122 | 68 | 750 | 2925 | 108 | 618 | 785 | 950 | $10 \cdot 3$ | 26.8 | 905 | 1613 | 2518 |
| MAR． | 105 | $-2.3$ | 135.6 | $74 \cdot 0$ | 1.0 | 1.03 |  |  | 118 | 73 | 754 | 2913 | 159 | 451 | 797 | 983 | $11 \cdot 3$ | $27 \cdot 3$ | 米 | ＋1 | 2621 |
| APR． | 106 | ＋ 0.9 | $135 \cdot 8$ | 73.9 | 1.0 | 1.03 | $0 \%$ |  | 128 | 60 | 767 | 2919 | 249 | 428 | 782 | 980 | 10.4 | 26.8 | 920 | 1757 | 2677 |
| MAY | 107 | $+16$ | $135 \cdot 4$ | $74 \cdot 1$ | 1.0 | 1.03 |  |  | 127 | 63 | 780 | 2966 | 288 | 450 | 771 | 981 | 10.4 | 26.0 | 975 | 1805 | 2780 |
| JUNE ．．．． | 111 | $+5.2$ | $134 \cdot 9$ | 74.5 | 1.0 | 1.03 |  |  | 133 | 59 | 793 | 3091 | 276 | 520 | 760 | 990 | 10.9 | $24 \cdot 6$ | † $\dagger$ | 中 | 2638 |
| JULY | 109 | $-1.0$ | $135 \cdot 4$ | 74.2 | 1.0 | 1.03 |  |  | 121 | 57 | 813 | 3091 | 257 | 582 | 757 | 1066 | 10.5 | 24.5 | 975 | 1654 | 2629 |
| AUG． | 111 | ＋ 40 | $135 \cdot 2$ | 74.4 | 1.0 | 1.03 |  |  | 126 | 66 | 834 | 3130 | 267 | 608 | 745 | 1013 | 10.6 | 23.8 | 975 | 1668 | 2643 |
| SEPT | 115 | ＋ 30 | $135 \cdot 5$ | $74 \cdot 1$ | 1.0 | 1.03 | －3．2 |  | 138 | 56 | 831 | 3180 | 259 | 664 | 736 | 1028 | 10.4 | $23 \cdot 2$ | 15 | ＋+ | 2693 |
| OCT． | 120 | ＋5．2 | $135 \cdot 2$ | $74 \cdot 3$ | 1.0 | 1.03 | －32 |  | 135 | 60 | 846 | 3243 | 254 | 712 | 735 | 1039 | 10.2 | $22 \cdot 7$ | 1000 | 1730 | 2730 |
| NOV． | 126 | ＋ 6.2 | $135 \cdot 4$ | $74 \cdot 1$ | 1.0 | 1.03 |  |  | 143 | 56 | 863 | 3289 | 226 | 769 | 725 | 1048 | 10.6 | 22.0 | 1040 | 1705 | 2745 |
| DEC． | 126 | $-0.1$ | 134.4 | 74.5 | 1.0 | 1.03 |  |  | 147 | 55 | 908 | 3438 | 186 | 859 | 733 | 1049 | $10 \cdot 7$ | $21 \cdot 3$ | ＋1 | 1 | 2833 |
| JAN． | 131 | $+4.6$ | $137 \cdot 0$ | $73 \cdot 3$ | 1.0 | 1.03 |  |  | 146 | 76 | 914 | 3390 | 183 | 899 | 721 | 1040 | $10 \cdot 6$ | $21 \cdot 3$ | 1020 | 1771 | 2791 |
| FEB． | 132 | $+0.3$ | $136 \cdot 7$ | $73 \cdot 4$ | 1.0 | 1.03 |  |  | 149 | 66 | 915 | 3340 | 135 | 896 | 724 | 1036 | $10 \cdot 6$ | $21 \cdot 7$ | 980 | 1830 | 2810 |
| MAR | 132 | $-0.1$ | $135 \cdot 8$ | 73.9 | 1.0 | 1.03 | 2． 5 | 1.2 | 156 | 61 | 927 | 3354 | 160 | 847 | 738 | 1059 | 10.6 | 22.0 | † | 1830 | 2839 |
| APR． | 133 | ＋ 1.8 | $135 \cdot 4$ | $74 \cdot 3$ | 1.0 | 1.03 | － | 12 | 132 | 72 | 943 | 3358 | 117 | 926 | 720 | 1063 | 10.6 | 21.4 | 990 | 1867 | 2857 |
| MAY | 134 | ＋ 1.1 | $133 \cdot 4$ | $75 \cdot 2$ | 1.0 | 1.03 |  |  | 140 | 75 | 952 | 3378 | 145 | 885 | 721 | 1074 | 106 | 21.4 | 1065 | 1886 | 2941 |
| JUNE．．．． | 132 | $-0.8$ | $132 \cdot 9$ | $75 \cdot 5$ | 1.0 | 1.03 |  |  | 158 | 60 | 949 | 3437 | 225 | 817 | 707 | 1085 | $10 \cdot 6$ | $20 \cdot 6$ | 小 | 十 | 3028 |
| JULY | 133 | ＋ 1.6 | $133 \cdot 5$ | $75 \cdot 1$ | 1.0 | 1.02 |  |  | 146 | 59 | 953 | 3433 | 231 | 857 | 706 | 1088 | $10 \cdot 3$ | 20.6 | 1170 | 1899 | 3069 |
| AUG． | 140 | ＋6．0 | $133 \cdot 3$ | 75.2 | 1.0 | 1.03 |  |  | 140 | 60 | 980 | 3474 | 219 | 913 | 696 | 1088 | 10.4 | 20：0 | 1170 | 1892 | 3062 |
| SEPT． | 142 | $+1.3$ | $132 \cdot 3$ | $75 \cdot 8$ | 1.0 | 1.03 |  |  | 154 | 64 | 981 | 3537 | 196 | 998 | 698 | 1086 | 10.4 | $19 \cdot 7$ | ＋1 | † $\dagger$ | 3079 |
| OCT． | 141 | $-0.4$ | 133.0 | $75 \cdot 4$ | 1.0 | 1.03 | ¢ 4.6 | $0 \cdot 3$ | 148 | 62 | 993 | 3616 | 171 | 1089 | 705 | 1084 | $10 \cdot 3$ | $19 \cdot 5$ | 1200 | 1872 | 3072 |
| NOV． | 134 | － 4.7 | $132 \cdot 9$ | $75 \cdot 5$ | 1.0 | 1.03 |  |  | 147 | 61 | 1014 | 3666 | 174 | 1140 | 689 | 1090 | $10 \cdot 4$ | $18 \cdot 8$ | 1210 | 1869 | 3079 |
| DEC． | 137 | $+2.0$ | $132 \cdot 6$ | $75 \cdot 7$ | 1.0 | 1.03 |  |  | 161 | 65 | 1067 | 3823 | 124 | 1259 | 706 | 1075 | $10 \cdot 4$ | 18.5 | † | 中 | 3115 |
| JAN． | 139 | $+16$ | 133.5 | $75 \cdot 1$ | 1.0 | 1.03 |  |  | 188 | 66 | 1075 | 3758 | 130 | 1257 | 706 | 1069 | 10.5 | 18.8 | 1180 | 1936 | 3116 |
| FEB． | 141 | ＋ 1.4 | 133.9 | $74 \cdot 9$ | 1.0 | 1.03 |  |  | 167 | 62 | 1076 | 3701 | 118 | 1219 | 718 | 1062 | 10.6 | $19 \cdot 4$ | 1170 | 1947 | 3117 |
| MAR | 140 | $-0.8$ | 133.4 | $75 \cdot 1$ | 1.0 | 1.03 |  |  | 179 | 68 | 1092 | 3788 | 107 | 1285 | 736 | 1055 | 10.6 | $19 \cdot 4$ | 中 | ＋$\dagger$ | 3149 |
| APR． | 141 | ＋ 0.8 | 133.0 | $75 \cdot 4$ | 1.0 | 1.03 | $2 \cdot 1$ | $0 \cdot 1$ | 168 | 63 | 1124 | 3816 | 143 | 1268 | 720 | 1070 | $10 \cdot 7$ | 18.9 | 1200 | 2018 | 3218 |
| MAY ．．．．．． | 145 | $+3.5$ | 133.6 | $75 \cdot 0$ | 1.0 | 1.03 |  |  | 167 | 71 | 1126 | 3849 | 169 | 1263 | 721 | 1077 | $10 \cdot 3$ | $18 \cdot 7$ | 1280 | 2185 | 3465 |
| JUNE | 152 | $+3.9$ | $133 \cdot 3$ | $75 \cdot 1$ | 1.0 | 1.03 |  |  | 168 | 70 | 1133 | 3894 | 198 | 1200 | 734 | 1084 | $10 \cdot 4$ | 18.7 | † | † $\dagger$ | 3536 |
| JULY | 156 | ＋ 1.4 | $133 \cdot 3$ | 75.2 | 1.0 | 1.03 |  |  | 190 | 66 | 1156 | 3917 | 208 | 1262 | 720 | 1090 | $10 \cdot 3$ | 18.4 | 1430 | 2139 | 3569 |
| AUG．．．．．．． | 157 | ＋ 1.1 | 133.0 | $75 \cdot 4$ | 1.0 | 1.03 |  |  | 172 | 70 | 1147 | 4045 | 205 | 1288 | 707 | 1096 | $10 \cdot 3$ | $17 \cdot 5$ | 1430 | 2199 | 3629 |
| SEPT | 151 | －4．2 | $132 \cdot 8$ | 75.5 | 1.0 | 1.03 |  |  | 170 | 75 | 1151 | 4041 | 200 | 1592 | 701 | 1099 | 10.4 | $17 \cdot 4$ | 1430 | 2265 | 3695 |
| OCT．．．．．． | 151 | $+0.3$ | 133.2 | $75 \cdot 3$ | 1.0 | 1.03 | －4．5 | 0.8 | 178 | 64 | 1160 | 4127 | 160 | 1515 | 701 | 1088 | 10.4 | $17 \cdot 0$ | 1450 | 2300 | 3750 |
| NOV．．．．．．． | 154 | $+2.5$ | 134.5 | 74.5 | 1.0 | 1.03 |  |  | 186 | 60 | 1177 | 4181 | 187 | 1494 | 703 | 1108 | 10.5 | $16 \cdot 8$ | 1470 | 2305 | 3775 |
| DEC．．．．．． | 154 | $+0.7$ | 134.6 | 74.5 | 1．0 | 1.03 |  |  | 181 | 61 | 1226 | 4320 | 138 | 1611 | 717 | 1080 | 11.0 | 16.6 | 1470 | 2336 | 3806 |
| JAN．．．．．．． | 157 | $+20$ | $135 \cdot 3$ | $74 \cdot 1$ | 1.0 | 1.03 |  |  | 214 | 68 | 1220 | 4244 | 150 | 1608 | 719 | 1081 | $10 \cdot 3$ | 16.9 | 1450 | 2342 | 3792 |
| FEB．．．．．．． | 156 | －0．9 | 135.5 | 74.0 | 1.0 | 1.03 |  |  | 184 | 73 | 1219 | 4190 | 134 | 1584 | 724 | 1076 | $10 \cdot 3$ | $17 \cdot 3$ | 1430 | 2309 | 3739 |
| MAR． | 157 | ＋ 0.5 | $135 \cdot 5$ | 74.0 | 1.0 | 1.03 |  |  | 191 | 68 | 1222 | 4241 | 143 | 1624 | 736 | 1069 | $10 \cdot 4$ | $17 \cdot 3$ | 1430 | 2251 | 3681 |
| APR． | 159 | +15 +1.0 | $135 \cdot 9$ $135 \cdot 8$ | 73.8 | 1.0 | 1.03 | － 53 | 1 | 185 | 62 | 1239 | 4300 | 101 | 1760 | 708 | 1057 | $10 \cdot 4$ | 16.4 | 1430 | 2204 | 3634 |
| MUNE | 157 154 | -1.0 -1.8 | $135 \cdot 8$ | 73.9 | 1.0 | 1.03 |  |  | 185 | 67 | 1262 | 4389 | 112 | 1818 | 715 | 1044 | $10 \cdot 4$ | 16.3 | 1500 | 2173 | 3673 |
| JUNE | 154 | $-1.8$ | 134.9 | 74.4 | 1.0 | 1.03 |  |  | 201 | 60 | 1276 | 4517 | 128 | 1870 | 726 | 1045 | 10.4 | 16.1 | 1600 | 2188 | 3788 |
| JULY ．．．．． | 158 | ＋300 | 135.6 | 74.0 |  |  |  |  | 219 | 61 |  | 4581 | 172 | 1924 | 725 | 1040 | 10.4 | $15 \cdot 8$ | 1680 | 2310 | 3990 |
| AUG．．．．．． | 152 | ＋ 4.2 | $135 \cdot 2$ | $74 \cdot 3$ | 1.0 | 1.03 |  |  | 211 | 67 | 1327 | 4635 | 188 | 1918 | 723 | 1043 | 10.5 | 15.6 | 1690 | 2285 | 3975 |
| SEPT．．．． | 154 | +1.7 $+\quad 1.3$ | 13.8 | 74.6 | 1.0 | 1.03 |  |  | 219 | 73 | 1330 | 4654 | 207 | 1896 | 729 | 1062 | 10.6 | $15 \cdot 7$ | 1690 | 2365 | 4055 |
| $\begin{aligned} & \text { OCT. . ..... } \\ & \text { NOV . . } \end{aligned}$ | 156 | +1.3 +3.5 | 134.9 134.8 | 74.5 | 1.0 | 1.03 | 117 | 1.8 | 232 | 77 | 1325 | 4618 | 184 | 1854 | 755 | 1092 | 106 | $16 \cdot 4$ | 1710 | 2330 | 4040 |
| DEC. | 155 | +18 +2.8 | 134.8 1336 | 74.5 | 0.5 0.5 | 0.53 |  |  | 225 | 64 | 1326 | 4551 | 287 | 1640 | 763 | 1113 | $10 \cdot 3$ | 168 | 1790 | 2296 | 4086 |
| $1946$ | 155 | 28 | 133.6 | 75.3 | 0.5 | 0.53 |  |  | 217 | 78 | 1360 | 4609 | 360 | 1464 | 776 | 1146 | $11 \cdot 1$ | $16 \cdot 8$ | ＋ | †† | 4226 |
| JAN．．．．．．． | 158 | $+1.3$ | 135.8 | 74.0 | 0.5 | 0.53 |  |  | 221 | 79 | 1345 |  |  |  |  |  |  |  |  |  |  |

＊Bank Rate $2 \%$ to 24th Aug．； $4 \%$ to 28 th Sept．； $3 \%$ to 26 th Oct．， $1939 ; 2 \%$ since．$\quad$ Figures below are half－yearly totals

STOCKS \＆SHARES－
NEW CAPITAL ISSUES－
BANK OF ENGLAND－
PRINCIPAL BANKS－
TREASURY BILLS－
MONEY
MOHEY－

Index Nos，of Prices and Field as percentage of 1924 level；on 15 th of month．
Sensitive Index．－Geometric Mean of monthly percentage changes．
issues during month in Gt．Britain（a），for U．K．（b），for abroad，excluding Government loans，etc．－As published
by THE MDLLAND BANK，LTD．Six－months＇totals from 1940.
Deposits．11th－17th of month
Bank Notes and Currency Notes in circulation 11th－17th of month．Issues amalgamated，November 22nd， 1928. Current Deposit and other accounts，＂etc．Before September，1939，averages for the month of 9 clearing banks i．e．－exclu
the month．
ssued by tender．Total 17 th of month，thereafter end of month，
Otherwise issued．Total of Tressury Bills in existence less those issued by tender
Day－to．Day Rate and 3 Months＇Rate．Averages for week ending 15th of month

|  | WHOLESALE, |  |  |  |  |  |  |  | RETAIL. |  |  | WAGES. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Price of Gold |  | Board of Trade Index Nos. |  |  | Statist (Sauerbeck) Index Nos. |  |  | M. of Labour. |  |  | Index |
|  | s. per <br> fine oz. | (Cash). <br> d. per oz. | General \% | Food. \% | Materials, etc. \% | Food. \% | Raw Materials. \% | Total. \% | Cost of <br> Living. \% |  | Rent \% | of Average Weekly Wage-Rates $\%$ |
|  | $93.69 \dagger$ | 34.0 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |  | 100* |
| 1929 Av... | $84.95 \dagger$ | 24.5 | $82 \cdot 1$ | $87 \cdot 4$ | 79.4 | 84 | 81 | 82 | 94 | 94 | 103.5 | 99. |
| 1934 Av... | $137.65 \dagger$ | 21.4 | 63.2 | 64.8 | 62.4 | 59.5 | 58 | 59 | 80.5 | 72 | 106 | 94 |
| 1985 Av... | $142.10 \dagger$ $140.29+$ | 29.0 20.2 | $63 \cdot 7$ 67.6 | 66.0 | $62 \cdot 7$ | 59 | 61.5 | 61 | 81.5 | 73.5 | 107 | 95 |
| 1987 Av... | $140.76 \dagger$ | $20 \cdot 1$ | 67.9 77.9 | 69.9 77.8 | 78.0 | 62 | 65 | 64 | 84 | 76.5 | 108 | 972 |
| 1938 Av... | 142.49 | 19.5 | $72 \cdot 6$ | 74.1 | $72 \cdot 1$ | 65 | 66 | 73.5 65.5 | 88 | 82 | 109 | 1004 |
| 1939 Av... | $154 \cdot 99$ | $20 \cdot 5$ | $73 \cdot 6$ | $74 \cdot 1$ | $73 \cdot 4$ | 65 | 72 | 69 | 89 91 | 83.5 | 110 | 1048 |
| 1940 Av... | 168.00 \$ | 22.2 | 978 | 101.0 | $96 \cdot 3$ | 86 | 96.5 | 93 | 106 | 97 | 111 | 117 |
| 1941 Av... | 168.008 | 23.4 | 109.3 | 111.1 | 108.4 | 96.5 | 106 | 102.5 | 113.5 | 98.5 | 112 | 127 |
| 1942 Av... | 168.00 § | $23 \cdot 5$ | 114.2 | 119.8 | 111.4 | 108.5 | 109.5 | 109.5 | 114 | 95 | 112 | 1364 |
| 1943 Av... | $168.00 \$$ | 23.5 | 116.6 | 121.6 | 114.1 | 106.5 | 113.5 | 111 | 113.5 | 97.5 | 112 | 144 |
| $\begin{aligned} & 1944 \text { Av... } \\ & 1942 \end{aligned}$ | 168.00§ | 23.5 | 119.0 | $120 \cdot 1$ | 118.4 | 105.5 | 120 | 114 | 115 | 89 | 112 | 151 |
| JAN....... | $168.00 \$$ | 23.5 | 112.0 | 115.4 | $110 \cdot 3$ | $104 \cdot 5$ | 108 | 107 | 114.5 | 96 | 112 | 133 |
| FEB. ...... | 168.00 | $23 \cdot 5$ | 113.5 | 119.4 | 110.7 | 113 | 108 | 110.5 | 114.5 | 95 | 112 | 133 年 |
| MAR...... | 168.00 | 23.5 | 113.7 | $120 \cdot 1$ | 110.6 | 113 | 108.5 | 110.5 | 113.5 | 94 | 112 | 1344 |
| APRIL ... | 168.00 ¢ | $23 \cdot 5$ | 114.2 | 121.6 | 110.6 | 114 | 109 | 111 | 114.5 | 94 | 112 | 1344 |
| MAY. | $168.00 §$ 168.008 | 23.5 23.5 | 115.0 114.3 | $123 \cdot 7$ $122 \cdot 1$ | 110.7 110.6 | 114.5 | 111 | 112.5 | 113.5 | 93.5 | 112 | 1342 |
| JUNE | 168.00§ | 23.5 | $114 \cdot 3$ | $122 \cdot 1$ | 110.6 | 114 | 109 | 111 | 114.5 | 94 | 112 | 1352 |
| 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 S | 23.5 | 113.7 | 117.9 | 111.6 | $104 \cdot 5$ | 109 | $107 \cdot 5$ | 114.5 | 94 | 112 | 1384 |
| SEPT...... | 168.00 | $23 \cdot 5$ | $113 \cdot 8$ | 117.2 | $112 \cdot 1$ | $104 \cdot 5$ | $109 \cdot 5$ | $107 \cdot 5$ | 114.5 | 95 | 112 | 1384 |
| OCT. ..... | 168.005 | 23.5 | 114.5 | 118.5 | 112.5 | 105 | 110 | 108 | 114.5 | 95.5 | 112 | 1382 |
| NOV....... | 168.00§ | 23.5 23.5 | 115.2 115.7 | 120.3 121.0 | 112.7 112.8 | 105 105 | 111 | 109 | 114.5 | 96.5 | 112 | $138{ }^{\frac{3}{4}}$ |
| DEC...... | 168.00 S | 235 | $115 \cdot 7$ | 1210 | 1128 | 105 | 112 | 109.5 | 113.5 | 96.5 | 112 | 1383 |
| JAN. ...... | 168.008 | 23.5 | $116 \cdot 1$ | 121.5 | 113.4 | $107 \cdot 5$ | 112 | $110 \cdot 5$ | $113 \cdot 5$ | 96.5 | 112 | $140 \frac{1}{2}$ |
| FEB. | 168.00 | $23 \cdot 5$ 23.5 | 116.1 | 121.6 | 113.3 | $107 \cdot 5$ | 112 | 110 | 113.5 | 97 | 112 | $140 \frac{1}{2}$ |
| APRIL..... | 168.00 | 23.5 | 116.6 | 121.7 | 113.4 113.7 | 107.5 | 112.5 | 111 | 113 | 97 | 112 | 1424 |
| MAY ...... | 168.00 | 23.5 | 117.0 | $123 \cdot 4$ | 113.7 | 108 | 114.5 | 112 | 113.5 | 97 97 | 112 | $144 \frac{1}{4}$ |
| JUNE ..... | 168.00 S | 23.5 | 116.8 | $122 \cdot 7$ | 113.9 | 107.5 | 114 | 112 | 114.5 | 98.5 | 112 | $144 \frac{4}{4}$ |
| JULY ... | $168.00 \S$ | 23.5 | 117.5 | 124.8 | 113.8 | 109 | 114 | 112.5 | 113.5 | 98 | 112 | $144 \%$ |
| AUG....... | 168.00 s | 23.5 | 116.6 | $120 \cdot 4$ | 114.1 | 105.5 | 114.5 | 111 | 113 | 97.5 | 112 | 144 |
| SEPT. ... | 168.008 | $23 \cdot 5$ | 116.7 | $120 \cdot 8$ | $114 \cdot 7$ | $105 \cdot 5$ | 114.5 | 111 | 113.5 | 98.5 | 112 | $144 \frac{3}{4}$ |
| OCT. ...... | 168.00 § | 23.5 | 116.4 | 119.7 | 114.9 | 105 | 114 | 1105 | 113.5 | 98.5 | 112 | 14.5 |
| NOV <br> DEC. | 168.00 168.008 | $23 \cdot 5$ $23 \cdot 5$ | $116 \cdot 5$ $117 \cdot 1$ | 119.6 | 1150 115.3 | $104 \cdot 5$ | 114.5 | $110 \cdot 5$ | 113.5 | 98.5 | 112 | $145 \frac{1}{2}$ |
| $\begin{aligned} & \text { DEC. ...... } \\ & 1944 \end{aligned}$ | $168.00 \S$ | $23 \cdot 5$ | $117 \cdot 1$ | $120 \cdot 5$ | $115 \cdot 3$ | $104 \cdot 5$ | 114.5 | 110.5 | 113.5 | 98.5 | 112 | $146 \frac{1}{4}$ |
| JAN. ...... | 168.00 § | $23 \cdot 5$ | $117 \cdot 5$ | $120 \cdot 8$ | 115.8 | 104.5 | 115 | 111.5 | 114.5 | 98.5 | 112 | $148 \frac{1}{4}$ |
| FEB. ...... | 168.00 s | 23.5 | $117 \cdot 9$ | $120 \cdot 8$ | 116.5 | 105 | $115 \cdot 5$ | 111.5 | 114.5 | 98.5 | 112 | $148 \frac{1}{4}$ |
| MAR...... | 168.00 | 23.5 | 118.1 | 120.5 | 116.9 | 105.5 | 116 | 112 | 114.5 | 98.5 | 112 | $148{ }^{3}$ |
| APRIL.... | 168.00§ | $23 \cdot 5$ 23.5 | 118.6 119.0 | $120 \cdot 3$ | 117.6 | 105.5 | 118.5 | 113.5 | 114.5 | 98.5 | 112 | $151 \frac{1}{4}$ |
| JUNE ..... | $168.00{ }^{\text {1 }}$ | 23.5 | 119.0 | 119.9 | 118.5 | 105.5 | 121 | 115 | 114.5 | 98 | 112 | 153 |
| JULY | 168.00 § | 23.5 | 119.7 | 122.0 | 118.4 | 107 | 122 | 116 | $115 \cdot 5$ | 100 | 112 | 1531 |
| AUG. | $168.00 \$$ | $23 \cdot 5$ | $120 \cdot 0$ | $120 \cdot 8$ | 119.5 | 105 | 123 | 116 | 115.5 | 99 | 112 | $154 \frac{1}{4}$ |
| 8EPT. ... | 168.00 § | $23 \cdot 5$ | $119 \cdot 7$ | $119 \cdot 3$ | 119.8 | 105 | 121.5 | 115 | 115 | 99 | 112 | 1542 |
| OCT. ...... | 168.00 | $23 \cdot 5$ | 119.4 | 118.5 | $119 \cdot 8$ | 105 | 121 | 115 | 115 | 98.5 | 112 | I55 ${ }^{\frac{1}{4}}$ |
| NOV....... | 168.00 | 23.5 | 119.5 | 118.5 | $120 \cdot 0$ | 105 | 121.5 | 115.5 | 115 | 985 | 112 | $155 \frac{1}{2}$ |
| $\begin{aligned} & \text { DEC....... } \\ & 1945 \end{aligned}$ | 168.00§ | 23.5 | $119 \cdot 8$ | 119.2 | $120^{\circ} 0$ | 105.5 | 122 | 115.5 | $115 \cdot 5$ | 98.5 | 112 | $155 \frac{1}{2}$ |
| JAN. ..... | 168.00 § | 25.5 | 119.8 | 119.0 | $120 \cdot 2$ | 106 | 122.5 | 116 | $115 \cdot 5$ | 98.5 | 112 | $155 \frac{7}{4}$ |
| FEB. ...... | 168.00§ | 25.5 | $119 \cdot 8$ | $119 \cdot 1$ | $120 \cdot 1$ | 106 | 122.5 | 116 | 115.5 | 98.5 | 112 | $156 \frac{1}{2}$ |
| MAR....... | $168.00 \S$ | 25.5 | 120.2 | 119.0 | $120 \cdot 7$ | 107 | 122.5 | 116.5 | 115.5 | 98.5 | 112 | 1562 |
| APRIL ... | 168.00 160.00 | 25.5 25.5 | 120.1 120.6 | 118.7 118.7 | 120.9 121.6 | $\stackrel{106}{107.5}$ | 124 | 117 118 | 116 116.5 | 98.5 100 | 112.5 113 | $157{ }^{1}$ |
| JUNE ...... | 172.25§ | 25.5 | 121.8 | 121.5 | 122.0 | 111 | 124.5 125.5 | 118 120 | 116.5 118.5 | 103 | 113 | 1614 |
| JULY ... | 172.25 § | 25.5 | $122 \cdot 3$ | $122 \cdot 5$ | 122.2 | 108.5 | 125.5 | 119 | 117 | 101 | 113 | $162 \mid$ |
| AUG....... | $172 \cdot 25$ S | 25.5 | $122 \cdot 1$ | 122.2 | $122 \cdot 1$ | 106.5 | 124 | 117.5 | 116 | 99 | 113 | 163 ) |
| SEPT. .... | 172.25 \$ | 25.5 | 121.5 | 120.4 | 122.0 | 106 | $124$ | 117 | 116 | 99 | -13 | 163 d |
| OCT ...... | $172.25 \$$ | 44 | $121 \cdot 3$ | $120 \cdot 3$ | $121 \cdot 9$ | $106$ | $124$ | 117 | 116 | 99 | 113 | 163 d |
| NOV....... | 172.25 172.25 | 44 | $121 \cdot 3$ $121 \cdot 1$ | 120.5 120.2 | $121 \cdot 7$ 121.6 | 106.5 106.5 | 123.5 124 | 117 117.5 | 116 | 99 99 | 113 | 164 164 |
| 1946 ${ }^{\text {D... }}$ |  | 44 | 121 | $120 \cdot 2$ | 1216 | 106.5 | 124 | 117.5 | 116 | 99 | 113 | $164 \frac{3}{4}$ |
| JAN. ...... | $172 \cdot 25 §$ | 44 |  |  |  |  |  |  |  |  |  | 1683 |
|  | $\dagger$ Average of daily quotations for year. § Bank of England Official Rate. |  |  |  |  | * December, 1924. |  | \|| Provisional to end of series. |  |  |  |  |

[^7]

EXTERNAL TRADE- Accounts of Trade of U.K.-BOARD OF TRADE
IRON AND STEEL- Output of Saleable Coal.-MINISTRY OF FUEL
ELECTRICITY- Output of Pig Iron, Steel Ingots and Castings.-IRON AND STEEL CONTROL

| ${ }^{1988}$ | remail salies． |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 这 | 尔 |  | Wholy |  |  |  |  |  |  |  |
|  |  |  |  | ${ }^{14}$ |  | ${ }_{35}$ | 168 | ${ }_{35}$ | 132 | ${ }_{80}$ | 006． | 2032 |
|  | ${ }_{108}^{98}$ | ${ }^{97}$ | ${ }_{108}^{108}$ | ${ }_{192}^{196}$ | $\begin{gathered} 127 \\ \substack{65 \\ \hline 1} \end{gathered}$ | $\begin{aligned} & 14 \\ & { }_{1}^{14} \end{aligned}$ | $\begin{gathered} 16 \\ \substack{38 \\ 30} \end{gathered}$ | ${ }_{\substack{23 \\ 10}}$ | ${ }_{3}^{30}$ | ${ }^{29}$ | ${ }^{14}$ | ${ }^{319}$ |
|  | ${ }_{\text {c }}$ | ${ }_{\substack{102 \\ 107}}$ | ${ }_{\text {c }} 98$ | ${ }_{221}^{221}$ | ${ }_{40}^{43}$ | 9 | ${ }_{15}^{19}$ | ${ }_{8}^{8}$ | $\stackrel{1}{1}$ |  | ${ }_{1}^{2}$ | ${ }_{\substack{81 \\ 75}}$ |
|  | ${ }_{94}^{95}$ | ${ }_{98}^{99}$ | ${ }_{97}^{95}$ | ${ }_{\substack{188 \\ 178}}^{18}$ | ${ }_{89}^{88}$ | ${ }_{10}^{12}$ | ${ }_{51}^{56}$ |  |  |  | 9 | $\underset{\substack{195 \\ 198}}{ }$ |
|  | ${ }_{\text {lo }}^{102}$ | ${ }_{100}^{102}$ | ${ }_{102}^{102}$ | ${ }_{183}^{183}$ | ${ }_{58}^{58}$ | ${ }_{9}^{10}$ | ${ }_{4}^{4+4}$ |  | 4 |  |  |  |
|  | cos | ${ }_{\substack{102 \\ 99 \\ 9}}^{\substack{12 \\ \hline}}$ | ciog | ${ }_{\substack{1885 \\ 185}}^{185}$ | ${ }_{\text {c }}^{55}$ | ${ }_{\substack{14 \\ 9}}^{\substack{\text { a }}}$ |  | ${ }_{10}^{13}$ | $\frac{3}{3}$ |  | ${ }_{3}^{4}$ | （127 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| cile | （128 | $\begin{gathered} 100 \\ \substack{100 \\ 989} \\ 90_{0}^{\prime 0} \end{gathered}$ | co ${ }^{96}$ | $\begin{aligned} & 106 \\ & \left.\begin{array}{l} 108 \\ \hline 195 \end{array}\right) \end{aligned}$ | $\begin{gathered} 56 \\ 52 \\ 58 \\ 56 \end{gathered}$ | ${ }_{12}^{16}$ | $\begin{aligned} & 27 \\ & \substack{27 \\ 24 \\ ?} \end{aligned}$ | ${ }_{12}^{12}$ |  |  |  | $\underset{\substack{107 \\ 114}}{ }$ |
| ${ }_{\text {Nov．}}^{\text {NECG }}$ | ${ }_{\substack{105 \\ 105}}$ | cis | ciot |  | （ | $\stackrel{10}{7}$ | ${ }_{\text {22 }}^{22}$ | （10 | $\stackrel{1}{1}$ |  | ${ }^{\frac{3}{3}}$ | 101 <br> 98 <br> 8.8 <br> 8 |
|  |  |  |  |  | ${ }_{48}$ | 10 | ${ }^{28}$ | 。 |  |  |  | 99 |
|  | ${ }^{98}$ | ${ }_{\text {9898 }}^{98}$ | ${ }_{9}^{98}$ | ${ }_{\text {cos }}^{190}$ |  |  | ${ }^{20}$ |  |  |  |  | ${ }^{99}$ |
|  | $\begin{aligned} & 100 \\ & \left.\begin{array}{c} 100 \\ 84 \end{array}\right) \end{aligned}$ | $\begin{aligned} & 100 \\ & \hline 100 \\ & \hline 100 \end{aligned}$ | $\begin{aligned} & 106 \\ & 90 \\ & 996 \end{aligned}$ | $\begin{aligned} & 2026 \\ & 2020 \\ & 202 \end{aligned}$ | 4 |  | 19 |  | 1 |  |  | ${ }^{80}$ |
| JULY JUGG ．．． |  | 100 101 | ${ }_{95}^{91}$ | ${ }_{2}^{213}$ | 40 | 9 | 15 | ${ }^{8}$ | 1 |  |  | ${ }^{13}$ |
|  | $\begin{gathered} 106 \\ \text { 106 } \\ \text { 10, } \end{gathered}$ |  | $\begin{aligned} & 100 \\ & 100 \\ & 1000 \\ & 1020 \end{aligned}$ | $\begin{aligned} & 2020 \\ & 2020 \\ & 2020 \end{aligned}$ | 40 | ${ }^{8}$ | 16 | ${ }^{8}$ | － |  |  |  |
|  |  | ${ }^{113}$ | $\begin{aligned} & 117 \\ & { }_{117}^{9} \end{aligned}$ |  | 40 |  |  |  |  |  |  |  |
|  | coid | $\begin{aligned} & 100 \\ & \hline 1005 \\ & \hline 109 \\ & \hline 109 \end{aligned}$ |  | $\begin{aligned} & 210 \\ & 2010 \\ & 208 \\ & 208 \end{aligned}$ |  |  |  |  |  |  |  |  |
|  | ${ }_{8} 8$ | ${ }_{\text {coin }}^{\substack{109 \\ 111}}$ | （105 |  |  |  |  |  |  |  |  |  |
|  | ${ }_{\substack{82 \\ 102}}^{102}$ | 106 | ${ }_{\text {c }}^{107}$ | ${ }_{22}^{22}$ | ${ }^{36}$ | 8 | 11 |  |  |  |  | ${ }^{63}$ |
|  |  | $\begin{aligned} & 105 \\ & \hline 106 \\ & 1065 \end{aligned}$ | ${ }_{\substack{106 \\ 109 \\ 109}}$ | $\underbrace{230}_{\substack{226 \\ 230}}$ | 46 | 9 | 16 |  | 0.5 | 0.6 | 0.8 | ${ }^{81}$ |
|  | 180 | $\begin{aligned} & 109 \\ & 100 ? ~ \end{aligned}$ | $\begin{gathered} 128 \\ 95 \end{gathered}$ | ${ }_{2}^{206}$ | 53 | 10 | 22 | 10 | 1.1 | 1.5 | 0.9 | 99 |
| $\xrightarrow{\operatorname{AlPR} R}$ |  | $\begin{aligned} & 1110 \\ & 1025 \\ & 1025 \end{aligned}$ |  |  | 51 | 10 | 19 |  |  | 0.3 | 0.8 | \％ |
| JULG | ， | 108 11081 1120 | － |  | ${ }^{64}$ | 8 | ${ }^{33}$ |  |  | 0.5 | 0.7 | 13 |
| $\begin{gathered} \text { Sip } \\ \text { Nop } \\ \text { Dover } \end{gathered}$ | $\begin{aligned} & 1894 \\ & \left.\begin{array}{l} 189 \\ 169 \end{array}\right) \end{aligned}$ | $\begin{aligned} & 1007 \\ & 100 \\ & 100 \\ & 120 \end{aligned}$ | $\begin{aligned} & 1196 \\ & 1192 \\ & 142 \end{aligned}$ | ${ }_{229}^{20}$ | ${ }_{124}^{124}$ | ${ }_{11}^{11}$ |  | ${ }_{11}^{11}$ |  | ${ }_{0}^{0.5}$ |  | ${ }_{26}^{246}$ |

$\dagger$ 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．

$$
\ddagger \text { Daily averages affected by abnormal No. of Holidays. }
$$

## RECENT MOVEMENTS IN UNITED STATES

Information communicated by Mr. Eric Schiff, Washington

15th December, 1945.

## PRODUCTION AND EMPLOYMENT.-

The process of reconversion to peace-time production was in full swing during the last three months. The engineering part of the process has been going on more smoothly and more swiftly than had been expected. The job of retooling and re-equipping the plants for civilian production, and cleaning them of war work, is all but done. At the same time, the flow of new peace-time products to the markets has not set in as promptly or as abundantly as had been hoped for. As far as durable consumer goods are concerned, newspapers carry advertisements explaining the special qualities of this or that new model " now in production " ; a few new automobiles, typewriters, etc., are in display in the windows of dealers ; but the prospective buyer who enquires about them is being told that he must be prepared for some more months of waiting. Of non-durable consumer articles, only sugar is still rationed, but the transition from rationed to free distribution caused temporary shortages in some cases. While gasoline never was short for a single day after it had been de-rationed, there developed a shortage in shoes soon after this article had gone off the rationing list. Rationing of meat and fats ended in November ; while the former has been in good supply ever since, butter is scarce. The supply of apparel and other textile articles is inadequate. In some quarters this is attributed to a tendency among manufacturers to defer sales to the beginning of 1946 when the excess profits tax will no longer apply.

An acute shortage has developed in housing. It is true that $69 \%$ more new houses were begun during August, September and October, than during the corresponding months of 1944. But the absolute volume of residential building in 1944 was so low that a $69 \%$ rise, impressive though it seems, is but a step on the way back to normal. Meanwhile, reports from all parts of the country indicate that many of the new families of war veterans are unable to find suitable housing accommodation. In the next few months the situation is expected to become more difficult, as the rate of return of veterans, now at 200,000 a month, must be expected for some time to increase still further. Moreover, largescale resumption of residential building must now for seasonal reasons await the spring of next year. During summer and autumn, one of the principal obstacles was the inadequacy in the
supply of building materials. This inadequacy is now attributed, in part, to ceiling prices not providing sufficient incentive for production. To secure for residential building a sufficient quota of the available supply of materials, most of which now goes to industrial and commercial construction, the government is planning to restore, for building materials, the system of priorities control which during the war was used for exactly the opposite purpose-diverting the supply from residential building and channeling it into non-residential construction.

The volume of output was well maintained in steel production where it is now at $82 \%$ of capacity, as compared with $60 \%$ after the end of the war. Production of electric power, of manufactured food and tobacco, and-disregarding the strike period-of coal, was also at a high level during most of the third quarter.

What is now often referred to as "reconversion unemployment" has so far been much smaller than had been feared. Immediately after the surrender of Japan the War Manpower Commission predicted five million unemployed persons within the next three months. Predictions of some union leaders ran even higher. Actually, unemployment in mid-October-the latest date for which a figure is available-was estimated at slightly over 1.5 Mn . Various reports indicate that in the war industries the drop in employment has not so far been nearly proportionate to the drop in production. This is because the technical wind-up at these plants called for some special work for which a relatively large proportion of the wartime personnel was still needed. Local areas of unemployment have been developing, as was to be expected at this time of extraordinary fluctuations and re-locations of manpower. But many jobs in civilian industries, even relatively well paid ones, are vacant.

## PRICES, WAGES, \& LABOUR TROUBLES

The above-mentioned development in building materials is indicative of a more general problem which now confronts American economic policy. It has often been pointed out that in a business economy price control cannot work smoothly unless it is supplemented by a considerable amount of direct control regulating the allocation and distribution of the scarce commodities. Now, in this country, direct distribution controls were largely abandoned after the end of the war, whereas price control was largely maintained. The problematical nature of this intermediate
system is bound to show sooner or later. In fact, there is already some evidence that increases in production, the only thing which can effectively neutralize the inflationary effect of the rising money purchasing power that continues to be poured into the economy, have in a number of cases been prevented by price ceilings, or have at least been hampered by delays and difficulties in obtaining raises in ceiling prices. Emphasizing that the system of price control in this way defeats its own anti-inflationary purpose, important voices now advocate a swift and complete removal of all ceilings. However, the chairman of the Office of Price Administration has declared that such a policy would be too dangerous now, and that price control should be extended by new legislation for at least another year. (Under existing legislation, the O.P.A. will expire June 30th, 1946.) If the system is maintained, reintroduction of direct distributien controls and other steps towards a controlled economy may in many cases prove the only way out of dealing with the shortages that may develop.

A measure of great importance for the coming development of the price structure, and one which means a rather sharp departure from earlier programmes outlining a swift restoration of a free economy, has now been adopted as a weapon to prevent further deterioration of the strike situation. It was announced that wage increases which merely offset the rise in costs of living since January 1st, 1941, will be regarded by the Administration as a legitimate basis for granting higher ceiling prices to entrepreneurs who have granted such wage increases. The increase in costs of living from the date indicated to September, 1945 , will be officially assumed to have been $33 \%$. The decision to embark upon this experiment means, first of all, a change in the attitude of the administration in respect of the present wage disputes. When the strike wave started, union leaders at first based their demands predominantly on the assertion that recent increases in labour productivity justified higher wages. Later this argument was less used, perhaps because it was felt that statistical evidence did not support it sufficiently. Recent investigations on labour productivity in wartime, in conjunction with a study just published by the National Bureau of Economic Research on Labour Savings in American Industry, 18991939, show that the war years have been one of the few major interruptions in a trend which had long been steadily rising. While there is now evidence that up to 1939 the trend of output per man-hour in major American industries had the unusual property of a constant rate of increase maintained over four decades, the trend since

1941, (some amazing technological developments notwithstanding) were much more level: So the emphasis in the reasoning of the unions shifted to the ability-to-pay argument. Profits accumulated by the larger corporations during the war, it was said, were sufficient to absorb substantial wage increases. This was in most cases denied by the managements, who emphasized that the demanded increases in wages would wipe out profits unless higher selling prices were permitted. The first statements of administration spokesmen in the matter implied a qualified acceptance of the assertion that many corporations were able to pay higher wages without raising prices, and a more or less full acceptance of the idea that their ability or inability to do so ought to be the general criterion in judging whether a demand for higher wages was reasonable. Two recent steps taken by the administration seem to indicate a partial abandonment of this standpoint. One was the bill, put before Congress after the failure of the labour-management conference, in which the President asked for power to set up fact-finding commissions in major labour disputes, with a view to facilitating the settlement of labour disputes where other instruments of conciliation would fail. It is not clear to what extent the fact-finding boards would be supposed to apply the ability-to-pay criterion for their recommendations ; but the intention of setting up these boards shows, at any rate, that the administration now holds it imperative to conduct a special investigation in each individual major case before passing any judgment on any crucial factor, whether "ability to pay," or any other. The second step is the above-mentioned official announcement as to the conditions under which demands for higher selling prices to offset wage concessions would in future have a chance of being granted. By this announcement the administration has virtually dropped the idea that the ability of employers to pay higher wages within the framework of existing prices should be regarded as the decisive criterion in judging the merits of wage demands. Instead, as alternative criterion-agreement or lack of agreement of the prospective wage movement with recent changes in the purchasing power of the dollarhas now received official sanction. How this criterion will work itself out in practice remains to be seen. In some Central European countries during the post-war inflation of the early twenties, the attempt to get price and wage movements under control by linking them to each other via an official cost of living index was repeatedly made. What resulted, however, was not a stabilization of wages or prices, but a perpetuation of the instability of both.

Meanwhile, notwithstanding the large number of price ceilings still in force, many prices are moving upward. The decline in the Bureau of Labor Statistics all-commodity price index which had started in June came to an abrupt end in September, with a sharp upturn following immediately. In the week ended December 1st the index stood at $106 \cdot 8(1926=100)$, the highest level since 1920. The purchasing power of the dollar, whether it be measured by wholesale prices, by retail food prices, or by costs of living, has now for a long time been less than $80 \%$ of what it was in the average of 1935-1939.

## INCOMES, MONEY, AND FINANCE.-

These movements reflect the pressure to which the price structure continues to be exposed from the demand side. Contrary to some expectations, there was no sharp drop in income payments during the last few months. According to preliminary reports the seasonally adjusted index of income payments in October was higher than in September ( $232 \cdot 3$ as compared with $229 \cdot 7$, 1935$1939=100$ ). In comparison with July, the last full month of war, the drop was only $4 \cdot 6 \%$. While factory payments and-to a lesser extent -the income of farm operators declined during the third quarter, income payments to military personnel were still rising, as the reduction in pay to the armed forces was more than offset by a substantial rise in mustering-out payments. It is worth noting that in September payments to military personnel accounted for almost oneseventh of all income payments.

In accordance with the relatively well maintained level of income payments, the volume of consumer spending has also remained high. In September $\$ 25,300 \mathrm{Mn}$. were estimated to have been spent on goods and services, as compared with $\$ 24,500 \mathrm{Mn}$. in June. From available information it appears that the volume of retail
sales was high even in the last two months, notwithstanding the supply shortages, and notwithstanding the fact that liquidation of war savings in the hands of consumers has not so far started in considerable proportions. In fact, sales of war bonds have continued all along in substantial volume, and public interest in the " victory loan drive," which brings the series of war bond drives to a conclusion, has been hardly less keen than in any of the earlier drives. Redemptions of war bonds have increased somewhat, but not at an alarming rate. So far, September, 1945, was the only month to show a slight excess of redemptions over sales. In October, the figure of redemptions reached a peak of $\$ 616 \mathrm{Mn}$., but the figure of sales was slightly higher. In respect of the inflationary dangers involved in a possible increase in bond redemptions, some reassurance may now be found in the results of a recent survey by which the Bureau of Agricultural Economics, on request of the Federal Reserve Board, tried to secure information on the attitude of holders of liquid assets toward their holdings. The material for the survey was obtained from about 800 interviews with a random sample of individuals in two areas, one of them urban and one rural. Most of the holders said they were saving for security purposes (old age, " rainy days," emergencies, etc.), or to buy permanent assets. Only about $10 \%$ admitted that they were planning to use their savings to meet current expenditure in the future. In particular, most of the respondents indicated that they would be hesitant to use war bonds or time deposits to purchase consumption goods or luxury items, whereas many of them did express willingness to cash war bonds to buy permanent assets. In view of the small size of the sample and the possibility that people might not live up to their present intentions, too much cannot be read into the results of the survey. Within their limitations, however, they are certainly encouraging.



# SURVEY OF FRENCH ECONOMIC CONDITIONS SINCE THE LIBERATION 

By Pierre Uri.<br>(Institut de Science Economique Appliquée, Paris.)

December, 1945
Contrary to the British and American experience, neither the end of the war in Europe, nor the Japanese surrender have meant any sharp turning point in the French economy. Owing to the German occupation, no large scale warindustry had been set up, and the reconversion task did not present itself with such acuteness as in Anglo-Saxon countries ; the Lend-Lease deliveries had not yet developed to the full and the impact of their abrupt ending was nothing to compare to the way it made itself felt in Britain. In fact the sharpest break had set in much earlier, during the four months of the liberation in 1944. Although the fighting in 1940, and allied bombings from 1942 on, had already caused severe destruction to industrial plants and to some residential districts, the most widespread bombings, particularly of railway lines, junctions, stations and river bridges, took place just before the allied landings, and the worst damage was caused by the fighting on land, partly through shelling and partly through the demolitions by the Germans in retreat.

As a result of those five years of war, over 400 localities, communities and villages have been destroyed ; 440,000 buildings completely demolished ; over $1,300,000$ badly damaged, though repairable ; almost $1,800,000$ buildings out of use ; the homes of six million people-one sixth of the entire population-more or less uninhabitable. Human losses are enormous. 200,000 soldiers have been killed, while 100,000 deported workers and 200,000 out of the 228,000 political and racial deportees have not returned from Germany. Adding to these losses the excess of deaths over births, the French population has decreased by about $2,000,000$ from a pre-war figure of $41,500,000$.

Lack of fertilizers, machines and manpower have reduced crops to an average of little more than $60 \%$ of the pre-war level, while cattle are reduced to $55 \%$. The food situation is consequently very difficult. About a million acres of arable land have been ruined or mined; and of the remaining arable land the soil has been so exhausted that it will take years to regain its previous productive capacity.

Such are the more permanent features of the situation which confronted France. We have
now to see what steps have been taken to meet these difficulties and what course of economic policy has been pursued.

## I.-MISHAPS, BOTTLE-NECKS AND VICIOUS CIRCLES.

There has been, no doubt, an unusual amount of bad luck attendant upon the initial efforts to reconstruct France's economy. Here are a few outstanding examples. First, the military operations on the Western Front lasied longer than had been expected. Subsequently the Rundstedt offensive still further extended their duration. The consequence was that all plans for early supplies to France from the Allies were upset. The war effort had to go on. No shipping space could be spared, military priorities were applied in the strictest sense, even without due allowance for the desirability of getting French industry and transport running. The carrying out of the socalled eight-month import programme was delayed until April, and then reduced by $50 \%$.

Last winter France suffered terribly. Food was very poor. Offices, factories and private houses were absolutely unheated. Old age and infant mortality rose to tragic levels. A severe frost stopped the waterfalls and reduced the supply of electric power ; then the rivers and canals were swollen by a sudden thaw, which prevented the transport of coal by barge. The summer brought unprecedented and unceasing drought. All crops suffered, especially wheat and potatoes, which fell below half normal. The drought bas now again necessitated drastic restrictions on the use of electric power. Work in factories has been reduced to three days a week, and the supply for domestic use is interrupted for part of every day and night, so that industrial recovery is disrupted and everyday life is completely upset.

The general conditions on the morrow of the liberation, and the circumstances mentioned above, have resulted in a series of technical bottlenecks, which have hampered and delayed the upswing. The major one (at first, and on the whole, the most successfully dealt with) presented itself in connection with transport. Of the railways, not one single line was intact. In September, 1944, no more than 400 miles of a total network of over 28,000 could be used. When
the provisional government was formed in France, it had no communications with the provinces, where local governments, formed in advance, had to be set up and act on their own initiative. Moreover $90 \%$ of the radio station equipment had been destroyed or removed; and the telephone and telegraph wires were cut in innumerable places.

The destruction, or removal, by the Germans of means of transportation was terrible. Of the pre-war inventory of 500,000 rail wagons and carriages, only 200,000 were left, and in addition 100,000 had to be repaired. Of 16,000 engines, only 5,000 were in order. Half of the motor trucks and cars had disappeared; $87 \%$ of the river barges; $50 \%$ of the merchant marine ; the harbour unloading capacity had been reduced by $30,000,000$ tons out of a pre-war figure of $45,000,000$ or say, by two-thirds.

All-in-all, transport capacity had been reduced almost by two-thirds ; the efficiency of the system is now roughly half what it was before the war. Engines had to be hastily repaired, and a few hundred imported; temporary bridges were erected ; motor trucks were hastily put in order ; idle rail cars were reduced to a minimum by accelerating loading and unloading, and by speeding up the return of empty cars. From 60,000 wagons loaded weekly at the end of last year (1944), the figure rose to the present one of about 200,000 . Unfortunately, the situation for motor transport is less satisfactory, owing to lack of lorries, fuel and tyres. This particular bottleneck makes it difficult to bring food supplies from farms.

The second all-important bottleneck has been, and to some extent still is, that of coal. France has never been self-sufficient in coal. Before the war, about one-third had to be imported ; the annual home production was between 45 to 50 million tons, while two million tons per month came from abroad-England, Belgium and Germany. Immediately after the liberation, production fell below $50 \%$ of the already low 1938 level, and no imports could be relied upon.

For months output did not increase. The most obvious cause of this was the shortage of miners. Before the war many of the miners were Poles. During the occupation, their place was taken by Frenchmen for whom service in the mines was the alternative to compulsory work in Germany. When liberation came, many of these temporary miners joined the Resistance forces. Those remaining totalled only about 125,000 , as compared with 180,000 before the war.

Output declined more than proportionately to the fall in the number of miners, partly owing to a decline in output per man-shift and partly to
a great increase in absenteeism. The decline in productivity came about as a consequence of technological factors: the poor condition of the old equipment, repairs, and waste of time in waiting for the necessary supplies, especially of timber. The decisive cause was the same as accounted for absenteeism : under-nourishment of the workers. They lacked their previous strength, they were more frequently ill, and as soon as they had made enough money they took days off to go into the country in search of food. Counter-measures were somewhat late, but effective. Wages were raised by about $75 \%$, more workers were attracted to the mines, some German prisoners of war were put to work, an extra bonus was promised for regular attendance and special rations were provided.

There are now just over 200,000 workers in the mines and output has almost reached prewar level. Imports, averaging 600,000 tons a month, mostly from the U.S. and Britain, with a little, but not nearly enough, from Germany, are much below needs. As the supply to some priority sectors, such as the mines themselves and the railways, cannot be reduced, and in some others, such as gasworks and electric power stations, must even be increased, the remaining allocations to industry at large and to domestic uses are reduced by about $60 \%$ of the normal figures.

Other bottlenecks may be discussed more briefly. There are very serious shortages of all sorts of imported raw materials, of machines, tools and equipment, and now of electric power. A number of new dams will be in service soon, and in March, when the thaw arrives, the difficulties should be somewhat alleviated in the field of electric power generation. With the recovery of industry and the tasks of reconstruction, there may develop a shortage of certain kinds of skilled labour, similar to the shortage of agriculturalists and miners, sufficient to stop progress in some sectors. The paradox would then develop that a shortage of labour became a source of unemployment.

This would mean one more vicious circle in France's economy. A case in point is found in the relationship between industrial and agricultural production. Agriculture needs more fertilizer and more machines; but industry needs better-fed workers. Imports should consist mostly of equipment and chemicals, which after a while would pay for themselves; but in the short run it is urgent to raise the rations and increase the supply of consumers' goods to avoid inflation and improve the productivity of the workers. The former course was chosen at first, but food imports have had to be increased since.

The black market is a consequence of an acute shortage. It affects not only foodstuffs, but products for industry like wood, and durable goods, such as glass, textiles, tyres and fuel-not to mention cigarettes. Of course, it reflects all the shortcomings of the economic controls and rationing schemes, but conversely, controls and rationing are ineffective largely because of the black market.

Such a situation should call for a very strict fiscal policy. But the system of direct taxation has many loopholes, particularly for business and agricultural profits ; and even indirect taxes may sometimes remain in the pockets of the dealers. Thus, the heavier the taxation, the larger the evasion.
Again, with the huge budget deficit and requirements for reconstruction and equipment, enormous savings should be forthcoming to limit inflation. But people cannot be expected to save and invest when they are afraid that prices will rise and savings lose their value. Stability requires savings, but savings require stability.

Another of these vicious circles affects the relationship between prices and wages, but this, since it is connected with the impact of political issues on economic developments, may be discussed in the next section.

## II.-ECONOMICS AND POLITICS.

Wages had been kept fairly stable under German occupation, partly as a result of a scheme to keep prices down, so as to reinforce the exploitation of France, and partly in order to induce labour to go to Germany. None the less, the cost of living had gone up. This rise in the cost of living made a case for a substantial increase in wages immediately after the liberation. The working-class had played a great part in the Resistance forces, and the rise was not only necessary but politically unavoidable. It averaged $40 \%$, though there was no increase in the supply of goods upon which to spend this additional money income.

From then on, the Government's economic and financial policy has shown very marked hesitations, which have contributed to a dangerously inflationary situation. It started after the first rise in wages with a conflict between the two Ministers mainly concerned-the Minister of Finance and the Minister of National Economy. The latter wished to maintain the blocking of prices despite the rise in wages, and to resort to subsidies to bridge the deficit in particular industries; the former was more orthodox and was ready to let prices go up. The conflict lasted for several months, during which either industry could not hold on or the control of prices broke
down. Meanwhile the salaries of civil servants had been substantially raised. In April, after the resignation of the Minister of National Economy, the decision was reached to accept a new rise in wages balanced by a rise in prices, which would absorb both successive increases in the wage bill, so that a reciprocal equilibrium could be expected. At the same time, some subsidies on foodstuffs were abandoned. In the event, wages have more than doubled since July, 1944. But prices have risen more than wages, so that a new attempt at stabilization through extensive subsidies has again had to be made. There is new pressure for an increase in wages, and civil servants have already obtained a temporary readjustment in their salaries, the rise of which had been more than offset by the rise in prices, together with the promise of a general revision of salary scales.

As to money, plans were prepared by the Ministry of National Economy for drastically contracting the circulation along the lines which have since been adopted in Belgium. The Minister of Finance resisted these plans and proposed to rely entirely on an increase of production to relieve the inflationary situation. In conformity with orthodox finance, a large loan was floated to absorb the excess currency. When the bank-notes were eventually exchanged, it was done without any cutting or blocking, and the exchange served only as a census of wealth for the capital levy which was made shortly afterwards. Under the influence of both the loan and the exchange of notes, the circulation came down from over 600 Md . to 444 Md . This fall was, however, accompanied by a large rise in bank balances, induced by the terms of the exchange of notes, and the note circulation has again tended to rise as these balances are gradually converted back into more liquid form. This tendency has been reinforced by the continued deficit of the Treasury, and the circulation has now reverted to the high level of 570 Md ., as compared with 142 Md . before the war.

The indices of official prices, agricultural and industrial, wholesale and retail, so far as they can be computed at all, are well above 400 on a 1938 basis. Devaluation had become inevitable, and was carried through at the end of 1945. Exports do not yet cover more than a third of imports. But a mere reduction in prices of exports will not suffice to increase all of them, as stocks of two of the most important exportable items, iron ore and bauxite, are at a low level. It is a fact that black market quotations are coming down rapidly, especially for textiles, but no serious attempts have yet been made to bring official prices down, so that it cannot be safely predicted that further rises in wages and salaries will be successfully
resisted. Everything depends on the rate of imports and industrial recovery; but, owing to the shortages of raw materials, of manpower, of electricity and fuel, and the wearing-out of equipment, the index of industrial production, which, compared with 1938, had declined to $70 \%$ in $1942,50 \%$ in 1943 and $30 \%$ in 1944, is recovering only slowly and now stands at about $60 \%$ of the 1938 level, or at only $40 \%$ of the peak year, 1929.

These great difficulties have been intensified by political considerations. An elaborated system of controls, through an over-complicated network of agencies dealing with allocation of raw materials and trade and industrial organization had been set up under Vichy, and, together with the theoretical blocking of wages and prices, and the somewhat tighter fiscal policy, had acted as a dam against inflation-despite the enforced payments to Germany, amounting to 631 Md . francs, plus the deficit on the so-called Franco-German clearing, amounting in effect to a direct theft of 163 Md . francs. But such controls, having been linked with the German tyranny, were extremely unpopular, and their effectiveness for purely national purposes was not adequately dissociated from the ends towards which they had served. Though the government, after some hesitation, decided to maintain them, and finally reorganized them, the different agencies, whether Offices de Répartition or Comités d'Organisation, transformed into Offices professionnels, have lost much of their authority. Moreover, it had been so strongly emphasized that all shortages were due to German stealing that the liberation gave rise to unreasonable hopes which were soon to be frustrated. Distribution of food out of all proportion to existing resources and local suspensions of rationing contributed towards dangerously depleted stocks. Thus the hopes that the liberation had originated contributed towards making their own accomplishment more difficult.

The lack of any generally accepted modern economic doctrine among government officials, and the conflict between different trends of thought in the several Ministries have made themselves felt throughout the period. The decisions reached can be broadly classified along three chief lines. First, there has been what might be labelled a liberal tendency, originating chiefly in the Ministry of Finance and partly shared by the Ministry of Food. The idea is to let individual initiative and the price mechanism take care of the economic trouble, through a restoration of profit margins. To that tendency should be referred the generous rises in official prices granted since April last, as well as the steep devaluation of the currency, the abandonment of
the excess profit tax and of the limitation of dividends and some abatement of the personal income tax. The hope of a spontaneous equilibrium brought the suspension of bread rationing, as well as of the price-fixing of meat, except for retail sale ; both bread coupons and overall price-fixing of meat have since had to be restored. Very recently, the government controls on the opening of new businesses or the extension or transfer of existing concerns have, with few exceptions, been abandoned.

At the same time, some measure of economic planning should be linked with the newly set up Commissariat au Plan, directly connected with the Presidency of the Government, though it appears that this agency will not deal with overall economic programmes, but will restrict itself to problems of industrial equipment. The programming of manufactures will thus remain the joint responsibility and aim of the Ministry of National Economy and the Ministry of Industrial Production, both under Communist leadership. The so-called Vichy agencies, viz., the Offices de Repartition and Comités d'Organisation, will probably be shortly dissolved, not to the benefit of more freedom, but to establish a more direct link between industry and ministerial departments, under the guidance of joint em-ployer-and-employee advisory committees. Plans are also being devised for the allocation of raw materials in accordance with approved production programmes for finished goods.

Lastly, there has been some evidence of socialist tendencies in the so-called Impôt de solidarité nationale which, though moderate in its rates, amounts to a combined capital and capitalincrement levy. The different nationalisation schemes which, originally applied (as a penalty for collaboration) to the Renault Works in the automobile industry, have later embraced first the collieries and then the Bank of France and the four largest commercial banks, and are now under discussion for gas works and electric power generation and transport, pave the way for a new type of economy with a very extensive public sector alongside free enterprise in the maintained private sector.

Conclusion.-What history will regard as the main characteristic of this period is still uncertain. In the short run, some remarkable results have been achieved, especially in the fields of transport and textiles, but industry at large is still slack, and the financial record is a definitely poor one. But this is one of the epochs when society is malleable, as the present search for a new Constitution makes plain. So it may be wise to press to a conclusion deep changes of structure, such as nationalisation, or a new
education act, or a more comprehensive programme of social security, although the present conditions of production deprive them of part of their significance, or even though they conflict with immediate expediencies or make more difficult the over-burdened position of the country. Like the 1936 reforms, once the temporary difficulties are forgotten, these may well be what will be remembered in the future.

At the moment, the core of the situation is that the ruin, theft and shortages caused by the war have reinforced some permanent deficiencies in the French economy. The human losses fell upon an almost stationary population, not only insufficient in number, but definitely ageing in composition. The proportion of the active population to the whole had been dangerously decreasing for some years. The reduction in agricultural output was incurred by an agriculture which in normal times had not been sufficiently modernized ; the decline in industrial output was that of an industrial sector in which equipment was so slowly renewed that its average
age was four to five times the average age in major industrial countries. The conclusion is that merely to revert to the 1938 level cannot be considered as adequate in a country which must start simultaneously its processes of reconstruction and modernization.

Reconstruction will be a tremendous task for the French economy. It is equal to the whole industrial production of non-consumable goods over six normal years, or to the net investment goods production of more than 23 years. If the necessary savings are forthcoming, the delay may be reduced to ten years or less ; on the other hand, they cannot very well be found except out of a much increased national output, which, unfortunately, seems to be limited by the existing sources of power, coal and electricity. This is where rationalization in agriculture and industry and more scientific equipment may help. To increase productivity is the major task for years to come, if the country is to finance reconstruction, emerge from its present depressed condition and raise its standard of living.

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## UNITED KINGDOM-THE ECONOMIC POSITION

April 30th, 1946. Finance and Banking.

IN the Budget, introduced on April 9th, the only major change in taxation was the decision to discontinue E.P.T. altogether at the end of 1946, and as this will not affect revenue until 1948, the question of a new tax in replacement was left until next year. The other notable features of the Budget were optimism of the revenue estimates and the decisions to reduce the rate of interest on Defence Bonds and to refrain from funding any part of the floating debt. It seems likely that the fall in bank deposits which has occurred since last autumn will be checked or reversed, and that the Government will continue to rely on the controls, rather than upon any further diminution in the quantity of money, for holding in check the existing potential inflation.

Trade.-The first quarter of 1946 saw a very encouraging increase in the volume of British exports, which reached more than $80 \%$ of the 1938 level. The volume of imports remains low at less than two-thirds of 1938. The increase in employment in manufacturing for export, suggests that the volume of total exports should exceed the corresponding 1938 level during the second quarter of 1946 , or much earlier than was formerly expected.

Prices.-Mainly as a result of recent increases in prices of metals, the general level of wholesale
prices was $1 \frac{1}{2} \%$ higher than in the previous quarter and $2 \frac{1}{2} \%$ higher than in the first quarter of 1945. The cost of living index is unchanged though this stability is achieved only at the cost of increasing subsidies.

Wages.-Owing to increases for engineers, shipbuilders and road transport workers, our index-number rose $3 \%$ from January to April this year and stands at about $63 \%$ above the pre-war level. It is recommended that the agricultural minimum shall be increased from 70 s . to 80 s . in July. There is no sign of a check in the slow rise in wage-rates. When labour is in short supply, as in brick-making and agriculture, wages are raised to attract workers, and there are generally the inconsistent aims of increasing rates of lower-paid workers more nearly to the level of higher-paid and of preserving the pre-war differentials. At the same time there are efforts in some industries to raise standard rates to compensate the loss of special war-time earnings.

Employment.-Despite the continued drop in the working population, the number of employed in industry rose by nearly 300,000 between December and February, and is believed to have risen faster in March and April. The percentage unemployed among insured persons in the United Kingdom rose further in March, but is still extremely low by peace-time standards.

We record with the deepest regret the death of Lord Keynes.
He was among the principal originators of the London and Cambridge Economic Service and always maintained an active interest in its work.

## EVENTS OF ECONOMIC IMPORTANCE

1946

| Jan. | 22nd | U.K. | $\ldots$ |
| ---: | ---: | :--- | ---: |
|  | 25th | U.K.-Greece |  |

... Text issued of Borrowing (Control and Guarantees) Bill.
... Anglo-Greek financial and economic agreement signed. ( $£ 10 \mathrm{Mn}$. provided for the stabilisation of Greek currency.)
... Minister of Food announces 1 oz . reduction in fat ration, return to wartime loaf and less feeding-stuffs for poultry. Increased rates of Exchequer subsidies for houses announced.
... Air Pact signed at Bermuda.
... Farm workers' claim for increase in minimum wage from $£ 310 \mathrm{~s}$. 0 d . to $£ 410 \mathrm{~s}$. 0 d . rejected.
... 100 more industries to be withdrawn, in three months' time, from the scope of the Essential Work Order.
Foreign Secretary offers to extend the Anglo-Soviet Treaty from 20 to 50 years.
$\begin{array}{rrl}\text { ", } & \text { 25th } & \text { U.K. } \quad . . \\ & \text { 27th } & \text { Germany ... } \\ \text { ", } & \text { 28th } & \text { U.K.-France } \\ \text { March } & \text { 1st } & \text { U.K. } . . \\ & \text { 7th } & \begin{array}{l}\text { U.S.S.R... } \\ \text { " }\end{array} \\ & \text { U.K. } . . . \\ & & \text { U.K.-Canada }\end{array}$
... Treasury issue $£ 58,212,0003 \%$ Treasury Stock to compensate Bank of England stockholders under terms of Nationalisation Act. Civilian rations reduced in British Zone.
... Financial agreement expires.
... Financial agreement expires.
... Transfer of ownership of the Bank of England to the Government.
... Government ask U.S.A. for loan of $\$ 1,000 \mathrm{Mn}$.
.. National Coal Board set up. Chairman-Lord Hyndley.
Financial agreement concluded. Canada to lend Britain $£ 281 \mathrm{Mn}$. at $2 \%$ repayable over 50 years.

|  | 11th | Germany... |  |
| :--- | :--- | :--- | :--- |
|  |  | U.K. | $\ldots$ |
| $"$ | 13th | U.S.A. | $\ldots$ |
| " | 18th | U.K. | $\ldots$ |
| ", | 26th | Germany... |  |
| ", | 27th | India | $\ldots$ |
| " | 31st | Greece | $\ldots$ |

... German Economic Advisory Board set up in the British Zone.
... New agricultural prices announced.
... General Motors strike settled.
," 18th U.K. ...
... Liverpool cotton futures market to remain closed.
27th India ...
... Allies agree on post-war levels of German Industry.
31st Greece ...
April 1st U.K.-Switzerland

9th U.K. ... ... Budget introduced.

Britain agrees to divert 200,000 tons of wheat subject to a guarantee of replacement by the U.S.A. and Canada.
25th International
$U . K \quad \cdots \quad$ Four-power meeting of Foreign Ministers in Paris.
Canada-France ... $\quad$ Canada grants France loan of $£ 53 \mathrm{Mn}$. at $3 \%$.

# FINANCE \& BANKING IN THE FIRST QUARTER OF 1946 

By F. W. Paish

Government Finance.-The long-awaited decline in the rate of government expenditure came quite suddenly with the beginning of the new calendar year, and despite one or two high weeks at the end of March, the average weekly expenditure for the quarter showed a fall of over $f_{2} 20 \mathrm{Mn}$. on the corresponding quarter of 1944-45, as compared with a decrease of less than $f^{9} \mathrm{Mn}$. in the previous quarter. Revenue was slightly higher than a year before, falls in the yields of Surtax, E.P.T. and Miscellaneous Receipts being more than offset by higher receipts from Income Tax, Stamp Duties, Excise and Motor Vehicle Duties.


Total expenditure for the quarter was $£ 1,337 \mathrm{Mn}$., of which $£ 1,253 \mathrm{Mn}$. was covered by revenue, leaving a deficit of only $£ 84 \mathrm{Mn}$., the smallest for any quarter since 1939. (Under normal conditions, the last quarter of the financial year shows a substantial surplus). This deficit, and other expenditure on capital account (including $£ 1 \frac{1}{2} \mathrm{Mn}$. for the first postwar refunds of E.P.T.), was covered by net borrowings of $£ 95 \mathrm{Mn}$., of which $£ 55 \mathrm{Mn}$. was on long term and $£ 40 \mathrm{Mn}$. on short.


For the financial year ending March 31st, 1946, ordinary revenue totalled $£ 3,284 \mathrm{Mn}$., which was $£ 19 \mathrm{Mn}$. more than the estimate and $£ 46 \mathrm{Mn}$. more than in the preceding year. Expenditure amounted to $£ 5,484 \mathrm{Mn}$., as compared with $£ 6,063 \mathrm{Mn}$. in 1944-45. The resulting deficit of $£ 2,200 \mathrm{Mn}$., together with minor requirements on capital account, was financed mainly by an increase of $£ 2,069 \mathrm{Mn}$. in government debt, $£ 1,733 \mathrm{Mn}$. on long and medium term and $£ 336 \mathrm{Mn}$. on short term.

Floating Debt.-While the Treasury's deficit for the quarter was small, the redemption of over $£ 150 \mathrm{Mn}$. of Tax Reserve Certificates necessitated an expansion of $£ 193 \mathrm{Mn}$. in the floating debt. Of this nearly $£ 90 \mathrm{Mn}$. was covered by the increase in deposits at the Post Office Savings Bank, so that the true expansion was not much more than $£ 100 \mathrm{Mn}$.

The tendency to substitute Treasury Bills for Deposit Receipts has continued. The increase of $£ 197 \mathrm{Mn}$. in the bill total was more than accounted for by bills issued through the "tap" and the total of bills issued by tender was allowed to fall seasonally by $£ 80 \mathrm{Mn}$. The recent restoration of the weekly tender offers to last autumn's level of $£ 150 \mathrm{Mn}$. seems, however, to presage a renewed increase in the total of tender bills. The total of Treasury Deposits, at $£ 1,559 \mathrm{Mn}$., is now more than $£ 600 \mathrm{Mn}$. below the peak of last August, while the total floating debt is over $£ 300 \mathrm{Mn}$. less than at the end of last September.

During the coming year the deficit on the ordinary budget will probably be greater than the amount which the Treasury will need to borrow abroad under overseas credits, while
most of the expected total of small savings will be needed to cover the cost of meeting war-damage claims, refunds of E.P.T. etc. As the Chancellor has announced that he does not intend to issue a funding loan, there is likely to be little fall in the total of the Floating Debt during 1946-47. Indeed, if any large quantity of the $£ 650 \mathrm{Mn}$. of $2 \frac{1}{2} \%$ War Bonds, which are to be redeemed in July and August, is not converted into whatever securities are made available in their place, the Floating Debt may show a substantial further rise during the year.

Bank of England.-The process of expansion in the assets and liabilities of the Bank of England, which has been continuous since 1939 (and indeed, at a lower rate, since 1932) seems to have been definitely checked at the level reached last autumn, though as yet there is no perceptible decline.

Clearing Banks.-There was a further fall of about $£ 60 \mathrm{Mn}$. in the net deposits of the nine clearing banks (excluding the District and National) during the first quarter of 1946, but more than half of this was due to the disappearance of the abnormal cash reserves shown (as usual) at the end of December. The remainder of the fall was more than accounted for by a further decline of $£ 75 \mathrm{Mn}$. in Treasury Deposit Receipts. Advances continued their gradual expansion with an increase of $£ 37 \mathrm{Mn}$. for the quarter, as compared with $£ 47 \mathrm{Mn}$. in the last quarter of 1945, while smaller increases were shown in Discounts and in Investments.

NINE CLEARING BANKS.


As it seems unlikely that the Treasury's floating debt will be reduced during the coming year, and that it is very possible that it may increase further, it is doubtful whether the banks will continue to be able to offset their rising Advances by reductions in their holdings of Treasury liabilities. If they cannot, the rise in Deposits will be resumed, with a consequent further increase in the pressure on the controls, by which alone open inflation is being held at bay.

Security Prices.-The rise in prices of fixed interest securities was checked early in February, and prices fluctuated within narrow limits until the Budget, when the announcement
of the reduction in yield from $3 \%$ to $2 \frac{1}{2} \%$ for Defence Bonds issued after May 1st, together with advance notice of the redemption in August of $£ 493 \mathrm{Mn}$. of $2 \frac{1}{2} \%$ National War Bonds, 1946-48, and the indication that no substantial funding of the Floating Debt will be undertaken in the near future, brought a further rise. Our mid-April index, at $139 \cdot 0$ was the highest recorded since 1935.

Until the Budget prices of industrial securities had fluctuated below the best levels of last year, but the announcement of the discontinuance of the Excess Profits Tax as from the end of the year, without immediate replacement, brought a sharp rise, and our mid-April index rose to 165, its highest point since 1937.

New Capital Issues.-Issues of new capital, as compiled by the Midland Bank, totalled $£ 17.5 \mathrm{Mn}$. for the first quarter of 1946 , as compared with $£ 9.1 \mathrm{Mn}$. for the last quarter of 1945 and $£ 20.5 \mathrm{Mn}$. for the whole year. They are still, however, well under half the average for the years before the war.

The Budget.-The biggest surprise provided by the estimates of the 1946-47 Budget, introduced on April 9th, was the buoyancy of the forecasts of revenue. Despite remissions of tax estimated to cost $£ 283 \mathrm{Mn}$. for the year under the October Budget and a further $£ 34 \mathrm{Mn}$. under the present Budget, the yield of income tax is estimated at $£ 1,110,000 \mathrm{Mn}$. or only $£_{2} 251 \mathrm{Mn}$. less than the total collected last year. There is a fall of $£ 140 \mathrm{Mn}$. expected in the yield of E.P.T. (not due to the lower rate of tax, which will not affect revenue until next year), but the yield of practically all other taxes is expected to increase. In addition, anticipated receipts of $£ 200 \mathrm{Mn}$. from sale of surplus war stores, etc., are taken into revenue account. Consequently, despite tax reductions in the two budgets estimated to cost the Treasury $£_{6} 316 \mathrm{Mn}$. during the year, total revenue, at $£ 3,161 \mathrm{Mn}$., is expected to amount to only $£ 123 \mathrm{Mn}$. less than in 1945-46. As Ordinary expenditure (excluding war damage payments and refund of E.P.T. and of post-war credits) is estimated at $£ 3,887 \mathrm{Mn}$., as compared with $£ 5,484 \mathrm{Mn}$. last year, the estimated deficit for the year is reduced from $£ 2,200 \mathrm{Mn}$. to $£ 726 \mathrm{Mn}$. The bulk of this will presumably be covered by the amounts we shall have to borrow abroad to cover our estimated adverse balance of payments.

The estimates of revenue appear to indicate that the Treasury expect that the national money income will be at least fully maintained during the coming year. With a highly pro-
gressive system of direct taxation, such as we have at present, Treasury receipts are extremely sensitive to changes in national money income. With a given tax scale, a fall in money incomes, even if accompanied by a corresponding fall in prices, brings a more than proportional fall in liability to tax. Thus there is a decline in the Treasury's share of an unchanged national real income. Conversely, a rise in money incomes, without a rise in real incomes, gives the Treasury an increased share of the national real income. Whilst this provides a certain automatic safeguard against inflation, it is easy to see why the Treasury would view with apprehension any fall in money incomes and prices, and perhaps, therefore, why no effort is at present to be made to reduce the excessive quantity of money now in circulation.


## PRICES

By K. C. Smith

Wholesale.-In the first quarter of 1946 the Board of Trade general index of wholesale prices was $1 \frac{1}{2} \%$ higher than in the preceding quarter, $2 \frac{1}{2} \%$ higher than in the first quarter of 1945, and $75 \%$ above the August, 1939, level.


The annual average for the food and tobacco group was the same in 1945 as in 1944, but, in contrast with 1944, the monthly figures were rising during 1945. In 1946 there were changes in wheat prices, but these were principally due to adjustments of millers' prices on account of increased extraction rates.

The annual index for the materials group, which had advanced by about $3 \%$ in 1942, in 1943, and in 1944, showed little change from May to December, 1945, but jumped in January, 1946, mainly owing to a general rise (the first since 1940) of $8 \%$ in the iron and steel group, which was due to withdrawal of subsidies at the end of 1945. During the first four months of 1946 there have been substantial increases in non-ferrous metals-copper, lead, zinc, export tin ; in the absence of a free market internal prices of copper and tin have been below current cost. In consequence of the government contract for supplies from Canada, the price for virgin aluminium has been lowered by $20 \%$. Increases were recorded for cotton yarns, jute, hides, but in February paper-making materials fell $10-12 \%$, in March raw rubber fell $11 \%$. The Statist refers to higher prices for timber and lower prices for petroleum.

The announcement in March of the government's decision not to permit the reopening of the Liverpool market in cotton futures has met with considerable criticism.

Agricultural.-Since the middle of 1945 the Ministry of Agriculture's monthly index of agricultural prices has been about $5 \%$ higher than a year before and the average about $95 \%$ higher than in 1938/9. The increase since
last year was greater for livestock products than for cereals, etc. In March, 1946, guaranteed prices were announced for crops, livestock and milk in 1947, and minimum prices for the next three years. The 1947 prices include increases for wheat, oats, sugar beet, potatoes, and also for cattle and sheep, pigs, eggs and milk.

Import \& Export Prices.-The Board of Trade has begun to publish ${ }^{\star}$ monthly index numbers of import and export prices from January, 1945, on 1938 as base and weighted according to the expected relative importance of the various groups in 1946 trade. These series are to be continued to December next, but in January, 1947, new series, running from January, 1946, to December, 1947, will be calculated, using estimated 1947 weights, and so on in subsequent years. (Similar series were compiled, but not published, prior to 1946.) The series are based upon average prices for certain selected representative items in the Trade Returns for which sufficiently detailed quantity and value figures are available in 1938 and currently. Thus the series for each of the twoyear periods measure price movements, but comparisons involving the use of the successive overlapping series are influenced by the contents of the total of goods traded each year.

The index for all imports stood at 195/6\% of 1938 for January to April of 1945, 197/9 for May to December, and 200 in January/ February, 1946. But whereas that for the food group rose from 186 in the first half of the year to 196 during the fourth quarter after the cessation of lease-lend (change to full c.i.f. valuation) and to 200 in February, 1946, the raw materials index declined $2 \%$ to 219 and the manufactures group $7 \%$ to 175 , in the year. The export total index ranged between 181 and 184 from January to October, 1945, and rose to 191 in February, 1946. In the predominant group, manufactures, metal goods were from June to October some $3 \%$ lower than at the beginning and end of the year; the index rose from 171 in December to 180 in February. The Textile group showed an upward trend from 224 in January, 1945, to 239 in February, 1946. Other manufactures were very slightly higher from September to January than in the first half of 1945, but fell in February, 1946.

[^8]Retail. - The only noticeable change between December 1, 1945, and March 1, 1946, in the items included in the official cost of living index has been a small seasonal rise in potatoes. Fish prices have been reduced in April $\left(\frac{1}{2} \mathrm{~d} . \mathrm{lb}\right.$. for cod, 2 d . to 4 d . for expensive varieties).

To reduce wheat consumption, the legal weight of the loaf is to be reduced after May 5 th by $12 \frac{1}{2} \%$ without any corresponding change in price, and the resulting increase per pound of bread is to be compensated in the cost of living index (from June Ist) by reductions in potatoes and butter.


Among foods not included in the index number there are higher prices for coffee, sausages, Danish cheese. Oranges, lemons, bananas, tomatoes are over double their predominant pre-war levels; the effective prices of green vegetables sold by weight are still very high -e.g., watercress $3 /-\mathrm{lb}$., cauliflowers $2 /-$ each.
Higher contract prices for government purchases of foodstuffs overseas are announced, e.g., tea, coffee, meat, canned salmon, etc. Subsidies for the maintenance of the general price level, which were at the rate of $£ 250 \mathrm{Mn}$. per annum before the cessation of lease-lend, are officially estimated to reach a minimum of $£ 335 \mathrm{Mn}$. for 1946/7.

The Budget provided for the reduction or remission of purchase tax in respect of certain domestic goods, but increased prices for utility clothing are forecast.

# WAGES AND EARNINGS AND HOURS OF WORK 

By A. L. Bowley

From January to April this year there have been increases of 6 s . weekly for engineers (fitters and labourers) and shipbuilders, 6 s . or 7 s . for road transport workers and 10s. for mule-spinners. Nearly every industry included in our index shows an increase during the past 12 months, the pressure for increments being due to the reduction in earnings as the wartime facilities for high piece-rates and overtime diminished. Weekly hours of work in agriculture are to be 48 throughout the year, instead of 50 or more in the summer and 48 or more in the winter. It is recommended to the County Committees that the minimum wage shall be raised from 70s. to 80 s. in July ; this will raise our index by about $1 \%$.

TABLE I.
CHANGES IN WAGE RATES.

|  | $1943$ <br> March | 1944 <br> March | 1945 <br> March | 1946 Jan. | 1946 Apr. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Bricklayers | 118 | 123 | 128 | 153 | 153 |
| ", Labourers | 123 | 128 | 136 | 163 | 163 |
| Printers \& |  |  |  |  |  |
| Compositors Dock Labourers | 115 | 125 | 125 | 137 | 145 |
| Dock Labourers | 115 | 129 | 135 | 141 | 150 |
| Labourers | 138 | 138 | 146 | 154 | 166 |
| Shipbuilders... | 140 | 140 | 147 | 156 | 167 |
| Railwaymen... | 127 | 134 | 141 | 156 | 156 |
| Cotton | 147 | 156 | 156 | 172 | 182 |
| Wool. | 138 | 146 | 146 | 158 | 158 |
| Local Authorities | 126 | 132 | 140 | 154 | 155 |
| Trams ... | 124 | 131 | 139 | 139 | 150 |
| Lorry Drivers | 122 | 126 | 130 | 135 | 144 |
| Boots... | 121 | 132 | 137 | 163 | 163 |
| Confectionery | 141 | 149 | 159 | 169 | 169 |
| Tailoring . | 137 | 137 | 153 | 153 | 153 |
| Shirts... | 137 | 137 | 153 | 153 | 153 |
| Tobacco | 122 | 128 | 130 | 131 | 131 |
| Coal $\dagger$... | 163 | 176 | 195 | 203 | 203 |
| Agriculture | 173 | 187 | 201 | 201 | 201 |
| Weighted Average | 135 | 141 | 148 | 160 | 164 |
| Cost of Living Index | 128 | 129 | 130 | 131 | 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. Provisional from March, 1945.
The Monthly Digest of Statistics publishes the index-number of wage-rates for " all industries for which information is available," which hitherto has appeared in foot-notes in the Ministry of Labour Gazette's reports on earnings. It is explained in the supplementary paper on Definitions that the percentages for the different industries are combined into a general average by taking account of "the relative numbers employed in the various industries and occupations in 1939." Such an index should employ as weights not the numbers only but also the
wages, that is, the relative importance of the wage-bill in each occupation to the total wagebill. This was the method employed by Mr. Ramsbottom (R.S.S. Journal, 1935, p. 670), and it seems probable that it is the one used by the Ministry of Labour. It is also used in our Bulletin index. Comparison of the two indices is made in the following Table.

TABLE II.
INDEX NUMBERS OF WAGE-RATES.
Sept. $1939=100$.

|  | Yearly | y Avera | es |  | Yearly | verages |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Digest | $t$ Bull |  |  | Digest | Bulletin |
| 1940 | 111.5 | 110 |  | 43 | 135.5 | 135. |
| 1941 | 121.5 | 120 |  | 44 | 142.5 | 144. |
| 1942 | 130. | 128 |  | 45 | 149. | 151 直. |
|  |  | MONT | Y FI | URES. |  |  |
|  | 194 |  |  | 45 |  | 46 |
|  | Digest | Bulletin | Digest | Bulletin | Diges | Bulletin |
| Jan. | 138.5 | 139. | 145.5 | 147. | 153. | 157.5 |
| Feb. | 139.5 | 140. | 145.5 | 147.5 | 157. | 160. |
| Mar. | 139.5 | 140. | 146. | 148. | 157.5 | 160. |
| April | 140. | 142. | 147.5 | 148.5 | 158. | 162.5 |
| May | 142. | 144. | 148.5 | 150. |  |  |
| June | 143. | 145. | 148.5 | 151.5 | - |  |
| July | 143. | 145. | 149. | 152.5 | - |  |
| Aug. | 143.5 | 145.5 | 150.5 | 154. | - |  |
| Sept. | 144. | 146. | 151. | 154.5 | - | - |
| Oct. | 144.5 | 146. | 151.5 | 154.5 | - |  |
| Nov. | 144.5 | 146.5 | 151.5 | 154.5 | - |  |
| Dec. | 145.5 | 147. | 152.5 | 155.5 | - |  |

The Digest's wage-rates apply to the end of the month previous to the one stated. Here 138.5 is written for $138-139$ in the Digest and similarly in other months.

The Bulletin index, in the form usually given, applies to the middle of the month, but here the figure for January 1944 is the average of those for mid-December and mid-January, as percentages of the average of mid-August and mid-September 1939, and so on throughout.

It will be seen that the two series agree closely up to March, 1944. Between that date and July 1945 the Digest shows an increase of $7 \%$, the Bulletin $9 \%$. In the spring of 1944 and the early summer of 1945 there were substantial advances in most industries, and a slight difference in weighting, together with the uncertainty of the changes in the cotton industry and coal-mining, is probably the cause of the discrepancy. These differences are less than those found from time to time in the usual index-numbers of wholesale prices, and the general consilience is as close as could be expected. No doubt the Digest index should be preferred since it is more broadly based; but it seems worth while to continue the Bulletin Index for the present, as it provides a continuous account
on a uniform basis from 1924, and in its detail shows the date and approximate size of changes for the more important industries

Earnings : July, 1945.-The customary half-yearly report on earnings and hours of work in the principal industries (excluding coal, railways and agriculture) shows little general change from the figures for January 1945 other than that due to an increase of basic wage-rates. The salient results are as follows :-

|  | TABLE III. | 1945 | 1945 |
| :---: | :---: | :---: | :---: |
| All Persons. | July | Jan. | July |
| Average weekly earnings | 96s. 8d. | 93s. 9d. | 96 s . 1d. |
| hours worked | 48.6 | 47.0 | 47.4 |
| ", hourly earnings | 23.9 d . | 23.9 d . | 24.9 d . |
| Wage rate index | 135.5 | 138.5 | 143.0 |

Thus the hourly earnings and the wage-rate index each increased about $4 \%$ from January to July, 1945. Hours and earnings were reduced in January, 1945, in outdoor industries. In other industries there was little change in hours in the six-months period.

The highest average earnings recorded were in July 1944 and the following Table shows the subsequent movement for industrial groups. Maximum hours occurred at an earlier date. Actually in July, 1945, average weekly hours for men were only 2 more than in October, 1938, while the average for youths and girls had fallenprobably because those over 18 years were fewer.

## TABLE IV

PERCENTAGE INCREASES OF AVERAGE WEEKLY EARNINGS, OVER OCTOBER, 1938. All Workers

| Industry Group | $\begin{aligned} & 1944 \\ & \text { July } \end{aligned}$ | $\begin{aligned} & 1945 \\ & \text { Jan. } \end{aligned}$ | $\begin{aligned} & 1945 \\ & \text { July } \end{aligned}$ |
| :---: | :---: | :---: | :---: |
| Mining (exc. coal), quarries... | 65 | 56* | 73 |
| Stone, cement, coke... ... | 67 | 62* | 74 |
| Brick, pottery, glass... ... | 69 | 67 | 74 |
| Chemicals, explosives engineering ai. | 70 | 68 | 75 |
| Textiles engineering, aircraft, ships | 85 | 78 | 82 |
| Leather, fur ... | 79 69 | 75 68 | 86 |
| Clothing ... | 68 | 67 | 76 |
| Food, drink, tobacco | 63 | 65 | 70 |
| Woodworking... | 60 | 53 | 65 |
| Printing, paper, etc. . | 49 | 48 | 52 |
| Building, contracting | 62 | 55* | 65 |
| Miscellaneous industries | 91 | 92 | 96 |
| Transport (exc. railways) | 59 | 55 | 61 |
| Public utilities | 42 | 48 | 49 |
| Government factories | 63 | 59 | 56 |
| Total All ... | 82 | 76 | 80 |
| W", Men only | 80 | 73 | 76 |
| Wage rates ... | $35 \frac{1}{2}$ | $38 \frac{1}{2}$ | 43 |
| Cost of Living Index | 30 | 30 | 33 |

Of the 76 points increase in men's earnings we can attribute approximately 6 or 7 to overtime, 6 or 7 to the more rapid numerical growth in the more highly paid industries, 19 or 20 to the development of piece work and upgrading within the industries and about 43 to the increase of basic wage rates.

The complaints and disputes resulting from loss of earnings do not come generally from the cessation of overtime, but rather from the diminu-
tion of special piece-rates and allowances, with rare cases of serious reduction of nightwork, etc.

At last we are told what were the proportions of men, women, youths and girls employed in 1938, and in 1945, and can compute the following Table.


The actual numbers employed in these industries is not stated, but the Tables on Man-Power (Ministry of Labour Gazette, August 1945, p. 126), which do not cover quite the same industries, indicate a fall in the total number of 5 or $6 \%$ from 1938 to 1945 . This suggests that the numbers of men, boys and girls fell respectively by about 7,35 and $40-50 \%$, while the number of women increased by about $30 \%$.

The Column A of Table V is obtained by applying the 1945 numbers for each of about 90 industries to the 1938 earnings, and answers the question, what would the earnings of these employees have been if they had been in the same occupations in 1938? In Column B the 1938 numbers are applied to the 1945 earnings and shows the change that would have occurred if the relative numbers by industry, sex and age had not changed.

Thus Column B, compared with actual average earnings in 1938, shows an increase of about $71 \%$ as compared with $80 \%$ in actual earnings; this indicates the loss of earnings due to the substitution of women for men, etc.

Column A shows that very little net change is found by the reverse process.

In more technical detail we have the following computation-

## TABLE VI.

Write N, n for the numbers in 1938 and 1945
Write W, w for the earnings respectively
Write :-

$$
\begin{gathered}
I=\frac{\int(n w)}{\int(n)} \div \frac{\int(N W)}{\int(N)}=\begin{array}{c}
\text { actual change of } \\
\text { average earnings }
\end{array} \\
R_{1}=\frac{\int(N w)}{\int(N W)} \text { and } R_{2}=\frac{\int(n w)}{\int(n W) \begin{array}{c}
\text { changes in } \\
\text { earnings } \\
\text { eliminating } \\
\text { changes in } \\
\text { numbers }
\end{array}} \\
P_{1}=\frac{\int(n W)}{\int(n)} \div \frac{\int(N W)}{\int(N)} \text { and } P_{2}=\frac{\int(n w)}{\int(n)} \frac{\int(N w)}{\int(N)}
\end{gathered}
$$

Then $I=R_{1} P_{2}=R_{2} P_{1}$

| We have |  |  |  |  | $\mathrm{P}_{2}$ | $\mathrm{P}_{2}$ |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | I | $\mathrm{P}_{1}$ | $\mathrm{R}_{1}$ |  |  |
| Men | $\ldots$ | 1.76 | 0.99 | 1.77 | 1.04 | 1.69 |
| Youths | $\ldots$ | 1.74 | 0.99 | 1.76 | 1.01 | 1.72 |
| Women | $\ldots$ | 1.94 | 1.02 | 1.89 | 1.08 | 1.80 |
| Girls | $\ldots$ | 1.90 | 1.11 | 1.70 | 1.01 | 1.88 |
|  | All $\ldots$ | $\ldots$ | 1.80 | 1.01 | 1.79 | 1.05 |

The notation is that used in the Economic fournal, 1928, pp. 255-7, and in Wages and Income since 1860, Appendix B. There it is shown that if $\mathrm{P}_{2}$ is greater than 1 , an increase in relative numbers is associated with high wages at the later date, which is the case here especially for women. Further, if $R_{2}$ is greater than $R$, increase in relative numbers is associated with wages risen more than the average ; this is the case especially for men and women, less for boys, and is strongly reversed for girls.

It is to be remembered that agriculture railways and coal-mining are excluded from this general account, and docks are under-represented

Supplementary information is given for these industries (except agriculture). For Railways, see our Bulletin, October, 1945, p. 78. Average earnings for men on the "Conciliation staff" increased from 107s. 3d. in March, 1944, to 111s. 3d. in March 1945. For Dock Labourers, see our Bulletin, July 1945, p. 55. Average weekly earnings in the reserve pools were :$\begin{array}{ccccc} & 1942 & 1943 & 1944 & 1945 \\ \text { July-Sept. } & 127 \mathrm{~s}, 6 \mathrm{~d} . & 153 \mathrm{~s}, 10 \mathrm{~d}, & 161 \mathrm{~s}, 8 \mathrm{~d}, & 139 \mathrm{~s}, 8 \mathrm{~d},\end{array}$

Corrigenda.-Bulletin, October, 1945, p. 80. Table line B. January, 1945, read 64 for 62 . Page 81, first column, 10th line from bottom, read January for July.

## EXTERNAL TRADE

THE returns of foreign trade in recent months show British exports expanding in a very encouraging fashion. The figures for the first quarter of this year are largely free from the disturbing factors which affected any interpretation of the figures for the last quarter of 1945 . Relief shipments are now of small importance and there are no irregularities comparable to those introduced by the dock strike. In Table I. exports of British goods of different categories in the first quarter of 1946 are compared with similar figures for the corresponding quarters of 1945 and 1938.

TABLE 1.
EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM. (£Mn.).

|  | lst Quarter |  |  |
| :---: | :---: | :---: | :---: |
|  | 1938 | 1945 | 1946 |
| Food, Drink and Tobacco ... | 8.59 | 6.69 | 15-36 |
| Raw Materials and Articles Mainly Unmanufactured |  |  |  |
| Coal ... | 8.83 | 1-10 | $2 \cdot 56$ |
| Other | 5•02 | $1 \cdot 63$ | $5 \cdot 58$ |
| Articles Wholly or Mainly Manufactured |  |  |  |
| Metals and Engineering Products | 45.70 | 21.99 | 74.39 |
| Textiles and Clothing | 29.57 | 21.77 | 39.50 |
| Chemicals, Oils, etc. | $6 \cdot 98$ | 7.61 | 17.05 |
| All others ....... ... | $13 \cdot 60$ | 7.95 | 21.40 |
| Animals not for Food and Parcel Post | 2.58 | 4.30 | 8.33 |
| Total | 120.87 | 73.04 | 184-17 |
| Total Volume Index <br> (1938 Average $=100$ ) $\ldots$ | 101 | 34 | 81 |

In comparison with 1938 each category given here has risen, in some cases substantially, with the significant exception of coal which is less than 30 per cent. of the 1938 figure. Many of these increases are due to price changes, the index of export prices standing in February, 1946, at 91 per cent. above the level of 1938. The final row of the table shows that compared with last year the volume of exports has also been substantial and that after correction for price changes British exports are back to about fourfifths of the level in the corresponding period of 1938.

The very different movement of retained imports is brought out in Table II.

TABLE II.
IMPORTS RETAINED IN THE UNITED KINGDOM (£Mn.)

|  | 1st Quarter |  |  |
| :---: | :---: | :---: | :---: |
|  | 1938 | 1945 | 1946 |
| Food, Drink and Tobacco... | 106.28 | $120 \cdot 34$ | $135 \cdot 36$ |
| Raw Materials and Articles Mainly Unmanufactured... | 72-21 | $61 \cdot 60$ | 74-11 |
| Articles Mainly or Wholly Manufactured | $65 \cdot 19$ | $90 \cdot 50$ | $48 \cdot 76$ |
| Animals not for Food and Parcel Post | $1 \cdot 63$ | $5 \cdot 22$ | $7 \cdot 77$ |
| Total... | 245-29 | $277 \cdot 66$ | $265 \cdot 99$ |
| Total Volume Index $(1938 \text { Average }=100)$ | 102 | 69 | 63 |

So far from there being any striking increase in the last year there is a small fall in the total, both by value and volume. This position is
brought about by a fall in the imports of articles wholly or mainly manufactured (mainly of oils and of metals and engineering products which were imported a year ago for war purposes), which was more than sufficient to offset the rises in all other categories. The volume of imports is not much above 60 per cent. of the level in the corresponding quarter of 1938 and is nearly 9 per cent. lower than in the corresponding quarter of 1945.

A comparison is made in Table III on a percentage basis of the sources of imports and the destination of exports now and before the war. The distribution in the first two months of 1946 are related for broad groups of countries to similar figures for the first quarter of 1938.

TABLE III.
SOURCES OF IMPORTS INTO AND DESTINATIONS OF EXPORTS FROM THE UNITED KINGDOM. (percentages).

|  | Imports |  | Exports |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Ist. Qr 1938 | Jan. \& Feb. 1946 | 1st Qr. 1938 | Jan. \& Feb. 1946 |
| North America ... ... | $23 \cdot 2$ 。 | $37 \cdot 1$ | $8 \cdot 7$ | $7 \cdot 9$ |
| South \& Central America | $11 \cdot 1$ | $12 \cdot 7$ | $9 \cdot 8$ | $7 \cdot 4$ |
| Europe ... ... ... | $30 \cdot 4$ | $15 \cdot 9$ | $35 \cdot 7$ | $36 \cdot 1$ |
| Asia ... | 13.5 | $12 \cdot 4$ | $17 \cdot 4$ | $18 \cdot 3$ |
| Australasia | 14.0 | $12 \cdot 6$ | $12 \cdot 9$ | $9 \cdot 3$ |
| Africa . | 7.8 | $9 \cdot 3$ | $15 \cdot 5$ | 21.0 |
| Total | $100 \cdot 0$ | $100 \cdot 0$ | $100 \cdot 0$ | $100 \cdot 0$ |

On the import side the significant change is that the decline in the imports previously coming from Europe is now almost exactly made good from North America. Exports to Europe on the other hand form almost the same proportion of total exports as before the war. In general the changes in the distribution of exports are small, the principal features being that Australasia is taking a smaller and Africa a larger percentage than previously.

Estimates are now available each month of the numbers employed in all manufacturing industries on orders for export. It is interesting to compare these figures with the exports of manufactures, as it is to be expected that the employment figures would precede the export figures and thus throw some light on the ruture course
of exports. The difficulty of determining the length of the lag involved arises from the fact that the employment series is new and that while it has been in existence its course has shown an uninterrupted rise. A figure is however available for June 1943 and a comparison is therefore made in Table IV in which employment for June 1943 and exports for the average of the year 1943 are each put equal to 100 . This procedure, though rough, can be justified by the fact that exports showed little change in 1943, and further that this base is so recent that changes in output per head, which would affect the comparison, can hardly be important compared with the striking change in employment and exports.

TABLE IV.
MANUFACTURING INDUSTRIES.
Employment and Volume of Exports.

| Manufacturing Employment on orders for Export. |  |  | Exports of British articles wholly or mainly manufactured. |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1943 | June | 100 | 1943 | Qrly. Av. |  | 100 |
| 1945 | May |  | 1945 | 2nd. Qr. |  | 140 |
|  | June | 167 |  | 2nd. Qr. |  | 140 |
|  | Aug. | 203 |  | 3rd Qr. |  | 149 |
|  | Oct. | 288 321 |  | 4th Qr. |  |  |
|  | Dec. | 359 |  | 4 h Qr. |  | 168 |
| 1946 | Jan. | 386 |  |  |  |  |
|  | Feb. | 416 | 1946 | 1st. Qr. |  | 289 |

This comparison is extremely rough but seems to indicate a lag of exports behind employment of some four to five months. This conclusion appears reasonable on a priori grounds. Working on this basis the index of the volume of manufactured exports on the base of $1938=100$ may stand in the second quarter of 1946 at about 120 compared with 91 in the first quarter. With export prices say, 95 per cent. above the 1938 level (February, 91 per cent. above) the value of manufactured exports for the second quarter would reach a figure in the neighbourhood of $£ 205 \mathrm{Mn}$., and total exports perhaps $£ 235 \mathrm{Mn}$. If we may assume that for the remainder of the year supply continues to be the dominant factor in determining the level of exports, it seems likely that visible trade will contribute much less to the adverse balance in 1946 than could have been anticipated at the beginning of the year.

## RETAIL TRADE

The official index numbers of the value of retail sales showed record seasonally-high figures for December 1945, followed by the usual reaction in January and recovery in February and March. From November to January the total index was more than $10 \%$ higher than a year earlier.

The index for food and perishables advanced $10 \%$ between September 1945 and March 1946, largely owing to the increased number of civilian consumers.

The index for household goods, which in the year 1944 averaged $87(\%$ of 1942), rose rapidly from the spring of 1945 to 143 in November, 177 in December, and after a fall in January had risen to 162 by March 1946.

Sales of apparel are influenced by the issue of demobilisation coupons, but are dominated by the dates of release of civilian coupons; consequently the figures for the first quarter of 1946 were relatively low though increasing. For the period May 1st-Sept. 1st, new coupons (valid from April 8th) are to be issued at rate of 42 per annum, as compared with 36 previously, and will probably be increased to 52 after September 1st.

It is reported that whereas retailers' stocks of non-food products declined almost continuously from July 1943 to December 1945, the restocking of depleted shops appears to have begun early in 1946.

## EMPLOYMENT

By R. G. D. Allen

The continuing decline in the total working population is mainly the result of the retirement of women from industry and from the Forces. There has been a fairly steady decline of 100,000 per month in the female labour force for some months past and, in February, there were 750,000 fewer women in the working population than in the middle of 1945, before VJ Day. The trend is likely to continue for some months at least. In February, the working population still included 875,000 more women, and industrial employment 700,000 more women, than before the war. Attempts to persuade women to remain at work have to overcome strong tendencies the other way, e.g., the desire of wives to rejoin their husbands when the latter are released from the Forces.

| Employed in Industry |  | Mid. 1945 | 1945 |  | 1946 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Sept. | Dec. | Jan. | Feb. |
|  |  |  |  |  |  |  |
| Men... | 13,086 |  | 9,984 | 9,980 | 10,269 | 10,496 | 10,708 |
| Women | 4,837 | 6,223 | 6,001 | 5,699 | 5,619 | 5,537 |
| Total | 17,923 | 16,207 | 15,981 | 15,968 | 16,115 |  |
| Armed Forces | 477 | 5,092 | 4,783 | 3,859 | 3,438 | 16,123 |
| Civil Defence ... | 80 | 127 | 113 | 107 | -97 | , |
| Ex-members of armed forces not yet employed |  | 40 | 285 | 107 750 | 8 858 | 875 |
| Registered un |  |  |  | 750 | 858 | 87 |
| employed | 1,270 | 103 | 173 | 285 | 329 | 356 |
| Total working population* of which : | 19,750 | 21,569 | 21,335 | 20,969 | 20,837 | 20,695 |
| Men... | 14,656 | 14,846 | 14,834 | 14,794 |  |  |
| Women | 5,094 | 6,723 | 6,501 | 6,175 | $6,070$ | $5,969$ |

Amongst men, the main factor is the rate of re-absorption of those released from the Armed Forces. The number of ex-Service men not re-employed in industry in February exceeded releases from the Forces in the two preceding months. The time-lag between release and employment in industry would then appear to average two months at least. The peak rate of release from the Forces occurred in December and January-about 400,000 in each monthand the main increase in employment in industry is to be expected after the count of February. The March figure for men in industry may be nearly 400,000 above that of February. Allowing for a fall in female employment, we can put total employment in industry at, or a little above, $16 \frac{1}{2} \mathrm{Mn}$. in March and $16 \frac{3}{4} \mathrm{Mn}$. or more in April. This represents a considerable gain since the low point of under 16 Mn . last October, but it is still far short of the pre-war level of employment of nearly 18 Mn . The figure of employment in industry includes those at work on production for the Forces ; it is not possible to estimate their number at all closely but it would appear that they fell below the pre-war figure of $1,270,000$ for the first time in March. In view of the amount of military equipment on hand, additional large transfers from the military to the civilian sector can and should still be made.

Estimates of the numbers engaged on production for export, as published in the Monthly Digest of Statistics, are as follows :


* Of insurable age, excluding non-manual workers earning over $£ 420$ per annum.

Though the rate of expansion of manufacturing employment on exports was tending to slow up, the number passed the mid-1939 level in January, and was over $1,000,000$ in February. A lag of roughly four months between increases in employment and in exports seems probable ; employment on exports increased by $58 \%$ between August and November
whereas exports rose by $54 \%$, including a small price increase, between December and March. On this basis, exports may rise by more than one-quarter between March and June. The mid-year rate of exports, at present prices, may be around $£ 85 \mathrm{Mn}$. per month or at least $10 \%$ above the 1938 level.

| Weekly Averages = £000's. Benefits |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 | 1946 |
| 1126 | 784 | 320 | 91 | 56 | 49 | 100 | 447 |
| 781 | 383 | 160 | 68 | 53 | 47 | 93 |  |
| 617 | 389 | 112 | 66 | 48 | 46 | 138 |  |
| 699 | 432 | 83 | 61 | 50 | $79+$ | 304 |  |
| Employees' Contributions |  |  |  |  |  |  |  |
| 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 | 1946 |
| 408 | 409 | 483 | 493 | 479 | 455 | 447 | + 452 |
| 421 | 437 | 485 | 495 | 469 | 465 | 447 | 452 |
| 474 | 414* | 485 | 490 | 463 | 464 | $427 \ddagger$ |  |
| 417 | 455 | 486 | 481 | 455 | 426 | $415{ }^{\text {+ }}$ |  |

* 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


# THE NATIONAL INCOME IN 1945: TRANSITION FROM WAR TO PEACE 

By T. Barna

After the issue of last year's official estimates of the national income it was concluded that the wartime rise of national output slowed down in 1944 and that a peak output would probably be reached in that year. ${ }^{1}$ The latest set of official estimates, ${ }^{2}$ by revising the figures for earlier years, make it even more certain that output in 1944 exceeded that in 1943 ; it is also more than probable that national output in 1945 fell slightly below its wartime peak.

With the coming of peace the official estimates appear under a new title but with the contents substantially unchanged. A welcome addition is the amount of wages and salaries paid by government non-trading undertakings (item 20) ${ }^{3}$ which

[^9]makes it possible to analyse the distributive shares of industry more closely. From net national income one can deduct net income from abroad and the net rent of dwellings and non-profit-making bodies as being non-labour-produced incomes, and by excluding the pay of the armed forces and government servants in nontrading undertakings and interest on loans secured against rates, as being the approximate value of government net output apart from government trading, arrive at the value of output of industry (in the broad sense), including government trading undertakings. This can be divided into rent, interest and profits ${ }^{4}$; salaries ; and wages.

[^10]TABLE 1.

|  | NET NATIONAL INCOME. |  |  | (£Mn.) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 |
|  | 1,237 | 1,395 | 1,755 | 2,058 | 2,281 | 2,409 | 2,446 | 2,415 |
| Rent, interest and profits | 880 | 876 | 926 | 1,012 | 1,006 | 1,045 | 1,083 | 1,170 |
| Wages | 1,705 | 1,780 | 2,015 | 2,264 | 2,523 | 2,650 | 2,690 | 2,640 |
| Industry total | 3,822 | 4,051 | 4,696 | 5,334 | 5,810 | 6,104 | 6,219 | 6,225 |
| Government | 348 | 464 | 786 | 1,117 | 1,365 | 1,599 | 1,777 | 1,863 |
| Foreign income and dwellings | 440 | 445 | 440 | 435 | 425 | 415 | 405 | 395 |
| Net national income | 4,610 | 4,960 | 5,922 | 6,886 | 7,600 | 8,118 | 8,401 | 8,483 |

et national income $\ldots . .$.
NOTE :-Profits are not corrected for the valuation of paid by the government have been deducted from salaries and from wages ance for evasion of tax assessment. W ages and salaries paid ry the interest and profits. The net rent of dwellings was taken as more or less constant at $£ 220-30 \mathrm{Mn}$. (including mortgage interest). Estimated net income from abroad was falling from $£ 220 \mathrm{Mn}$. in 1938 to $£ 165 \mathrm{Mn}$, in 1945 . Interest on loans secured against rates was taken as constant at $£ 20 \mathrm{Mn}$.

According to Table 1 the value of output of industry was the same in 1945 as in 1944. But consumption prices have shown an increase of $2 \%$ from one year to the other (see below) and, taking this percentage as relevant for the whole output of industry, the volume of output must have been about $2 \%$ less in 1945 than in 1944. This compares favourably with the decline in employment which, on the basis of unemployment insurance fund receipts, must have been about $3 \%$. As average weekly hours fell at the same time, there can be no justification for statements that hourly output has fallen as the peak of war production was passed.

Output in direct government employment (excluding government trading) can most conveniently be measured with reference to numbers employed. The annual average numbers employed in the armed forces, civil defence and government non-trading undertakings fell from 6.6 million in 1944 to 6.3 million in 1945. Hence over the whole field net national output can have fallen by about 3\% between the two years. The rise of $£ 80 \mathrm{Mn}$. in money incomes was due to the better pay of the armed forces, representing an increase in pay per head of over $10 \%$.

We ought to know more about the composition of this item ; but in any case it should be obvious that the wartime squeeze was due to the concentration of distribution. It is less obvious why the entire saving in salaries went into profits. Here we have a hotch-potch item comprising everything, from the earnings of hawkers to the profits of I.C.I. and the Post Office, and economic analysis is becoming difficult without a breakdown of this vast sum, especially as the new Inland Revenue Reports also lack the usual pre-war information. For the first time since 1938 there was a decline of about $2 \%$ in the national wage-bill, and the same decline in profits. The latter was exactly matched by an equal decline in E.P.T. There was, however, a sharp rise in salaries probably restoring the pre-war relationship of salary and wage rates.

Turning to the way in which the national income was spent one is handicapped by the treatment of various terminal charges arising from the war. During 1945 certain payments were made which must have been expected during the war, though their exact amount could not have been foreseen. It might be more in accordance with the principles of social account-

TABLE 2.
THE DISTRIBUTIVE SHARES OF THE OUTPUT OF INDUSTRY. (Percentages)

|  |  |  | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Rent, interest and profits |  |  | $32 \cdot 4$ | $34 \cdot 4$ | $37 \cdot 4$ | $38 \cdot 6$ | $39 \cdot 3$ | $39 \cdot 5$ | $39 \cdot 3$ | 38.8 |
| Salaries |  |  | $23 \cdot 0$ | $21 \cdot 6$ | $19 \cdot 7$ | $19 \cdot 0$ | $17 \cdot 3$ | $17 \cdot 1$ | $17 \cdot 4$ | 18.8 |
| Wages ... | ... | ... | $44 \cdot 6$ | $43 \cdot 9$ | $42 \cdot 9$ | $42 \cdot 4$ | $43 \cdot 4$ | $43 \cdot 4$ | $43 \cdot 3$ | $42 \cdot 4$ |
| TOTAL |  |  | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Table 2 shows the distributive shares of the output of industry, defined as in Table 1. It can be seen that since 1938 the share of wages has been falling somewhat. At the same time salaries have been squeezed, and it seems that the loss in the share of salaries was wholly captured by profits. The deep-point in the share of salaries was reached in 1943, but the climb since then has not been sharp and in 1945 salaries were considerably below, and profits above, their pre-war share. Salaries represent a heterogeneous item comprising the pay of shop-assistants, clerks, and company directors.
ing to correct the wartime estimates rather than to allocate the whole amount to the terminal year. Thus terminal pay (demobilisation leave pay and gratuities) to the armed forces might be included in the income of the war years, in much the same way as the deferred pay (post-war credits) of the civilian labour force, instead of being regarded as transfer expenditure in 1945. But the most conspicuous example concerns the allocation of $£ 161 \mathrm{Mn}$. lease-lend terminal charges to 1945 instead of spreading the sum over the years of lease-lend operation. As a consequence of this, the adverse balance of payments in 1945 is unduly
exaggerated, and the fall in government expenditure is not sufficiently reflected. In table 3, showing components of national expenditure at factor cost ${ }^{5}$, lease-lend terminal charges in 1945 have been entirely ignored. ${ }^{6}$

For the first time since 1938, there was a distinct fall in public expenditure on current goods and services, as was forecast in the Budget estimates of last year. Ignoring lease-lend settlement, the balance of payments was constant over the last four years. Disinvestment at home, however, disappeared. How far this was due to investment in fixed capital or to re-stocking is not known. In any case this item, derived as a residue, is subject to considerable margins of
bound by implication to throw some light on the distribution of the product of agriculture between persons.

The estimates of personal consumption are published in great detail. ${ }^{8}$ Expenditure on consumption continued to rise in 1945, as shown in table 4 . $36 \%$ more was spent than in 1938, a rise of $6 \%$ on the previous year. Allowing for the effect of commodity taxes and subsidies, the rise of expenditure at factor cost was $27 \%$ over 1938, 7\% above the previous year. The rising amount of expenditure was able to secure a rising volume of goods. The volume of consumption rose by $4 \%$ on the previous year's volume, having risen by about $10 \%$ on the low point reached in

TABLE 3.

| Personal consumption | THE NATIONAL EXPENDITURE. (£Mn.) |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 |  |
|  | Public current non-war expenditure on goods and services |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Investment at home | 284 | 324 | 483 -148 | 508 -362 | 531 -266 | 532 -292 | 544 | 578 |
| Investment abroad ... .... | $-70$ | 324 -250 | -148 -804 | -362 -816 | -266 -663 | -292 -680 | -315 | $-5$ |
| War expenditure, other than Forces' pay |  |  |  |  |  |  |  |  |
| Pay of Forces ... .. | $\begin{array}{r}78 \\ \hline\end{array}$ | 630 124 | 2,209 $\mathbf{3 8 6}$ | 3,095 622 | 3,183 | 3,553 | 3,379 | 2,758 |
|  |  |  |  | 622 | 805 | 999 | 1,167 | 1,228 |
| Net national expenditure | 4,610 | 4,960 | 5,922 | 6,886 | 7,600 | 8,118 | 8,401 | 8,483 |
| Total war expenditure | 338 | 754 | 2,595 |  |  |  |  |  |
| Total public current expenditure on | 338 | 754 | 2,595 | 3,717 | 3,988 | 4,552 | 4,546 | 3,986 |
| goods and services | 794 | 1,227 | 3,078 | 4,225 | 4,519 | 5,084 | 5,090 | 4,564 |

error. Disinvestment of capital (home and abroad) was $8 \%$ of the national income, the lowest in the war years. War expenditure consumed $47 \%$ of the national income, falling from the peak $56 \%$ in 1943, and from $54 \%$ in 1944. Within that proportion the percentage for the pay of the armed forces was rising. Owing to lower average net output in the armed forces than in industry, these percentages would be higher in terms of real resources, though the gap was narrowing. Average net output was about $£ 340$ in 1945 , but only $£ 250$ in the armed forces.

No figures are compiled showing the distribution of the national income between industries. But according to the recent estimates of the net output of agriculture ${ }^{7}$, it seems that in the last year or two net output per head in agriculture was the same or slightly larger than the average of other industries, excluding the armed forces. This must be an historic event, and it is also

[^11]1942-3. It was, however, still $14 \%$ below the pre-war level.

The average prices of consumption goods and services rose slightly during the year, market prices by just over $1 \%$, and factor cost prices by $2 \% .^{9}$ Although the relative change in import prices during the year was about the same, the possible greater volume of imports entering into consumption (the prices of which have risen TABLE 4.
PERSONAL CONSUMPTION, (Index Numbers).

|  |  | Value |  | Volume | Prices |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Market | Factor |  | Market | Factor |
|  |  | prices. <br> (1) | cost. | (3) | prices. | cost. |
| 1938 |  | 100 | 100 | 100 | 100 | 100 |
| 1939 | $\cdots$ | 103 | 102 | 100 | 103 | 102 |
| 1940 | $\ldots$ | 108 | 105 | 90 | 120 | 117 |
| 1941 |  | 114 | 107 | 83 | 136 | 128 |
| 1942 |  | 120 | 111 | 82 | 146 | 135 |
| 1943 |  | 122 | 111 | 79 | 155 | 141 |
| 1944 |  | 128 | 119 | 83 | 155 | 144 |
| 1945 |  | 136 | 127 | 86 | 157 | 147 |

NOTE :-Col. (1) is an index of item 7 of Cmd. 6784 . Col. (2) and Col. (3) are given in table 5 of Cmd. 6784. Col. (4) is obtained as the ratio of Col. (1) and Col. (3) ; Col. (5) as the ratio of Col. (2) and Col. (3).

[^12]more since 1938 than home prices), particularly the substitution of commercial for lease-lend imports, might have more than accounted for this rise. The rise in factor-cost prices, which is the concept relevant in considering problems of the national economy and of inflation, was $47 \%$ above 1938. If, however, the effect of import prices is excluded, the rise in British output prices entering into consumption must have been somewhat below $40 \% .^{10}$ It seems that the control of inflation was successfully continued for another year, though the danger of pressure is evident from the estimates for savings.

The proportion of private income devoted to taxation, $36 \%$ since 1942 , declined to $34 \%$ in 1945. If we exclude from private income the terminal pay of the forces in 1945 the decline is to $35 \%$ only. The proportion of income saved, setting aside tax reserves, declined from $16 \frac{1}{2} \%$ to $16 \%,{ }^{11}$ having reached its peak of $17 \frac{1}{2} \%$ in 1942-3. Since 1943 the amount of savings was practically constant although incomes were rising. But as the volume of goods available for consumption was also rising, this was a fairly satisfactory situation, although a small rise, about $5 \%$, in the propensity to save could have altogether prevented the rise of prices during the last two years. Significantly, the rise of personal net deposits with the clearing banks continued, but business deposits started to decline in the second half of the year.

The statistics relating to the distribution of income between persons are somewhat disappointing, for more information arising from the operation of PAYE was promised in an earlier issue. There is no reason why the estimates should not show the division of income in each category between wages, salaries, earned profits, and unearned income. With the rising volume of dividends in the last few years the number of surtax payers also rose and was $20 \%$ more in 1944 than in 1938. A rough comparison of the distributions for 1938 and 1944 makes it clear that there was a tendency towards a more equal

[^13]distribution of incomes received by individuals ${ }^{12}$; it is also clear that without E.P.T. this tendency would not have been present. The tables purporting to show how far income tax and other direct taxes modified the effective distribution of income can serve no useful purpose since they ignore the heavy incidence of indirect taxes on the lower ranges of income.

With the end of the war the official estimates of the national income are turned to peacetime uses. The central problem of the British economy at the moment is that planned national outlay might exceed the income derived from the full use of our resources; in later years the opposite might become the case, planned national outlay falling short of that income. In other words, we now have to tackle problems of inflation, and in later years problems of unemployment might emerge again. Though the economic policies needed to deal with these two different problems are different, the research work on which any policy has to be based is of the same nature, and the most finished product of this research work must be the estimates of national income and expenditure. As the various wartime controls and compulsions are lifted, the usefulness of these estimates is increased rather than diminished.

We should hope that statistical material on the basis of which national income estimates are constructed would continue to improve, as they have done over the war years. With improving data, we should be given more details of the constituents of national income, together with references to original sources, which would increase the value of the statistics for purposes of economic analysis.

One development, implied in the White Paper on Employment Policy, might be the construction of quarterly estimates of the national income and its components, very desirable in a rapidly moving economy. It can be also hoped that the elimination of the effect of changing prices on personal consumption will gradually be extended to other constituents of the national outlay. The Central Statistical Office doubtless have these under urgent consideration, and we hope that they will soon be successful in developing them to the stage of publication.

[^14]

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

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

| 1939 | 2nd half | ... | 108 | 100 | 101 |  | 99 | 101 | 100 | 107 |  | 103 | 102 | 100 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1940 | nn | $\ldots$ | 120 | 104 | 105 |  | 103 | 104 | 103 | 120 | (f) | 116 | 110 | 101 |
| 1941 | ... ... | ... | 129 | 110 | 112 |  | 108 | 106 | 105 | 121 | 122 | 134 | 127 | 106 |
| 1942 | ... ... | $\ldots$ | 130 | 119 | 116 | (f) | 117 | 112 | 108 | 125 | 138 | 146 | 141 | 118 |
| 1943 |  | $\ldots$ | 129 | 123 | 118 | 100 | 124 | 113 | 110 | 133 | 154 | 149 | 149 | 125 |
| 1944 | $\ldots$ | ... | 131 | 122 | 118 | 100 | 129 | 110 | 112 | 148 | 171 | 149 | 152 | 127 |
| 1945 | ... ... | ... | 132 | 123 | 119 | 100 | 132 | 133 |  |  | 187 | 149 | 153 | 130 |
| 1945 | Jan. | ... | 131 |  | 118 |  | 131 | 122 |  |  | 184 | 149 | 153 | 128 |
|  | Feb. | ... | 131 | 122 | 118 |  | 131 | 124 |  |  | 185 | 149 | 153 | 128 |
|  | Mar. | $\ldots$ | 131 |  | 118 | 101 | 132 | 133 |  |  | 186 | 149 | 153 | 128 |
|  | Apr. | ... | 132 |  | 118 |  | 132 | 133 |  |  | 187 | 149 | 153 | 129 |
|  | May | $\ldots$ | 133 | 122 | 119 |  | 133 | 134 |  |  | 186 | 149 | 154 | 129 |
|  | June | ... | 137 |  | 120 | 101 | 133 | 134 |  |  | 186 | 149 | 154 | 130 |
|  | July | ... | 134 |  | 120 |  | 133 | 135 |  |  | 183 | 149 | 154 | 131 |
|  | Aug. ... | $\ldots$ | 132 | 123 | 119 |  | 132 | 134 |  |  | 183 | 149 | 154 | 130 |
|  | Sept.... | $\ldots$ | 132 |  | 119 | 100 | 132 | 135 |  |  | 183 | 149 | 154 | 130 |
|  | Oct. ... | ... | 132 |  | 119 |  | 132 | 135 |  |  | 187 | 149 | 153 | 130 |
|  | Nov. | ... | 132 | 123 | 119 |  | 132 | 135 |  |  | 196 | 148 | 151 | 131 |
|  | Dec. | ... | 132 |  | 119 |  |  |  |  |  | 196 | 148 | 151 | 131 |
| 1916 | Jan. ... | ... | 132 |  |  |  |  |  |  |  |  | 148 | 152 | 131 |
|  | Feb. . | ... | 132 |  |  |  |  |  |  |  |  |  | 151 |  |
|  | Mar. ... |  | 132 |  |  |  |  |  |  |  |  |  |  |  |

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

| 1939 | 2nd ha |  | ... | 110 | 99 | 104 | 98 | 101 | 101 | (g) |  | 104 | 104 | (a) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1940 | ... | ... | $\ldots$ | 122 | 101 | 107 | 102 | 103 | 104 | 129 (g) |  | 118 | 113 |  |
| 1941 |  | $\ldots$ | $\ldots$ | 123 | 102 | 119 | 112 | 107 | 105 | 129 | (f) | 118 | 113 | 111 |
| 1942 | ... | ... | ... | 118 | 111 | 129 | 121 | 117 | 107 | 134 | 141 | 155 | 154 | 131 |
| 1943 | $\ldots$ | $\ldots$ | $\ldots$ | 123 | 111 | 133 | 131 | 118 | 110 | 146 | 153 | 158 | 162 | 146 |
| 1944 | $\ldots$ | ... | $\ldots$ | 124 | 110 | 133 | 137 | 119 | 113 |  | 172 | 156 | 166 | 144 |
| 1945 | $\ldots$ | ... | $\ldots$ | 125 | 111 | 135 | 140 | 143 |  |  | 191 | 155 | 168 | 147 |
| 1945 | -Jan. | $\ldots$ | $\ldots$ | 124 | 111 | 133 | 140 | 123 |  |  | 187 | 156 | 166 | 145 |
|  | Feb. | ... | ... | 124 | 111 | 133 | 139 | 125 |  |  | 188 | 156 | 167 | 144 |
|  | Mar. | ... | ... | 124 | 111 | 133 | 140 | 143 |  |  | 189 | 156 | 167 | 144 |
|  | Apr. | ... | ... | 124 | 111 | 134 | 141 | 143 |  |  | 190 | 156 | 167 | 145 |
|  | May | ... | ... | 125 | 111 | 135 | 142 | 144 |  |  | 189 | 156 | 167 | 147 |
|  | June | ... | ... | 127 | 112 | 138 | 143 | 144 |  |  | 189 | 155 | 168 | 149 |
|  | July | . | $\ldots$ | 125 | 112 | 138 | 143 | 148 |  |  | 186 | 155 | 168 | 150 |
|  | Aug. | . | $\ldots$ | 124 |  | 136 | 139 | 145 |  |  | 186 | 155 | 167 | 149 |
|  | Sept. | , | ... | 124 |  | 135 | 140 | 147 |  |  | 186 | 155 | 166 | 148 |
|  | Oct. |  | ... | 124 |  | 136 | 140 | 147 |  |  | 190 | 155 | 164 | 147 |
|  | Nov. | $\ldots$ | ... | 124 |  | 136 | 139 | 147 |  |  | 203 | 154 | 162 | 148 |
|  | Dec. | .. | $\ldots$ | 124 |  | 135 |  | 151 |  |  | 203 | 154 | 162 | 150 |
| 1946 | -Jan. | $\ldots$ | $\ldots$ | 124 |  |  |  | 148 |  |  |  | 154 |  | 149 |
|  | Feb. | ... | ... | 124 |  |  |  |  |  |  |  |  | 161 |  |
|  | Mar. | ... | . | 124 |  |  |  |  |  |  |  |  |  |  |

[^15]

* Bank Rate $2 \%$ to 2 tth Aug.; $4 \%$ to 23 th Sept.; $3 \%$ to 26 th Oct., $1939 ; 2 \%$ since.


## N CAPITAL ISSUES-

Sensitive Index. -Geometric Mean as percentage of 1924 level; on 15th of month.
issues during month in Gt Britain monthiy percentage changes.
by THE MIDLAND BANK, LTD. Six-months' totsls form As published
ankits, 1 th-17th of month
( Noser 22 nd , 1928 1.e, excludingit and other accounts," otc. Before September, 1939, averages for the month of 9 clearing bank the month. Dp to June
issued by tender. Total of of month, thereafter end of month.
Otherwise issued. Total of Treasury Bills in existence
Day-to-Day Rate and 3 Months' Rate Ararases by tender


PRICE OF GOLD-
BOARD OF TRADE INDEX -
STATIST (SAUERBECK)


RETAIL FOOD, RENT-
WAGE INDEX-

Annual averages of London daily rates
Average (cash) price of bar silver, to Dec. 1944 Standard ( 925 fine); from Jan. 1945, 999 fine
Geometric Mean of Wholesale Prices (average for month) of 200 commodities as percentage of 1924 average; prior to 1930 only 150 commodities.-BOARD OF TRADE JOURNAL.
Average wholesale prices of 19 foodstuffs and 26 raw materials on last day of month, as percentage of average or 1924.-STATIST.
Ministry of Labour's index showing movement since 1924 in cost of maintaining unchanged the standard of Iiving prevalent in working-class households before Aug., 1914. For 1 st of month, but placed against previous As above, e.g., reading for March 1 st is shown against February-to facilitate comparison with "Statist" index. For description see 8p. Memo. No. 28 and Bulietin for January, 1944, pp.6-8.

EXTERNAL TRADE，OUTPUT

|  | TOTAL IMPORTS． <br> （Declared Values） |  |  |  | $£ \mathrm{Mn}$ ． |  | EXPORTS OF U．K．GOODS． <br> （Declared Values） |  |  |  | OUTPUT． |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $£ \mathrm{Mn} \text {. }$ |  <br> £ Mn． |  |  |  |  <br> 会 <br> £ Mn． | $£ \mathrm{Mn} \text {. }$ |  |  |  |  | Mn． <br> Units |  |
| 1913 Av． | 24.2 | 23.5 | 16.1 | $64 \cdot 1$ | $9 \cdot 4$ | 54.7 | 2.7 | 5.8 | $34 \cdot 3$ | 43.8 | 5510 | 197 | 147 |  |  |
| 1919 Av． | $\left(\begin{array}{l}58.9 \\ 59.9\end{array}\right.$ | 53.9 50.6 | $22 \cdot 2$ $24 \cdot 7$ | $\ddagger 135 \cdot 6$ | 13.7 | 121.9 | $\left(\begin{array}{l}2.8 \\ 2.8\end{array}\right.$ | $10 \cdot 1$ 9.3 | $52 \cdot 7$ $53 \cdot 5$ | $\ddagger 66 \cdot 6$ | 4401 | 142 | 151 |  |  |
| 1920 Av ． | 63.8 | $59 \cdot 2$ | 37.8 | 161.2 | 19.0 | $142 \cdot 2$ | $4 \cdot 2$ | 12.1 | $93 \cdot 4$ | 111.2 | 4386 | 154 | 173 |  |  |
| 1921 Av ． | $47 \cdot 3$ | $22 \cdot 6$ | 20.4 | 90.5 | 8.9 | 81.6 | $3 \cdot 1$ | 5．3 | 49.1 | ${ }_{58} 1.6$ | 3127 | 50 | 71 |  |  |
| 1922 Av ． | $39 \cdot 3$ | $24 \cdot 9$ | $19 \cdot 1$ | 83.6 | $8 \cdot 6$ | $75 \cdot 0$ | $3 \cdot 0$ | 8.5 | $47 \cdot 4$ | 60.0 | 4787 | 94 | 113 |  |  |
| 1923 Av ． | $42 \cdot 4$ | $27 \cdot 1$ | 21.4 | $91 \cdot 4$ | 9.9 | 81.5 | 3.7 | $10 \cdot 9$ | $48 \cdot 3$ | $64 \cdot 0$ | 5293 | 143 | 163 |  |  |
| 1924 Av ． | 47.6 | 33.4 | $24 \cdot 9$ | 106.4 | 11.7 | 94.7 | $4 \cdot 7$ | 8.9 | 51.7 | 66.8 | 5110 | 140 | 157 | 508 |  |
| 1925 Av ． 1926 Av ． | 47.5 44.2 | 35.5 32.8 | $26 \cdot 6$ 26.2 | $110 \cdot 1$ $103 \cdot 4$ | 12.8 10.5 | 97.3 92.9 | $4 \cdot 5$ | 7.0 3.9 | 51.5 45.0 | 64.5 54.4 | 4660 | 120 | 142 | 555 |  |
| 1926 Av ． 1927 Av ． | 44.2 44.9 | $32 \cdot 8$ $29 \cdot 4$ | 26.2 26.8 | 103.4 101.5 | 10.5 10.3 | $92 \cdot 9$ $91 \cdot 2$ | $4 \cdot 1$ | 3.9 6.4 | 45.0 47.1 | $54 \cdot 4$ 59.1 | 2420 4813 | 47 140 | 69 174 | 587 686 | $\stackrel{2 \cdot 2}{3.3}$ |
| 1928 Av ． | $44 \cdot 25$ | ${ }_{28 \cdot 0}$ | $26 \cdot 4$ | 99．7 | 10.0 | 89.7 | $4 \cdot 4$ | $5 \cdot 85$ | $48 \cdot 3$ | $60 \cdot 3$ | 4540 | 126 | 163 | 756 | $3 \cdot 3$ |
| 1929 Av ． | $44 \cdot 6$ | 28.4 | 27.8 | 101.8 | $9 \cdot 1$ | 92.7 | $4 \cdot 6$ | $6 \cdot 6$ | 47.9 | 60.8 | 4944 | 145 | 185 | 858 | $4 \cdot 7$ |
| 1930 Av ． | 39.6 | 20.9 | 25.6 | 87.0 | $7 \cdot 2$ | 79.8 | $3 \cdot 9$ | $5 \cdot 3$ | 36.8 | 47.6 | 4677 | 119 | 141 | 909 | 4.0 |
| 1931 Av ． | 34.7 | 14.5 | 21.8 | 71.8 | $5 \cdot 3$ | 66.5 | $2 \cdot 9$ | 3.9 | $24 \cdot 4$ | 32.6 | 4207 | 72 | 100 | 951 | $4 \cdot 6$ |
| 1932 Av ． 1933 Av ． | 31.1 28.3 | 13.8 $15 \cdot 1$ | 13.1 12.5 | 58.5 56.3 | $4 \cdot 3$ | 54.2 52.2 | ${ }_{2} 2.6$ | $3 \cdot 6$ $3 \cdot 8$ | ${ }_{23}^{23.0}$ | $30 \cdot 4$ | 33990 | 68 | 101 | 1020 | 6.0 |
| 1934 Av ． | 28.3 28.9 | ${ }_{17.5}$ | 12.5 14.2 | 56.3 61.0 | $4 \cdot 1$ | $52 \cdot 2$ 56.7 | 2.3 | 3.8 | 23.5 25.4 | $30 \cdot 7$ | 3970 | 79 | 135 | 1130 | ． 1 |
| 1935 Av ． | 29.6 | 17.7 | 15.4 | 63.0 | $4 \cdot 6$ | 58.4 | 2.6 | $4 \cdot 4$ | 27.4 | $3{ }^{33.5}$ | 4 | 123 | 189 | 1464 | 7.7 10.0 |
| 1936 Av ． | 31.8 | 20.7 | 17.7 | $70 \cdot 7$ | $5 \cdot 1$ | $65 \cdot 6$ | $3 \cdot 0$ | $4 \cdot 3$ | 28.4 | 36.7 | 4369 | 148 | 225 | 1685 | 11.8 |
| 1937 Av ． | 35.9 | 26.3 | 22.9 | $85 \cdot 7$ | $6 \cdot 3$ | $79 \cdot 4$ | $3 \cdot 2$ | $5 \cdot 4$ | 33.7 | 43.5 | 4610 | 163 | 249 | 1909 | 13.1 |
| 1938 Av． | 35.8 | 20.7 | 19.5 | 76.6 | $5 \cdot 1$ | 71.5 | $3 \cdot 0$ | $4 \cdot 7$ | $30 \cdot 4$ | 39.2 | 4353 | 130 | 199 | 2031 | 11.2 |
| 1939 Av ． |  |  |  |  |  |  |  |  |  | $36 \cdot 6$ | 4437 | 153 | 253 | 2201 | $15 \cdot 1$ |
| 1940 Av ． |  |  |  | 96.0 | $2 \cdot 2$ | 93.8 |  |  |  | $34 \cdot 3$ | 4290 | 157 | 248 | 2398 | $14 \cdot 3$ |
| 1942 Av ． |  |  |  | $\frac{95 \cdot 4}{83 \cdot 0}$ | $\frac{1.1}{0.4}$ | $\frac{94 \cdot 3}{82 \cdot 6}$ |  |  |  | $30 \cdot 4$ | 3957 | 142 | 236 | 2697 | 12.4 |
| 1943 Av ． |  |  |  | 83.0 102.8 | 0.4 0.5 | $82 \cdot 6$ $102 \cdot 3$ |  |  |  | $22 \cdot 6$ 19.4 | 3965 3730 | 146 138 | ${ }_{251}^{244}$ | 2971 3079 | 10.5 10.7 |
| 1944 Av ． | $43 \cdot 3$ | $23 \cdot 3$ | $39 \cdot 8$ | 108.9 | 1.3 | 107.6 | 1.9 | 0.7 | 19.0 | 19.4 22.1 | 3520 | 130 | 234 | 3196 | 10.7 11.5 |
| 1945 Av． | $40 \cdot 6$ | $24 \cdot 5$ | $25 \cdot 1$ | 91.8 | $4 \cdot 2$ | $87 \cdot 6$ | $4 \cdot 6$ | 1.3 | $25 \cdot 1$ | $32 \cdot 8$ | 3344 | 137 | 227 | 3106 | 12.2 |
| $\begin{aligned} & 1944 \\ & \text { JAN. } \end{aligned}$ |  |  |  | （ 92.9 | $0 \cdot 5$ | $92 \cdot 4$ |  |  |  |  | 3793 | 136 | 242 | 3712 | 11.4 |
| FEB． | ${ }_{4}{ }^{\text {A }}$ | vera | g e | $104 \cdot 6$ | $0 \cdot 4$ | 104－2 | A | vera | $g$ e | 17.1 | 3847 | 138 | 258 | 3594 | 11.8 |
| APRIL | $42 \cdot 6$ | $23 \cdot 9$ | $39 \cdot 7$ | $\{110.6$ | 0.9 | 109.7 | 1.7 | $0 \cdot 8$ | 19.0 | 19.9 | 3634 | 127 | 244 | 3691 | $12 \cdot 3$ |
| MAY． |  |  |  | 107.7 | $0 \cdot 4$ | 107.3 |  |  |  | 22.5 | 3460 | 122 | 224 | 2886 | $10 \cdot 1$ |
| JUNE |  |  |  | $\left(\begin{array}{l}119.4 \\ 116.3\end{array}\right.$ |  | 118.8 116.0 |  |  |  | 30018 | 3969 3749 | 126 | ${ }_{233}^{245}$ | 2924 2745 | 11.8 11.7 |
| JULY | $43 \cdot 4$ | $22 \cdot 1$ | 39.5 |  |  |  |  |  |  |  |  |  |  |  |  |
| AUG． | $46 \cdot 3$ | 22.1 | 43.0 | 108.3 113.6 | 1.1 | 107.2 | 0.8 | 0.5 | 15.5 | $17 \cdot 1$ | 3686 | 125 | 208 | 2605 | 12.3 |
| SEPT．＊ | 41.7 | 19.8 | $40 \cdot 1$ | 113.6 | 0.2 2.7 | 113.4 | 0.9 1.9 1.9 | $0 \cdot 4$ | 12.1 | 13.9 | 3185 | 123 | 210 | ${ }^{2606}$ | 9.4 |
| OCT． | 44.7 | 22.5 | $41 \cdot 6$ | $103 \cdot 8$ $110 \cdot 2$ | 2.7 0.8 | 101.1 109.4 | 1.9 2.5 | 0.7 0.6 | 19.9 21.3 | $23 \cdot 1$ 24.8 | 3819 3876 | 131 | 236 239 | 2919 333 | 12.0 12.5 |
| NOV． | 50.8 39.1 | 26.0 | 40.7 | $121 \cdot 4$ | $3 \cdot 3$ | 118.1 | 3.0 | $\stackrel{0.6}{ }$ | 25.5 | 24.8 29.8 | 3876 3911 | 136 | ${ }_{244}^{239}$ | 3332 3598 | 12.4 12.4 |
| DEC． | $39 \cdot 1$ | $23 \cdot 4$ | $34 \cdot 0$ | $98 \cdot 6$ | $4 \cdot 4$ | 94－2 | 3.5 | $0 \cdot 6$ | $20 \cdot 2$ | $25 \cdot 2$ | ${ }_{3538}$ | 133 | 220 | 3744 | 10.6 |
| JAN． | 43.8 | 23.0 | 34.0 | $101 \cdot 2$ | $1 \cdot 6$ | 99.6 | $2 \cdot 5$ | 0.8 | 21.7 |  | 3506 |  | 216 | 4174 | 12.9 |
| FEB． | $42 \cdot 1$ $37 \cdot 6$ | 19.3 21.9 | 28.8 30.7 | 90．8 | $0 \cdot 9$ | $90 \cdot 3$ | $2 \cdot 0$ | 0.7 | 18.4 | $25 \cdot 7$ $23 \cdot 2$ | ${ }_{3693}$ | 137 | 241 | 3925 | 12.1 |
| APRIL | ${ }^{31} \cdot 4$ | $\stackrel{1}{21 \cdot 4}$ | $30 \cdot 7$ $33 \cdot 1$ | ${ }_{97.6}^{93.5}$ | $5 \cdot 2$ 8.8 | 91.5 | $2 \cdot 2$ | 1.2 | $19 \cdot 2$ | $24 \cdot 1$ | 3718 | 141 | 246 | 3383 | 13.1 |
| MAY | $42 \cdot 9$ | 23.8 | $35 \cdot 7$ | $\begin{array}{r}97.6 \\ 103.4 \\ \hline\end{array}$ | 8.8 | 88.8 | 8.8 | 1.3 | $24 \cdot 1$ | $34 \cdot 9$ | 3591 | 137 | 236 | 2926 | 11.4 |
| JUNE | 50.9 | ${ }_{24} \cdot 6$ | 34．9 | 112.2 | $4 \cdot 9$ $3 \cdot 4$ | 98.5 108.8 | 4．2 | 0.7 1.1 | ${ }_{28 \cdot 5}^{22 \cdot 2}$ | $27 \cdot 6$ $38 \cdot 3$ | 3161 3778 | 128 133 | ${ }_{238}^{211}$ | 2812 2652 | 10.5 12.7 |
| JULY | $42 \cdot 1$ | $26 \cdot 4$ |  |  |  |  |  |  |  |  |  |  |  |  |  |
| AUG．${ }^{\text {SEPT，}}$ | $42 \cdot 6$ 34.6 | 33．2 | ${ }_{21.6}$ | 97.8 99.3 | 4.2 6.6 | 93.6 92.7 | $4 \cdot 5$ | 1.1 0.9 | 25.9 29.6 | 32.5 36.5 | 3386 2501 | 135 125 | ${ }_{186}^{214}$ | ${ }_{2474}^{2537}$ | 13.6 9.0 |
| OCT． | $34 \cdot 6$ $30 \cdot 5$ | ${ }_{21.5}^{23.7}$ | 16.9 16.1 | 78.3 71.4 | $3 \cdot 7$ | 74.6 | 4.7 | 1.5 | $22 \cdot 3$ | ${ }_{29} \cdot 6$ | 3633 | 139 | 241 | 2707 | $11 \cdot 3$ |
| NOV． | 43.4 | $30 \cdot 4$ | $14 \cdot 4$ | $71 \cdot 4$ $90 \cdot 2$ | 5．11 | $66 \cdot 3$ $86 \cdot 1$ | $7 \cdot 0$ $4 \cdot 1$ | 2.0 1.5 | 32．4 | $42 \cdot 8$ | ${ }_{3742}^{3742}$ | 146 | ${ }_{247} 24$ | 3719 | 13.7 |
| DEC． 1946 | $35 \cdot 5$ | $25 \cdot 0$ | $12 \cdot 5$ | $74 \cdot 9$ | $3 \cdot 4$ | $86 \cdot 1$ 71.5 | $4 \cdot 2$ | 1.5 2.2 | $22 \cdot 7$ $34 \cdot 2$ | $29 \cdot 9$ $43 \cdot 5$ | 3733 3928 | 150 145 | ${ }_{222}^{247}$ | 3463 3675 | 13.8 12.2 |
| JAN． | 48.3 | 27.5 | 17.2 | 96－1 | $4 \cdot 2$ | $91 \cdot 9$ | $5 \cdot 4$ | $2 \cdot 4$ | $46 \cdot 2$ |  | 3410 | 144 | 229 | 4142 | $15 \cdot 0$ |
| MAR． | 37.5 54.6 | $24 \cdot 0$ 28.0 | 15.9 18.0 | 79.4 | 3.7 | 75.7 | $4 \cdot 6$ | $2 \cdot 6$ | $50 \cdot 1$ | 60.0 | 3607 | 146 | 247 | 3462 | 14.0 |
|  |  | 28.0 | 18.0 | $103 \cdot 5$ | $4 \cdot 6$ | 98.9 | $5 \cdot 4$ | $3 \cdot 1$ | 56.1 | 67.1 | 3772 | 147 | 256 | 3820 | 15.6 |

[^16][^17]

RETAIL 8ALE8- Index of value sales in Departmental Stores, Co-operatives, multiple and independent shops. Each index Index of value of sales in Departmental Stores, Co-operatives, is based on average daily sales during the who derived from the percentage movements of the daily sales for any month as compared with the are derived from the percentage movements of the daily sales ford of Trade Journal, April 1st, 1944.BANK OF ENGLAND.
POST OFFICE RECEIPT8-

## RECENT MOVEMENTS IN UNITED STATES

Information communicated by Mr. Eric Schiff, Washington

## 18th March, 1946.

GENERAL SURVEY.-When this country entered the war, very many people had serious doubts as to whether the goals set in official war production programmes would be reached. They were reached, and in some lines exceeded. Around VJ-day, only few people doubted that the optimistic estimates then current in respect of the output of civilian goods during the first post-war year would prove about right. So far, food is the only major group of consumption goods where the supply situation has become definitely easier. Output of automobiles, refrigerators, washing machines, textile articles, etc., during the first six months has been much below expectations. At the present time this lag can no longer be laid at the door of the specific technical difficulties of transition. The physical reconversion of plants to peacetime production is virtually completed. That the lag cannot be due to an inadequacy of consumer demand needs no emphasis. Demand for American goods is at an all-time high, both in this country and abroad, and there is every prospect that this will remain so for a long time to come. The labour unrest which has been more or less permanent ever since wartime wage controls have fallen, was of course a factor in hampering volume production, but it explains only part of the tightness in the overall supply situation. Another and at least equally important factor has been the feeling of doubt and uncertainty in respect of the price policy which the Government will adopt, or ought to adopt, during the transition period.

Only a few months ago there was sharp disagreement of opinion in this country as to whether the inflationary or the deflationary tendencies produced by the big change should be regarded as more dangerous. At present there is agreement on this point. It is emphasized in all quarters that the number one problem of economic policy at this moment is how to stop the inflation which is in progress. There is much less unanimity on the concrete policy to follow in order to solve the problem.

## DECONTROLLED PRODUCTION AND CONSUMPTION, CONTROLLED PRICES.

 -By January 1st, 1946, the complex Controlled Materials Plan and priority system of the former War Production Board had been reduced to 4 main priority regulations and 52 orders (as compared with a peak of 650 orders during thewar) which regulate distribution of a few basic materials such as rubber, tin, lead, etc. In foreign trade, which in this country is only a relatively small section of economic activity, a number of controls are still in force, although many have fallen. In transportation, nearly all controls have been removed. As for consumption controls, only sugar is still on the ration list, which was very comprehensive during the war. In general, proportions in which commodities and services flow into the various distribution channels are no longer determined by government regulation. At the same time, however, the price system, the only alternative force which can exercise the function of determining the proportions, has not so far been allowed to resume this function. While many price ceilings have been removed, the majority are still in force. The fight for and against extension, and for and against amendment in case of extension, of the Price Control Act which expires June 30th, 1946, is being conducted with great vigour. The idea that even in the absence of direct controls of production and consumption the prices can be kept below freemarket levels, or that the evils of inflation can be cured merely by preventing the price mechanism from operating, has been crushed so many times by the combined weights of theoretical reasoning and actual experience that it was somewhat surprising to see it rise again, as it did in this country after VJ-day. At the present moment the idea is just about to be knocked down once more, and its champions are fighting to secure an orderly retreat. During the last two months, reports about supply lines drying up as a result of ceiling prices which make production or sale unprofitable have multiplied; it has become increasingly clear that at this time of more or less unfettered mobility of labour and materials, the "scarcity", which is invoked by those pleading for maintenance of the present ceilings, must be largely due to these very ceilings. The Office of Price Administration bas now shifted to a new policy which is an implicit acknowledgement of these facts. For one thing, it has been announced that in "hardship" cases created by approved wage increases prompt adjustment of ceiling prices will be provided for. For another thing the OPA, virtually abandoning the "hold the line" principle in its former sense, has granted a number of "incentive" price increases even in cases where there had been no wage advances.

Such increases have been granted to manufacturers of low-cost clothing and to others, and the public, reluctantly admitting that it is better to obtain some shirts at higher prices than no shirts at the old ceiling prices, seem to acquiesce in the new policy.

However, many questions regarding the future operation of the control system, if it is maintained in some form or other, are still unsettled. The main problem in this case will probably be to make the system so flexible that the ceiling prices, by frequent and prompt revisions, would always be kept at or near the competitive equilibrum level. The system would then merely be an instrument to eliminate or restrict monopoly profits. Whether this degree of flexibility can be achieved remains to be seen. The formulas used at present seem too rigid for the purpose. Under existing OPA rules, an industry which has granted wage increases is a " hardship case " only if it is unable under current ceiling prices to earn during the next twelve months an average rate of return on net worth equal to that earned in 1936-1939. (A change which would make the average of the best three years between 1936 and 1940 the criterion of "reasonable" profits is now under consideration). It is assumed that OPA, in judging upon "hardship", will in general deal with industries as a whole rather than with individual companies. This calls for a decision of principle as to whether the situation of the strongest companies, or that of average firms, or that of the marginal corporations, should be taken as the basis for consideration. The last-named alternative-to base the price policy for each industry on the situation of its marginal members -is the only one reconcilable with economic theory. So far, however, it is not clear what line will be followed.

When the price system will again be properly functioning, either by absence or by sufficient flexibility of controls, and uncertainties about the intentions of the Government in this field of economic policy will have disappeared, there is reason to hope that volume production will get under way in many lines where it has so far been delayed.

## WAGE MOVEMENTS AND MODERNIZATION OF EQUIPMENT. - At the

 crest of the strike wave which has now subsided, approximately $1,500,000$ workers were idle. It is estimated that the total number of factory workers involved in wage disputes during the month of January was equivalent to about one-sixth of all production workers in manufacturing industry. Far-reaching though theeffects of the recent strike movement were, they will probably not be felt too long if major strikes can now be prevented for some time. The ability of leading American industries swiftly to overcome temporary disruptions has just now been demonstrated by the steel industry which, after a nation-wide strike which lasted four weeks, needed only three weeks to bring the raw steel output almost to the pre-strike level. There are indications, however, that the end of the recent strike wave has opened a new chapter in industrial wage policy, with a number of new questions to be solved.

As things have developed, hopes for a period without major strikes are in part based on the assumption, now fairly widespread, that the agreements by which several big strikes (Steel industry, General Motors, General Electric) have been settled, and which have all closely followed a common pattern, have established something like a national formula for the settlement of future labour conflicts. The formula would mean a 15 to 20 per cent. increase in the wage level. If this is the prospect, the number of " hardship cases" submitted to the Office of Price Administration will be great and many further price rises will be inevitable, unless industry finds other ways of salvaging the necessary profit margins. This brings up the question of technical progress and rationalization in American industry. That no stagnation in technical progress need be feared is suggested, among other things, by the big programmes for research and development which E. J. du Pont de Nemours, Eastman Kodak, and other leading concerns have disclosed just now. The rate of adoption of technological innovations in industrial practice is a different question. While plant modernization may not be as big a problem here as it is in Britain, the popular belief that everything in American industry is the last word in technical modernity is to-day farther from the truth than it used to be. For some time the periodical "American Machinist" has compiled, and published in five-year intervals, statistics purporting to give nation-wide inventories of the country's industrial equipment. One of the purposes of these surveys is to show the proportion of equipment over ten years old. For the period 1925 to 1940 the picture is as follows:
PRODUCTION EQUIPMENT OVER TEN YEARS OLD.

|  | Percentage of Total. <br> Machine Tools |  |  |  |  | Other |
| :--- | :--- | :--- | :---: | :---: | :---: | :---: |
| $1925 \ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 44 | - |  |
| $1930 \ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 49 | - |  |
| $1935 \ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 66 | 63 |  |
| $1940 \ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 72 | 64 |  |

It is true that these figures do not furnish an absolutely cogent proof of a growing replace-


ment inertia in American industry. Machine tools, the only group for which figures have been compiled for a longer period, are only one group among many in industrial equipment. In part, the rise in the percentage of "old" machine tools may be due to the fact that technical progress, while often hastening the functional obsolescence of capital goods, frequently raises their physical durability. The classification "over ten years old" and "under ten years old" suggests the idea that for industrial machinery the age of ten years is in some sense the dividing line between modern and obsolete. This idea is a residue of the formerly widespread belief that there is such a thing as an average or modal replacement period for all types of machines, and that this period is approximately ten years. On the basis of statistical material available in this country this belief can convincingly be shown to be erroneous. The dispersion in the weighted distribution of the service life of industrial machines (using as weights the output value of the various machine types at the time studied) is far too great for an average to be of any significance whatever. (The weighted average itself, incidentally, is certainly much higher than ten years.) For 40 groups of machine tools alone, available American evidence suggests for the early thirties a range of service life from 5 to 25 years and a co-efficient of variation of $22.5 \%$, which is to say that even in this limited universe the weighted average service life ( 16.6 years) does not mean very much. All this must be kept in mind before any very far-reaching conclusions are drawn from the "American Machinist " figures. Even so, however, these figures lend considerable support to the conjecture, which is also supported by other evidence, that American industry in the late thirties has been farther away from the technological productivity optimum than it had been in earlier days.

For the period 1940 to 1945 the "American Machinist" survey reveals a substantial decline in the proportion of equipment over ten years old. In 1945 this proportion was $38 \%$ for machine tools and $39 \%$ for other equipment. If Government-owned equipment is excluded, the drop is less sharp - to $54 \%$ in machine tools, and to $60 \%$ in other equipment-but still remarkable. The trend reflected in these figures stands in some contradiction to the fact that output per man-hour has increased only little during the war years, and that technical obsolescence is known to have increased greatly in many fields during that time. Further investigation will be necessary to get a clearer picture.

EMPLOYMENT AND NATIONAL INCOME PAYMENTS.-In the period under review, as in the preceding one, unemployment has remained lower than had been anticipated immediately after VJ-day. Early in December the number of persons without jobs and actively looking out for jobs was estimated at slightly more than two millions. Around the turn of the year, contra-seasonal gains in employment were recorded in construction, manufacturing, and mining. Between December and January, according to Bureau of Census reports, total unemployment rose by about 320,000 , but the number of unemployed persons in January does not seem to have exceeded $2,250,000$. A few favourable factors, which were either overlooked or given insufficient weight in the earlier unemployment forecasts, have heped to keep employment at a high level. Many activities were badly understaffed during the war, which makes it understandable that they are now showing a high capacity to absorb additional workers. The number of veterans who would not enter the labour force directly after their dismissal was underestimated, as was also the average time during which they would remain outside the labour market. On the other hand, many war workers who in normal times are not to be found in the labour force at all-housewives, under- and over-age workers -have retired from the labour force more rapidly than had been expected. These factors are all of a temproary nature, and their effects can hardly last long. In fact, reports of the last two weeks indicate a rise in unemployment in several areas.

Mainly as a result of the relatively favourable development on the labour market, income payments have held up remarkably well. The war years have caused some distortions and shifts in the structure of national income. It deserves notice, however, that the relative shares of the main groups of income recipients have remained fairly constant. The following table shows the percentage figures for the five years 1941-1945:


Within the group, Salaries and Wages, the share of salaries and wages paid out by the Government has greatly increased at the expense
of Other. In 1945, $26.5 \%$ of all salaries and wages was paid out by Government agencies, as compared with $13.3 \%$ in 1941. For the rest, even the unprecedented upheavals of the war years have not greatly disturbed that much-
discussed constancy of the relative shares which has recently been called a "mystery" and " a reproach to theoretical economics." $\dagger$

[^18]
## CANADA

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

9 April, 1946.
Industrial output for war purposes has now been curtailed to about one tenth of its former level. Federal expenditure (excluding " loans and advances ') during the eleven months ending February was reduced $18 \%$ or $\$ 755 \mathrm{Mn}$. below 1944-45; seven-eighths of this reduction, or $\$ 654 \mathrm{Mn}$., were concentrated in the five months ending February 28 last. Export values have fallen similarly. Indexes of volume of production fell conspicuously between May and December, while the number of persons drawing unemployment insurance benefits has risen abruptly. There is some ground, then, for the view that a widespread contraction is now under way and that it is proceeding more rapidly from month to month.

Contrary evidence will be found in the comparative stability of the measures of employment, man-hours of work, railway freight tonnage and consumption of primary electric power, the continued growth of retail sales, a recent upturn in value of imports, the buoyancy of federal revenues and the turnover of bank deposits. So great a discrepancy in statistics which ordinarily parallel one another calls for explanation. It was to be expected that the conversion from war to civilian output would be reflected in declines in some fields and increases in others, but ordinarily these opposing movements would appear as between the individual components of each of the large and somewhat heterogeneous aggregates already referred to, rather than between one aggregate and another. The discrepancies may be explained as follows:

1. Commodity exports had reached an excessively high level resulting from hyper employment and increasing efficiency of war production ; with cessation of war production and hyper employment they might be expected to decline without producing a corresponding reduction in the number of persons employed.
2. As certain exports were of great value in proportion to their bulk, their disappearance has had comparatively little influence on tonnage of railway freight traffic ; other exports (ships and large aircraft) provided their own means of transport once they were completed so that their disappearance did not reduce railway traffic as much as might have been expected.
3. The large increase in the number of persons drawing unemployment insurance benefits, at a time when industrial employment has declined only slightly, may be explained by the addition to the working force, since last May, of several hundred thousand persons demobilized from the armed forces. Some of these demobilized persons are unemployed and receiving benefits ; others who have secured employment, especially those who have returned to their pre-war employers, have brought about the displacement of employees taken on during the war, and these are unemployed.
4. The discrepancy between indexes of volume of production and other measures of volume (electric power, railway traffic, employment) has been partly accounted for in (1) above, but may also arise from defects in the official indexes of volume themselves. Unless the volume indexes are improved it will be necessary to ignore them in these letters and to remove them from the accompanying table.

Broadly speaking the economy appears to be undergoing an appreciable contraction in physical volume of output destined for export and at the same time a marked upward movement of prices and wage-rates, together with considerable speculation for the rise in the field of securities and real estate. Supplies of most goods, at existing prices, are still scarce in relation to amounts which could be sold.

Physical Volume.-Employment had by the end of January expanded in almost every peacetime activity except the automobile industry, where strikes persisted. Although most of
the increases over a year ago ranged from 5 to $15 \%$ they were not sufficient to offset sharp declines arising from cessation of war output in manufacturing industries such as the following:

| EMPLOYMENT - |  | \% OF 1926. |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | 1944 | 1945 | 1946 |
| Land vehicles and aircraft | $90 \cdot 0$ | $315 \cdot 2$ | 274-1 | $160 \cdot 8$ |
| Steel shipbuilding and repairs | $53 \cdot 1$ | 1546.4 | 1216.2 | $573 \cdot 0$ |
| Iron and steel fabrication (misc.) | $99 \cdot 4$ | $297 \cdot 2$ | $291 \cdot 2$ | $180 \cdot 1$ |
| Foundry and machine shop products | 102.1 | $281 \cdot 2$ | $239 \cdot 3$ | $205 \cdot 4$ |
| her iron and steel products | $97 \cdot 2$ | 405-2 | $331 \cdot 4$ | 216.6 |
| Non-ferrous metal products | 149.9 | $475 \cdot 9$ | $384 \cdot 7$ | 281.4 |
| Miscellaneous manufactures | 131.7 | $368 \cdot 2$ | 353.4 | $287 \cdot 9$ |

To the surprise of many, including the writer, the general index of employment rose contraseasonally during October and November. In December and January the declines were of pre-war seasonal proportions only, but this seems to have been a coincidence as the industries usually responsible for the decline (construction and building materials) were expanding. It need occasion no surprise, then, if the upturn of the index in the spring is less than anticipated.

Expansion of construction work is seriously hampered by shortages of skilled labour and materials.

Man-Hours.-A new monthly record showing man-hours of work in manufacturing only, covering those "for whom account of hours worked is regularly kept, ${ }^{1 "}$ does not yet indicate any appreciable increase in the proportion of part-time employment offered. Average hours worked per week have fallen perhaps $1 \frac{1}{2} \%$ from March and April, 1945.

Unemployment, as recorded by the federal unemployment insurance authorities, has grown as follows : ${ }^{2}$

UNEMPLOYMENT - NUMBERS.

| Commencing |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | ---: | ---: | ---: |
| 1944 Jan. | $\ldots$ | $\ldots$ | $\ldots$ | benefit. | Receiving <br> benefit. | Signing |
| Register. |  |  |  |  |  |  |

A new quarterly estimate of the employment situation, based on a $1 \%$ stratified sample of households, indicated that out of a total labour force of roughly $4,530,000$, some 165,000 persons were unemployed in the middle of November ${ }^{3}$. Of the latter 30,000 were females and 135,000 males.

The two other principal indicators of volume of output, Electric Power consumption and

[^19]Railway Freight, have both fallen a little short of the previous year. Electric power consumption (exclusive of power delivered to boilers), which began to decline in the summer of 1943, dropped sharply last autumn but recovered to within 3\% of 1944-45 levels and $7 \%$ of the wartime maximum in the quarter ending February last. As the monthly figures do not segregate ordinary industrial users, and as there has been an important increase in use of power for lighting since the lifting of wartime restrictions, the industrial significance of power figures is less than usual. Railway freight traffic (tons loaded in Canada) in the four-month period ending September 1945, exceeded that of 1944 by a narrow margin, and in the four months ending January last fell short of the year before by only $3 \%$. The composition of the traffic has of course changed considerably as between war goods and peace goods, but the proportions of bulky, cheap goods and compact, valuable ones has not altered as much as one might expect.

Farming.-Output of Livestock and their Products is still declining. The December 1 hog population was 5.9 Mn . against 7.6 Mn . and 9.5 Mn . in 1944 and 1943 respectively. This year's spring pig " crop" is expected to fall $9 \%$ below that of 1945 ; for the whole of 1945 it was down $19 \%$ from 1944.

Milk output in the two months ending January was $3 \%$ below the previous year, and $1 \frac{1}{2} \%$ below two years ago. Of this smaller output a greater proportion is being consumed as fluid milk, especially since commencement of family allowances last summer, the amount processed by dairy factories having fallen almost $7 \%$ in the four months ending February 28 last. Output of factory butter in the same four months fell $16 \%$ and of Cheddar cheese $30 \%$, the declines being particularly noticeable in February. It is said that unbalanced price control is also responsible for the diversion to milk, and a rise of butter prices has been permitted. It will be recalled that there is still a subsidy of 2c. a quart for the purpose of keeping down the retail price of fluid milk.

Wheat and flour exports to countries other than the United States, from August 1 to February 1, were (in terms of wheat) 196 Mn . bushels against 112 Mn . bushels in the same period of the previous crop year. Wheat remaining for export or carryover at February 1 (including wheat stored on farms) was 209 Mn . against 465 Mn . a year earlier. Visible supply (i.e., excluding wheat on farms) at February 1 was 163.7 Mn ., and at March 21 it had dropped to 113.6 Mn . against 351 Mn . the year before.

Minimum feasible carryover at July 31 is said to be 50 Mn .

Out of a crop $25 \%$ smaller, farmers' marketings from August 1 to January 31 declined proportionately, being 180 Mn . bushels against 242 Mn . the year before. Marketings began to fall off disproportionately however in the early winter and in the seven weeks from February 1 to March 21 totalled only 9.5 Mn . against 22.1 Mn . the year before. This sharp reduction has been attributed to the farmers' desire (a) to postpone deliveries in the hope of higher prices and lower income tax and (b) to hold wheat as a precaution in the event of a crop failure. The government, with a view to encouraging immediate deliveries, introduced a tax adjustment on April 1. Meanwhile rumours of a higher ceiling price for wheat persist.

Retail and Wholesale Trade are still rising, ${ }^{4}$ the anticipated market for consumers' durables contributing a conspicuous part of the increase with January hardware store sales up $33 \%$, radio and electrical $48 \%$ and furniture $50 \%$ from a year ago.

IMPORTS of commodities from overseas are also increasing but those from the United States have fallen.

| Imports- | 5 months ending January, 1945 | 5 months ending January, 1946 |
| :---: | :---: | :---: |
| From United Kingdom | \$55 Mn. | \$71 Mn. |
| From other Empire countries | 50 | 55 |
| From U.S.A. ... ... | 578 | 480 |
| From foreign countries | 35 | 54 |

Exports to overseas countries are being financed largely with loans from the Dominion government. The sums already provided for this purpose having been lent, a further $\$ 750 \mathrm{Mn}$. was voted on December 8 last. A loan of $\$ 1,250 \mathrm{Mn}$. to the United Kingdom (not included in the above) was announced in the week of March 4, repayable in fifty annual instalments commencing in 1951, with interest at $2 \%$ from the same date, payable only if the international financial position permits. The terms closely resemble those of the $\$ 4,400 \mathrm{Mn}$. loan from the United States. It is evident that in proportion to its economic strength Canada is extending relatively large overseas credits, a policy which reflects her dependence on exports and the limited value ascribed to purely internal measures for promoting recovery.

Finance.-The budget presented on October 12 inter alia lowered all personal income taxes by $4 \%$ on 1945 income and $16 \%$ on 1946 income.

[^20]It reduced excess profits taxes to $60 \%$, abolished forced corporate saving and raised the exemption to aid small firms. The Minister of Finance observed that high income tax rates had reduced incentives to production and economy.

Subscription to the Ninth Victory Loan, which ended November 10 , reached $\$ 2,022 \mathrm{Mn}$. of which individual subscriptions were $\$ 1,200$ Mn . Both amounts were in excess of the objectives. The loan was intended to cover the requirements for twelve months instead of six as in past loans, subscribers' instalments being spread over a longer time. Inflationary financing through security purchases by the banks was temporarily offset by repayment of deposit certificates, but the expansion of bank credit continued owing to a sharp increase in call loans (presumably extended to brokers) from $\$ 109 \mathrm{Mn}$. at September 30 to $\$ 251 \mathrm{Mn}$. at December 31. With a view to restricting this form of credit expansion, brokers' and banks' margin requirements were (somewhat belatedly) raised in February ; the requirement is now 50\% on shares selling at $\$ 1.00$ and over in Montreal and at $\$ 2.00$ and over in Toronto. No lending is now permitted on shares worth less than these amounts.

Prices of bonds maturing in from five to ten years have risen further (col. 2), the banks having greatly increased their holdings of longerdated issues. The rise has led the heads of insurance companies to point out the conflict between a policy of lower interest rates and one of stable prices.

The net outflow of existing securities to the United States continues, reflecting especially a return of United States issues to that country, as Canadian holders sell on the rising market. The Foreign Exchange Control Board, in a notice dated January 16, has placed restrictions on the re-sale of Canadian bonds and debentures in the Canadian markets, if bought by nonresidents after January 19 last. This, along with the change in margin requirements, indicates concern as to the extent of speculative activity and the possibility of something resembling the "hot money" of earlier years.

Federal estimates for 1946-47, tabled on March 26, ask for $\$ 2,770 \mathrm{Mn}$. compared with $\$ 4,655 \mathrm{Mn}$. in the fiscal year just closed, a reduction of $40 \%$. As the estimates do not include credits granted to other countries, the actual cash requirements may exceed $\$ 2,770$ Mn . by a wide margin.

Expenditure for the armed forces proper is to be reduced some $75 \%$, or $\$ 1,500 \mathrm{Mn}$., but that for veterans is to rise from $\$ 450 \mathrm{Mn}$. to $\$ 690 \mathrm{Mn}$.


New base, \% of 1935-9
Not corrected for seasonal fluctuation
SOURCE : Dominion Bureau of Statistics. Notbs on Series
Col. 1.-"Investors' Index." Index of current market valuation Notes on Series
-Based on the calculated yield of a bond having maturity period. (\% of 1935-9.)

From 32 banking centres, comprising about $85 \%$ of Excludes debits to accounts of central bank since its foul debits April, 1935. Largely influenced by financial srance its founding in -Refers to operations in Canada only. Includes loans to and municipal governments.
5.-Includes governmental dis.
postal and Quebec savings banks, Exd with deposits with provincial,
, 6-8.-Col. 6 comprises 70 items ; col. 7,322 items companies.
" 9.-Comprises separate groups for food, fuel, lighting ; col. 8, 567 items furnishing, sundries (including services) Excludes all exports of both monetary and no 1935 - 100 1937 ; includes gold in small quantities oly shipponetary gold since etc., in earlier annual averages.
2.-Comprises "animal products" includes partly and fully manufactured vegetable products" groups, from imported ravy materials, $0 . g$, from imported raw materials, e.g., rubber products

Col. 13.-Adjusted for seasonal variation representing foreign trade in raw materials. Iends to overstate amplitude of cyclical fluctuations, probably with an upward bias. Weighting and factors revised from January, 1940, to give due representation to factors indicating trend of war production.
14.-Based on value of contracts awarded, deflated annually for changes in union rates of wages, and monthly for changes in prices of building materials.
15.-Revenue freight only ; excludes cars received fro m U.S. connections.

16 -Revised back to January, 1938. Index of value, comprising urban department, variety and independent stores; also country general are $1935=100$ for number or 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 servants, education hospitals, finance and other service industries.

Farm and consumer subsidies are expected to total $\$ 217 \mathrm{Mn}$. against $\$ 283 \mathrm{Mn}$.

The Bretton Woods Agreement was ratified by the House of Commons on December 14 by a vote of 169 to 9 .

Federal-Provincial Conferences on public finance and other problems of jurisdiction took place in August, November and January. No agreement was reached, though some progress was made in the bargaining; discussions will resume on April 25. Ontario, Quebec and British Columbia appear to have gained support from several smaller provinces in the campaign for fiscal autonomy.

Income.-Salary and wage payments, as shown in the payroll index, have fallen at almost the same rate as employment and are now some $8 \%$ below a year ago and from 9 to $10 \%$ below the wartime maxima in the corresponding months of 1944. The average of monthly indexes for the first half of last year was 144, and for the second half was 140.5 (June $1941=$ 100 ; cf. letter of April, 1945, p. 47).

Farm income, i.e. gross cash income from sales, is now estimated as follows (cf. letter of April, 1945, p. 47):


[^21]The recent decline is confined to the Prairie Provinces where marketings of wheat and hogs have been lower. Increases occurred in all other provinces except Nova Scotia.

Large additions to personal income from federal government sources, mainly in recent months, have occurred as follows:

|  | $\underset{1944-5}{\text { April-Feb. }^{2}}$ | $\begin{gathered} \text { April-Feb. } \\ 1945.6 \end{gathered}$ |
| :---: | :---: | :---: |
| Family Allowances | - | \$153 Mn. |
| Veterans' affairs (gratuities, etc.) | 65 | 254 |
| Unemployment Insurance Benefits... | 3 | 16 |
|  | \$68 | \$423 |

Withdrawals from income by way of income tax have been slightly less than the year before, while subsidies to keep down the cost of living have continued.

Price and other Controls have been
relaxed considerably since the new year. On January 21 ceiling prices on unsubsidized imports from Great Britain and fifteen other countries were removed and controlled mark-ups substituted. This will enable a resumption of imports hitherto excluded by the relatively low prices maintained in Canada. On January 31 price ceilings on some three hundred domestically produced consumers' goods and services were removed in the hope of encouraging production; (restrictions on wages and collective bargaining were also withdrawn, provincial control of wage questions was restored). Removal of price ceilings was frankly experimental, and the ceilings on certain drugs were reimposed February 18. At the end of March the steel ingot ceiling price was raised $\$ 5.00$ a ton. Ceilings for butter, pork, and certain items of men's clothing and house furnishings were also raised. The shortage of men's shirts and the quantity of suitable cloth going into higher priced lines had become a powerful object lesson in the effects of unbalanced control, and higher prices are now defended by some as a means of checking inflation of prices.

Meanwhile consumers' subsidies are being abolished, as in the case of cotton, wool, worsteds, jams, jellies and canned vegetables, while compensating increases in retail ceiling prices on hundreds of manufactured items have been allowed. At the same time there is an indication in the budgetary estimates that some of the more important subsidies will be retained at least in part.

Control of the duration of leases of commercial properties was relaxed slightly on December 14.

Most of the remaining restrictions on industrial materials have been removed and the Wartime Industries Control Board has been disbanded.

Federal control of new construction was terminated on December 4 (apart from certain priorities for war veterans' houses) but reimposed on March 12, and on April 1 the power to decide what types of building should be erected was delegated to the municipalities. Federal authorities will allocate materials.

The last controls upon the movement of labour were abolished on December 31; also rationing of motor tyres.

## SOUTH AFRICA

## Information communicated by Mr. G. F. THIRLBY of the University of South Africa

April 9th, 1946.
The abundance of money in the Union has received comment in earlier Bulletins. Accelerated spending seems indubitably to be prevented by the difficulty of obtaining supplies of equipment, materials and consumer goods from abroad. Impending expansion of business activity is suggested by the continued rise in the volume of new company capital and also by some increase in the commercial banks' advances. At the moment, attention is distracted toward conspicuous shortage of housing and essential foodstuffs.

In 1943, the van Eck Commission reported that 30,000 additional houses were required for Europeans and 120,000 for non-Europeans. In accordance with this Commission's recommendation, the Central Housing Board was in 1944 replaced by the National Housing and Planning Commission, an advisory, planning and financing body which, without power to acquire land, was for the most part to leave initiative in actual building construction (apart from private construction) in the hands of local authorities. Loans for construction could be obtained from the State. Then and subsequently, the State increased its share of the liability for losses incurred by local authorities in respect of "sub-economic" housing. Progress under the national housing programme having been far from satisfactory at the end of 1944 -reasons offered being difficulty in acquiring land, labour and suitable tenders, loss of time in passing plans to various authorities, and apathy-powers were in 1945 conferred upon the Housing Commission or upon the State executive (which was to control by regulation) to expropriate land, at a controlled price, for building by the Commission or local authorities, to control the use and prices of building materials and limit contractors' profits ; and, subject to consultation with registered trade unions, control the use and remuneration of labour, provide for special labour training and guarantee ten-year employment to artisans. The Commission itself, as well as local authorities, was now to initiate building construction. Despite, or possibly to some extent because of, these special measures, building has been sufficiently sluggish to have brought, as a remedy for the shortage, priority letting according to urgency of requirement in respect not only of national houses but also of older dwellings of rentals not exceeding $£ 16$ a month unfur-
nished. Only 400 of the $£ 1,800-£ 2,200$ type houses upon whose construction the Commission is concentrating were to be ready for occupation by 31st March, 1946-and report has it that they are not ready. One obstacle in the way of building is shortage of timber; another is industrial law under which, at a time when returned soldiers were seizing unoccupied houses, a builder was convicted for paying piece-rates.*

Severe shortage of maize led the Government to negotiate the recent purchase of two million bags from the Argentine and other imports. With these (Government subsidised) additions to a poor current crop, the Government expected that starvation in the native territories would be averted, by means of a system of rationing to the trade through the Mealie Control Board with the advice of local maize committees and by restriction of issues of maize and of processing in the cities. The crop is now expected to be about 16 , or possibly 17 or $17 \frac{1}{2}$ million bags, which is probably less than the Government anticipated earlier. The rationing of maize led to increased demand for, and import and rationing of, barley and oats for stock-feeding purposes. To remedy a heavy deficiency in wheat, the Government applied to the Combined Food Board for 3.5 million bags, and received an allocation of 1.9 million. Reckoning on a further allocation of 0.8 million bags, and with a current crop of about 3 million, the Government calculates the shortage at 0.8 million bags, requiring a reduction of consumption of $20 \%$ or 0.1 million bags a month to the end of the year. It is attempting to achieve this reduction by regulation of the sale and use of wheat and wheaten products including bread, by exhortation and by the abolition of the meatless day. The serious meat scarcity in the controlled areas becomes less pronounced as, with the rains following the drought, farmers take advantage of weight-increase of stock. The severe shortage of butter and cheese, more definitely attributable to drought than to control, has led the Government, despite the fears of farmers, to consent to licensed production of margarine for distribution to families w: 1

[^22]low incomes. So far, only one of four concerns to be licensed is producing, as the others lack the necessary equipment and materials.

In a White Paper on agricultural policy, the Government proposes action to further soil conservation, and affirms its faith in the control board system. In accordance with the new British and Dominion wool marketing agreement, Parliament is setting up a local disposal organisation.

Industrial policy was the subject of comment in Bulletin I, 1945. The Industrial Development Corporation, to which reference was made, is receiving criticism for seeking special exemption for a cotton textile undertaking, which it proposes to establish in the Ciskei (a native area), from an impending conciliation agreement. Industrialists consider that the privilege of employing natives in skilled jobs at low wages which such exemptions would confer would subject the non-privileged to unfair competition and cause migration of industry to exempted areas.

War-time and impending post-war industrial development includes significant extensions in steel production and engineering. Iscor's steel production, which now absorbs most of the output of its three blast furnaces, increased from 326 to 518 thousand tons between 1941/2 and $1944 / 5$, and its despatches of rolled and drawn steel products from 244 to 359 thousand tons between 1940/1 and 1944/5. Further extensions are contemplated besides a plate and a medium mill, and wire, steel window and bright steel shafting and bar plants added during the war. A related project is the new $£^{2} \mathrm{Mn}$. Vanderbijl Engineering Corporation.

Recent months have seen substantial removal of both internal control of the use of materials and of restriction upon import. By August 1945 most of the sixteen controls under the Director General of Supplies had to a greater or less extent been relaxed, the D.G.S. organisation was reducing its staff, defence orders were to be placed with the Union Tender and Supplies Board direct instead of through the Directorate, and the Industrial Advisory Committee of the D.G.S. Board of Supply had been disbanded. Where import documents did not have to be restricted to allocations of exporting countries, as they did with respect to textile piece-goods, the Directorate had become more liberal in issuing them. But control machinery was still retained to work in with controls operating in exporting countries, to programme shipping requirements, temporarily to restrict imports endangering local industries and also to continue the control of exports. In October, the powers and functions of the

Director General of Supplies in respect of controlled materials and of imports and exports were transferred to the Minister of Economic Development. About this time, goods whose use was still subject to internal control were tractors, barbed wire and binder twine, jute goods, certain electrical equipment and sheet glass required in building, tinplate and terneplate, hides and skins, new cars and trucks, tin and lead, paper, rubber and certain rubber products including tyres, and manilla and sisal rope and fibre. Subsequent relaxations have lifted control from new and used commercial motor vehicles, 1942 and earlier model private cars and all new and used private cars of $16 \mathrm{~h} . \mathrm{p}$. and under, rubber conveyor and transmission belting and heavy tyres for tractors etc., lead, local goatskins and sheepskins, tractors and all other agricultural requisites, and manilla and sisal rope. On March 25th, 1946, petrol rationing was abolished. Relaxation of import control to December left in the list of commodities still requiring import permits all articles of food and drink, tinplate and terneplate, hides and skins and leather, jute and hessian material, paints, some chemicals, soaps and oils, wool and wool tops, and sisal and manilla fibres and manufactures. (Certificates of essentiality were still required in respect of quotas of cotton and woollen and worsted goods allocated to the Union by the U.K., the U.S.A. and India. They are now required only in respect of the British quotas.)

In spite of the relaxation of control, retail traders' stocks, after an extraordinary Christmas shopping demand (enhanced by demobilisation), were said to be critically low, with little immediate prospect of substantial replenishment. Both local and overseas manufacturers appeared to have difficulty in fulfilling orders. Latterly, however, shipments from abroad seem to have been received somewhat more freely.

Traders are, with reason, objecting to the Price Controller's widespread substitution of fixed mark-ups, based, apparently, on an average of firms' customary mark-ups, for the factor system introduced in 1941, asserting that the new method penalises firms supplying additional (" jointly supplied ") services with goods, and hinders sales to the lower income groups by other traders who are coerced by trade pressure to apply the full permitted mark-up. Another complaint, that a trader should have more scope to vary his own mark-ups about an average, has been met in the case of dresses (providing the average for a shipment does not exceed the permitted mark-up), but this permission to average is not general.


* Average of Jan, 1st and July 1st.
† Including $£ 1$ ' 5 Mn . British Treasury Bills.
fine ozs. $\times 8^{\prime} 6125$.


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## UNITED KINGDOM-THE ECONOMIC POSITION

fuly 31st, 1946.
Finance and Banking.

DESPITE good revenue receipts and a falling level of expenditure, Treasury borrowings from the public have been barely sufficient to cover the deficit and nonbudgetary expenditures, so that no balance has been available for funding purposes. Net receipts from small savings have been particularly disappointing. Drawings under the United States and Canadian credits should largely meet the excess of expenditure from now onwards, but it looks as if much of the funds needed for the redemption of $2 \frac{1}{2} \%$ War Bonds will have to be found by a renewed expansion of the Floating Debt. The June clearing bank returns show a rise of over $£ 250 \mathrm{Mn}$. in net deposits during the quarter. More than half this rise was due to an increase in holdings of investments, which implies that much of the money recently borrowed by the government on long-term has directly or indirectly been provided by the banks.

Trade.-Despite a fall in June, the volume of exports for the second quarter of 1946 was nearly up to the 1938 level for all exports and well above it for exports of manufactures. To
judge from the rise in employment on export orders, the volume of exports of manufactures should reach a level nearly $50 \%$ above 1938 by the end of the year.

Prices.-Wholesale prices again rose by rather over $1 \%$ during the quarter, mainly as a result of increases in prices of non-ferrous metals and raw cotton. The cost of living index is almost unchanged at $32 \%$ above September, 1939, but only at the cost of a further increase in subsidies, without which it would be nearer $55 \%$ above.

WAGES.-The only important change since April has been the increase of the agricultural minimum to 80 s., which took effect in July. This brings our index of wage-rates to $67 \%$ above the pre-war level. Statistics for earnings in coal mines for the latter half of 1945 suggest that they have at last reached at least a temporary maximum. The average increase for all industries included was $9 \%$ from July 1945 to July, 1946.

Employment.-Despite a further fall of over 350,000 in the working population, from February to May, releases from the forces were sufficient to raise the number employed in industry by 550,000 . The increase in employment on exports, which was over 200,000 in the three months, slackened off sharply in May.

# EVENTS OF ECONOMIC IMPORTANCE 

1946


## FINANCE \& BANKING IN THE SECOND QUARTER OF 1946

Government Finance.-For the first two months of the financial year Revenue remained buoyant in spite of the reduced rates of tax, and despite some decline in June the total receipts for the quarter were above those for the corresponding quarter of 1945. The fall in expenditure naturally continued, with the result that the deficit for the quarter was the smallest since 1939. It must, however, be remembered that the effects of the increase in the earned income allowance and of the anticipated fall in the yield of the beer duty have not yet been felt.


Total expenditure for the quarter was $£ 902 \mathrm{Mn}$., and revenue $£ 629 \mathrm{Mn}$., leaving a deficit of $£ 273 \mathrm{Mn}$. In addition, over $£ 100 \mathrm{Mn}$. of expenditure was charged to capital account, including over $£ 62 \mathrm{Mn}$. for the net cost of refunds of E.P.T., $£ 28.5 \mathrm{Mn}$. for War Damage compensation, and $£ 17 \mathrm{Mn}$. for housing. The total deficit was just about covered by genuine borrowing. The fall of $£ 230 \mathrm{Mn}$. in the Floating Debt was wholly attributable to the issue of $£ 250 \mathrm{Mn}$. of $2 \frac{1}{2} \%$ Terminable Annuities to the Post Office Savings Bank, and despite the reopening of the tap with the $2 \frac{1}{2} \%$ Savings Bonds, no part of the issue has been available for funding purposes.

Apart from the temporary demand for the $3 \%$ Defence Bonds, induced by the announcement of their impending discontinuance, small savings have been extremely disappointing.

GOVERNMENT BORROWING. SECOND QUARTER 1946

|  | $\begin{gathered} \text { April } \\ \text { (27 days) } \end{gathered}$ | $\begin{gathered} \text { May } \\ \text { (28days) } \end{gathered}$ | $\begin{gathered} \text { June } \\ (36 \text { days }) \end{gathered}$ | Total (91 days) |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certifi $3 \%$ Defence Bonds | $28 \cdot 0$ | 0.6 56.0 | - 1.5 | 2.3 $-\quad 87.4$ |
| $21 \%$ Defence Bonds | 2 | 2.4 | 6.1 | 87.5 |
| $2 \mathrm{f} \%$ Savings Bonds | - | $93 \cdot 8$ | 194-1 | 287.9 |
| $2 \frac{1}{2} \%$ Torm. Annuities | - | $250 \cdot 0$ |  | 250.0 |
| Other Debt- |  |  |  |  |
| Internal | 4.8 | $-0.4$ | $-4.2$ | - 9.4 |
| External... |  | $-0.8$ | $29 \cdot 6$ | 28.8 |
| Repayments | -30.9 | $-3.2$ | $-3 \cdot 1$ | $-37 \cdot 2$ |
| Total long \& medium term borrowing | - 9.9 | $397 \cdot 2$ | 226.4 | $613 \cdot 7$ |
| Tax Reserve Certificates | $11 \cdot 1$ | $-0.8$ | $-2.2$ | 8.1 |
| Treasury Deposit Receipts | $-16.0$ | $-60.0$ | $-92.5$ | 168.5 |
| Treasury Bills-Tender | $80 \cdot 0$ | $70 \cdot 0$ | $50 \cdot 0$ | $200 \cdot 0$ |
| ", ", Tap | $18 \cdot 6$ | $-152.8$ | $-66.6$ | -200.8 |
| W. \& M. Adv. Govt. Depts. | $60 \cdot 6$ | $-179.2$ | 53.8 | $-64.8$ |
| ,, Bank of England. | $-14 \cdot 2$ | - | 10.5 | $-3.7$ |
| Short-term borrowing | $140 \cdot 1$ | $-322 \cdot 8$ | $-47 \cdot 0$ | $-229.7$ |
| Total net borrowing | 130.2 | $74 \cdot 4$ | 179.4 | 384.0 |

Encashment of National Savings Certificates exceeded purchases, and the increase in savings bank deposits was small. It does not look as if the Chancellor can rely on small savers to achieve anything like the $£ 10 \mathrm{Mn}$. a week that he set as their target in his budget speech. The terminal rush of subscriptions before the discontinuance of the issue of $2 \frac{1}{2} \%$ Savings Bonds on July 9th yielded a further $£ 127 \mathrm{Mn}$., which should serve more than to cover the deficit until the end of July, while from now on the sterling proceeds of the United States and Canadian credits will also help to fill the gap. But it looks as if much of the money needed to repay as much of the unconverted portion of the $£ 650 \mathrm{Mn}$. of $2 \frac{1}{2} \%$ War Bonds due for redemption in July and August as is not in official hands would have to be borrowed from the banks, thus expending bank deposits and further increasing the excess purchasing power already in existence.

Bank of England.-The Note Circulation rose by rather under $£ 50 \mathrm{Mn}$. between the February low point and the middle of July. This rise of about $3 \frac{1}{2} \%$ is little more than half last year's rise and proportionately less than the seasonal increase in many pre-war years. There is therefore no evidence that the upward trend in the note circulation, checked at the end of last year, has yet been resumed. The trend in Bankers' Deposits is difficult to ascertain, in consequence of violent fluctuations due to massive half-yearly window-dressing and the various capital transactions of the Treasury, but in general it would appear that the relative stability which has existed since last autumn is now giving way to a new upward movement, which may be reflected later on in the note circulation.

Clearing Banks.-Between the end of March and the end of June net deposits of nine clearing banks (excluding District and National) rose by $£ 253 \mathrm{Mn}$., or nearly $6 \%$. This is considerably in excess of anything that can be attributed to seasonal movement, and the decline of the autumn and spring has been more than cancelled. Only about a quarter of the increase can be attributed to short-term finance of the government, for of the increase of $£ 204 \mathrm{Mn}$. in Discounts and Money at Call, $£ 135 \mathrm{Mn}$. was offset by a fall in T.D.Rs. The bulk of the remainder was due to a rise of $£ 129 \mathrm{Mn}$. in Investments, which at $£ 1286 \mathrm{Mn}$. now exceed the total of T.D.Rs. for the first time since 1943. Advances showed a relatively modest increase of $£ 28 \mathrm{Mn}$. to their highest level since 1941 , while cash reserves barely kept pace with the increase in deposits, the ratio falling from 10.6 to $10.4 \%$.


The marked increase in investments implies that a very considerable part of the $£ 364 \mathrm{Mn}$. borrowed by the Treasury on long and medium term during the quarter was not provided out of genuine savings but out of a potentially inflationary increase in bank deposits. The amount provided out of savings was thus considerably less than the quarter's net excess of government expenditure.

Security Prices.-The renewed rise in prices of fixed interest securities which was started by the Budget statement persisted until the middle of May, when it was rather sharply checked by the announcement of unexpectedly generous terms for the new issue of $2 \frac{1}{2} \%$ Savings Bonds. Prices have since fluctuated at a level slightly below the mid-May peak. Prices of industrial securities, on the other hand, continued to rise sharply until after the middle of June, and have since reacted only slightly.

New Capital Issues.-New capital issues, as compiled by the Midland Bank, totalled $£ 46 \cdot 6 \mathrm{Mn}$. for the first half of $1946, £ 39 \cdot 9 \mathrm{Mn}$. being United Kingdom issues and $£ 6.7 \mathrm{Mn}$. for overseas. These figures, though naturally enormously larger than those of war-time, are still only about half the average of the immediate pre-war years.

The public demand for new industrial issues
is extremely strong, and most of them have been greatly over-subscribed.

The U.S. Credit.-The bill authorising the granting of the $\$ 3,750$ Million credit to Britain was passed by the United States House of Representatives on July 13th, and signed by the President on July 15th. No immediately spectacular effects are to be expected. It is probable that the granting of the loan had been fairly fully discounted and that, apart perhaps for a few minor alterations, the chief result of its passing will be that it will render possible continuation of imports at their present level.

Of the collateral conditions on which the credit has been granted, two appear to come into force immediately. Under $\$ 8$ (i) of the Loan Agreement, no exchange restrictions may from now on be applied to payments for imports from U.S.A. or to the use by U.S. residents of sterling balances accruing to them by reason of current transactions; and under $\S 9$, neither government may impose or maintain discriminatory restrictions on imports, except in order to make use of accumulated stocks of inconvertible foreign currencies or to assist war-injured countries. The carrying out of the first of these conditions will make little or no difference to existing practice, while the effect of the second, though probably more marked, will be appreciably moderated by the permitted exceptions.

Two other conditions come into force within not more than twelve months. By the end of that time, at latest, sterling area countries must under $\$ 7$ be allowed freely to convert the sterling accruing to them as a result of current transactions into any currency they wish (the only exception being a provision for agreements for making payments for military expenditure in inconvertible sterling); and under $\int 8$ (ii) both governments are under a general obligation to impose no restrictions on payments and transfers for current transactions from any source. These clauses seem likely to cause less trouble than appeared probable when the agreement was first negotiated eight months ago, for the unexpectedly rapid rise in British exports gives grounds for hope that by the end of another year the British balance of normal payments will be within sight of equilibrium-better grounds, perhaps, than for believing that this equilibrium will be maintained in 1948 or 1949. The chief element in doubt is how far, even if our balance as a whole is in equilibrium, the currencies of the countries with whom we have favourable balances will be convertible into those of the countries with whom our balances are adverse.

Of the more distant results it is too soon
to speak. Much will depend upon the results of the negotiations to be undertaken with the owners of sterling balances, more upon the results of the proposed International Trade Conference, and perhaps most of all on the ability of the United States to prevent the present boom there from being followed by a major slump. All that can be said is that, under the
leadership of the United States, we are committed to a great attempt to re-create the economic unity of the world, and that, while success is still doubtful, no alternative course appears to offer so great a chance of achieving within measurable time that degree of economic prosperity which growing technical achievement has rendered possible.

## PRICES

By K. C. Smith

Major external potential influences on the course of U.K. prices are the price situation in U.S.A. and the appreciation of the exchange value of the Canadian dollar. Internal influences are the July advance in railway freight rates, increased fuel costs, increased agricultural and other wage rates.

Wholesale.-The Board of Trade index of wholesale prices, which rose $1 \%$ from December to March, again rose $1 \%$ by June. In the second quarter of 1946 the index for the food group showed little change, increases in bread and cereals being nearly compensated by reductions in fish and butter. The index for the industrial materials and manufactures group advanced owing to higher controlled prices of copper, zinc and lead on April 8th (causing the largest increase in non-ferrous metals since 1939), in May a large rise in bricks and other building materials, and in June increases in raw cotton and cotton goods after yarn increases in March.

| WHOLESALE PRICES. <br> CHANGES IN PRINCIPAL GROUPS. |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1945 | 1945 | 1945 | 1946 | 1946 |
| Averages | June | Sept. | Dec. | Mar. | June |
| Cereals ... ... | 195 | 197 | 195 | 197 | 202 |
| Meat, fish, eggs | 144 | 144 | 144 | 145 | 145 |
| Other food and Tobacco | 191 | 185 | 185 | 185 | 182 |
| Total, Food, \&c. | 177 | 175 | 174 | 175 | 175 |
| Coal | 208 | 208 | 208 | 208 | 208 |
| Iron and Steel | 147 | 147 | 148 | 160 | 160 |
| Non-ferrous metals | 126 | 128 | 126 | 130 | 142 |
| Cotton | 199 | 200 | 200 | 203 | 211 |
| Wool | 180 | 180 | 179 | 179 | 179 |
| Other textiles | 187 | 187 | 195 | 197 | 198 |
| Chemicals and Oils | 162 | 159 | 155 | 156 | 157 |
| Miscellaneous | 195 | 196 | 197 | 193 | 196* |
| Total, Materials, \&c. | 171 | 171 | 171 | 175 | 178 |
| Grand Total | 173.5 | 173 | 173 | 175 | 177 |
| Building Materials | 151 | 151 | 151.5 | 156 | 162 |

Subsequent to the date of the latest official
index, non-ferrous metal prices were again advanced on July 1st and further increases are not precluded, supplies being short and current cost greater. A general advance in steel prices is probable within the next few months in consequence of increased costs-wages, freights, fuel. When higher raw cotton prices were announced in June it was then officially hoped to maintain them for a considerable period. There is no change in the price for the new U.K. wool clip, 1946. Stocks of Dominion wools are to be auctioned from September; offerings are to be controlled with reserve prices based upon existing levels. Rising prices for cocoa, imported dairy produce, sisal, linseed and rubber have been recorded either for the home or world markets.

Import and Export.-The Board of Trade import price index numbers rose from 200 (\% of 1938) in January-February to 204 in AprilMay, mainly owing to raw materials. The level compares with 195 as the estimated average value index in the first quarter in respect of all imports.

The export price index numbers (not including re-exports) rose from 189 in January to 192 in April and to 198 in May, when metal goods (mainly machinery) and textiles (especially cotton goods) advanced $4 \%$ and $5 \%$ respectively. The average level for the first quarter was 190 , as compared with the average value index at 186 for all U.K. exports.

The price index numbers are based upon selected items weighted according to estimated relative importance in trade for the whole year 1946.

Agricultural.-There was a seasonal fall in the price index of All Products in March and April almost identical with that in 1945, but at a $5 \%$ higher level. This movement covers a
seasonal rise for fat cattle and sheep, a fall for milk, and a rise in cereals and potatoes.

The advance in the agricultural minimum wage rate, effective from July 14th, 1946, has led to a new schedule of increased agricultural prices, issued on July 12th. These cover the 1946 and 1947 harvests of grain and root crops and the remainder of 1946/7 production year for fat stock, milk and eggs. Supplementary increases are also to be granted for milk produced from November to January, 1946/7 and for wheat threshed in August and September, 1946, to hasten supplies. Increased subsidies amounting to $£ 15 \mathrm{Mn}$. for $1946 / 7$ are intended to meet these changes and avoid the rise in the cost of living which would otherwise ensue, as discussed below.

Retail.-The index of food prices included in the official cost of living index was unchanged during the second quarter of 1946, when the increased price of bread due to the reduction in the weight of the loaf in May was balanced by lower prices for butter and potatoes. Fish was

reduced in April and June. But foodstuffs not in the index have continued to rise, including such items of common consumption as cake, semolina and dried egg. Higher contract prices for Danish agricultural produce are under discussion. Raw cocoa prices have risen in July. What the more varied items of diet promised will cost remains to be seen.

There were very slight increases in the rent and fuel groups on May 1st and declines in miscellaneous items so that the combined cost of living index hardly changed until July 1st when the usual seasonal rise in potatoes occurred.

Utility Clothing maxima have been raised, though there are some reductions for nonutility goods. Prices of upholstery and furnishing fabrics have advanced. Increased coal and coke prices were announced on July 5th. Railway fares increased at the beginning of July.

The estimate of the minimum cost of subsidies for the maintenance of the price level in $1946 / 7$ has risen from $£ 335 \mathrm{Mn}$. to $£ 350 \mathrm{Mn}$. on account of the further increases in agricultural prices. Our Bulletin for July, 1945, p. 53, included an estimate of what the level of the cost of living index would have been if the cost of subsidies had been added to the prices prevailing at May 1st, 1945, when it amounted to $£ 225 \mathrm{Mn}$. per annum. The total index would then have been increased by $24 \%$, that of the food group by $12 \%$. The percentages depend upon the distribution among the various items, and detailed information is lacking for 1946; but proportionately to 1945 the $£ 350 \mathrm{Mn}$. total would lift the June 1st, 1946, levels from $169 \%$ of 1914 to about 230 for food and from 203 to 240 for the total. Expressed as percentages of September, 1939, the alterations would be from 122 to about 165 and 131 to 155 respectively.

Our usual table of index numbers for overseas countries appears on p. 86 .

## WAGES AND EARNINGS

By A. L. Bowley

The only change of numerical importance that affects our index since April is the coming into force of the new minimum wage of $80 /$ - in agriculture this month.

The salient changes in minimum wages and in hours since 1939 may be summarized as follows ; they are the (partly weighted) averages for 47 different counties or similar regions.

| ENGLAND AND WALES. |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Summer | Winter | hour. |
| 1939 | August | 34s. | 9 d . | $51 \frac{1}{2}$ | 491 | $8 \frac{1}{\text { d }}$. |
| 1940 | July | 48 s . | Id. | $51 \frac{1}{2}$ | $49 \frac{1}{2}$ | $11 \frac{1}{2}$ d. |
| 1941 | December | 60 s . |  | $51 \frac{1}{4}$ | $49 \frac{1}{5}$ | $14 \frac{1}{4}$ d. |
| 1943 | December | 65 s . |  | 51 | $48 \frac{1}{2}$ | $15 \frac{3}{4} \mathrm{~d}$. |
| 1945 | February | 70 s . |  | $50 \frac{1}{2}$ | 48 | 17 d . |
| 1946 | July | 80 s . |  | 48 | 48 | 20d. |

In 1939 there was considerable variation between the counties in the number of hours for which the minimum wage was payable; now they are uniformly 48 per week, summer and winter. Overtime rates are paid for additional hours. The hourly minimum is now equal to the average for engineering labourers.


The earnings (including allowances in kind) for the day and week are taken from the Statistical Statements of the Ministry of Fuel and Power. The number of shifts per week are deduced by division of these earnings. The saleable coal to the end of 1943 is as given in the Statements ; for 1944 and 1945 the figures are computed from other statistics in the statements and may be in error to the extent of 0.02 tons.

It is noticeable that after several years of increase, average earnings per shift reached a

[^23]maximum in 1945. Statistics for 1946 are not yet available. Wages are regulated by an agreement made in April, 1944, by which they were stabilised at (at least approximately) the then existing rates till the end of 1947. The slow rise in the average was not checked by this agreement, so that the average earnings per shift was increased by 1 s . 3 d . cash and 3d. allowances in kind between the second quarter of 1944 and the fourth of 1945 ; the change varied from plus 2s. 3d. in Kent to minus 7d. in Cannock Chase, but for 10 out of the 20 districts for which figures were given it was between 1 s . and 2 s .

In the fourth quarter of 1945 average cash earnings per shift varied from 20s. in the Bristol and Somerset District to 28s. 2d. in Lancashire, average 23s. 1d. (with 11d. allowances) in Great Britain as a whole. These averages refer to all workers, above or below ground, and conceal great variation among the different occupations.

CHANGES IN WAGE RATES $1945-6$ as Percentage of August, 1939.

| Bricklayers | 1945 | 1945 | 1946 | 1946 | 1946 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | July | Oct. | Jan. | Apr. | July |
|  | 133 | 133 | 153 | 153 | 153 |
| ,, Labourers | 141 | 142 | 163 | 163 | 163 |
| Printers \& |  |  |  |  |  |
| Compositors | 125 | 125 | 137 | 137 | 137 |
| Dock Labourers | 123 | 123 | 145 | 145 | 145 |
| Engineers: Fitters | 141 | 141 | 141 | 150 | 150 |
| Labourers | 154 | 154 | 154 | 166 | 166 |
| Shipbuilders | 156 | 156 | 156 | 167 | 167 |
| Railwaymen | 141 | 141 | 156 | 156 | 156 |
| Cotton... | 172 | 172 | 172 | 183 | 193 |
| Wool | 146 | 146 | 158 | 158 | 158 |
| Local Authorities | 143 | 143 | 154 | 156 | 156 |
| Trams ... | 139 | 139 | 139 | 151 | 151 |
| Lorry Drivers | 135 | 135 | 135 | 144 | 144 |
| Boots ... | 137 | 137 | 163 | 163 | 163 |
| Confectionery... | 159 | 169 | 169 | 169 | 169 |
| Tailoring | 153 | 153 | 153 | 153 | 200 |
| Shirts ... | 153 | 153 | 153 | 153 | 200 |
| Tobacco | 132 | 131 | 131 | 131 | 130 |
| Coal $\dagger$ | 204 | 201 | 201 | 201 | 201 |
| Agriculture | 201 | 201 | 201 | 201 | 230 |
| Weighted Average | 154 | 154 | 160 | 164 | 167 |
| Cost of Living Index | 134 | 131 | 131 | 131 | 132 |

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. Provisional from Jan., 1946.
In the Table of Changes of Wage-Rates above, the great percentage increase in the minimum time rates for women tailoring and shirt-making is noticeable.

The changes have been :
MINIMUM HOURLY RATES FOR WOMEN. Tailoring.


The rates for shirt-making show the same changes, usually a month later.

## EXTERNAL TRADE

THE exports for the second quarter of 1946 reached a total of $£ 219.6 \mathrm{Mn}$. This was rather smaller than had at one time been hoped, mainly because the June exports, amounting to $£ 65.0 \mathrm{Mn}$., were the lowest since February. The low figure is mainly to be explained by the fact that June included not only five Saturdays and Sundays but also the Victory holidays, the precise effects of which it is not possible to measure.
EMPLOYMENT AND VOLUME OF EXPORTS IN MANU. FACTURING INDUSTRIES.

| Manufacturing Employment on orders for Export. |  |  |  | Exports of British articles wholly or mainly manufactured. |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1943 | June |  | 100 | 1943 | Qrly. Av. | 100 |
| 1945 | May |  |  | 1945 | 2nd Qr. | 14 |
|  | June |  |  |  | 3rd Qr. | 14 |
|  | Oct. |  | 288 |  | 3rd Qr. |  |
|  | Nov. |  | 321 |  | 4th Qr. | 168 |
|  | Deo. | ... | 359 |  |  |  |
| 1946 | Jan. |  | 386 | 1946 |  | 28 |
|  | Feb, |  | 417 |  | 1st Q | 28 |
|  | April |  | 493 |  |  |  |
|  | May |  | 505 |  | 2nd Qr. | 349 |

Despite the June decline, the volume index for the second quarter reached $98 \%$ of 1938 for all exports and $110 \%$ for manufactured exports.

The intake or diversion of manpower into manufacture for export has continued. The accompanying table carries forward the comparison of Employment and Volume of Exports which appeared in the last Bulletin.

In view of the holiday season, it would not be legitimate to expect the third quarter figures for exports to reflect fully the further intake of manpower. Nevertheless the build-up over the past half-year should be sufficient to carry the volume of manufactured exports in a more normal quarter to a level possibly $30 \%$ above that yet achieved, or about $45 \%$ above 1938 .

The value of retained imports in the second quarter was $£ 309 \cdot 2 \mathrm{Mn}$. as compared with $£ 266.0 \mathrm{Mn}$. in the first quarter. The main increases over the first quarter were in Food, Drink and Tobacco ( $£ 22.0 \mathrm{Mn}$.) and Raw Materials ( $£ 16.7 \mathrm{Mn}$.).

## RETAIL TRADE

Retail trade turnover again increased considerably in the second quarter of the year, when the official index for foodstuffs was $10 \%$ higher than for the first quarter and that for other merchandise $30 \%$ higher. Sales in the latter group have recently been stimulated by increased supplies (especially of household goods), release of new clothing coupons and downpointing, purchase tax reductions, etc.

The increases may be greater than appears from the index numbers as they are based upon sample returns which exclude newly-opened businesses or branches. In normal times these would tend to be compensated by others closing
down. From January 1st, 1946, no permits have been required before opening new outlets for goods other than foodstuffs.

The monthly index numbers will be found in the table on p. 85. Recent fluctuations are largely due to their being calculated on the basis of daily averages of sales, which are distorted in some months by the incidence of Victory and Bank Holidays; for the amount of purchases, particularly of foodstuffs, depends more upon the length of the consumption period than of the shopping period.

As the figures relate to values, they are influenced by the upwardness of prices.

## A YEAR OF RECONVERSION

By R. G

In Britain, as in the U.S. and other countries, the main economic aim during the past year has been to turn over as quickly as possible from war to peace production-to transfer men and women from their war jobs, in and out of uniform, and to get them producing the largest possible volume of peace-time goods. There have been limits set to the speed of reconversion, partly physical such as lack of plant and materials and partly dictated by military needs. How can we judge whether the extent of reconversion realised so far is satisfactory ?

The criteria are clearly different in Britain from what they would be in the U.S. or Canada. We should judge British reconversion first by the progress made towards achieving the export goal necessary for an early balancing of our international account, and only secondly by the increase in production for the home market. The latter should be sufficient, when combined with reasonable restraint on the part of consumers, to permit our continuing controls to keep inflation at bay.

On the first score, reconversion is clearly being managed very satisfactorily and with better results than were anticipated a year ago. On the second point, over-all production for civilian use, though slow, is probably sufficient to keep inflation under control and the Chancellor at least seems satisfied. The main purpose of this article is to demonstrate that there is a lack of balance, a lopsidedness, in reconversion which will be difficult to correct and which may later prove to be an important fact to take into account in the pursuit of a stable employment policy. In the longer run the risk is of deflation and all the factors, e.g., the possibility of an American " boom-and-bust," are not under our control. The need now is to develop methods for dealing with a deflationary situation when it threatens and these will include the statistical apparatus of the White Paper on the National Income and the proposed Manpower Budget.

The total labour force is still declining slowly, mainly because of the retirement of married and other women. It can be expected to fall to around 20 millions by the end of the year at which time there will be some 300,000 more women and slightly fewer men in the working population than before the war.

The following table shows the general manpower position :

TABLE 1.
DISTRIBUTION OF TOTAL WORKING POPULATION, GREAT BRITAIN
(Thousands).


Note.-All males 14-64, and all females 14-59 in working population, except private domestic service. Women in part-time paid employment included, each counted as half a full-time employee. Actual figures from Ministry of Labour ; estimates for end-1946 is described in text.
*Including government (national and local), civil defence, N.F.S., and police.

The numbers shown as not in employment have been falling slightly but steadily since the peak of $1,250,000$ in February. In May, they comprised 833,000 ex-service men and women who had had no job since discharge (only 33,000 being registered as unemployed), 58,000 married women registered as unemployed and some on their way out of the labour market, together with 284,000 other insured workers registered as unemployed. Even with the expected decrease in the pool of ex-members of the forces, the numbers not in employment by the end of the year can scarcely be put lower than $600,000-$ 700,000 as a working minimum.

Employment on production of equipment for the forces has been reduced rapidly in recent months and some further fall can be assumed to a level below that which will ultimately be needed to supply the permanent armed strength (some 800,000 men). The estimates shown in Table 1 of $1,200,000$ in the armed forces and 500,000 employed on supplying their equipment by the end of 1946 are in agreement with official forecasts. ${ }^{\star}$

Employment in manufacturing for export, which was little more than $40 \%$ of the pre-war level in June 1945, has made a remarkable recovery and was nearly $30 \%$ above the 1939 figure in May. The rate of increase in export employment has been slowing down in recent months. It seems reasonably safe, however, to assume that an increase of $50 \%$ over pre-war

[^24]can be achieved by the end of the year, i.e., an employment of around $1,500,000$. This is in line with official forecasts which also contemplate the attainment of the full $75 \%$ increase by the spring of 1947.

All this permits an increase of nearly $1,400,000$ in employment for the home market (including common services) between May and the end of the year. The main point is that employment in this sector, in May rather more than $5 \%$ below pre-war, can be increased above the 1939 level in about six months.

In summarising the extent of reconversion achievable by the end of the year, we can say that, in the 18 months between mid-1945 and the end of 1946, the numbers engaged in direct war work will have declined by 7.3 millions, 3.9 millions from the armed forces and 3.4 millions from employment on production of equipment for the forces. Of this total, on net balance, 1.6 millions will have left the labour force, the numbers not in employment (including ex-service men taking leave with pay) will have increased by 0.5 million, employment for export will have gone up by $1 \cdot 1$ millions and those engaged on production for the home market and in the common service trades will have increased by $4 \cdot 1$ millions.

But this analysis of total manpower shows up reconversion in too favourable a light. We can get the picture in better perspective by examining employment by sex and by industry. Britain today is far more dependent on womanpower than before the war. First, all the increase over 1939 left in the total labour force is in women ; indeed there are rather fewer men in the working population than in 1939. Second, the two " unproductive" categories-those in the armed forces and those not in employment-are heavily weighted with men who are still serving or recently discharged from the services. Consequently, as Table 2 shows, the proportion of TABLE 2.
TOTAL WORKING POPULATION BY SEX, GT, BRITAIN.

|  | $\begin{aligned} & \text { (Thousands). } \\ & \text { Males } \end{aligned}$ |  |  | Females |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | June | June | May | June | June | May |
|  | 1939 | 1945 | 1946 | 1939 | 1945 | 1946 |
| Armed Forces <br> Employed in Industry | 480 | 4,653 | 2,099 |  | 437 | 158 |
|  |  |  |  |  |  | 158 |
| Not in employment | 13,163 1,013 | 10,098 95 | 11,495 | 4,837 | 6,238 | 5,394 |
| Total working popu lation | 14,656 14,846 14,612 |  |  |  |  |  |
|  |  |  |  | 5,094 | 6,723 | 5,709 |

Note.-Coverage as in Table 1.
women employed in industry is considerably higher-around $32 \%$ now as compared with $27 \%$ in mid-1939-and likely to remain so for some time. Industrial productivity of women being lower than that of men, the manpower
balance sheet presented in total numbers looks more favourable than it would if translated into goods and services produced.

Employment both in manufacturing for the home market and in non-manufacturing is returning fairly rapidly to the 1939 level. This hides an inequality which approaches the lopsided in the recovery in different sectors. The changes in non-manufacturing employment are shown in Table 3. Government services now employ over


400,000 more men and women than before the war, many engaged on work in connection with rationing and other controls. Agriculture, transport and the utilities have all maintained their labour force at or above pre-war strength. Consequently, even by the end of the year, the distributive trades and services generally will be still far short of their pre-war employment levels. This is in line with the continued stress on austerity and would be easily accepted-if all were well with the expansion of manufacturing for the home market. When supplies of consumers' goods, and of clothing and furniture in particular, rise above pre-war volumes, it will be possible to ease rationing and other controls. This would release the hidden reserve of manpower at present engaged on the clerical work necessitated by controls-not only in government but in the distributive trade itself-and some hundreds of thousands of men and women would be made available for the more customary service of "delivering the goods." But, as we shall now see, the lopsidedness in recovery in manufacturing is even greater than in nonmanufacturing and of more long-run importance.

The following table shows the simplest break of manufacturing industries into the warexpanded group of metals, engineering and chemical trades on the one hand and all other manufacturing on the other :

TABLE 4
TOTAL EMPLOYED IN MANUFACTURING, GREAT BRITAIN.

|  | (Thousands). <br> Metals, Engineering and Chemicals. |  |  | Other Manufactur. ing. |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | June | June | May | June | June | May |
| On orders for :- 1939 1945 1946 1939 1945 1946 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Equipment for Forces | 1,070 | 3,132 | 563 | 200 | 755 | 285 |
| Exports . | 450 | 200 | 808 | 540 | 217 | 458 |
| Home Market | 1,586 | 1,014 | 2,235 | 3,094 | 1,610 | 2,288 |
| All orders | 3,106 | 4,346 | 3,606 | 3,834 | 2,582 | 3,031 |

## Note.-Coverage as in Table 1.

The continued inflation of the "war " group of industries is clear ; they remain $16 \%$ above mid-1939 while all other industries together are more than $20 \%$ short of pre-war strength. Moreover, there are fewer employed on production for the forces in the metals, etc., trades than before the war while there are more so employed in other manufacturing. As a result, the former trades now dominate the home and export markets to a greater extent than ever before. The numbers employed in the metals, engineering and chemicals industries as percentages of all employed in manufacturing in the corresponding category are as follows :

|  | June | June | May |  |
| :---: | :---: | :---: | :---: | :---: |
| Orders for home market |  | 1939 | 1945 | 1946 |
| .$"$ export,$\ldots$ | $\ldots$ | $\ldots$ | 45 | 39 |
| 49 |  |  |  |  |

This is supported by the export figures. The value of exports from the metals, engineering and chemicals industries* forms $53 \%$ of all exports except raw materials and agricultural produce in 1938, and nearly $60 \%$ in May of this year. This comparison does not show the full rise, since exports (which are increasing) lag behind employment and since the increase in export prices of metal goods remains somewhat below that of export prices in general.

The reasons for the maintenance of high levels of employment in the metals, engineering and chemicals industries are clear. There was a slow but steady expansion in these trades before the war so that some increase now over 1939 is to be expected. In addition, the present demand for the products of the industries is exceptionally strong both on the home market and for export. They are largely investment goods trades and the immediate need for re-equipment of industry

* Taken with a slight over-statement as exports in Class III, Groups C to G, O, P and S.

TABLE 5.
INSURED EMPLOYMENT IN MANUFACTURING, GREAT BRITAIN.

Group A. Total General Engineering Shipbuilding Motors, Cycles, Aircraft Electric Apparatus. Chemicals
Explosives
Wood Boxes and Cases Other


Iron and Steel
Oil, Soap, Paint, etc.
Sawmilling
Glass, Rubber, etc. (2)
Drink and Tobacco

Group C. Total
Ironfoundin
Tin Plates
Cotton and Wool
Textile Finishing ....
Leather, Boots and Shoes
urnitur

All Manufacturing

Numbers (thousands)

| Males |  |  |  | Females |  |  |  | Males |  | Females |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| $\begin{aligned} & \text { June } \\ & 1939 \end{aligned}$ | $\begin{aligned} & \text { June } \\ & 1945 \end{aligned}$ | $\begin{aligned} & \text { Dec. } \\ & 1945 \end{aligned}$ | $\begin{aligned} & \text { May } \\ & 1946 \end{aligned}$ | $\begin{aligned} & \text { June } \\ & 1939 \end{aligned}$ | $\begin{aligned} & \text { June } \\ & 1945 \end{aligned}$ | $\begin{aligned} & \text { Dec. } \\ & 1945 \end{aligned}$ | $\begin{aligned} & \text { May } \\ & 1946 \end{aligned}$ | $\begin{aligned} & \text { June } \\ & 1945 \end{aligned}$ | $\begin{aligned} & \text { May } \\ & 1946 \end{aligned}$ | $\begin{aligned} & \text { June } \\ & 1945 \end{aligned}$ | $\begin{aligned} & \text { May } \\ & 1946 \end{aligned}$ |
| 1,692.9 | 2,178.9 | 1,877.9 | 1,901•5 | 289.5 | 1,140.0 | $723 \cdot 1$ | 606.5 | 129 | 112 | 394 | 209 |
| $637 \cdot 4$ | $777 \cdot 9$ | 693.7 | 716.4 | $67 \cdot 3$ | 1,161.9 | 223.4 | 189•2 | 122 | 112 | 538 | 281 |
| 141.8 | $230 \cdot 4$ | $218 \cdot 6$ | $215 \cdot 1$ | $2 \cdot 9$ | $21 \cdot 9$ | 15.0 | 11.0 | 162 | 152 | 755 | 379 |
| $428 \cdot 1$ | $597 \cdot 2$ | $449 \cdot 6$ | $435 \cdot 3$ | 45.2 | $279 \cdot 0$ | $143 \cdot 0$ | $104 \cdot 8$ | 140 | 102 | 617 | 232 |
| 116.4 | 112.2 | 110.9 | $119 \cdot 1$ | $79 \cdot 5$ | $167 \cdot 7$ | $129 \cdot 4$ | 116.8 | 96 | 102 | 211 | 147 |
| 88.6 | 91.6 | $97 \cdot 7$ | $110 \cdot 3$ | $36 \cdot 2$ | $65 \cdot 9$ | 66.2 | $62 \cdot 9$ | 103 | 124 | 182 | 174 |
| $29 \cdot 2$ | 78.3 | $33 \cdot 4$ | 23.8 | $7 \cdot 9$ | $90 \cdot 4$ | $28 \cdot 6$ | $17 \cdot 0$ | 268 | 82 | * | 215 |
| $9 \cdot 2$ | 14.0 | $13 \cdot 3$ | 13.8 | $2 \cdot 4$ | 13.4 | $8 \cdot 6$ | 6.6 | 152 | 150 | 558 | 275 |
| $242 \cdot 2$ | 277-3 | $260 \cdot 7$ | 267.7 | $48 \cdot 1$ | 139.8 | 108.9 | $98 \cdot 2$ | 114 | 111 | 291 | 204 |
| 1,168.4 | 967.7 | 1,016.6 | 1,126.3 | $471 \cdot 2$ | 665.8 | $617 \cdot 8$ | 594.8 | 83 | 96 | 141 | 126 |
| 171.9 | $162 \cdot 0$ | 166.1 | 173.9 | $3 \cdot 6$ | 28.7 | 23.4 | $18 \cdot 6$ | 94 | 101 | 797 | 517 |
| $275 \cdot 4$ | 251.8 | $250 \cdot 0$ | $272 \cdot 6$ | $132 \cdot 7$ | $200 \cdot 5$ | 174.8 | $173 \cdot 2$ | 91 | 99 | 151 | 131 |
| $80 \cdot 4$ | 58.3 | 63.7 | 71.4 | 29.7 | $40 \cdot 9$ | $40 \cdot 2$ | $37 \cdot 2$ | 73 | 89 | 138 | 125 |
| $63 \cdot 0$ | $56 \cdot 1$ | $57 \cdot 2$ | $64 \cdot 0$ | $3 \cdot 4$ | $20 \cdot 2$ | 16.1 | 13.5 | 89 | 102 | 594 | 397 |
| $164 \cdot 9$ | 116.8 | $129 \cdot 3$ | 151.6 | $110 \cdot 0$ | 131.3 | $133 \cdot 1$ | $135 \cdot 3$ | 71 | 92 | 119 | 123 |
| $110 \cdot 5$ | 85.4 | 93.3 | 102.8 | 52.7 | 69-2 | 68.5 | $64 \cdot 2$ | 77 | 93 | 131 | 122 |
| $302 \cdot 3$ | 237.3 | 257.0 | 290.0 | $139 \cdot 1$ | $175 \cdot 0$ | 161.7 | $152 \cdot 8$ | 78 | 96 | 126 | 110 |
| 1,443.5 | 722.1 | 807.3 | 1,007.0 | 1,461.9 | 986.9 |  | 1,083.5 | 50 | 70 | 68 | 74 |
| 84.9 | 39.4 | 43.2 | 1,53.0 | 1,4.8 | 12.9 | $12 \cdot 7$ | $13 \cdot 1$ | 46 | 62 | 132 | 134 |
| 22.7 | $9 \cdot 7$ | $10 \cdot 1$ | 11.4 | $2 \cdot 4$ | $2 \cdot 7$ | $2 \cdot 4$ | $2 \cdot 5$ | 43 | 50 | 112 | 104 |
| $209 \cdot 5$ | 112.8 | 121.0 | $145 \cdot 0$ | 338.0 | $229 \cdot 9$ | $237 \cdot 6$ | $243 \cdot 1$ | 54 | 69 | 68 | 72 |
| 56.7 | + 32.0 | +33.7 | 148.5 | - 22.9 | 20.2 | 20.2 | 19.9 | 56 | 68 | 88 | 87 |
| 135.8 | $67 \cdot 1$ | $72 \cdot 9$ | 91.5 | 486.7 | $303 \cdot 1$ | $327 \cdot 3$ | $339 \cdot 8$ | 49 | 67 | 62 | 70 |
| 123.5 | $78 \cdot 7$ | 83.0 | 100.7 | 84.5 | 68.2 | $70 \cdot 4$ | 72.4 | 64 | 82 | 81 | 86 |
| 111.5 | $39 \cdot 8$ | 51.9 | 70.6 | 26.9 | $22 \cdot 6$ | $22 \cdot 6$ | 23.5 | 36 | 63 | 84 | 87 |
| $30 \cdot 0$ | 14.7 | 16.8 | $21 \cdot 6$ | $37 \cdot 0$ | $24 \cdot 3$ | 28.1 | 31.4 | 49 | 72 | 66 | 85 |
| 668.9 | 327.9 | 374.7 | $21 \cdot 6$ 474 | 453.7 | $303 \cdot 0$ | $324 \cdot 1$ | $337 \cdot 8$ | 51 | 71 |  | 74 |
| 4,304-8 | 3,868.7 | 3,701.8 | 4,034 $\cdot 8$ | 2,222.6 | 2,792.7 | 2,386.3 | 2,284•8 | 90 | 94 | 126 | 103 |

Note.-Males 14-64 and females 14-59 insured under the Unemployment Insurance Acts, together with women in part-time paid employment, each counted as half a full-time employee. Grouping of industries as described in text. All figures from Ministry of Labour.
(1). Iron and steel tubes, wire and wire netting, cutlery and hand tools, bolts and nuts, together with the Ministry's group of "other metal industries.
(2). Glass manufacture, glass bottles, rubber, brushes and brooms, together with the Ministry's group of "other industries."
(3). Stove, grate, pipe, etc., and general iron-founding. * Over 10-fold.
here and abroad is likely to keep them busy for some time. By the same token, however, the industries are very susceptible to cyclical fluctuations and, in a few years' time, the demands for their products may easily fall off suddenly and together.

A more elaborate analysis of manufacturing industries is shown in Table 5. Only insured workers (and part-time women) are now included and the industries separately specified by the Ministry of Labour (cf. Gazette, June, 1946, pp. 152-3) are classified into three groups according to the change in total insured employment between mid-1939 and mid-1945. The expanded industries of Group A are those in which total employment increased by $20 \%$ or more in the period; Group B industries are those which show little change, less than $20 \%$ either way, in total employment ; the contracted industries of Group C have each declined by $20 \%$ or more in employment. It is approximately true to say that male and female employment both rose in Group A industries, that increased employment of women tended to offset reduced employment of men in Group B and that industries of Group C contracted employment both of men and of women.

In the varying and often confusing pattern of change amongst different industries, we can pick out one main feature. This is the tenacity with which industries in Groups A and B are sticking to their labour-which may also be combined with a strong desire amongst workers to stay in these industries. Consequently, the severely contracted industries of Group C are finding it even more difficult than was anticipated to re-form their ranks. This inter-industry immobility is found among all workers but it is perhaps more remarkable for women whose place in the expanded and traditionally male industries was regarded as purely temporary. These favoured industries are getting their share of returning men-and retaining many of the women recruited during the war.

The results appear in the production figures. Output of textiles, clothing, furniture, pottery and the products of other Group C trades is recovering slowly, partly because of difficulties such as shortages of equipment and raw materials, but clearly in the main because of lack of labour. With exports given priority and often (e.g., pottery) increasing rapidly, the home market is getting far less than the general reconversion situation would appear to warrant. Early this year, supplies becoming available to civilians were generally quite small proportions of the pre-war (1935) level-carpets, less than $30 \%$; women's stockings, about $50 \%$; blankets, less
than $75 \%$; leather footwear, about $80 \%$, and so on. Supplies of pottery, as a further example, are now reaching the home market in no greater volume than a year ago and less than in 1944. Contrast this with the more fortunate industries in Groups A and B which have been able to contribute so largely to the expansion of exports and the re-equipment of industry and to throw increasing supplies of consumers' goods on the home market. In the first quarter of this year, supplies of many electrical and metal goods for domestic use were above the 1935 levelselectric irons, more than double ; electric fires, more than $60 \%$ higher ; prams, $20 \%$ higher. Already more motor cycles are going to the home market than in 1935 and the output of radio sets for home sale, though still less than half pre-war, is increasing very quickly.

The broad changes in manufacturing employment during and since the war are shown in Table 6. The changes during the war were of

TABLE 6.


Note.-Average and classification of industries as in Table 5.
two kinds. First, a general outflow of men from manufacturing to the armed forces was partly offset by an inflow from the previously unemployed and to some extent from outside the labour force. There was also a general inflow of women from the previously unemployed and non-employed and from non-manufacturing occupations. Second, a large internal movement within manufacturing industries took place, broadly from Group C to Group A trades. Since 1945, the general movement of men has been reversed only partially. Less than $40 \%$ of the net war-time loss of manufacturing as a whole has so far been made good and there remain many men still to be returned from the forces. The general inflow of women during the war has been very largely wiped out since June 1945 and total employment of women in manufacturing will show little further reduction.

The inter-industry shifts cannot be precisely estimated from available data but it is clear at least that the war-time movements have been
very incompletely reversed in the past year. Very roughly, Group A industries have lost only half the men and women they gained from other manufacturing trades during the war. The trades of Group B have practically regained their male strength and have, at the same time, retained a high proportion of their war-time recruitment of women. Consequently, the industries of Group C, severely contracted in male and female labour during the war, have gained since mid-1945 relatively few men and even fewer women to make good their war-time losses.

The balance of manufacturing industry has been tilted far over in favour of industries which were not forced to contract during the war. The men returning from the forces have largely gone back to their old industries but many of those-and particularly many of the womenwho entered the war industries have stayed on. This is clearly seen in the percentage distributions of Table 7:

TABLE 7.
PERCENTAGE OF ALL INSURED EMPLOYMENT IN MANUFACTURING, GREAT BRITAIN. June, 1939 May, 1946

| Group $\begin{array}{r}\text { A } \\ \text { B } \\ \text { C }\end{array}$ | Males | Females | Total | Males | Females | Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $39 \cdot 3$ | 13.0 | $30 \cdot 4$ | 47-1 | 26.5 | $39 \cdot 7$ |
|  | $27 \cdot 1$ | 21.2 | $25 \cdot 1$ | $27 \cdot 9$ | 26.0 | $27 \cdot 2$ |
|  | 33.5 | $65 \cdot 8$ | $44 \cdot 5$ | $25 \cdot 0$ | $47 \cdot 4$ | $33 \cdot 1$ |
| Total | $100 \cdot 0$ | $100 \cdot 0$ | $100 \cdot 0$ | $100 \cdot 0$ | $100 \cdot 0$ | $100 \cdot 0$ |

Note.-Coverage and classification of industries as in Table 5.
There is no early prospect of any considerable correction of this unbalanced position. Engineering, shipbuilding, vehicles and other expanded industries now have $12 \%$ more men and over twice as many women as before the war. With continued releases from the forces, the number of men employed is tending to increase and the decline in female employment is very slow. Industries which maintained their position during the war-certain other metals and chemicals trades, drink and tobacco, glass, rubber and a group of miscellaneous industries-now have nearly as many men as before the war and over $25 \%$ more women. Employment of men is increasing and the decline in the numbers of women employed appears to be at an end. Most of the industries in these two groups are traditionally male trades and some which
employed practically no women before the war now retain female labour in quite considerable numbers ; iron and steel, shipbuilding and sawmilling are instances. It is clear that, in the long run, there is here a potential labour surplus, certainly in shipbuilding (over $50 \%$ more employed than in 1939) and perhaps in general engineering and other industries.

Equally, there are no indications of more than a gradual improvement in the labour supply in the contracted industries. The bulk of the consumers' industries, apart from the metalworking trades, remains below the pre-war level of employment both in men and in women. The deficit is about $30 \%$ in men and over onequarter in women. Some industries like ironfounding and tin plates, closely related to the expanded metals trades, appear in the contracted group and they are no better off than the others. Male employment has grown and will grow as men are discharged from the forces and get back into industry. To increase the female labour force-and most of the industries are large employers of women-will require transfers from other forms of employment and, in particular, from the expanded industries where conditions and pay are generally better.

The main question posed in this article is easily framed. The over-all expansion in employment on manufacturing for export is very satisfactory and fully up to programme. The growth in employment for the home market is adequate, on the whole, to keep inflation under control. The disturbing feature of a year of reconversion is the lack of balance in the changes which have taken place. We are now depending heavily on a group of industries making investment goods and consumers' durables, industries which are peculiarly vulnerable to the influence of cyclical factors. These industries are attractive to workers and they are sustained by the existence of a sellers' market for their products. The sellers' market will not last for ever. Other industries, now relatively starved of labour, may be more suitable for long-run expansion. Do we, in fact, envisage that the metals, engineering and chemicals industries will absorb permanently half our total manufacturing business and twothirds of our manufactured exports ?

# PRODUCTIVITY OF LABOUR IN BRITISH, AMERICAN AND GERMAN AGRICULTURE * 

By L. Rostas

By comparing the volume of industrial output and industrial employment of the U.K., U.S., and Germany in the pre-war year of 1937, it can be estimated that industrial efficiency-as measured in physical production per head-was roughly similar in Great Britain and Germany, while in the United States it was more than twice as great as in the two other countries. This means that with their respective capital equipment then in existence, the Americans succeeded in producing twice as much wealth per head in manufacturing industry as did either Great Britain or Germany.

At the same time, it can be observed that real income per head, as shown by national income statistics, was not significantly greater in the United States than in Britain. It is of great interest to find out why the average American standard of living is not much higher than the average British standard, in spite of their very great advantage in industrial productivity. One way of seeking an answer to this question is to analyse the relative productivity of labour in other branches of the national economy, such as agriculture, transport, services, etc.

This note deals with one aspect only of this problem: how the relative productivity of labour in British, American and German agriculture compares; in other words it tries to find out how physical output per head of working population compares in the agricultures of the three countries.

How to compare Productivity in Agriculture.
Such a comparison is not an easy task, as agriculture has not the same position in the economic system of the three countries and consequently their structure of agricultural production is very different. To a certain extent, therefore, we compare almost different industries. Britain has a unique position. Not more than $1 / 20$ th of her working population is in agriculture, and in consequence British agriculture specialises to a considerable extent-at least in normal peace-time years-on the production of a limited range of products, and

[^25]Britain imports the bulk of her requirements of agricultural products. The U.S., on the other hand, has nearly $1 / 5$ th of her total working population in agriculture, and has a surplus in agricultural products. Again the structure of German agriculture is not quite comparable with either the British or the American, although its proportionate importance-employing one quarter of the working population-is greater than that of the U.S. The U.S., however, produces not only all the types of products produced in Germany and in the U.K., but in addition, owing to its diverse climatic conditions, virtually the whole range of agricultural products, such as citrus fruit in California, and, what is more important, a vast amount of cotton in the Southern States. Under such circumstances, it is difficult to express the volume of output of agriculture in each of the three countries in one comparable figure.

One way of tackling the problem is to take the money values of the net output of agriculture in the three countries and convert them into the same currency ( $£$ or $\$$ ) by estimating the exchange rate which expresses the relative prices of agricultural products in the three countries. The net output of agriculture-similarly to the concept of net output of industry-indicates the value added by agriculture to the materials, etc., used in agriculture. This can be arrived at by deducting from the gross value of agricultural production, such items as costs of feeding-stuffs, livestock, seeds, fertilizers, machine repairs, machine fuel, etc. Care has to be taken, of course, that the gross output does not contain double counting, e.g., it should not include interfarm transactions, or the value of output of feeding-stuffs which are used for feeding livestock; but gross output should, on the other hand, include in addition to the value of sales, an amount corresponding to the value of products consumed on the farms. The exchange rate in terms of agricultural produce can be arrived at by calculating the ratio of the prices of as many individual agricultural products as possible, and then weighting these single ratios by the relative importance of the individual products in the total agricultural output in the different

[^26]countries. It can be estimated that the purchasing parity rate in terms of comparable agricultural products for 1937 (by using U.S. weights) would be $\$ 3.52$ and Rm .16 .86 to the $£$ respectively. On the basis of these conversion rates, the value of net output of British agriculture, which amounted to $£ 175 \mathrm{Mn}$. in $1937 / 38^{\star}$, could be compared with the value of net output of U.S. agriculture (in 1937) amounting to $£ 1,807 \mathrm{Mn}$., and with the net output of German agriculture (in 1937/38) amounting to $£ 628 \mathrm{Mn} . \star \star$ Thus the output of British agriculture in the years indicated was about a tenth of U.S. agricultural output and little more than a quarter of German agriculture.

The second problem is to estimate the labour force in the three countries which was responsible for the production of the above agricultural output. This again cannot be done very precisely, in view of the fact that farming is a way of life as well as a way of making a living. The main-though not the onlydifficulty is to determine how far the work of female members of the family should be included or excluded when estimating the total labour force working in agriculture. The British and American Censuses are taking-quite correctly -a narrow view in this respect. They do not include the farmer's wife, and in any case in Britain and the U.S. the proportion of female family helpers-and of females in generalin the agricultural working population is so small that their inclusion or exclusion would not affect the general picture. The German Census on the other hand, takes a wider view, and classifies most of the wives as family helpers. For this and a number of other reasons (e.g., the predominantly peasant character of most of German farming, the fewer alternative occupations in industry, etc.), a high proportion of the German labour force appears to consist of females in general and of female family helpers in particular. In comparing the labour force in the three countries, allowances have been made for most of these factors, and it is found that after taking account of independent farmers and helping family members, in so far as this is legitimate, as well as of permanent and seasonal farmworkers, the total number of

[^27]persons working in agriculture can be put at 10.8 millions in U.S., at 1.1 millions in Britain and at 8.5 millions (or, excluding wives, at 6.9 millions) in Germany.

By relating employment data to output data it is calculated that in 1937 output per head in American agriculture amounted to about $£ 166$, in British agriculture to $£ 159$, and in German agriculture to $£ 74$ (or, excluding wives, to $£ 91$ ). This means that broadly speaking, physical output per head does not differ substantially between the U.S. and U.K. (though it may be slightly higher in the U.S.), while in Germany it is perhaps half as high as either in the U.K. or in the U.S. (vide Table 1).

| Agriculture | TABLE <br> U.S. $1937$ | $\begin{aligned} & \text { U.K. } \\ & \text { 1937/38 } \end{aligned}$ | $\begin{array}{r} \text { GERMANY } \\ 1937 / 38 \end{array}$ |
| :---: | :---: | :---: | :---: |
| Value of net output ... | \$6,361 Mn. | £175 Mn. | $\text { Rm. } 10,584$ $\mathrm{Mn} \text {. }$ |
| Estimated | 10,892,000 | 1,100,000 |  |
| Employment |  |  | $\text { or } 6,900,000^{*}$ |
| Net Output per head: |  |  |  |
| 1 In Agriculture |  |  |  |
| rencies ... | \$584 | $£ 159$ | Rm. 1,245 or Rm. 1,534* |
| (b) at official exchange rates of, $\$ 4.94$ and Rm . 17.08 to $£ \ldots$ | £118 | $¢ 159$ | £73 or $90{ }^{\text {* }}$ |
| (c) at purchasing parity rates, $\$ 3.52$ and Rm . 16.86 to $£$ | $£ 166$ | $£ 159$ | £74 or 91* |
| (d) As index numbers | 104 | 100 | 47 or 57* |
| 2 In Manufacturing |  |  |  |
| Industry | \$2,572 | £229 (1935) | Rm. 4,285 <br> (1936) |

*After deducting $1,600,000$ wives included as helping family members (on the assumption that 3 out of 4 every wives were originally included in the Census data). -If the labour force were expressed in equivalent "men," Germany would compare more favourably with U.K. and U.S.

There is another-though less reliablemethod by which the relative output per head in the three countries can be calculated. This method confines the comparison to purely physical quantities and compares only that part of the output (i.e., those ranges of products) which are produced in all the three countries and for which quantitative data are available. On this basis the volume of agricultural production in England and Wales, covering about $80 \%$ of the value of output, can be compared with the volume of agricultural production in the U.S., covering about $75 \%$ of the value of output. Such products as fruit, vegetables, cotton, tobacco, soya beans, peanuts, etc., have been excluded from this comparison. The main difficulty in applying this second
method is to estimate the number of people who can be regarded as responsible for the output of this limited range of products. Such estimates are conjectural. They are usually based on the assumption that the value of output per head in respect of different types of products is the same, and similar devices. Nevertheless, on this basis it can be conjectured that, in the U.S., approximately $9-10.5$ times as great physical output is produced by about 10 times as many people as in England and Wales, which largely confirms the results of our first estimate.

No great accuracy can be attached, of course, to either of these two estimates, but it is clear that the difference between productivity of labour in the U.S. and U.K. agriculture cannot be great. This means that while each of the 10 million industrial workers make at least twice the contribution to the U.S. national output that the average British industrial worker makes to the British national output, the average contribution of the almost equally numerous American agricultural worker is broadly on the same level as that of British agricultural workers.

There is another factor which enters into the picture, namely the relative levels of output per head in the two branches of the national economy. This can be measured in value terms of the respective countries. In the U.S. the value of net output per worker in agriculture amounted in 1937 to $\$ 584$, while the value of net output per worker in industry in the same year reached $\$ 2,572$. In Britain the value of net output per worker in agriculture amounted in 1937/38 to $£ 159$, and in the manufacturing industry in 1935 (the last year for which data are available) to $£ 229$. Even allowing for some distortion of the agricultural figures owing to agricultural price intervention (subsidies, etc.), it can be seen that the contribution of the American agricultural worker to the national output is less than one quarter of that of the American industrial worker. This factor, coupled with the fact that such a high proportion of the American working population is employed in agriculture, constitutes an additional reason bringing the U.S. real income per head nearer to the British level. In Britain, as it can be seen, the difference between the value of net output in the different branches of the economy is much smaller. This, together with the fact that such a small proportion of the British working population is employed in agriculture is largely responsible, for a relatively high British standard of living, in spite of the lower British productivity in industry.

The way in which these different factors affect real income per head can be illustrated by the following simplified example; take the value of net output per head an agriculture and industry in the U.K. and U.S. in round figures, and assume that those working in industry and agriculture represent the total working populations, then :-

| Relative Nos. Employed |  |  |  | Income per Head. |
| :---: | :---: | :---: | :---: | :---: |
|  | Agric. | Industry | Total | Agric. Industry |
| U.K. | 12 | 88 | 100 | 1.0 1.5 |
| U.S. | 45 | 55 | 100 | $1.0 \quad 3.0$ |
| Income Generated |  |  |  | Relative Real |
|  | Agric. | Industry | Total | Income per head. |
| (a) Differential Weights |  |  |  |  |
| U.K. | 12 | 132 | 144 | 2 |
| U.S. | 45 | 165 | 210 | 3 |
| (b) British Weights |  |  |  |  |
| U.K. | 12 | 132 | 144 | 1.6 |
| U.S. | 12 | 264 | 276 | 3 |
| (c) U.S. Weights |  |  |  |  |
| U.K. | - 45 | - 82.5 | 127.5 | 1.8 |
| U.S. | 45 | 165 | 210 | 3 |

The three comparisons-of which (a) is nearest to the actual situation-show that by using differential weights (i.e., allowing for both differences in output per head as well as differences in the proportion of labour employed in the different branches) we get a more favourable comparison of relative real incomes per head than using constant weights (i.e., allow for differences in output per head only). It also shows that by taking into account relative productivity in agriculture as well as the relative proportion of persons in agriculture, relative real incomes in industry and agriculture would be U.K. 100, U.S. 146, in spite of twice as great output per head in the U.S. industry.

## Long-Term Changes in Productivity.

It is interesting to compare the rate of increase in productivity of labour in British and American agriculture as well as the trends of labour productivity in agriculture and in industry in the two countries.

Between 1908 and 1936-37 output increased by about $30 \%$ per head and perhaps somewhat over $40 \%$ per man-hour in British agriculture ; in the comparable period of 1909 to 1937, the increase in American agriculture amounted to $58 \%$ per head, and perhaps $66 \%$ per man-hour. In other words, the rate of increase per head per annum was a little over $2 \%$ in the U.S. and only $1 \%$ in Britain. Between 1937 and 1944 there has been a further $18 \%$ increase in output per head (and perhaps somewhat less per man-hour) in American agriculture ; in Britain the estimated war-time increase per man-hour has been put at $13 \%$, i.e., the increase has been less than in the U.S., so that the comparison of productivity of labour relating to present-day conditions would be less favourable to the U.K.*

[^28]It is also worth noticing that the increase in industrial productivity appears to be greater in both countries than the increase in agricultural productivity. In the U.S. output per worker in manufacturing increased by $65 \%$ between 1907 and 1937, in the U.K. by perhaps $47 \%$. The increase in output per man-hour has of course been even more pronounced both in U.S. and British industry. It is estimated at $133 \%$ in the U.S. and can be put at $65 \%$ in the U.K. In both cases one of the important developments was the decrease in actual working hours in industry, which was probably less pronounced in agriculture.

## The interpretation of Comparative Productivity in Agriculture.

It is necessary to emphasize again that the main purpose of comparing productivity of labour in agriculture has been to ascertain what contribution is made by agriculture to real income in the two countries, taking the distribution of the working population and capital equipment used as given. This comparison obviously throws light on the relative efficiency of labour in the two agricultures. But before a final picture of the relative efficiency of farming in the two countries can be arrived at, agricultural output in the two countries has to be related not only to the utilization ("input") of labour, but also of other factors of production. In other words, the relative use of machines per worker (or the output produced per unit not only of direct but also of indirect labour employed in making machinery), as well as the relative output per acre has to be taken into account. Moreover, if we discuss efficiency of farm labour in general, it is doubtful whether the U.S. is our most relevant standard of comparison. In comparing productivity of labour in industry the U.S. represents the highest level so far attained, and it also represents our potential supplier as well as our potential competitor in industrial goods. But in agriculture U.S. productivity appears to be surpassed by other countries with which we trade, notably New Zealand, Australia and the Argentine.* This is a very important fact when we try to draw conclusions from our findings on the question of a smaller or larger British agriculture.

This great issue is beyond the scope of this note. But a warning against over-interpretation of our comparisons must be given.

[^29]It would be a very crude argument that because labour is employed equally productively in both British and American agriculture, but only half as productively in British industry as in American industry, it is therefore indicated that the size of our manufacturing industry should be curtailed and labour re-directed into agriculture, where our relative advantage is greater.* It should not be forgotten thatas the figures show-an industrial worker on the British level of industrial productivity, and of course even more on the U.S. level, contributes more to the national output than the agricultural worker. The relevant consideration, therefore, is whether the output of the British industrial worker can be exchanged through foreign trade for a larger amount of agricultural produce than the same worker could produce if employed in agriculture, in both cases assuming the availability of the necessary capital equipment within the limits of national resources. These alternatives will obviously depend on the relative productivity in agriculture and in industry in Britain, as well as of the productivity in agriculture of our supplying countries and lastly of our terms of trade. In the past the first alternative (i.e., Britain's specialization in industry while simultaneously importing most of her agricultural requirements), proved the most satisfactory way to increase the British standard of living, and there has been no change in the fundamental factors during the last decade or so, which should favour, on economic grounds, an entirely different policy. Britain's way to higher income is primarily not by redistributing her working population from industry to agriculture, but by increasing the output per worker in all branches of her national economy. Only if the productivity of labour in the agriculture of our supplying countries were to fall and/or the terms of trade would change sharply against us or if our industrial productivity were to decline, while our agricultural productivity went up by leaps and bounds, would there be a strong reason for a redistribution of our working population.

[^30]|  | STOCKS \＆SHARES \｜ |  |  |  | MONEY ${ }^{\text {＊}}$ |  | $\begin{aligned} & \text { NEW } \\ & \text { CAPITAL } \\ & \text { ISSUES } \end{aligned}$ |  | OTHER BANKING． |  |  |  |  |  |  |  |  |  | TREASURYBILLS， |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Ind | ustrials | Fixed <br> Interest |  |  |  |  |  | Bank of England． |  |  | Nine Clearing Banks． |  |  |  |  |  |  |  | $\varepsilon \mathrm{Mn} \text {. }$ | $\begin{aligned} & \text { ذ̇ } \\ & \text { ث } \\ & \text { से } \end{aligned}$$£ \mathrm{Mn} \text {. }$ |
|  | ＂ K． B． 最 <br> \％of 1924 |  | $\begin{aligned} & \text { ö } \\ & \text { H. } \\ & \text { 弟 } \\ & \text { E } \\ & \text { \% of } \\ & 1924 \end{aligned}$ | $\begin{aligned} & \text { O} \\ & \text { Ḧ } \\ & \text { dag } \\ & \text { ond } \\ & \% \text { of } \\ & 1924 \end{aligned}$ |  |  | $\begin{aligned} & \text { for } \\ & \text { U.K. } \end{aligned}$ <br> $\ell \mathrm{Mn}$ ． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1913 Av．．．． | 62.5 | － | 138 | 72.5 |  | 4.38 | 3.7 | $20 \cdot 2$ |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1919 Av | 106 | － | 91 | 110 | － | 3.95 | 15.7 | $19 \cdot 8$ |  |  | 411 |  |  |  |  |  |  |  |  |  | 949 |
| 1920 Av．．．． | 106 | － | 79 | 127 | $\overrightarrow{4}$ | $6 \cdot 36$ | 27.6 | 320 |  |  | 449 |  |  |  |  |  |  |  |  |  | 1064 |
| 1921 Av．．．． | 72 | － | 81 | 124 | $4 \cdot 3$ | 5.20 | $8 \cdot 3$ | 18.0 |  |  | 435 | 1763 | 331 335 |  | 815 | 309 |  |  |  |  | 1143 |
| 1922 Av．．．． | 82 |  | 96 | 105 | 2.0 | 2.62 | 8.4 | $19 \cdot 6$ |  |  | 399 385 | 1727 | 335 |  | 732 | 372 |  |  | 581 | 234 | 815 |
| 1923 Av．．．． | 101 |  | 102 | 98 | 2.4 | 2.78 3.45 | 5.6 7 | 17．0 |  |  | 385 | 1631 | 242 |  | 744 | 338 | 11.7 | 48.5 | 482 | 152 | 634 |
| 1924 Av．．． | 100 | － | 100 | 100 | 2．4 | 3．45 4.15 | 11.0 | 17.2 7 | 72 | 55 | 383 | 1623 | 223 |  | 839 | 270 | 11.9 | 51.7 | 460 | 150 | 601 |
| 1926 Av．．．． | 115 | 二 | 98.3 96.4 | 103．8 | 4.0 | 4.48 | 11.7 | 9.4 | 69 | 55 | 374 | 162.6 | 214 |  | 876 | 249 | 11.8 | 53.8 | 490 | 130 | 620 |
| 1927 Av．．．． | 124 | － | 96.9 | 103．2 | 3.7 | $4 \cdot 24$ | 14.7 | $10 \cdot 7$ | 66 | 53 | 373 | 1675 | 216 |  | 888 | 238 | 116 | 51.5 | 506 | 114 | 620 |
| 1928 Av．．．． | 142 | － | 99.2 | $100 \cdot 8$ | 3.6 | 4＊16 | $18 \cdot 3$ | $18 \cdot 3$ | 65 | 53 | 372 | 1729 | 235 |  | 933 | 239 | 11.1 | 53.9 | 496 | 117 | 613 |
| 1929 Av | 139 |  | 96.3 | 104.0 | 4.6 | $5 \cdot 3$ | $13 \cdot 3$ | $7 \cdot 9$ | 63 | 50 | 361 | 1762 | 226 |  | 974 | 242 | 10.7 | $55 \cdot 3$ | 521 | 239 | 760 |
| 1930 Av．．．． | 112 | － | $99 \cdot 4$ | $100 \cdot 7$ | 24 | 2.62 | 10.6 | $9 \cdot 1$ | 66 | 50 | 358 | 1763 | 262 |  | 948 | 213 | $10 \cdot 7$ | $53 \cdot 8$ | 462 | 187 | 649 |
| 1931 Av．．．． | 87 | － | 98.7 | 106.8 | 2.9 | 3.53 | 3.7 | $3 \cdot 8$ | 65 | 54 | 354 | 1723 | 254 |  | 904 | 285 | $10 \cdot 4$ | 52.5 | 487 | 142 | 629 |
| 1932 Av．．．． | 84 |  | 112.4 | 90.3 | 1.7 | 1.94 | 7.0 | $2 \cdot 4$ | 81 | 51 | 360 | 1752 | 307 |  | 830 | 332 | $10 \cdot 5$ | $47 \cdot 6$ | 533 | 188 | 721 |
| 1933 Av． | 103 |  | 124.4 | $80 \cdot 7$ | b | 71 | $7 \cdot 9$ | $3 \cdot 3$ | 102 | 55 | 371 | 1914 | 352 |  | 746 | 519 | 10.9 | 39.0 | 582 | 327 | 909 |
| 1934 Av．．．． | 125 | － | 132.5 | 75.7 | 6 | 81 | 8.9 | $3 \cdot 6$ | 102 | 54 | 378 | 1842 | 288 |  | 740 | 543 | $11 \cdot 3$ | 40.2 | 473 | 377 | 850 |
| 1935 Av． | 139 | － | 136.2 | $73 \cdot 6$ | －5 | 57 | 13.5 | $1 \cdot 7$ | 98 | 51 | 394 | 1961 | 264 |  | 755 | 598 | 10.8 | 38.5 | 473 | 393 | 866 |
| 1936 Av． | 161 |  | 136.9 | $73 \cdot 2$ | － 5 | 61 | 15.9 | $2 \cdot 2$ | 96 | 54 | 432 | 2104 | 312 |  | 825 | 598 | $10 \cdot 3$ | 39.2 | 576 | 225 | 801 |
| 1937 Av． | 150 | － | 127.7 | 78.4 | －5 | 59 | 11.6 | $2 \cdot 7$ | 97 | 58 | 479 | 2172 | 276 |  | 910 | 607 | $10 \cdot 3$ | $41 \cdot 9$ | 560 | 229 | 789 |
| 1938 Av． | 123 | － | 1266 | $79 \cdot 0$ | ． 5 | 61 | $7 \cdot 7$ | $2 \cdot 1$ | 104 | 56 | 485 | 2161 | 274 |  | 930 | 593 | 10.6 | $43 \cdot 0$ | 547 | 330 | 877 |
| 1939 Av． | 114 | － | 116.3 | 86.2 | －8 | 1.20 | 3.6 | 1.9 | 103 | 58 | 507 | 2129 | 246 |  | 943 | 564 | $10 \cdot 9$ | $44 \cdot 3$ | 488 | 58.2 | 1070 |
| 1940 Av．．．． | 95 | － | 123.0 | 81.6 | 1.0 | 1.04 | $0 \cdot 3$ | 0.0 | 107 | 77 | 574 | 2377 | 357 |  | 906 | 621 | $10 \cdot 7$ | $38 \cdot 3$ | 793 | 915 | 1708 |
| 1941 Av．．．． | 101 | － | 131.0 | 76.6 | 1.0 | 1.03 | 0.2 | $0 \cdot 0$ | 118 | 69 | 652 | 2818 | 220 | 474 | 815 | 837 | $10 \cdot 4$ | $29 \cdot 1$ | 923 | 1466 | 2389 |
| 1942 Av． | 113 |  | 135.3 | 74.2 | 1.0 | 1.03 | 0.3 | $0 \cdot 0$ | 131 | 60 | 807 | 3104 | 223 | 614 | 758 | 1006 | $10 \cdot 5$ | 24.5 | 970 | 1700 | 2670 |
| 1943 Av． | 135 | － | $134 \cdot 1$ | 74.9 | 1.0 | 1.03 1.03 | 0.6 | $0 \cdot 1$ | 148 | 65 | 966 | 3481 | 173 | 961 | 711 | 1072 | 10.5 | 20.5 | 1107 | 1871 | 2978 |
| 1944 Av．．．． | 148 | － | $133 \cdot 5$ | $75 \cdot 1$ | 1.0 | 1.03 0.93 | 0．5 | $0 \cdot 1$ | 176 | 65 | 1135 | 3953 | 161 | 1338 | 715 | 1082 | $10 \cdot 5$ | $18 \cdot 1$ | 1337 | 2148 | 3485 |
| 1945 Av．．．． | 156 | － | $135 \cdot 1$ | $74 \cdot 3$ | 0.9 | 0.93 | 1.4 | $0 \cdot 3$ | 207 | 68 | 1284 | 4461 | 181 | 1747 | 753 | 1072 | 10.5 | 16.4 | 1602 | 2288 | 3890 |
| 1944 | 139 | $+16$ | 133.5 | $75 \cdot 1$ | 1 | $1 \cdot 03$ |  |  | 188 | 66 |  |  |  |  |  |  |  |  |  |  |  |
| FEB | 141 | ＋1．4 | 133.9 | 74.9 | 1.0 | 1.03 |  |  | 167 | 62 | 1076 | 3701 | 118 | 1251 | 18 | 1069 | $0 \cdot 5$ | 18 | 1180 | 1936 | 3116 |
| MAR | 140 | $-0.8$ | $133 \cdot 4$ | $75 \cdot 1$ | 1.0 | 1.03 | $2 \cdot 1$ |  | 179 | 68 | 1092 | 3788 | 107 | 1285 | 736 | 1055 | $10 \cdot 6$ | 19.4 | ＋$\dagger$ | ＋$\dagger$ | 3149 |
| APR． | 141 | $+0.8$ | 133.0 | $75 \cdot 4$ | 1.0 | 1.03 | 1 | $0 \cdot 1$ | 168 | 63 | 1124 | 3816 | 143 | 1268 | 720 | 1070 | 10.7 | $18 \cdot 9$ | 1200 | 2018 | 3218 |
| MAY | 145 | ＋3．5 | 133.6 | 75.0 | 1.0 | 1.03 |  |  | 167 | 71 | 1126 | 3849 | 169 | 1263 | 721 | 1077 | $10 \cdot 3$ | 18.7 | 1280 | 2185 | 3465 |
| JUNE | 152 | $+3.9$ | $133 \cdot 3$ | $75 \cdot 1$ | 1.0 | 1.03 |  |  | 168 | 70 | 1133 | 3894 | 198 | 1200 | 734 | 1084 | $10 \cdot 4$ | 18.7 | $\dagger \dagger$ | $\dagger \dagger$ | 3536 |
| JULY ．．．．． | 156 | $+14$ | $133 \cdot 3$ | 75.2 | 1.0 | 1.03 |  |  | 190 | 66 | 1156 | 3917 | 208 | 126） | 720 | 1090 | $10 \cdot 3$ | 18.4 | 1430 | 2139 | 3569 |
| AUG．．．．．． | 157 | ＋ 1.1 | 133.0 | $75 \cdot 4$ | 1.0 | 1.03 |  |  | 172 | 70 | 1147 | 4015 | 205 | 1288 | 707 | 1096 | $10 \cdot 3$ | 17.5 | 1430 | 2199 | 3629 |
| SEPT．．．． | 151 | +4.2 +0.3 | 132.8 | 75.5 75.3 | 1.0 | 1.03 | $4 \cdot 5$ |  | 170 | 75 | 1151 | 4041 | 200 | 1392 | 701 | 1099 | 10.4 | 17.4 | 1430 | 2265 | 3695 |
| OCT，．．．． | 151 | +0.3 $+\quad 2.5$ | 133．2 | $75 \cdot 3$ | 1.0 | 1.03 | －45 | 0.8 | 178 | 64 | 1160 | 4127 | 160 | 1515 | 701 | 1088 | 10.4 | 17.0 | 1450 | 2300 | 3750 |
| NOV．．．．．．． | 154 | ＋ 2.5 | $134 \cdot 5$ | $74 \cdot 5$ | 1.0 | 1.03 |  |  | 186 | 60 | 1177 | 4181 | 187 | 1494 | 703 | 1108 | $10 \cdot 5$ | 16.8 | 1470 | 2305 | 3775 |
| DEC．．．．．．． | 154 | $+0.7$ | $134 \cdot 6$ | 74.5 | 1.0 | 1.03 |  |  | 118 | 61 | 1226 | 4320 | 138 | 1611 | 717 | 1080 | 11.0 | 16.6 | 1470 | 2336 | 3806 |
| JAN. | 157 | $+20$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| FEB． | 156 | ＋ 0.9 | 135．5 | 74.1 | 1.0 | 1.03 |  |  | 214 | 68 | 1220 | 4244 | 150 | 1608 | 719 | 1081 | $10 \cdot 3$ | $16 \cdot 9$ | 1450 | 2342 | 3792 |
| MAR．．．．．． | 157 | ＋ 0.5 | 135.5 | 74.0 | 1.0 | 1.03 | $5 \cdot 3$ |  | 181 | 73 | 1219 | 4190 | 134 | 1584 | 724 | 1076 | $10 \cdot 3$ | $17 \cdot 3$ | 1430 | 2309 | 3739 |
| APR．．．．．．． | 159 | $+1.5$ | $135 \cdot 9$ | 73.8 | 1.0 | 1.03 | － | 1.7 | 185 | 62 | 1239 | 4300 | 101 | 1760 | 706 | 1057 | 10.4 | 16 | 1430 | 2204 | 3634 |
| MAY ．．．．．． | 157 | $-10$ | $135 \cdot 8$ | $73 \cdot 9$ | 1.0 | 1.03 |  |  | 185 | 67 | 1262 | 4389 | 112 | 1818 | 715 | 1044 | 10.4 | $16 \cdot 3$ | 1500 | 2173 | 3673 |
| JUNE．．．．． | 154 | $-1.8$ | $134 \cdot 9$ | 74.4 | 1.0 | 1.03 |  |  | 201 | 60 | 1276 | 4517 | 128 | 1870 | 726 | 1045 | 10.4 | 16.1 | 1600 | 2188 | 3788 |
| JUL，Y．．．． | 158 | ＋30 | $135 \cdot 6$ | 74.0 | 1.0 | 1.03 |  |  | 219 | 61 | 1298 | 4581 | 172 | 1924 | 725 | 1040 | 10.4 | 15.8 | 1680 | 2310 | 3990 |
| AUG．．．．．．． | 152 | +3.2 +1.7 | 135．2 | $74 \cdot 3$ | 1.0 | 1.03 |  |  | 211 | 67 | 1327 | 4635 | 188 | 1918 | 723 | 1043 | 10.5 | 15.6 | 1690 | 2285 | 3975 |
| SEPT．．．． | 154 | +1.7 +1.3 | 131.8 131.9 | $74 \cdot 6$ $74 \cdot 5$ | 1.0 | 1.03 | 11.7 | 1.8 | 219 | 73 | 1330 | 4654 | 207 | 1896 | 729 | 1062 | 10.6 | $15 \cdot 7$ | 1690 | 2365 | 4055 |
| OCT． NOV．．．．．．． | 156 | +1.7 +3.5 | $131 \cdot 9$ $134 \cdot 8$ | 74.5 74.5 | 1.0 0 | 1.03 0.53 | 117 | 18 | 232 | 77 | 1325 | 4618 | 184 | 1854 | 755 | 1092 | 10.6 | 16.4 | 1710 | 2330 | 4040 |
| DEC．．．．．．． | 155 | +2.8 -28 | 134.6 1336 | 74.5 75.3 | 0.5 0.5 | 0.53 0.53 |  |  | 225 | 64 78 | 1326 | 4551 | 287 | 1640 | 763 | 1113 | $10 \cdot 3$ | 168 | 1790 | 2296 | 4086 |
| 1946 | 155 | － 2 | 133 | 75.3 | 0.5 | 0.53 |  |  | 217 | 78 | 1360 | 4609 | 360 | 1461 | 776 | 1146 | $11 \cdot 1$ | 16‘8 | $\dagger \dagger$ | † $\dagger$ | 4226 |
| JAN．．．．．．． | 158 | ＋177 | $135 \cdot 8$ | 74.0 | 0.5 | 0.53 |  |  | 221 | 79 | 1345 | 4493 | 350 | 1439 | 790 | 1142 | 10.5 | 17.6 | 1790 | 2421 | 4211 |
| FEB．．．．．．． | $159 \cdot 5$ | ＋ 1.7 | 138.1 | $72 \cdot 8$ | 0.5 | 0.53 |  |  | 238 | 66 | 1329 | 4452 | 331 | 1414 | 800 | 1152 | $10 \cdot 3$ | 18.0 | 1720 | 2540 | 4260 |
| MAR．．．．．．． | 160 165 | +1.7 <br> +3.0 | 137.6 139 | 73.0 72.3 | 0.5 0.5 | 0.53 0.53 | $39 \cdot 9$ | $6 \cdot 7$ | 221 | 67 | 1326 | 4513 | 368 | 1389 | 814 | 1157 | $10 \cdot 6$ | 18.0 | 1740 | 2683 | 4423 |
| MAY ．．．．．． | 173 | ＋ | 141.3 | 71.1 | 0.5 0.5 | 0.53 0.53 | 39 | 67 | 212 | 69 | 1346 | 4625 | 422 | 1394 | 797 | 1192 | $10 \cdot 4$ | $17 \cdot 2$ | 1820 | 2702 | 4522 |
| JUNE ．．． | 179 | ＋ 2.5 | $140 \cdot 1$ | 71.7 | 0.5 | 0．53 |  |  | 219 248 | 66 | 1341 1362 | 4653 | 457 510 | 1321 | 810 841 | 1232 | 10.4 10.4 | $17 \cdot 4$ 17.5 | 1880 1930 | 2559 2560 | 4439 4490 |
| JULY ．．． | 178 | $-0.2$ | $140 \cdot 0$ | 71.8 | 0.5 | 053 | 29.4 | $2 \cdot 7$ | 258 | 63 | 1371 |  |  |  |  |  |  |  | 1930 | 2479 | 4409 |

[^31] \｜A pproximate before 1924

NEW CAPITAL ISSUES－
BANK OF ENGLAND－
PRINCIPAL BANKE－

TREASURY BILL8－

HOEEY

Issues during month in Gt，Britain monthly percentage changes．
（b），for U．K，（b），Abroad，excluding Government loans，etc．－As publlshed Deposits MDLAND BANK，LTD．Six－months totals from 1940 Bank Notes and
Current （1．e，excluengit and other accounts，＂oto．Before Septemper，1939，averages for the month of 9 clearing banks （i．e．excluding the Natlonal Bank，Ltd，and the Dlstrict Bank，aftermards data for last making up das of the month．


U．K．］ EXTERNAL TRADE，OUTPUT

|  | TOTAL IMPORTS． <br> （Declared Values） |  |  |  | $\begin{gathered} \text { Re-exports. } \\ \text { Total. } \end{gathered}$ |  | EXPORTS OF U．K．GOODS． <br> （Declared Values） |  |  |  | OUTPUT． |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Materials． <br> 劺 <br> £ Mn |  | $£ \mathrm{Mn}$ ． |  |  | ＂ <br>  £ Mn． | Materials． $\begin{aligned} & \text { 荭 } \\ & \text { 号 } \end{aligned}$ <br> £ Mn． | $£ \mathrm{Mn} .$ |  <br> $£ \mathrm{Mn}$ ． |  |  |  |  |  |
| 1913 Av ． | 24.2 | 23.5 | 16.1 | $64 \cdot 1$ | $9 \cdot 4$ | 54.7 | 2.7 | $5 \cdot 8$ | $34 \cdot 3$ | $43 \cdot 8$ | 5510 | 197 | 147 |  |  |
| 1919 Av． | $\left\{\begin{array}{l}58.9 \\ 59.9\end{array}\right.$ | 53.9 50.6 | $\left.\begin{array}{l}22.2 \\ 24.7\end{array}\right\}$ | $\ddagger 135 \cdot 6$ | $13 \cdot 7$ | 121.9 | 2.8 2.8 | $10 \cdot 1$ $9 \cdot 3$ | $\left.\begin{array}{l}52 \cdot 7 \\ 53.5\end{array}\right\}$ | $\ddagger 66 \cdot 6$ | 4401 | 142 | 151 |  |  |
| 1920 Av． | 63.8 | 59.2 | $37 \cdot 8$ | 161.2 | $19 \cdot 0$ | 142.2 | $4 \cdot 2$ | $12 \cdot 1$ | 93.4 | 111.2 | 4386 | 154 | 173 |  |  |
| 1921 Av． | $47 \cdot 3$ | $22 \cdot 6$ | $20 \cdot 4$ | $90 \cdot 5$ | $8 \cdot 9$ | $81 \cdot 6$ | $3 \cdot 1$ | $5 \cdot 3$ | $49 \cdot 1$ | $58 \cdot 6$ | 3127 | 50 | 71 |  |  |
| 1922 Av． | $39 \cdot 3$ | 24.9 | $19 \cdot 1$ | $83 \cdot 6$ | $8 \cdot 6$ | 75.0 | $3 \cdot 0$ | 8.5 | 47.4 | $60 \cdot 0$ | 4787 | 94 | 113 |  |  |
| 1923 Av． | $42 \cdot 4$ | $27 \cdot 1$ | 21.4 | 91.4 | $9 \cdot 9$ | 81.5 | $3 \cdot 7$ | $10 \cdot 9$ | $48 \cdot 3$ | $64 \cdot 0$ | 5293 | 143 | 163 |  |  |
| 1924 Av． | $47 \cdot 6$ | $33 \cdot 4$ | 24.9 | 106.4 | 11.7 | 94．7 | $4 \cdot 7$ | $8 \cdot 9$ | 51.7 | 66.8 | 5110 | 140 | 157 | 508 |  |
| 1925 Av． | $47 \cdot 5$ | 35.5 | $26 \cdot 6$ | $110 \cdot 1$ | $12 \cdot 8$ | $97 \cdot 3$ | $4 \cdot 5$ | $7 \cdot 0$ | $51 \cdot 5$ | $64 \cdot 5$ | 4660 | 120 | 142 | 555 |  |
| 1926 Av． | $44 \cdot 2$ | $32 \cdot 8$ | $26 \cdot 2$ | 103.4 | 10.5 | $92 \cdot 9$ | $4 \cdot 1$ | $3 \cdot 9$ | $45 \cdot 0$ | $54 \cdot 4$ | 2420 | 47 | 69 | 587 | $2 \cdot 2$ |
| 1927 Av ． | $44 \cdot 9$ | $29 \cdot 4$ | 26.8 | 101.5 | $10 \cdot 3$ | $91 \cdot 2$ | $4 \cdot 3$ | 6.4 | $47 \cdot 1$ | $59 \cdot 1$ | 4813 | 140 | 174 | 686 | $3 \cdot 3$ |
| 1928 Av． | 44．25 | $28 \cdot 0$ | 26.4 | 99.7 | 10.0 | $89 \cdot 7$ | $4 \cdot 4$ | $5 \cdot 85$ | $48 \cdot 3$ | $60 \cdot 3$ | 4540 | 126 | 163 | 756 | $4 \cdot 4$ |
| 1929 Av． | $44 \cdot 6$ | 28.4 | $27 \cdot 8$ | 101.8 | $9 \cdot 1$ | 92.7 | $4 \cdot 6$ | $6 \cdot 6$ | $47 \cdot 9$ | $60 \cdot 8$ | 4944 | 145 | 185 | 858 | $4 \cdot 7$ |
| 1930 Av． | $39 \cdot 6$ | $20 \cdot 9$ | $25 \cdot 6$ | 87.0 | $7 \cdot 2$ | $79 \cdot 8$ | $3 \cdot 9$ | 5－3 | $36 \cdot 8$ | $47 \cdot 6$ | 4877 | 119 | 141 | 909 | $4 \cdot 0$ |
| 1931 Av ． | $34 \cdot 7$ | 14.5 | 21.8 | $71 \cdot 8$ | $5 \cdot 3$ | 66.5 | $2 \cdot 9$ | $3 \cdot 9$ | 24.4 | $32 \cdot 6$ | 4207 | 72 | 100 | 951 | $4 \cdot 6$ |
| 1932 Av ． | $31 \cdot 1$ | 13.8 | $13 \cdot 1$ | $58 \cdot 5$ | $4 \cdot 3$ | $54 \cdot 2$ | $2 \cdot 6$ | $3 \cdot 6$ | $23 \cdot 0$ | $30 \cdot 4$ | 3990 | 68 | 101 | 1020 | 6.0 |
| 1933 Av ． | 28.3 | $15 \cdot 1$ | 12.5 | 56.3 | $4 \cdot 1$ | $52 \cdot 2$ | $2 \cdot 3$ | $3 \cdot 8$ | 23.5 | $30 \cdot 7$ | 3970 | 79 | 135 | 1130 | $7 \cdot 1$ |
| 1934 Av ． | 28.9 | 17．5 | $14 \cdot 2$ | 61.0 | $4 \cdot 3$ | 56.7 | 2.5 | $4 \cdot 0$ | $25 \cdot 4$ | $33 \cdot 0$ | 4230 | 114 | 170 | 1289 | 7.7 |
| 1935 Av． | $29 \cdot 6$ | $17 \cdot 7$ | $15 \cdot 4$ | 63.0 | $4 \cdot 6$ | 58.4 | $2 \cdot 6$ | $4 \cdot 4$ | $27 \cdot 4$ | $35 \cdot 5$ | 4262 | 123 | 189 | 1464 | $10 \cdot 0$ |
| 1936 Av． | 31.8 | $20 \cdot 7$ | $17 \cdot 7$ | $70 \cdot 7$ | $5 \cdot 1$ | $65 \cdot 6$ | $3 \cdot 0$ | $4 \cdot 3$ | $28 \cdot 4$ | 36.7 | 4369 | 148 | 225 | 1685 | 11.8 |
| 1937 Av． | $35 \cdot 9$ | $26 \cdot 3$ | $22 \cdot 9$ | $85 \cdot 7$ | $6 \cdot 3$ | 79.4 | $3 \cdot 2$ | $5 \cdot 4$ | 33.7 | $43 \cdot 5$ | 4610 | 163 | 249 | 1909 | $13 \cdot 1$ |
| 1938 Av． | $35 \cdot 8$ | $20 \cdot 7$ | 19.5 | $76 \cdot 6$ | $5 \cdot 1$ | 71.5 | $3 \cdot 0$ | $4 \cdot 7$ | $30 \cdot 4$ | $39 \cdot 2$ | 4353 | 130 | 199 | 2031 | 11.2 |
| 1939 Av． |  |  |  | 73.8 | $3 \cdot 8$ | $70 \cdot 0$ |  |  |  | $36 \cdot 6$ | 4437 | 153 | 253 | 2201 | $15 \cdot 1$ |
| 1940 Av． |  |  |  | $96 \cdot 0$ | $2 \cdot 2$ | $93 \cdot 8$ |  |  |  | $34 \cdot 3$ | 4290 | 157 | 248 | 2398 | 14.3 |
| 1941 Av． |  |  |  | $95 \cdot 4$ | $1 \cdot 1$ | $94 \cdot 3$ |  |  |  | $30 \cdot 4$ | 3957 | 142 | 236 | 2697 | 12.4 |
| 1942 Av． |  |  |  | 83.0 | 0.4 | $\overline{82 \cdot 6}$ |  |  |  | $\overline{22 \cdot 6}$ | 3965 | 146 | 244 | 2971 | 10.5 |
| 1943 Av ． |  |  |  | 102.8 | 0.5 | 102.3 |  |  |  | 19.4 | 3730 | 138 | 251 | 3079 | $10 \cdot 7$ |
| 1944 Av ． | $43 \cdot 3$ | $23 \cdot 3$ | 39•8 | 108.9 | 1.3 | 107.6 | 1.9 | $0 \cdot 7$ | $19 \cdot 0$ | $22 \cdot 1$ | 3520 | 130 | 234 | 3196 | 11.5 |
| $\begin{aligned} & 1945 \mathrm{Av} . \\ & 1944 \end{aligned}$ | $40 \cdot 6$ | $24 \cdot 5$ | $25 \cdot 1$ | 91.8 | $4 \cdot 2$ | 87.6 | $4 \cdot 6$ | $1 \cdot 3$ | $25 \cdot 1$ | $32 \cdot 8$ | 3344 | 137 | 227 | 3106 | 12.2 |
| JAN． |  |  |  | （ 92.9 | 0.5 | $92 \cdot 4$ |  |  |  | （22．3 | 3793 | 136 | 242 | 3712 | 11.4 |
| FEB． | A | vera | $g$ e | 104.6 | $0 \cdot 4$ | 104．2 | A | V era | g e | $17 \cdot 1$ | 3847 | 138 | 258 | 3594 | 11.8 |
| MAR． | $42 \cdot 6$ | $23 \cdot 9$ | $39 \cdot 7$ | －110．6 | 0.9 | 109．7 | 1.78 | 0.8 | 19.0 | $19 \cdot 9$ | 3634 | 127 | 244 | 3691 | 12.3 |
| ${ }_{\text {APRIL }}$ |  |  |  | $107 \cdot 7$ | $0 \cdot 4$ | 107.3 |  |  |  | 22．5 | 3460 | 122 | 224 | 2886 | 10.1 |
| JUNE． |  |  |  | 1119．4 | $6 \cdot 6$ | 118.8 |  |  |  | $30 \cdot 0$ | 3969 | 126 | 245 | 2924 | 11.8 |
| JULY | $43 \cdot 4$ | $22 \cdot 1$ | $39 \cdot 5$ | $116 \cdot 3$ | $0 \cdot 3$ |  |  |  |  | $18 \cdot 3$ | 3749 | 127 | 233 | 2745 | 11.7 |
| AUG． | $46 \cdot 3$ | $22 \cdot 1$ | $43 \cdot 0$ | $108 \cdot 3$ 113.6 | $1 \cdot 1$ | 107.2 | 0.8 | 0.5 | $15 \cdot 5$ | $17 \cdot 1$ | 3686 | 123 | 210 | 2606 | 12.3 9.4 |
| SEPT．＊ | 41.7 | 19.8 | $40 \cdot 1$ | 103.8 | $2 \cdot 7$ | 101．1 | 1.9 | $0 \cdot 7$ | $19 \cdot 9$ | $23 \cdot 1$ | 3819 | 131 | 236 | 2919 | 12.0 |
| OCT． | 44.7 | 22.5 | $41 \cdot 6$ | $110 \cdot 2$ | $0 \cdot 8$ | $109 \cdot 4$ | 2.5 | 0.6 | 21.3 | $24 \cdot 8$ | 3876 | 133 | 239 | 3332 | 12.5 |
| NOV． | $50 \cdot 8$ | $26 \cdot 0$ | $40 \cdot 7$ | 121.4 | $3 \cdot 3$ | 118.1 | $3 \cdot 0$ | $0 \cdot 6$ | $25 \cdot 5$ | 29.8 | 3911 | 136 | 244 | 3598 | $12 \cdot 4$ |
| DEC． | $39 \cdot 1$ | $23 \cdot 4$ | $34 \cdot 0$ | $98 \cdot 6$ | $4 \cdot 4$ | 94．2 | 3.5 | $0 \cdot 6$ | $20 \cdot 2$ | $25 \cdot 2$ | 3538 | 133 | 220 | 3744 | 10.6 |
| JAN． | $43 \cdot 8$ | $23 \cdot 0$ | $34 \cdot 0$ | 101．2 | $1 \cdot 6$ | $99 \cdot 6$ | $2 \cdot 5$ | $0 \cdot 8$ | 21.7 | 25．7 | 3506 | 147 | 216 | 4174 | 12.9 |
| FEB． | $42 \cdot 1$ | $19 \cdot 3$ | 28.8 | 101 90 | 1.6 0.9 | $99 \cdot 6$ $89 \cdot 1$ | 2.0 | 0.8 0.7 | $18 \cdot 4$ | $25 \cdot 7$ $23 \cdot 2$ | 3693 | 137 | 241 | 3925 | $12 \cdot 1$ |
| MAR．．．．． | $37 \cdot 6$ | 21.9 | $30 \cdot 7$ | 93.5 | $5 \cdot 2$ | $88 \cdot 3$ | $2 \cdot 2$ | $1 \cdot 2$ | $19 \cdot 2$ | $24 \cdot 1$ | 3718 | 141 | 246 | 3383 | $13 \cdot 1$ |
| APRIL | $41 \cdot 9$ $42 \cdot 9$ | 21.4 23.8 | $33 \cdot 0$ $35 \cdot 9$ | 97．6 | $8 \cdot 6$ | $89 \cdot 0$ | $8 \cdot 8$ | 1.2 | $24 \cdot 1$ | $36 \cdot 2$ | 3591 | 137 | 236 | 2926 | 11.4 |
| JUNE | $42 \cdot 9$ $51 \cdot 0$ | $23 \cdot 8$ 24.6 | $35 \cdot 9$ $35 \cdot 0$ | 103.7 | $4 \cdot 8$ | 98.9 109.0 | $4 \cdot 2$ | 0．7 | $22 \cdot 3$ | $28 \cdot 7$ | 3161 3778 | 128 | 211 | 2812 2652 | 10.5 12.7 |
|  |  |  |  | 112.4 | $3 \cdot 4$ | $109 \cdot 0$ | $7 \cdot 4$ | $1 \cdot 1$ | $28 \cdot 5$ | 38.9 | 3778 | 133 | 238 | 2652 |  |
| JULY | $42 \cdot 1$ $42 \cdot 6$ | 26.4 | 27.5 | 97－8 | $4 \cdot 2$ | $93 \cdot 6$ | $4 \cdot 5$ | 1.1 | $25 \cdot 9$ | $32 \cdot 5$ | 3386 | 135 | 214 | 2537 | 13.6 |
| SEPT．＊ | $42 \cdot 6$ $34 \cdot 6$ | $33 \cdot 2$ 23.7 | 21.6 | 99－3 | $6 \cdot 6$ | $92 \cdot 7$ | $4 \cdot 1$ | 0.9 | $29 \cdot 6$ | 36.5 | 2501 | 125 | 186 | 2474 | $9 \cdot 0$ |
| OCT．．．． | $34 \cdot 6$ $30 \cdot 5$ | $23 \cdot 7$ 21.5 | 16.9 16.1 | $78 \cdot 3$ | $2 \cdot 5$ | $74 \cdot 6$ | $4 \cdot 7$ | 1.5 | $22 \cdot 3$ | $29 \cdot 6$ | 3633 | 139 | 241 | 2707 | 11.3 |
| NOV．．．．． | $43 \cdot 4$ | $30 \cdot 4$ | $16 \cdot 1$ | 71.4 | $5 \cdot 1$ | 66－3 | $7 \cdot 0$ | 2.0 | $32 \cdot 4$ | $42 \cdot 8$ | 3742 | 146 | 243 | 3719 | 13.7 |
| DEC． | $35 \cdot 5$ | $25 \cdot 0$ | 14.4 12.5 | $90 \cdot 2$ | $4 \cdot 1$ | $86 \cdot 1$ | $4 \cdot 1$ | 1.5 | $22 \cdot 7$ | $29 \cdot 9$ | 3733 | 150 | 247 | 3463 | $13 \cdot 8$ |
| 1946 | $35 \cdot 5$ | $25 \cdot 0$ | 12.5 | $74 \cdot 9$ | $3 \cdot 4$ | 71.5 | $4 \cdot 2$ | $2 \cdot 2$ | 34－2 | $43 \cdot 5$ | 3928 | 145 | 222 | 3675 | 12.2 |
| JAN，．．．．．． | $48 \cdot 3$ | 27.5 | $17 \cdot 2$ | 96－1 | $4 \cdot 2$ | $91 \cdot 9$ | $5 \cdot 4$ | $2 \cdot 4$ | 46－2 | $57 \cdot 1$ | 3410 | 144 | 229 | 4142 | $15 \cdot 0$ |
| FEB．．．． | $37 \cdot 5$ | $24 \cdot 0$ | $15 \cdot 9$ | $79 \cdot 4$ | $3 \cdot 7$ | $75 \cdot 7$ | $4 \cdot 6$ | $2 \cdot 6$ | $50 \cdot 1$ | $60 \cdot 0$ | 3607 | 146 | 247 | 3462 | 14.0 |
| MAR． <br> APRIL | $54 \cdot 6$ 49.4 | 28.0 28.6 | 18.0 | 103.5 | $4 \cdot 6$ | 98.9 | $5 \cdot 4$ | $3 \cdot 1$ | $56 \cdot 1$ | $67 \cdot 1$ | 3772 | 147 | 256 | 3820 | 15.6 |
| MAY ．．．．． | $49 \cdot 4$ $56 \cdot 8$ | $28 \cdot 6$ $37 \cdot 4$ | 17.4 19.3 | 97.9 115.9 | 3.8 | 94－1 | $4 \cdot 9$ | $3 \cdot 2$ | $59 \cdot 0$ | $69 \cdot 4$ | 3440 | 149 | 252 | 3058 | 14.6 |
| JUNE．．．．．．． | 52.8 52 | $27 \cdot 7$ | $19 \cdot 3$ 19.6 | $115 \cdot 9$ | $3 \cdot 6$ | 112.3 | $6 \cdot 4$ | $3 \cdot 0$ | $73 \cdot 9$ | $85 \cdot 2$ | 3920 | 151 | 262 | 3237 | 16.7 |
| JUNE．．．．．．． | 52.9 | $27 \cdot 7$ | 19.6 | 102.5 | $3 \cdot 7$ | $98 \cdot 7$ | $4 \cdot 1$ | $2 \cdot 1$ | 56.8 | $65 \cdot 0$ | 3587 | 151 | 240 | 2762 |  |

[^32]
*Unemployment-averages for first month of each quarter.
$\ddagger$ Daily averages affected by abnormal No. of Holidays.

In of value of sales in Departmental Stores, Co-operatives, multiple and independent shops. Each index Is is based on average daily sales durvg the percentage movements of the daily sales for any month as compared with the corresponding are derived from the percentage movements of the ard of Trade Journal, April 1st, 1944.-BANK OF ENGLAND.
POST OFFICE
RECEIPT8
Daily averages, ex telegraph, telephone, savings bank and postal order3.-BOARD OF TRADE JOURNAL

INDEX NUMBERS OF PRICES IN 10 COUNTRIES．
Mainly based upon the Monthly Bulletin of the League of Nations．$\dagger$

|  |  | $\begin{aligned} & \text { 坒 } \\ & \text { 哥 } \\ & \text { 药 } \end{aligned}$ | 留 | $\begin{aligned} & \text { च } \\ & \text { g } \\ & \text { \#N } \\ & \text { N } \\ & \text { д } \end{aligned}$ | $\begin{aligned} & \text { 馬 } \\ & \text { 4 } \\ & \dot{x} \end{aligned}$ |  | \＃ | 免 |  | － |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

I．WHOLESALE，\％OF JAN．－JUNE， 1939


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


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

| 1939 2nd half |  |  | ．．． | 110 | 99 | 104 | 98 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1940 | ．．． |  | ．．． | 122 | 101 | 107 | 102 |
| 1941 | ．．． | ．．． | ．．． | 123 | 102 | 119 | 112 |
| 1942 | ．．． | ．．． | ．．． | 118 | 111 | 129 | 121 |
| 1943 | $\ldots$ | ．．． | ．．． | 123 | 111 | 133 | 131 |
| 1944 | ．．． | ．．． | ．． | 124 | 110 | 133 | 137 |
| 1945 | ．．． |  | ．． | 125 | 111 | 135 | 140 |
| 1945 | Apr． | ．．． | ．．． | 124 | 111 | 134 | 141 |
|  | May | ．．． | ．．． | 125 | 111 | 135 | 142 |
|  | June | ．．． | ．．． | 127 | 112 | 138 | 143 |
|  | July | ．．． | ．．． | 125 | 112 | 138 | 143 |
|  | Aug． | $\ldots$ | ．．． | 124 | 112 | 136 | 139 |
|  | Sept | ．．． | $\ldots$ | 124 | 111 | 135 | 140 |
|  | Oct． <br> Nov． | $\ldots$ | $\ldots$ | 124 | 111 | 136 | 140 |
|  | Nov． | $\ldots$ | $\cdots$ | 124 | 111 | 136 | 139 |
| 1946 |  |  | $\cdots$ | 124 | 110 | 135 | 139 |
|  | Feb． | ．．． | $\ldots$ | 124 | 111 | 135 | 140 |
|  | Mar． | $\ldots$ | ．．． | 124 | 111 | 135 | 143 |
|  | Apr． | ．．． | ．．． | 124 |  | 140 |  |
|  | May | ．．． | ．． | 124 |  |  |  |
|  | June | ．．． | ．．． | 126 |  |  |  |


| 101 |  | 104 | 104 | $(\boldsymbol{a})$ |
| :--- | :--- | :--- | :--- | :--- |
| 103 | $(f)$ | 118 | 113 | 101 |
| 107 | 123 | 140 | 135 | 111 |
| 117 | 141 | 155 | 154 | 131 |
| 118 | 153 | 158 | 162 | 146 |
| 119 | 172 | 156 | 166 | 144 |
| 143 | 191 | 155 | 166 | 147 |
| 143 | 190 | 156 | 167 | 145 |
| 144 | 189 | 156 | 167 | 147 |
| 144 | 189 | 155 | 168 | 149 |
| 148 | 186 | 155 | 168 | 150 |
| 145 | 186 | 155 | 167 | 149 |
| 147 | 186 | 155 | 166 | 148 |
| 147 | 190 | 155 | 164 | 147 |
| 147 | 203 | 154 | 162 | 148 |
| 151 | 203 | 157 | 162 | 150 |
| 148 | 206 | 157 | 162 | 149 |
|  | 221 | 157 | 161 | 148 |
|  | 229 | 157 | 159 | 148 |
|  | 231 | 158 | 159 | 149 |
|  | 204 | 157 | 161 | 151 |

（a）B．L．S．Index．
（e）New Index \％of December， 1942.
（d）Excl．rent and clothes．
＊Provisional．

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


## RECENT MOVEMENTS IN UNITED STATES

## Information communicated by Mr. Eric Schiff, Washington

$$
\text { 4th fuly, } 1946 .
$$

Production and Employment.-The direct and indirect effects of the big strikes have combined with the prolonged uncertainty regarding the future of price control in restricting the flow of commodity supply during most of the period under review. In June, however, production appreciably recovered in many lines. This is true of the steel output, which at the middle of May had been less than $50 \%$ of capacity, and of most consumers' durable goods other than automobiles. As for motor car production, current output is still deeply below the goals that were set by leading producers after VJ-day. It is reported that total production since that time has not even matched the number of cars that went to the junk heaps during the same period. Of important textile articles, some are in slightly better supply now, whereas others are about as scarce as they were during the war. Perhaps the most unexpected development in the general supply situation in recent months was the growing food shortage. At the time of writing, meat is virtually unobtainable in several large cities ; butter and other components of the normal average peace-time diet are very scarce. Temporarily, a bread shortage developed in some sections of the country, owing to inadequate supply of wheat and flour. The causes of the unsatisfactory supply situation on the grain markets are not quite clear. While the development is explained in some quarters by an unwillingness of wheat growers to sell wheat at the ceiling prices that were in force up to June 30, other observers regard it as an aftereffect of the maintenance, for some time after the end of hostilities, of the government's wartime " cheap feed " policy, under which prices for livestock on one hand and cereals on the other were kept in such relative proportions that the conversion of grains into livestock was profitable. In residential construction the trend has been markedly upward during the last few months. Building permits are now being issued at a rate nearly equal to the monthly average in the middle twenties. In March, the Bureau of Labor Statistics index of the number of new dwelling units provided was three times the monthly average 1935-1939. Even so, the current volume of residential building is generally considered inadequate in view of the heavy demand for new dwelling space which exists now and is likely to last for some time. Largely to alleviate the difficulties the construction
industry is encountering in obtaining vital materials, the Civilian Production Administration has taken a step which amounts to a partial and temporary restoration of distribution control for steel. For a few months, some steel products which are vital for the progress of building under the government's housing programme will be given priority in production.

Perhaps the brightest spot in the economic development of the country during the reconversion period, which in many other respects has disappointed earlier expectations, was the absence of anything approaching mass unemployment. For some time after VJ-day, available figures showed a moderate rise in unemployment while appreciable and partly contra-seasonal gains in the number of employed persons were recorded. During the last two months there was both a further rise in non-agricultural employment and a decline in the number of persons seeking work. The seeming contradiction between this development and the complaints regarding the volume of production disappears when it is recalled that commodity output, though unsatisfactory in relation to the money incomes now flowing to consumers and to their pent-up demand, is not small in absolute aggregate figures, or-with a few exceptionsby comparison with pre-war output. In May, according to the monthly report of the Civilian Production Administration, manufacturers' " shipments," in terms of dollars, were double what they had been in 1939 ; after adjustment for price changes there still remains an increase of at least $50 \%$. Yet, the favourable development on the labour market is remarkable, if only because it must be seen against the background of the repercussions of a severe strike wave. One of the factors sustaining employment during the reconversion period seems to have been the high degree of geographical and occupational mobility of labour. The Bureau of Labor Statistics has published the results of a sample study on workers' experiences during the first phase of reconversion. Based on reports of 3,600 former war workers, the results indicate that by the winter 1945/1946 $27 \%$ of the workers had moved out of their wartime communities, $54 \%$ of them to places other than those where they had lived in January, 1941. In that part of the labour force which had been employed in non-war industries, much less regional redistribution was required ; it is estimated that in the winter $1945 / 1946$ over $75 \%$ of these workers


were still working for their wartime employers The occupational movement from rural to urban communities, which had received such a great impetus during the war, has not so far been reversed to any considerable extent.

Wages and Prices.-Two major problems with which governmental labour policy has been struggling ever since the end of the war, have been very much in the foreground during the last quarter, but no solution has been found so far for any of them. There is, first, the question of what machinery should be set up to secure, or at least to facilitate, the peaceful settlement of labour disputes. Collective bargaining has long been generally recognized as the first and foremost instrument to achieve that purpose. To see the importance which this instrument has gained in the United States it suffices to mention that in all occupations in which unions are active, the percentage of workers covered by written collective bargaining agreement was $30 \%$ in 1941 and has since risen year by year to $48 \%$ in 1945. It cannot be said that in the first postwar period collective bargaining has proved less useful than before in bringing about peaceful changes in wage and labour conditions. In the first six months following the end of the war, wage increases affecting some six million employees, according to an estimate of the Bureau of Labor Statistics, were agreed upon without strike. Nevertheless, some recent cases where no agreement was reached and the ensuing strikes threatened to paralyze wide sectors of the economic life of the country, have roused vivid discussion as to what additional machinery should be placed in reserve for such emergency situations. It was seen that the "fact-finding boards," whose recommendations had helped to avoid or to shorten the use of economic force in earlier disputes, were not adequate under all conditions. So far, however, no clear-cut new policy has evolved.

The second unsolved problem, which is partly connected with the first, is that of keeping wage movements in line with the price policy of the government. Since the Federal government was determined to maintain a firm hold on prices for commodities and services during the reconversion period, the removal of wage control on August 18th, 1945, could not logically mean the restoration of unrestricted freedom of bargaining for the price of labour. The idea behind the policy adopted at that time was that freedom of action with respect to upward wage adjustments should be restored only with the limitation that the existing structure of ceiling prices must not be disrupted. In practice, however, this limitation turned out to be largely academic. While
those wage increases to which employers would only agree with the understanding that they would apply for price relief remained subject to governmental approval, an executive order provided that under certain stated conditions approval would be granted even in such cases. Under the pressure of actual or threatened strikes many wage increases which did provide bases for application for increases in price ceilings were approved. And in many of these cases the Office of Price Administration found it necessary to grant the price increase demanded. Substantial uplifts in the ceiling prices of such important commodities as steel, bituminous coal, meat, automobiles, were direct results of wage increases and subsequent applications for permission to adjust selling prices.

The expiration of the old Price Control Act on June 30th marks the beginning iof a new phase in official price policy as well as in governmental efforts to co-ordinate the development of wages and prices. Whether a new legal basis will be given to these efforts, and what this basis will be, is not sufficiently clear at the present moment to justify any speculations as to whether it will be possible to continue the former policy.

As for the general trend of prices during the period under review, the movement has been markedly upward in most lines. Even apart from wage increase cases, the Office of Price Administration has increased many ceilings. The effect of black markets has been increasingly in evidence. On the urban real estate market, which has been entirely free, demand has been particularly intensive for a long time. In part, this reflects the continuing trend toward home ownership which has a long standing in this country. In 1890, about $37 \%$ of all non-farm dwellings were occupied by their owners; in 1940 the proportion was $41 \%$. During the recent war the shift from tenancy to home ownership was accelerated; in 1944 the ratio of owner-occupied to total dwelling units was estimated at $47 \%$. In recent months, doubts in the public mind as to the prospective development of the purchasing power of the dollar have helped to strengthen the demand for real estate.

Money and Finance.-There is every indication that the general level of prices has not yet adjusted itself completely to the enormous increase in money supply which has taken place during the war. The volume of liquid and semi-liquid funds in the hands of businesses and individuals has recently been estimated at some $\$ 250,000 \mathrm{Mn}$. The ratio of this volume to the volume of current incomes and expenditures is still appreciably above what is normal according to previous peace-time experience. In recen ${ }_{t}$
months, individuals and businesses held about 55 cents in currency and demand deposits for every dollar of annual gross national product ; in 1929 the comparable figure was 29 cents. At the same time the value of the total stock of money (including bank deposits) as measured by commodity prices, either wholesale or retail, was about $50 \%$ greater than it had been in early 1940 . This being so, there will have to be some further advance-controlled or uncontrolled-in the general price level, if the supply of commodities and services is to flow at the full volume which the productive capacity of the country makes possible. This means that the legitimate criterion of success or failure of the fight against inflation in the near future will be, not the absence or presence of any price rises, but the absence or presence of rises beyond what must now be regarded as the equilibrium level.

Chances to achieve what will be a success by this criterion have definitely improved during the last few months. While some potential sources of further inflation are still present, the potentialities of the source from which practically all war-time inflation has come-deficit financing by the Federal government-have been markedly reduced. The Federal budget is now very near the balancing point. In January, the deficit for January-June, 1946, had been estimated at $\$ 10,000 \mathrm{Mn}$. This estimate has since been revised downward to $\$ 3,600 \mathrm{Mn}$. For the first time in sixteen years, the first quarter 1946 showed a surplus of revenues over expenditures. Thanks to this development, the huge cash balances which the Treasury has built up out of proceeds of the war bond issues are no longer needed to finance governmental expenditures. In part at least, these balances are now available for debt retirement, which has in fact been started some months ago and has been continued ever since. The beginning of this new policy was an important turning point. So long as the Treasury used the proceeds of their borrowing to finance current expenditures, purchasing power in the hands of the public was being inflated roughly in the proportion in which the borrowing itself had been financed by expansion of bank credit-
and about $50 \%$ of total Treasury borrowing during the war years had been so financed. When, however, these Treasury balances are used for debt retirement, no new purchasing power is being poured into the economic system. In fact, the total money supply, as measured by the sum total demand deposits of all banks and total currency outside banks, has remained approximately stable since the turn of the year.

In their efforts to prevent any further inflationary expansion of credit the monetary authorities are pursuing a policy which relies mainly on high taxation, a restrictive tendency with respect to government expenditures, and various devices to stimulate production. The traditional medicine of tightening the money market is not in official favour now. It is true that in April the Federal Reserve Banks, in order to discourage excessive use of Reserve Bank credit by banks, have eliminated the wartime preferential discount rate of $\frac{1}{2} \%$ on advances to member banks secured by short-term government obligations. In general, however, it is believed that under the conditions which have been established on the money markets during the war, and which largely persist even now, an increase in interest rates, unless very drastic, would not have much effect. During the war the Treasury, then practically the only largescale borrower in the field, would have had to borrow at about the rate it did, regardless of the cost. Even now, those types of credit transactions where a rise in interest rates usually does have a restrictive effect-bank loans to commercial and industrial clients and especially speculative short-term borrowing to accumulate inventories -are relatively unimportant, as potential sources of inflation, in comparison with the role Treasury borrowing is able to play. From other angles there may be objections to a continuation of the low-interest policy. But so far as the battle against inflation is concerned, the Treasury is probably on safe ground in placing the main emphasis on measures outside the field of interest policy. The first results of these measures have been encouraging.

# SURVEY OF FRENCH ECONOMIC CONDITIONS, JANUARY - JULY, 1946 

By Pierre Uri, Institut de Science Economique Applique

I$F$ one had to characterize in one sentence the economic developments in France since January last, one would have to point out the sharp contrast between improved conditions of production in most sectors and continued difficulties as regards money and prices; a contrast which would seem to disprove the notion, widely held among government officials, that all that is needed is more production, and that prices can then take care of themselves. On the other hand, it cannot be argued that rising prices have helped much on the way to recovery, which is not limited by profitability but by technical bottlenecks. April, 1945, when new adjustments were sought for both prices and wages, was a turning-point in economic policy and may conveniently be chosen as a basis for comparison. Roughly, the level of production is about twice what it was then, but prices too have almost doubled.

## I. The Trend of Industrial Production

After a continuous upward movement, industrial production had been checked, at the close of 1945, by an exceptional drought which limited electric power generation. A rainy winter and spring have removed this obstacle. The bottleneck of transport is now considerably widened. And a spectacular increase in the output of coal, in which, of all European countries, France has taken the lead, has shown what can be done when efforts are concentrated on this vital issue.

As for the railways, most tracks and bridges had been at least provisionally repaired before the period under review. By now, although the number of goods-wagons available is barely $60 \%$ of the pre-war figure and there are only 9,500 steam-engines in running order, as compared with over 13,000 in 1938 (electric engines, unchanged at 600), a more intensive use of the available resources has raised weekly average car loadings to 220,000 , or $76 \%$ of 1938 , and train-kilometres to 6 Mn ., as compared with 8.4 Mn ., or $71 \%$. For motor transport no such figures are available, but the number of trucks and coaches in use is definitely rising; Paris has again a fairly dense traffic of buses, which had practically disappeared for five years, and even of taxis, which for some time had to be reserved for approved purposes, but can now be hired freely; the removal of the system of permits for operating private cars has been contemplated, but tyres and batteries are still in short supply, and foreign exchange resources can
be put to better use than importing more petrol. The total number of motor vehicles produced is about half the pre-war figure, owing to the reduction in the output of private cars $(2,300$ per month, all earmarked for government use or export, against 15,000 in 1938), whereas the number of trucks and lorries turned out each month has risen to 6,000 , or twice as many as before the war.

Among consumers' goods industries, the main effort has been on textiles and shoes. For the first time in several years, the population has been granted more than a nominal number of coupons, although the whole ration for a male purchaser does not quite reach what is required for a suit. Everyone is entitled to one pair of leather-soled shoes, while wooden-soled ones are free of coupons. A scheme for utility goods has been initiated, which sell about half the price that ordinary articles fetch and, what is still more appreciated, are made of real cotton or real wool, but people have to queue up to buy them. It is known that stocks of imported raw materials are now quite sufficient to keep the textile industry running, but there is a danger of some shortage of labour.

Although the export programme has been drawn up with a view to promoting exports of the things which the French public can most easily do without, a considerable part of the output of textiles is being sent abroad. The following table compares the relative importance of different items, as classified in the official returns, according to their share in the total value of exports for 1938 and in the 1946 programme.

| 1938 |  |  | 1946 |  |
| :---: | :--- | :--- | :---: | :---: |
| 7 | Wood and Miscellaneous | $\ldots$ | 1 |  |
| 1 | Textiles $\ldots$. | $\ldots$ | $\ldots$ | 2 |
| 5 | Mechanical Industry | $\ldots$ | 3 |  |
| 4 | Iron and Steel | $\ldots$ | $\ldots$ | 4 |
| 3 | Chemicals $\ldots$ | $\ldots$ | $\ldots$ | 5 |
| 2 | Food $\ldots$. | $\ldots$ | $\ldots$ | 6 |
| 6 | Mineral Products | $\ldots$ | $\ldots$ | 7 |

The devaluation of December last has made exporting easier. In addition, special raw materials allocations are granted to firms which undertake to export a corresponding amount of finished goods. None the less, the deficit of the balance of trade for the first 4 months of the current year totalled 40,000 million francs. The gold still held by the Bank of France is only just worth as many francs as before the war, whereas the purchasing power of the monetary unit has gone down by four-fifths.

In the industrial upswing, heavy industries have lagged somewhat behind. Coal allocations
to cement factories has recently had to be cut down because steel did not keep in step. The production of pig-iron is now reaching $50 \%$ of the 1938 level, steel is up to $66 \%$, and ferrous products above $70 \%$. But with the huge task of reconstruction, requirements may be double what they were.

Modest as they look, such results could not be achieved without careful allocation of the required type of coal, which is very scarce in France, and used to be imported especially from Germany. The collieries are working practically at full capacity, with $108 \%$ of 1938 output, offset by some deterioration in quality. 215,000 miners are working in the pits, as against 146,000 in 1938 : part of the difference comprises German prisoners of war, while other workers have been attracted or induced to stay through higher wages and extra rations. To interpret correctly the decline in output from 1,221 to 950 Kg . per man-day, there must be taken into account not only the fatigue of underfed workers and the wearing out of machinery, but the necessity of opening up new seams after the over-exploitation of the best ones by the Germans. The trouble is that even before the war, France had to rely on imports, amounting to $1,800,000$ tons monthly, for two-fifths of its consumption of coal. The following table compares imports from different sources in 1938 (monthly average) and in May last (metric tons).

|  |  | 1938 |  | May, 1946 |  |  |  |  |
| :--- | :---: | :---: | :---: | ---: | :---: | :---: | :---: | :---: |
| Britain | $\ldots$ | 529,000 | $\ldots$ | 68,000 |  |  |  |  |
| U.S.A. | $\cdots$ | $\overline{ }$ | $\cdots$ | 161,000 |  |  |  |  |
| Germany | $\cdots$ | 552,000 | $\cdots$ | 300,000 |  |  |  |  |
| Total |  | $1,800,000$ |  |  |  |  |  | 600,000 |

Coal is still the limiting factor in industrial recovery, which has already brought production to $80 \%$ of 1938 and might be expected to being it to pre-war level by the end of the year.

The will to go beyond and surpass in physical output the peak year, 1929, has materialized in the setting up of the so-called Commissariat du Plan d'Equipement et de Modernisation, headed by Jean Monnet, the activities of which have been threefold: first, various committees bring together government officials, labour representatives and employers to review the needs and opportunities of each trade in the way of modernized equipment and increased efficiency ; second, the Commissariat has had to work out the relevant statistical material, special attention being paid to the computation of the National Income ; third, it has provided the necessary documentation for the Blum mission in Washington, which, in addition to the cancellation of our $\$ 1,800 \mathrm{Mn}$. lendlease debt, a readjustment of payment terms for previous purchases amounting to $\$ 410 \mathrm{Mn}$., and
a special credit of $\$ 300 \mathrm{Mn}$. for the purchase of surplus war materials and 75 Liberty ships, has obtained a credit of $\$ 650 \mathrm{Mn}$. from the ExportImport Bank, on a 3 per cent. 25 year basis, to help finance the Monnet plan.

## II. The Problem of Inflation

Whereas the progress in industrial output is comparatively satisfactory, although France is really dependent on decisions of the European Coal Committee or American miners' strikes, the monetary problem is still far from being solved. The financial policy since January last may be clearly divided into two stages, with the C.G.T.'s demand for a $25 \%$ rise in wages as the dividing point.

When, after General de Gaulle's departure, the Gouin cabinet took office, attention was focused on the budget deficit, which probably reached the enormous total of about $300,000 \mathrm{Mn}$. francs for the year, although the complexity and the very number of public accounts make it difficult to give precise figures. M. Andrè Philip who, after M. Mendes France's refusal, had been made both Minister of Finance and Minister of National Economy, undertook to reduce the gap. Whereas financial orthodoxy and an effort to bring the budget nearer balance were well inspired, France being in a condition of full employment, one may well question whether, beyond mere accountancy and juggling with figures, enough discrimination was brought to bear on the economic implications of the various types of expenditure to be reduced or sources of revenue to be increased. The reduction of military expenditure and government-employed personnel was designed to reduce the State's claims on scarce productive resources. Steps to hasten the collection of the capital-and capital incrementlevy and a revision upward of the conventional profits, on the basis of which small industrial and commercial enterprises are taxed, were welcome. But when the different Departments were left free to reduce their own expenditure, statistical services and economic controllers were hit first, and the Comités d'Organisation and Offices de Répartition were dissolved, leaving government controls much weaker. At the same time, indirect taxes were made heavier, and major economies were sought in a progressive removal of price subsidies. When government obligations were met without drawing too heavily on fiduciary issues and the dreaded excess repayments of Treasury bills did not take place, the Government yielded too easily to the delusion that it had the financial problem well in hand.

Facts were to prove that the real issue had been overlooked. Wages, as part of the
programme for stability, were still being blocked with the approval of the C.G.T. and of all parties. As a counterpart for the sacrifices required from the working class, social reforms were being carried forward, and the nationalisation of 32 insurance companies, and of the gas and electric power generation and distribution industries, followed that of the collieries and the four largest commercial banks. But the blocking of prices was not fully effective, so that the growing discrepancy between earnings and the price level made a case for the sudden claim for a $25 \%$ rise in wages and salaries presented by the C.G.T. on the eve of the general election of June 2nd.

Such is the problem confronting the new government, which, following the C.G.T.'s suggestion, has summoned to a national economic conference delegates of the employers, labour, and agriculture, to agree upon a policy for wages, prices and production.

The C.G.T.'s argument is twofold : the rise in wages is necessary, and would only make good part of the loss in purchasing power sustained by the working class ; the general wage index is still under 400 on a 1938 basis, whereas wholesale prices have mounted above 600 and the retail official price index is above 500. Secondly, the rise in wages is rendered possible by the large increase in output since April, 1945, when the last increase in wages took place.

Industrialists contend that price-fixing took into account an index of activity well above the actual one, and just about equal to the one which is now being reached, so that they are only just making good previous losses.

The Direction des Prix points to an existing upward trend in prices, due to the after effects of the devaluation, the withdrawal of subsidies and the rise in the costs of coal and transport.

Indeed, the point to be made is not whether the desired wage advances are legitimate or can be borne, but whether raising money wages is the proper way to raise real wages. Past experience clearly suggests the negative.
$60 \%$ of the cost of living for the working class
depends upon agricultural prices. As long as food is scarce while controls are loose, one may expect that a rise in monetary demand will push prices up. As might be expected, the Confederation Generale de l'Agriculture supports the claims of the C.G.T., arguing that some farm products, for instance green peas, are already selling badly, so that more purchasing power is needed. At the same time the C.G.A. is strongly pressing its demands for an upward adjustment of legal prices, at least for wheat and milk, which are much less profitable than other cereals or pig-breeding. As the price of meat is uncontrolled at the farm (though fixed low for retail sale, so that there has been no fresh meat in Paris for months), and the prices of vegetables and fruit are entirely uncontrolled, while potatoes get a very high legal price, an adjustment of some prices will mean a rise in agricultural prices as a whole, and no offsetting can be organised. The economic case for such a rise is not a very good one, as prices had already been fixed very high last year on account of a very poor crop, whereas, with crops which this year promise to be not far from normal, the net income of agriculture, even without any further rise in prices, would be markedly enhanced. If, in exchange for support on the wage question the C.G.T. favours the claims of agriculturists, the working class may well play cat's paw for the peasant class.

To help to keep prices down while wages and Government salaries go up, a new extension of subsidies is being contemplated. Their abandonment announced in February, 1946, followed only ten months after a similar announcement made in April, 1945 ; meanwhile they had again been introduced on a fairly large scale from October, 1945, onwards. This "subsidy cycle" exemplifies the lack of continuity in financial policy, due to some disdain for theoretical analysis.

Another potent factor of discontinuity lies in the yet unsettled political situation, with a general election again in sight. Whatever one may think, ideologically, of the rejection of the proposed constitution in the referendum of May 5, its economic repercussions should not be overlooked.

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## UNITED KINGDOM THE ECONOMIC POSITION

October 31st, 1946.

RECENT months have seen a further intensification of the Treasury's efforts to force down the long-term rate of interest, with a view, as now appears, to preparing the way for the issue at par of a $2 \frac{1}{2} \%$ loan redeemable only at the Treasury's option in or after 1975. Not only were the budget deficit for the quarter and the various extra-budgetary payments covered wholly by an expansion of the floating debt, but over $£ 100 \mathrm{Mn}$. net of long and medium-term debt was repaid out of a further expansion in short-term borrowing, which thus increased by not far short of $£ 500 \mathrm{Mn}$. between June and September. A very large part of this increase was borrowed from the banks, and at the end of September net deposits of nine clearing banks were $£ 275 \mathrm{Mn}$. higher than in June and $£ 530 \mathrm{Mn}$. higher than in March. The Chancellor is presumably confident of the ability of the physical and financial controls to withstand the added pressure of these new additions to the country's already excessive supply of purchasing power.

Trade.-After a very good month in July, exports in August and September showed a decline larger than can be attributed entirely to the incidence of holidays. For the third quarter as a whole exports totalled $£ 240.2 \mathrm{Mn}$., or $£ 20.6 \mathrm{Mn}$. more than in the second quarter. Employment on export orders is still rising, but in view of the experience of the last quarter it would be unwise to take it for granted that, even
after the usual time-lag of four or five months, the increase in the volume of exports will be fully proportional.

Prices.-The rise in wholesale prices during the third quarter, as shown by the Board of Trade Index, amounted to nearly $2 \frac{1}{2} \%$, the largest quarterly rise since 1940. It was due to an increase in world prices for raw materials and especially minerals and textiles. Prices of basic food remain steady, but the cost of food subsidies is rising.

Wages.-There have been no important changes since July. An increase in printers' rates is being arranged, which involves a reduction in the hours of work. Hours are also to be reduced in the cotton industry and the movement for a five days' working-week is spreading. So far the changes since 1939 in the number of hours which constitute a normal week have been very few, that in agriculture (to 48 hours) being the main exception.

Employment.-The total working population of the country continues to decline steadily, but thanks to a fall in the number of ex-Service men on demobilisation leave, the employed population rose slightly between May and August. Meanwhile the number of persons employed in and for the Forces fell by about 760,000 , so that the number employed in the civilian sector rose by some 800,000 , of whom rather over 100,000 were added to those employed on production for export. The number of unemployed shows no increase over the very low July total.

## EVENTS OF ECONOMIC IMPORTANCE

1946
July 25 th Britain-Canada ... Four-year wheat agreement announced.
U.S.A. ... ... President signs revised Price Control Bill.
"
Aug.
29th International ... Peace Conference opens in Paris.
Aug. 1st U.S.A. ... ... Buying price of silver raised from $71 \cdot 11$ to $90 \cdot 5$ cents per oz.
U.K.-Denmark ... New food agreement.

2nd U.K. $\quad$. $\quad . \quad \begin{aligned} & \text { Tribunal determ } \\ & \text { nationalisation. }\end{aligned}$
4th Hungary ... ... Rate of exchange fixed at 11.62 guilden to the dollar.
19th U.S.A.-China ... Exchange rate adjusted to 3,350 Chinese national dollars to one U.S. dollar.

Sept. 1st Greece ...
2nd India ...
5th Germany ...
9th U.S.A.
Turkey ...
11th U.K.
17th U.K.-Argentina
U.K.-France

Oct. 1st U.S.A.-U.K.
9th International
13th France ...
14th U.S.A. ...
15th India
International

16th U.K. ... ... Chancellor announces 3\% Local Loans to be redeemed at par on 5th January, 1947. New Issue of $2 \frac{1}{2} \%$ Treasury Stock redeemable after May lst, 1974.
... Majority of price controls lifted.

# FINANCE AND BANKING IN THE THIRD QUARTER OF 1946 

By F. W. Paish

Government Finance. - The decline in revenue as compared with the previous year, which started in June, was continued during the third quarter, despite receipts of $£ 34 \mathrm{Mn}$. from sales of surplus war stores as against nil last year. The only other sources to show appreciable increases were Customs, Excise and Estate Duties. Receipts from both Income Tax and E.P.T. fell off sharply, while Miscellaneous Receipts were also much smaller than last year. Expenditure was, of course, much less than a year ago, though slightly higher than in the previous quarter on account of the seasonal distribution of interest payments and a transfer of $£ 50 \mathrm{Mn}$. to the National Land Fund.
( $O V E R N M E N T$ REVENUE AND EXPENDITURE (£Mn.)

| Weekly Averages | Revenue. Total. | Expen <br> Supply Services. | ture. <br> Total. | Deficit. Total. |
| :---: | :---: | :---: | :---: | :---: |
| 1939 -Oct.-Dec. | $15 \cdot 9$ | $35 \cdot 6$ | $41 \cdot 8$ | 25.9 |
| 1940 Jan.-Mar. | $38 \cdot 8$ | $45 \cdot 1$ | $48 \cdot 0$ | $9 \cdot 2$ |
| April-June | $14 \cdot 5$ | $47 \cdot 1$ | $53 \cdot 4$ | 38.9 |
| 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. | $51 \cdot 0$ | $88 \cdot 5$ | $90 \cdot 1$ | $39 \cdot 1$ |
| April-June | 24-5 | $75 \cdot 8$ | $82 \cdot 6$ | 58.1 |
| July-Sept. | $32 \cdot 2$ | $85 \cdot 4$ | $89 \cdot 3$ | 57.1 |
| Oct.-Dec. | $37 \cdot 2$ | $89 \cdot 8$ | $96 \cdot 9$ | $59 \cdot 7$ |
| 1942 Jan.-Mar. | $66 \cdot 3$ | $96 \cdot 2$ | 99.5 | $33 \cdot 2$ |
| April-June | $42 \cdot 6$ | $92 \cdot 2$ | $99 \cdot 6$ | 57.0 |
| July-Sept. | $46 \cdot 3$ | $93 \cdot 4$ | 98.8 | 52.5 |
| Oct.-Dec. | $45 \cdot 9$ | 103.7 | $111 \cdot 2$ | $65 \cdot 3$ |
| 1943 -Jan.-Mar. | 81-9 | 117.0 | 121.9 | $40 \cdot 0$ |
| April-June | $41 \cdot 3$ | 100.3 | $108 \cdot 0$ | $66 \cdot 7$ |
| July-Sept. | $51 \cdot 9$ | 99-3 | $106 \cdot 3$ | $54 \cdot 3$ |
| Oct.-Dec. | $47 \cdot 0$ | $100 \cdot 8$ | $108 \cdot 5$ | 61.5 |
| 1944 Jan.-Mar. | $92 \cdot 4$ | $112 \cdot 6$ | $120 \cdot 2$ | $27 \cdot 8$ |
| April-June | $46 \cdot 2$ | 101-2 | $109 \cdot 2$ | $63 \cdot 0$ |
| July-Sept. | 55.9 | 107•1 | $116 \cdot 0$ | $60 \cdot 1$ |
| Oct.-Dec. | $49 \cdot 9$ | $106 \cdot 7$ | 114.3 | $64 \cdot 4$ |
| 1945 -Jan.-Mar. | $97 \cdot 0$ | $116 \cdot 6$ | $125 \cdot 6$ | 28.6 |
| April-June | $47 \cdot 0$ | 92.5 | $100 \cdot 5$ | $53 \cdot 5$ |
| July-Sept. | $57 \cdot 3$ | 99.5 | $110 \cdot 0$ | $52 \cdot 7$ |
| Oct.-Dec. | $50 \cdot 8$ | $97 \cdot 5$ | $105 \cdot 5$ | 54-7 |
| 1946 -Jan.-Mar. | $97 \cdot 5$ | $94 \cdot 0$ | $104 \cdot 0$ | 6.5 |
| April-June | $48 \cdot 4$ | $61 \cdot 3$ | $69 \cdot 4$ | 21.0 |
| July-Sept. | $54 \cdot 2$ | $54 \cdot 2$ | $69 \cdot 9$ | $15 \cdot 7$ |
| July 1-27 | $54 \cdot 8$ | $49 \cdot 0$ | $56 \cdot 9$ | 1-2 |
| July 28-Aug. 31 | $58 \cdot 4$ | $60 \cdot 3$ | $85 \cdot 7$ | $27 \cdot 3$ |
| Sept. 1-30 | $48 \cdot 6$ | $51 \cdot 5$ | $63 \cdot 8$ | $15 \cdot 2$ |
| Oct. 1-26 | $50 \cdot 9$ | $43 \cdot 5$ | $50 \cdot 4$ | $-0.5$ |

Total expenditure for the quarter was $£ 918 \mathrm{Mn}$. and ordinary revenue $£ 712 \mathrm{Mn}$., leaving a deficit on ordinary account of $£ 206 \mathrm{Mn}$. To this must be added net expenditure of nearly $£ 154 \mathrm{Mn}$. on capital account to meet various 'non-recurring' payments which the Chancellor, in the face of some criticism, omitted from his budget estimates for the year. There was thus a total deficit for the quarter of about $£ 360 \mathrm{Mn}$., which, with other minor expenditures on capital account, was covered by an increase of nearly £ 364 Mn . in the national debt.

GOVERNMENT BORROWING. THIRD QUARTER, 1946 (£Mn.).
July August Sept. Total (27 days) ( 35 days) (30 days) (92 days)

| Nat. Savings Certs. | $-0.8$ | 0.9 | 0.4 | $0 \cdot 5$ |
| :---: | :---: | :---: | :---: | :---: |
| $21 \%$ Defence Bonds | $7 \cdot 8$ | $8 \cdot 2$ | $7 \cdot 0$ | 23.0 |
| $2 \frac{1}{2} \%$ Savings Bonds | 129.9 | $0 \cdot 1$ |  | $130 \cdot 0$ |
| Other Debt: Internal | -3.1 | -2.1 | $0 \cdot 3$ | 1.9 |
| External | $93 \cdot 1$ | $10 \cdot 2$ | 29.8 | 133.1 |
| Repayments | $-163 \cdot 6$ | $-166.9$ | -67.6 | $398 \cdot 1$ |
| Long and Medium term borrowing | $83 \cdot 3$ | -149.6 | -30.1 | 116.4 |
| Tax Reserve Certs. | -3.0 | $2 \cdot 7$ | 1.4 | $1 \cdot 1$ |
| Treasury Deposit Receipts | $89 \cdot 0$ | 167.5 | $132 \cdot 0$ | 388.5 |
| Treasury Bills: Tender | $10 \cdot 0$ | $10 \cdot 0$ |  | $20 \cdot 0$ |
| Treasury Bills: Tap | $-57.9$ | 84.5 | 57.8 | $84 \cdot 4$ |
| W. \& M. Adv. Govt. Depts. |  |  |  |  |
| ,, Bank of England ... | $5 \cdot 0$ | $-1.7$ | $-13.8$ | $-10.5$ |
| Short-term borrowing | $-16.5$ | 358.7 | 138.1 | $480 \cdot 3$ |
| Total net borrowing | 46.8 | $209 \cdot 1$ | $108 \cdot 0$ | 363.9 |

MAIN ITEMS OF EXTRA-BUDGETARY EXPENDITURE.

| Net. E.P.T. Refunds | $30 \cdot 9$ | $22 \cdot 6$ | 14.7 | 68.2 |
| :---: | :---: | :---: | :---: | :---: |
| Post-war Gredits | - | $20 \cdot 4$ | 13.9 | 34.3 |
| Net War Damage Payments |  |  |  |  |
| W.D.C. ... ... | $5 \cdot 0$ | $5 \cdot 0$ | 7.0 | 17.0 |
| Board of Trado | $1 \cdot 0$ | 1.0 | 1.0 | $3 \cdot 0$ |
| Housing | $5 \cdot 0$ | $9 \cdot 3$ | $5 \cdot 6$ | 19.9 |
| International Monetary Fund | - | 6.4 | - | 6.4 |
| Civil Contingencies Fund... | - | $5 \cdot 0$ | - | $5 \cdot 0$ |
| Total | $41 \cdot 9$ | 69•7 | $42 \cdot 2$ | 153.8 |

Net receipts from small savings remained small-hardly anytbing on balance from National Savings Certificates, $£ 23 \mathrm{Mn}$. from $2 \frac{1}{2} \%$ Defence Bonds and $£ 8 \mathrm{Mn}$. from an increase in deposits in the Post Office Savings Bank. $£ 100 \mathrm{Mn}$. were drawn against the United States Credit and a further $£ 33 \mathrm{Mn}$. presumably against the Canadian Credit. Net repayments, mainly of $2 \frac{1}{2} \%$ War Bonds, aggregated nearly $£ 400 \mathrm{Mn}$. exceeding the total of all new long and medium term borrowings by $£ 116 \mathrm{Mn}$. The result of these " unfunding operations", together with the current deficit on ordinary account and the payments on capital account, resulted in a gross increase in the floating debt of $£ 480 \mathrm{Mn}$. and a net increase, after deducting the rise in Post Office Deposits, of $£ 472 \mathrm{Mn}$. Of this, no less than $£ 388 \mathrm{Mn}$. was obtained by an increase in T.D.R.'s and a further $£ 20 \mathrm{Mn}$. by a rise in the issue of Treasury Bills by tender. The "unfunding" process and the great increase in borrowing from the banks are essential parts of the Treasury's present campaign to force the long-term rate of interest down still further by expanding the quantity of idle money which is, so far as possible, barred from alternative
employment by the existing system of government restrictions on its transfer and use.

Bank of England.-By October 30th the Bank of England's note circulation had fallen to $£ 1,362 \mathrm{Mn}$., or $£ 29 \mathrm{Mn}$. less than the August peak. This is a fall of a little over $2 \%$, or nearly as much as in a normal pre-war year. While conditions have changed too much for pre-war seasonal variations to have retained their full applicability, it seems likely that the check to the upward trend in the circulation is maintained, at least for the moment. On the other hand, the upward trend in Bankers' Deposits continues, in conformity with the expansion in the deposits of the clearing banks.

Clearing Banks.-The expansion of $£ 255 \mathrm{Mn}$. in the net deposits of the nine clearing banks (excluding District and National) which occurred in the second quarter was followed by a further increase of $£ 275 \mathrm{Mn}$. in the third quarter, and net deposits are now $£ 366 \mathrm{Mn}$. higher than at last September's peak. On the assets side the principal increase was in Treasury Deposit Receipts, which rose during the quarter by $£ 355 \mathrm{Mn}$. Advances rose further by $£ 37 \mathrm{Mn}$. to $£ 879 \mathrm{Mn}$., and there was a small increase in Investments, but Discounts fell by $£ 119 \mathrm{Mn}$. and Money at Call and Short Notice by $£ 37 \mathrm{Mn}$. to $£ 392 \mathrm{Mn}$. and $£ 256 \mathrm{Mn}$. respectively. Cash reserves were as usual adjusted to the rising level of Deposits, and the ratio showed a slight rise to $10 \cdot 5 \%$.

|  | E | CLEARING BANKS. |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Gross | Balance with Other Banks and | Net |
|  |  | Deposits. | Ttems in Transit. | Deposit |
| 1945 |  | £Mn. | £Mn. | £Mn. |
| March ... |  | 4241 | 137 | 4104 |
| June |  | 4517 | 174 | 4343 |
| September | .. | 4654 | 135 | 4519 |
| December |  | 4609 | 195 | 4414 |
| March ... |  | 4513 | 158 | 4355 |
| June |  | 4797 | 187 | 4610 |
| July |  | 4863 | 164 | 4699 |
| August |  | 4940 | 144 | 4796 |
| September |  | 5040 | 155 | 4885 |

The fall in Discounts and Call Money is presumably due to the continued absorption outside the banks of the temporarily stabilised total of $£ 1,950 \mathrm{Mn}$. of Treasury Bills issued by tender. Now that the weekly offer has been increased we may presumably expect to see next quarter's borrowings by the Treasury from the banks more in the form of higher Call Money and Discount totals and less in that of a further increase of T.D.R.s.

Some idea of who is holding the rising total of bank deposits, forced upon the public in support of the "cheap money" policy, can be obtained from the figures of the split in deposits
between " personal " and " other " accounts up to June last published by the Central Statistical Office. Unfortunately these figures show only the split of net deposits after deducting advances, and it is therefore impossible to say with certainty whether any particular movement is due to a change in deposits or a change in advances.

| DEPOSI | HELD BY (11) CLEARING BANKS. (£Mn. and \% of June, 1941.) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | June, | June, | 1944. | June, | 1945. | June, | 1946 |
| Total depos | 2,946 | 4,100 | 139 | 4,751 | 161 | 5,045 | 171 |
| Advances | 859 | 770 | 90 | 761 | 89 | 883 | 103 |
| Net deposits Total | 2,087 | 3,330 | 160 | 3,990 | 191 | 4,162 | 199 |
| Personal | 661 | 1,032 | 156 | 1,260 | 191 | 1,406 | 213 |
| Other | 1,426 | 2,298 | 161 | 2,730 | 191 | 2,756 | 193 |

These figures show that, whereas up to a year ago Personal and Other net deposits had increased since 1941 in exactly the same proportions, during the past year almost the whole of the increase has been in personal deposits. In gross deposits, the divergence has probably been less striking, for it is likely that the great bulk of the new advances have been made to holders of "Other" deposits. Even so, it seems probable that personal accounts are absorbing far more than their share of the extra money that is being pumped into the system. If this is so, it would seem that it is mainly the controls on expenditure on consumption goods, and especially on durable consumption goods, that are being placed under additional strain by the Treasury's policy.

Security Prices.-Between the end of August and the middle of October there was a marked reversal of the upward trend of prices of British industrial securities, which had persisted, with minor fluctuation, since 1940, and our midOctober index showed a fall of nearly $9 \%$ from its mid-June peak. The fall seems to have been in part a reflection of the much more severe decline in New York and in part an anticipation of difficulties in British production, and especially of a possible shortage of coal supplies during the coming winter. Since the middle of October there has been a partial recovery, also following a similar development in New York. Prices of fixed interest securities remained steady below the levels reached last May until October 16th, when the Chancellor's announcement of the impending repayment of 3\% Local Loan and of the issue of a new $2 \frac{1}{2} \%$ irredeemable loan caused a renewed rise, especially in dated government securities.

Another new series of great interest has
recently been inaugurated with an analysis into twenty-five categories of Bank Advances for August, 1946. This covers the internal advances of all British banks, and is therefore not directly comparable either with the analysis of net Deposits discussed above, which allows for all advances (including overseas advances) of the eleven Clearing Banks, or with the pre-war analysis of advances into thirteen categories, which also covered the Clearing Banks only.

This analysis will be published quarterly, and will give valuable information about future developments. Meanwhile only the broadest conclusions can be drawn about changes in distribution since before the war. The largest increases in advances appear to have been to the Iron and Steel and Engineering industries, the Food, Drink and Tobacco industries, and to Farmers, while the borrowings of Local Govern-
ment Authorities have also increased. Advances to personal and professional borrowers have fallen from $31.2 \%$ to $29.6 \%$ of the total, while borrowings by the Textile, Building and Miscellaneous trades are also substantially lower.

| CLASSIFICATION OF |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| (GT. BRITAIN) BANKERS' ADVANCES |  |  |  |  |  |  |

## PRICES

By K. C. Smith

The recent abandonment of price control of livestock and meat in U.S.A. and subsequently of practically all foodstuffs and many other commodities, followed by the discontinuance of purchasing by the U.S. Government on behalf of other countries may, at least in the short run, have serious repercussions upon world prices in general and on U.K. import prices in particular.

During the past quarter the rise continued in U.K. internal wholesale prices and in those of imports and exports. Still further increases in rail charges are being sought by the companies and there is dissatisfaction with the level of agricultural prices though they are higher than last year.

Wholesale.-Quarterly details of the Board of Trade index number are as follows :-


The noticeable changes in food prices during the third quarter were :-

A rise in meat invoiced to retailers from August 14th, the first change since 1942.

A rise of over $100 \%$ in poultry prices in September-the first permitted increase since 1941.

A rise in control price of cocoa in July.
The usual seasonal rise and fall in potatoes. Of the non-food group the chief features were :-

Increases in non-ferrous metals in July and further advances anticipated. Tin rose in September

General increases in iron and steel prices from August 14th.

Advances in raw wool in July on withdrawal of subsidies. In September prices at the London wool auctions were said to be 10 to $15 \%$ higher than recent issue prices in this country.

On October 19th U.K. Cotton Control raised their prices.

Dundee jute prices were nearly doubled at the end of October after the decontrol of Indian jute export prices.

Import and Export.-The Board of Trade index numbers of the prices of the principal items in the external trade of 1946 are quoted below. That for total imports has advanced by 2 to $3 \%$ per quarter recently; the rise in that for exports has accelerated and the ratio of export to import exceeds 96, as compared with 95 in March $(1938=100)$. The subsidiary figures for exports of metal goods and for textiles were
more than $10 \%$ higher in the third quarter of 1946 than 1945.


Agricultural.-The total index for livestock and cereals, etc., showed the usual seasonal fall in April and May (due to milk) and rise in July. The level was then still nearly $4 \%$ higher than a year earlier. The principal items in the livestock group all showed an advance over 1945 , but from June to July the crop index fell whereas in 1945 it rose. Thus there was a fall in barley prices, but the contrast was mainly due to an apparent absence of the usual seasonal rise for potatoes. In fact, their subsidiary index is discontinuous and inversely affected by the change of base in turning from old to new potatoes. $\dagger$ In August the index number for both crops and livestock stood at about twice their 1936-8 levels.

Retail.-The only appreciable change in the food group of the cost-of-living index was the seasonal rise in potatoes in July at the changeover from old to new and the subsequent fall, but there have been some reductions in fish prices. The published index for foodstuffs for August 31st and for October 1st is one point lower than that from September, 1945, to June, 1946. Increases continue to be recorded for items not in the index-sausages, poultry, biscuits, jam, etc.

INCREASE \% SINCE SEPT. 1st, 1939

| 1945 | 1945 | 1946 | 1946 | 194 |
| :---: | :---: | :---: | :---: | :---: |
| Sept, 1 | Dec. 1 | Mar. 1 | June | ept. 1 |
| 19 | 19 | 19 | 19 | 19 |
| 29 | 29 | 29 | 29 | 29 |
| 11 | 11 | 11 | 11 | 11 |
| 8 | 8 | 8 | 8 | 8 |
| 50 | 50 | 50 | 50 | 50 |
| 27 | 23 | 23 | 19 | 16 |
| 29 | 29 | 29 | 31 | 31 |
| - 9 | 9 | 9 | 25 | 25 |
| 21 | 21 | 21 | 21 | 21 |
| 32 | 32 | 32 | 32 | 32 |
| 32 | 33 | 32 | 32 | 32 |
| 28 | 28 | 28 | 16 | 16 |
| 30 | 30 | 30 | 30 | 30 |
| 12 | 12 | 12 | 12 | 12 |
| 1 | 1 | 1 | 1 | 1 |
| 29 | 24 | 30 | 6 | 1 |
|  |  | 2 | - |  |
| 22 | 22 | 22 | 22 | 22 |
| 2 | 2 | 2 | 4 | 4 |
| 66 | 66 | 66 | 66 | 67 |
| 52 | 51 | 51 | 52 | 53 |
| 63 | 63 | 64 | 62 | 65 |
| 31 | 31 | 31 | 31 | 31 |

There were some increases in maximum prices for utility clothing as from July 1st, an advance in railway fares from the same date, in coal and in laundry charges (not in index). But the combined cost-of-living index was at the same level during September as from September 1st, 1945, to June 1st, 1946.

The estimated cost of food subsidies has risen further to $£ 369 \mathrm{Mn}$. for the financial year 1946-7 owing to the contracts for Argentine meat and for Danish dairy produce.

Our usual table of wholesale and retail prices overseas is given on p. 117.
$\dagger$ The July and August figures are related to the July and August averages for the last period, whereas a constant average for the rest of the year is used. For description of the Ministry of Agriculture Index see fournal of Royal Statistical Society, Part II, 1938.

Corrigendum.-July Bulletin, p. 70, 11. 11, 12 from endtranspose 12 and 24.

## WAGES AND EARNINGS

## By A. L. Bowley

Since the increase in agricultural wages in July there has been no significant change in wage-rates ; but agreement has been reached for an increase in printers' wages in November, and builders are claiming a further substantial addition

The figures given in the Bulletin for last July are slightly modified and corrected. In particular the statistics for coal mines show a very small reduction in earnings per shift in the first quarter of this year, and it is assumed that the new average applies to the second and third quarters. The increase previously entered for minimum rates in tailoring and shirtmaking applied to the hourly rate; but the normal number of hours'
work per week was reduced in May, 1946, from 48 to 44 , and as the entries in the table are (when possible) for the normal week's work, the relevant percentages are reduced proportionally. Apart from this change, and that in agriculture from $50 \frac{1}{2}$ to 48 hours weekly (see Bulletin, Jan. 1946, pp. 5, 6), there has been no alteration in the hours constituting a normal week in the occupations listed for the wage-rate index since 1937 or earlier. But in cotton manufacture, printing and coal-mining the five-day week is recognised and may soon take effect, and a general acceptance of the principle is recommended by the Trades Union Congress. In coal-mining the recognised number of shifts for full time before the war was

11 or 12 per fortnight in different districts ; but the average number actually worked (obtained by dividing average weekly by average shift earnings) was 10.6. In the first quarter of 1946 the number similarly computed was also 10.6 .

| CHANGES IN WAGE-RATES. |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1945.6 as Percentage of August, 1939. |  |  |  |  |  |
|  | 1945 | 1946 | 1946 | 1946 | 1946 |
|  | July | Jan. | Apr. | July | Sept. |
| Bricklayers | 133 | 153 | 153 | 153 | 153 |
| Bricklayers Labourors | 141 | 163 | 163 | 163 | 163 |
| Printers \& |  |  |  |  |  |
| Compositors | 125 | 137 | 137 | 137 | 137 |
| Dock Labourers | 123 | 145 | 145 | 145 | 145 |
| Engineers : Fitters | 141 | 141 | 150 | 150 | 150 |
| .* Labourers | 154 | 154 | 166 | 166 | 166 |
| Shipbülders ... | 156 | 156 | 167 | 167 | 167 |
| Railwaymen ... | 141 | 141 | 154* | 154* | 154 |
| Cotton | 172 | 172 | 183 | 193 | 193 |
| Wool | 146 | 158 | 158 | 158 | 158 |
| Local Authorities | 143 | 154 | 156 | 156 | 156 |
| Trams... ... | 139 | 139 | 151 | 151 | 151 |
| Lorry Drivers | 135 | 135 | 144 | 144 | 144 |
| Boots ... . | 137 | 163 | 163 | 163 | 163 |
| Confectionery | 153 | 169 | 169 | 169 | 193 |
| Tailoring . | 153 | 153 | 153 | 183** | 183 |
| Shirts ... | 153 | 153 | 153 | 183* | 183 |
| Tobaceo | 132 | 131 | 131 | 131 | 131 |
| Coal $\dagger$... | 204* | $203 *$ | 203* | 203* | 203 |
| Agriculture | 201 | 201 | 201 | 230 | 230 |
| Weighted Average | 154 | 160 | 164 $\frac{1}{2}$ * | 166さ * | 167 |
| Cost of Living Index | 134 | 131 | 131 | 132 | 131 |

The explanation and detail of the composition of this Wage-rate Index number were shown in Bullefin, for January, 1944, p. 6.
*Amended.
$\dagger$ Average earnings per man shift. Provisional from April, 1946.
In the April Bulletin, (page 37) a comparison was made between our wage-rate index and that in the Statistical Digest. More recent figures are as in the following Table. The Bulletin index-number for (e.g.) mid-August and midSeptember are averaged for comparison with that of the Digest, end of August.


It will be seen that the two estimates have not kept quite in step, but that they agree in showing an increase of $14 \frac{1}{2} \%$ when August, 1946 is compared with June, 1944. The Bulletin number reads a little higher than that of the Digest, owing probably to a difference of weighting which affected the incidence on the index of the increases in important industries in 1943-44.

Printers.-The entry in our index relates to the standing weekly rates of hand-compositors
"Jobbing, Weekly and Bi-weekly Newspapers." The rates for Morning, Evening and Tri-weekly Newspapers are considerably higher ; in London especially the rates for daily papers are very much above those for jobbing work. The schedule of rates is elaborate; for example, machineminders, linotype operators and electrotypers are rated higher than hand-compositors.

Printers' rates rose with those in other industries between 1914 and 1920, but suffered a smaller fall in subsequent years, so that in 1923 they were rather more than double the 1914 level. Actually the index for printers was 214 in May, 1923 (July 1914=100), while the average for several principal industries was 177. There was no change in English rates from 1923 to 1937 or later, and during the recent war the printers' increases have lagged behind the general movement. The high cost of printed matter has been attributable more to the cost of paper and limited circulation than to compositors' rates.

The towns of England and Wales and separately of Scotland and of Ireland are graded according to their population or importance, and (apart from London) there is a step down of 3s. weekly from one grade to the next highest. In 1942-43 some towns were up-graded and the number of grades diminished. For our index number one or more towns were selected in each grade, and the figures were weighted in rough accordance with the number of operatives in each grade. The following Table shows the construction of the index. With some modifications, increases were 5s. in September 1940 and November 1941, 7s. 6d. in November 1943 and 8s. 6d. in January 1946. The proposed increase of 10 s . in November will make the average only $50 \%$ above August 1939 or, indeed, above May 1923.

| HAND | COMPOSITORS, WEEKLY RATES. |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Typical | 1914. | 1923. | 1940. |  | $1943 .$ | $1946 .$ |
| Towns. | July. | May | Sept. <br> s. d. | March. s. d. | $\begin{aligned} & \text { Nov. } \\ & \text { s. } \end{aligned}$ | $\begin{aligned} & \text { Jan. } \\ & \text { s. } \end{aligned}$ |
| London | 390 | 890 | 940 | 990 | 1066 | 1150 |
| Edinburgh | 350 | 780 | 82 | 876 | 95 | 10 |
| Manchester | 386 | 776 | 82 | 876 | 950 | 10 |
| Birmingham | 376 | 746 | 79 | 86 | 936 | 02 |
| Nottingham | 370 | 716 | 76 | 830 | 90 |  |
| Southport | 350 | 686 | 73 | 830 | 90 |  |
| Burton | 330 | 656 |  | 80 <br> 80 <br> 0 | 876 | 960 |
| Cambridge | 280 | 62 |  |  |  |  |
| Weighted |  |  |  | $87 \quad 2$ | 94 | 103 |
| Average | 35 | 75 | 80 | 872 |  |  |
| Percentages of 1923 | 47 | 100 | 107 | 115 | 125 | 137 |

Earnings and Hours in Principal Industries in fanuary, 1946.-This report, which refers to a date already nine months ago, is briefly sum-
marised in the following Table. Maximum earnings and hours were recorded for July, 1944. Since then, average hours of work have decreased to less than the pre-war levels, especially for lads under 21 years and girls under 18, who, owing to transference to non-industrial work are presumably younger on the average than their predecessors in 1938. There has been practically no change in average hourly earnings since July, 1944; the reduction of overtime and transference from higher to lower paid industries is balanced by the increase in rates of wages.

In the group of industries included, the number of men (over 21 years) was a greater proportion of all employed in January, 1946, than in 1938 or July, 1945. The actual number of men is not stated, but other evidence suggests that it fell about $8 \%$ from October, 1938 to July, 1945, and rose about $5 \%$ in the six months to January, 1946, remaining less than before the war. The numbers of lads and girls fell considerably to July, 1945, and remained nearly the same in January, 1946; the increase in the number of women was not sufficient to balance this fall in 1945, and still less in January, 1946; but with the increase in the number of men, the reduction in total numbers in the six months to January, 1946 was inconsiderable. This analysis does not take account of the industries (coal, agriculture, railways) or of the services excluded from the report, and therefore differs from the more complete report in the Ministry of Labour Gazette, May 1946, pp. 126-7. But that report includes non-manual insured workers, and it does not separate lads from men, or girls from women.

The change in average earnings of all employed depends, of course, on the change in sex and age proportions, the different rates of growth of different industries, up-grading within the industries, prevalence of overtime and on the change in basic wage-rates. The influence of these factors has been discussed in previous Bulletins (e.g., April, 1946, p. 38). The last fact or is of increasing importance, for we have :-

| PERCENTAGE |  |  |  |  |  | INCREASE |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1944 | 1945 | 1945 | 1946 |  |
|  |  | July | January | July | January |  |
| Average earnings | $\ldots$ | $\ldots$ | 82 | 76 | 80 | 74 |
| Wage-rates for <br> unchanged numbers | $\cdots$ | $35 \frac{1}{2}$ | $38 \frac{1}{2}$ | 43 | $50 \frac{1}{2}$ |  |

For all industries, including coal-mining, railway service, agriculture, etc., the Ministry of Labour estimates an increase of about 58 per cent. in wage-rates, as compared with the $50 \frac{1}{2}$ just given for " Principal Industries."


It is noticeable that the increase in the number of men relative to the number of women checked the fall in the general average from July, 1945, to January, 1946. The reduction in employment of men in outdoor work in January probably reduced the general average by about 2 s . Any further relative increase in the number of men, together with more outdoor work, would raise the average for July, 1946, without any increase in wage-rates ; but there has also been an increase in wages of about $4 \%$ since January, with little or no reduction in average hours, so that the general average may be about 100 s. in July.

# COAL PRODUCTION AND CONSUMPTION IN GREAT BRITAIN 

By E. C. Rhodes

The output of saleable coal in Great Britain in 1945 amounted to $174 \cdot 7 \mathrm{Mn}$. tons from 1,667 coal mines with 708,900 wage-earners on the colliery books, and 8.1 Mn . tons of open-cast coal. In 1938, the output of saleable coal from 1,976 coal mines with 781,700 wage-earners on the colliery books was 227.0 Mn . tons. The difference between the outputs in these two years is mainly due to the loss of the export market owing to the war. Table I shows the changes as they took place during the war years.


Between 1939 and 1941 the overseas demand had practically disappeared, 25 Mn . tons less were produced, and 69,000 fewer wage-earners were employed at 110 fewer coal mines. The quantity produced for home consumption, after rising to a high level for the intensive war preparations, was in 1944 and 1945 roughly at the level of 1938 and 1939.

More recent monthly figures are available in the C.S.O. Monthly Digest of Statistics (Sept., 1946), and are quoted in the table on p. 120 of this bulletin. They show that the first 8 months' output is about 3.7 Mn . tons more for 1946 than for 1945. The share of this increase contributed by open-cast coal is about half a million tons.

The average number of wage-earners on colliery books declined in 1945 from 716,000 in January and 717,000 from February-April to 706,000 in August. In 1946, the figures were 696,000 in January, rising to 699,000 in the period May to August. These figures are not quite comparable, as a standard method of recording the number of wage-earners, starting in 1946, had the effect of reducing the " numbers on colliery books " by about 2,500. Making allow-
ance for this, the number of wage-earners during the first 8 months of 1946 was about 13,000 less than during the corresponding period of 1945.

Information relating to consumption of coal is shown in Table II, where figures are given for 1938, 1939, 1944 and 1945.

| Public Utilities. | 1938 | 1939 | 1944 | 1945 |
| :---: | :---: | :---: | :---: | :---: |
| Gas Works... | $19 \cdot 1$ | $19 \cdot 3$ | $20 \cdot 6$ | 21.1 |
| Electricity .. | $14 \cdot 9$ | $15 \cdot 9$ | $24 \cdot 1$ | $23 \cdot 5$ |
| Railways | $13 \cdot 2$ | $12 \cdot 9$ | $15 \cdot 2$ | $14 \cdot 9$ |
| Coke Ovens | $19 \cdot 1$ | $20 \cdot 4$ | $20 \cdot 1$ | $20 \cdot 1$ |
| Industry : |  |  |  |  |
| Iron and Steel |  |  | $10 \cdot 3$ | $9 \cdot 5$ |
| Engineering | $42 \cdot 0$ | $43 \cdot 0$ | $4 \cdot 5$ | $4 \cdot 0$ |
| Other Industries |  |  | 26.8 | 26.4 |
| Domestic : |  |  |  |  |
| Miners' Coal | $4 \cdot 6$ | $4 \cdot 6$ | $4 \cdot 6$ | $4 \cdot 6$ |
| House Coal... | $44 \cdot 2$ | $43 \cdot 3$ | $33 \cdot 2$ | $29 \cdot 9$ |
| Anthracite and Boiler Fuel | $1 \cdot 6$ | $1 \cdot 6$ | $2 \cdot 2$ | $2 \cdot 3$ |
| Collieries | $11 \cdot 9$ | $12 \cdot 1$ | $11 \cdot 1$ | $10 \cdot 6$ |
| Miscellaneous $4 \cdot 6$ $6 \cdot 3$ $9 \cdot 6$ (including Service Departments and Shipments to Northern Ireland) |  |  |  |  |
|  |  |  |  |  |
| Other | $5 \cdot 5$ | $5 \cdot 4$ | $5 \cdot 0$ | $4 \cdot 9$ |
| (Waterworks, Non-Industrial establishments and Coastwise Bunkers) |  |  |  |  |
| Total Consumption | 180.7 | $184 \cdot 8$ | $187 \cdot 3$ | $179 \cdot 7$ |

The overall level of consumption was roughly the same in 1944 and 1945 as in 1938 and 1939. But considerable changes have taken place in distribution. The public utilities consumed 47.2 Mn . tons in 1938 and 59.5 Mn . tons in 1945, the increase being mostly in the consumption by electricity undertakings. Industry consumed less in 1945 than in 1938, $39 \cdot 9 \mathrm{Mn}$. tons against 42.0 Mn . tons. Amongst domestic consumers there is a considerable drop from 45.8 Mn . tons of house coal and anthracite and boiler fuel in 1938 to $32 \cdot 2 \mathrm{Mn}$. tons in 1945 . This represents a change of about $30 \%$. In the same group it is observed that the amount of miners' coal consumed is the same for the four years quoted. Collieries consumed slightly less in 1945 than in 1938, coke ovens slightly more. In the miscellaneous group the increase during the war is mainly attributed to service departments. In sum, the most important changes are the considerable rise in consumption by electricity undertakings and the considerable drop in house coal.

The more recent figures are available in the Monthly Digest of Statistics prepared by the Central Statistical Office.

## III

CONSUMPTION OF COAL: TAN.-AUG. 1945 AND 1946.
Difforonces (1946 minus 1945). Mn. Tons.

Thus, compared with the first 8 months of 1945, the first 8 months of 1946 show increases in the consumption of coal by gas works and electricity undertakings and by "Other Indus-
tries," by miners and by domestic consumers of anthracite and boiler fuel. On the other hand, there has been lessened consumption by domestic consumers of house coal, by the miscellaneous group, mainly service departments, and by the engineering industries, coke ovens, and the rest. Overall, there has been an increase of consumption of about 2 Mn . tons in the first 8 months of 1946 compared with the corresponding period of 1945 .

## EXTERNAL TRADE

During the past quarter a further increase in the rate of export has reduced, despite some increase of imports, the visible adverse balance. In the third quarter of 1946 the adverse balance was $£ 74 \cdot 8 \mathrm{Mn}$. as contrasted with $£ 161 \cdot 0 \mathrm{Mn}$. a year earlier. The adverse balance of the corresponding quarter of 1938 was $£ 95.5 \mathrm{Mn}$. at prices about half those now ruling (the index of export prices, $1938=100$, is now 204 , and that of import prices 212). Table I shows the progress over the past five quarters.

TABLE I.
VISIBLE TRADE BALANCE OF THE UNITED KINGDOM

|  | $\begin{gathered} 1945 \\ \text { 3rd Qr. } \end{gathered}$ | $\begin{aligned} & \text { (£ Mn.). } \\ & 1945 \\ & \text { 4th Qr. } \end{aligned}$ | $\begin{gathered} 1946 \\ \text { 1st Qr. } \end{gathered}$ | $\begin{gathered} 1946 \\ \text { 2nd Qr. } \end{gathered}$ | $\begin{gathered} 1946 \\ \text { 3rd Qr. } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Imports ... | $274 \cdot 4$ | 236.5 | 279.0 | $316 \cdot 3$ | $328 \cdot 1$ |
| Re-exports ... | $13 \cdot 3$ | $12 \cdot 6$ | 12.5 | $11 \cdot 1$ | $13 \cdot 1$ |
| Retained Imports | $261 \cdot 1$ | 223.9 | 266.5 | $305 \cdot 2$ | $315 \cdot 0$ |
| Exports ... ${ }^{\text {Visible Adverse }}$ | $100 \cdot 1$ | $119 \cdot 2$ | 184.2 | $219 \cdot 6$ | $240 \cdot 2$ |
| Balance | 161.0 | $104 \cdot 7$ | $82 \cdot 3$ | $85 \cdot 6$ | $74 \cdot 8$ |

A visible adverse balance of $£ 75 \mathrm{Mn}$. a quarter is of the order of magnitude that we may be able to support under normal post-war circumstances. Our net invisible earnings from sources remaining to us such as shipping, commissions and the like, may yield as much as $£_{6} 300 \mathrm{Mn}$. a year at post-war prices when more normal conditions return. For the moment our difficulties are greatly aggravated by the abnormal short-term outgoings for military expenditure abroad, for our obligations in respect of Germany and other transition payments. But the adverse balance is for the moment kept within manageable limits by foregoing imports. These have not yet risen markedly above war-time levels. The volume of retained imports in the third quarter of 1946 is estimated at $70 \%$ of the average level of 1938 , as compared with $62 \%$ in the same quarter of last year and an annual average of
$77 \%$ in 1943 and $80 \%$ in 1944 ; the figures for the war-time years are exclusive of munitions, but include imports of oil and certain other nonmunitions on a war-time scale. The present limitation of imports would appear to have been only in part a consequence of deliberate policy, and to have arisen in considerable measure from shortages of supply of the required foodstuffs and materials. An expansion of imports is almost certainly to be expected over the next year as supplies become easier.

The composition of our imports in the first nine months of 1938 and similar months of 1946 is analysed in Table II. It will be seen that, as was to be expected, the share of manufactured imports has declined and that of both food and materials has increased. This trend is even stronger than would appear from the figures in the Table; among the largest imports of manufactured products in 1946 are oils, nonferrous metals, paper and timber products (the total groups of these represent $£ 104.7 \mathrm{Mn}$. out of the total of $£ .172 .6 \mathrm{Mn}$.), all of which, though essentially materials, are ordinarily imported in a partially manufactured form, and so reckoned in the Table.

TABLE II.
TOTAL IMPORTS IN VARIOUS CLASSES IN 1938 and 1946

| Food, Drink \& Tobacco | $319 \cdot 2$ | $46 \cdot 2$ | $460 \cdot 7$ | $49 \cdot 8$ |
| :---: | :---: | :---: | :---: | :---: |
| Raw Materials and Articles mainly Unmanufactured | 190.4 | 27.6 | 270.9 | 29•3 |
| Articles wholly or mainly | 1760. | 25.5 |  |  |
| Animals not for food and Parcel Post | 176.5 5.0 | 25.5 0.7 | 172.6 21.5 | 18.6 2.3 |
| Total | $691 \cdot 1$ | 100 | $925 \cdot 7$ | 100 |

The exports of July reached a total of $£ 91.9 \mathrm{Mn}$., and handsomely exceeded the figure of May, $£ 85.2 \mathrm{Mn}$. Thereafter progress was not maintained, and the exports of August and September were disappointing ; total exports fell to $£ 77.4 \mathrm{Mn}$. in August and $£_{70.8 \mathrm{Mn} \text {. in }}$ September. Manufactured exports followed a similar course ; they had reached $£ 78.0 \mathrm{Mn}$. in July, but fell to $£ 67.1 \mathrm{Mn}$. in August and to $f_{6} 62.3 \mathrm{Mn}$. in September. In consequence the third quarter was not greatly above the second quarter ; total exports were $£ 240.1 \mathrm{Mn}$. against $£ 219.6 \mathrm{Mn}$., and manufactured exports were $£ 207.4 \mathrm{Mn}$. against $£ 189.6 \mathrm{Mn}$. The volume index of manufactured exports, which had risen from 55 in the last quarter of $1945(1938=100)$ to 91 in the first quarter and 110 in the second quarter of this year would appear (the official figure is not yet available) to have reached only about 117 in the third quarter. Holidays provide a part of the explanation, but not, it would seem, the whole. If it were legitimate, as was argued in an earlier Bulletin, to expect the volume of manufactured exports to relate to the manpower of about four or five months earlier, we might have expected in a normal quarter a level of exports between $20 \%$ and $25 \%$ higher than that actually achieved in the quarter. On the other hand, if holidays were on average as long as a fortnight (they were almost certainly on average less than that) they would account only for a loss of about $15 \%$. This discrepancy may, perhaps, be explained by purely temporary considerations; but it suggests the need for some caution, at least, in arguing that the resources already available for export in July can achieve the level some $40 \%$ above that of the third quarter which might be inferred from a simple arithmetical calculation. Table III carries forward the figures relating to these problems in the same form as in the past two Bulletins.

The composition of our exports in the first three quarters of 1946 is compared in Table IV with that of the corresponding nine months of 1938.

TABLE III.
EMPLOYMENT AND VOLUME OF EXPORTS IN MANU. FACTURING INDUSTRIES.

| Manufacturing Employment on Orders for Export |  |  | Exports of British Articles Wholly or Mainly Manufac- |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1943 | June | 100 | 1943 | Qrly. Av. | 100 |
| 1945 | May |  | 1945 | 2nd Qr. | 140 |
|  | June | 167 |  |  |  |
|  | Aug. | 203 |  | 3rd Qr. | 149 |
|  | Oct. | 288 |  |  |  |
|  | Nov. | 321 |  | 4th Qr . | 168 |
|  | Dec. | 359 |  |  |  |
|  | Jan. | 386 |  |  |  |
|  | Feb. | 417 |  | 1st Qr . | 289 |
|  | March | 472 |  |  |  |
|  | April | 493 |  |  |  |
|  | May | 505 |  | 2nd Qr. | 349 |
|  | June | 520 |  |  |  |
|  | July | 541 |  |  |  |
|  | Aug. | - |  | 3rd Qr. | 371 |

TABLE IV
EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM.


It will be seen that, while there has been no considerable change in the contributions to the total from food, drink and tobacco, from textiles and clothing and from " other manufactures," the heavy decline in coal has been mainly offset by a growth of the relative contribution of metals, engineering and chemicals. It will be a matter of great importance to us whether the increase of engineering exports proves to be permanent or mainly a consequence of the active measures of re-equipment that are now proceeding all over the world.

The value of retail sales of foodstuffs, according to the official index, showed little change from April to August when allowance is made for the variable number of working days. The rise since last autumn is mainly accounted for by the increase in the number of civilian consumers.

Clothing sales jumped in August at the opening of a new coupon period, but previously sales of summer goods had not risen as high as might have been expected, partly owing to the bad weather. Furniture, hardware, household piece goods, sports and travel goods continue to show the greatest advances.

Increases in sales in the London area are intensified by the high proportion of returned evacuees and members of the services.

The existing index numbers of retail trade are based almost entirely upon data from large-
scale retailers-department stores, multiples, co-operatives, etc. The Board of Trade has recently initiated the collection of supplementary information from independent retailers on a sample basis.* At present, returns of weekly sales are being received each month from (1) furniture dealers, (2) men's wear shops, (3) chemists, and the list is to be extended

It is not yet possible to make precise comparisons of the large and small firms but the following figures may be of interest.

INCREASE IN JULY, 1946, OVER JULY, 1945.


* See Board of Trade Fournal, Oct. 19th, 1946


# EMPLOYMENT 

By R. G. D. Allen

The target for the end of the year is to increase employment on exports to $50 \%$ above pre-war and to restore employment for the home market (exclusive of government services) to the level of 1939. The total labour force will then be little above its pre-war strength and, with the prior claims of the Armed Forces and government services, the target will clearly be difficult to achieve. The table below shows how the trick might be turned.

The Armed Forces will be at least 700,000, and employment in government nearly 500,000 , larger than in 1939. The export target implies that 500,000 more will be employed in manufacturing for export than before the war (1938 or 1939). We can count on no more than 250,000 additional workers in the total labour force as compared with 1939. Hence, between $1,400,000$ and $1,500,000$ must be found from the other sectors. The number engaged on production for the Forces and those not in employment are now below the 1939 figures and they must be reduced still further if the home market is to be restored to the pre-war level of employment. All this is just possible if we are willing to be optimistic on developments during the next three or four months.

After a year of rapid movements, the changes
in employment associated with reconversion have slowed up in the past few months. We can now make closer estimates of the underlying trends than was possible some months ago, reaching the conclusion that there is nothing in the present manpower situation which definitely prevents us from taking an optimistic view.

|  | $\begin{gathered} \text { Chousand } \\ \text { June } \\ 1939 \end{gathered}$ | $\begin{aligned} & \text { June } \\ & 1946 \end{aligned}$ | $\begin{aligned} & \text { Aug. } \\ & 1946 \end{aligned}$ | Estimato <br> End 1946 |
| :---: | :---: | :---: | :---: | :---: |
| Not in omployment $\dagger$ | 1,270 | 1,136 | 904 | 650 |
| Armed Forces ... | 480 | 2,032 | 1,756 | 1,200 |
| Manufacturing for Forces | 1,270 | 717 | 589 | 500 |
| Government** | 1,465 | 1,913 | 1,913 | 1,925 |
| Manufacturing for export | 990 | 1,326 | 1,375 | 1,500 |
| Employed for home market (excl. government) | 14,275 | [13,106 | 13,565 | 14,225 |
| Total working population | 19,750 | 20,230 | 20,102 | 20,000 |

[^33]The estimate of $20,000,000$, or 100,000 less than in August, does not seem too high for the end of the year. The Prime Minister has stated (October 24th; that the strength of the Armed Forces cannot be reduced to the previously announced target of $1,100,000$ by the end of the year. A figure of $1,200,000$ is used here for the Armed Forces (men and women) at end 1946 ; it can only be realised if releases are maintained at the rate of July and August. Reduction in the number engaged on production for the Forces is well up to schedule and progress towards the goal for employment in exports is steady. Employment in government cannot be allowed to increase by any significant amount and the necessary growth in certain Civil staffs must be largely achieved by economies in the Service departments and elsewhere. Of the estimate of $1,925,000$ at the end of the year, about $1,200,000$ can be counted as productive, including the Post Office, and the remainder are in central and local administration, police and Civil Defence.

The achievement of the target for employment for the home market depends quite largely, therefore, on reduction in the numbers of those not in employment from the present figure of 900,000 to little more than 600,000 by the end of the year. Here there are real grounds for optimism since the number of ex-Service men and women with no job since discharge, decreased sharply in August with no appreciable rise in the total of registered unemployment. Employment for the home market expanded sufficiently to absorb an unusually large number of those previously on demobilisation leave in addition to the seasonally high intake of boys and girls from school. As the following table shows,
this expansion was distributed over different industries very much in accordance with the trends since VJ-Day (see July Bulletin, pp. 73-77).

EMPLOYMENT FOR HOME MARKET, GREAT BRITAIN


There have been some changes in the distribution of registered unemployment during the past few months. There are now fewer workers who have been unemployed for long periods and there is a larger proportion of the unemployed out of work for two weeks or less:

INSURED WORKERS REGISTERED AS UNEMPLOYED
FOR

|  | not more than <br> two weeks. $\dagger$ | $2-8$ weeks. | more than <br> 8 | weeks. |
| :---: | :---: | :---: | :---: | :---: | Total.

This indicates a sound employment situation and more workers passing through employment exchanges while changing jobs. The uneven distribution of unemployment by regions remains -8 per cent in Wales, 4 per cent in Scotland and the northern regions of England and one per cent in the rest of England. However, there has been a significant reduction in the worst figure ; unemployment among women in Wales fell from $12 \frac{1}{2}$ per cent to $10 \frac{1}{2}$ per cent between July and September.

## MORE THOUGHTS ON INFLATION

By C. F. Carter

An article by Mr. Manning Dacey (in the July, 1946, issue of Lloyd's Bank Review) makes an important distinction between "suppressed inflationary potential " and the present slight " active" inflation. The " suppressed inflationary potential " is the equivalent of forced saving in a controlled economy, being the involuntary saving of a people "prevented by direct controls from spending on consumption as large a proportion of their money incomes as they would wish." The active inflation, indicated by rising prices and measured by Mr. Manning Dacey's Inflation Factor, is a wage
and price spiral caused by sectional wage bargaining. The distinction between wageinduced and deficit-induced inflation was made by Professor Pigou (Economic Fournal, 1941); the suppressed inflationary potential is a modern substitute for a deficit-induced inflation.

Despite these aids to clear thinking, the recent flood of articles and speeches proving that we are, or are not, in danger of inflation, or that inflation is already upon us, shows no sign that we have reached an agreed definition of the word. In order to obtain a scientific definition which allows us to measure the quantity of inflation,
it is necessary to follow recent practice in regarding almost every situation as being formally " inflationary" or "deflationary"; these words themselves, therefore, have no evil meaning, and the economic state becomes dangerous only when the chosen index of inflation passes outside certain, historically determined, positive and negative danger levels. For a definition of inflation which is tailored to fit the pengo and the drachma, or even the franc, is not much help in judging whether the much slighter movements in this country are dangerous.

There is a prevalent and confusing habit of describing inflation by variables of different "dimensions"-as though an electrician could arbitrarily decide to measure a current in volts or ohms instead of amperes. Even the customary comparison of a wage-index with a price-index, though it relates two pure numbers, contains concealed assumptions which vary according to the type of index-number used. Thus, if there were only one wage and one price, we should be comparing a ratio of two "shillings per week" quantities with a ratio of two "shillings per yard "quantities. Clearly the comparison should take into consideration a quantity of the type " yards per week"; but how often such comparisons are made without mentioning that output is assumed constant !

The example is trivial ; but the confusion will persist unless we look at all the variables. Consider the money-income which can be used by private " individuals "-that is, by all incomereceivers other than the State and business firms -during some short period of time (say, a week). It consists of wages and salaries, rent, interest and profits, and the net transfer from the State to private individuals-that is to say, the difference, usually negative, between receipts from the State (such as pensions) and payments (such as taxes) to the State. This money-income we will describe as "Individuals’ Disposable Income," and it is to be understood as obtained by summation over all private individuals.

Now private individuals start the week with a certain stock of assets-bank accounts which can be used, shirts which can be pawned, shares which can be sold, and so on. For our present purpose the fundamental division is between assets which all private individuals taken together can turn into cash, and assets which are encashable by individuals but not by the sum of all individuals. A person may regard his Savings Bank deposit, his holdings of National Savings Certificates, and his holdings of War Loan as being equally assets which he can turn into cash. But whereas the Government is bound by law
to pay cash to Savings Bank depositors, or to holders of Savings Certificates, it can (if it is willing to sacrifice its cheap money policy) force the private sector to buy and sell long-term securities not due for redemption within its own boundaries. The cash gained by one person comes from another person, firm or bank; there is no change in the liquidity of the private sector as a whole. Even when we are dealing with the " private individual " group alone, it will be best to class net purchases of these " non-encashable" securities as though they were purchases of chairs and tables, because the State can in general frustrate an attempt to increase purchasing power by their resale.

The qualification in parentheses in the last paragraph is important. A Government might be blind to all purposes save that of maintaining the cheap money policy. It might be willing to support the gilt-edged market under all circumstances ; and in that case a great part of the National Debt would become a vast encashable asset. The Banker (October, 1946) produces evidence that the present Government is prepared to go to great cost to maintain cheap money. In doing so, the Treasury has increased the " inflationary pressure," discussed below ; but it has not noticeably increased active inflation. It is perhaps rather early to assume that feet in the Treasury are so warm, and heads so cool, that a further large section of long-term debt will become liquid. Those who wish to make such an assumption should add to the total of encashable assets the sum which they consider to be the limit of official buying of long-term securities.

Let us divide the "encashable" assets into a convenience-stock of money and near-money, and a savings-stock. Now " Individuals' Disposable Income " must either be spent on goods (or on services or " non-encashable" securities) ; or it must be added to the convenience-stock or the savings-stock. The following equation in the units " shillings per week," therefore, merely says that income is either spent or not spent:

Individuals' Disposable Income (in unit time)
$=$ Sum (for all transactions) of quantities of goods bought in unit time, each multiplied by its price

+ rate of change of convenience-stock
+ rate of change of savings-stock
(This is equivalent to items 19 to 37 in Table 21 of the National Income White Paper, Cmd. 6784 of 1946. The equations in this article are given in algebraic form, with corresponding numbers, in the Appendix.)

It seems reasonable to suppose that individuals keep a convenience-stock which will buy them
some conventional quantity of goods and services; say, a week's or a quarter's supply. In that case we may say:

Change of convenience-stock
$=$ Change due to rising prices

+ Change due to alteration in the command over goods conventionally desired
In other words, the convenience-stock rises with rising prices; and it may also rise because of changes in people's ideas of the reasonable purchasing power which should be held ready. Thus, black-market operators and tax-evaders keep an abnormal proportion of liquid assets. The savings-stock consists of such casual and rainyday savings as are carried in liquid form ; and it is at present swollen by involuntary saving. Nevertheless, it has a considerable stable core of savings which, though in liquid form, are genuinely intended for a rainy day.

Consider now what happens to equation (1) when a small change occurs in the flow of income. We shall have in practice to consider changes which are not small, and periods of time which are not short, and in so far as this is necessary our results are only approximations. With this caution, the equation we require for the internal mechanism of inflation (or deflation) is :

Change in Individuals' Disposable Income
$=$ Change in wages and salaries

+ Change in rent, interest and profits
+ Change in net transfers from the State
$=$ Change of consumption value due to an increased flow of goods
+ Change of consumption value due to a rise in prices
+ Change of flow into convenience-stocks due to a change in the rate of price-rise or in the conventional size of the stocks
+ Change of flow into liquid savings-stocks (3)
The second term in the last section can be further divided into a part due to external and non-monetary causes (dearer imports, lower efficiency) and the remainder due to what we usually call an inflationary (or deflationary) pricechange. From this complicated equation the various types of inflation can now be derived by isolating the movements of particular terms ; in practical situations all the terms are in frequent movement, so that no real inflation conforms to a single text-book type. We shall first assume that convenience-stocks remain at their conventional size, varying only with price changes.
(a) Wage-induced Inflation.-Consider the special case in which the equation reduces to :

Change in Individuals' Disposable Income
$=$ Change of consumption-value due to a rise in prices

Even under a price-control system prices tend to creep up with rising wage-costs ; so we need not consider movements only on the uncontrolled and black-market fringes. Some external cause, such as dearer imports, or some accident of class relations, starts off an upward movement of wages, which spreads throughout the field of wage-bargaining ; the higher wages react upon prices, but, contrary to the usual assumption, this would not of itself prevent the system settling down to equilibrium. The inflation is continuous because of the struggle of wages and profits for their share of the flow of income. The wage-earner demands increases greater than are justified by the rise in prices, because he believes that excessive profits can be soaked up for his benefit ; the entrepreneur will ask for a pricerise sufficient to restore or exceed the previous ratio of profits to wages. The wage-earner is ultimately overtaken by a price-rise greater than he expects. This curious oscillation about a moving point deserves further study.

This kind of inflation can be dealt with by preventing, damping or stopping the oscillation. The British system of cost-of-living subsidies is largely aimed at preventing wage-induced inflation by eliminating the excuse for wage demands. The rise once started, a careful system of price control can force profits to soak up some part of wage increases, while at the same time reducing the excuse for further wage demands. Complete wage control, which could stop the process altogether, is usually impossible; but an increased flow of consumers' goods, or a fear of unemployment, can both damp down the rise by reducing the incentive to bargain further.
(b) Deficit-induced Inflation. - Suppose that there is no change in individuals' disposable income, and isolate the terms

Change of consumption value due to an increased flow of goods

+ Change of consumption value due to higher prices
+ Change of flow into liquid savings-stocks
$=0$
The Government is bidding against the private sector in a free market for available supplies. There is a reduced flow of consumption goods with no offsetting rise in taxation or fall in wages and profits. The first term in equation (5) is therefore negative, and is offset by a rise in prices and (if the Government borrows from small savers) by an increased rate of saving ; the second and the third terms both rise. The price rise starts off the process of wage-induced inflation; the savings build up into an " inflationary potential," as discussed below. In so far as the Government asks the country for a higher level of activity, it
strengthens the process by increasing earnings and profits without increasing the flow of consumers' goods. It will be noted that the proportionate rise in prices is not necessarily equal to the ratio of the deficit to the initial stock of money: doubled money supply does not require a doubling of prices.
(c) Frustrated Inflation.-In the absence of controls, a deficit-induced inflation has to be tackled with the orthodox weapons of higher taxation and better savings campaigns; but if prices are generally and effectively controlled, the whole of the fall in consumption-value, which is now created by rationing and by deliberate withholding of supplies, must be soaked up by (involuntary) saving. The inflation is now seen in extra pressure on the prices of any goods which are not controlled, in black-market dealings above the controlled prices, and in longer queues.
(d) Dissaving-induced Inflation. - The dreaded result of removing the controls while liquid assets are still above normal saving levels ought to be distinguished as quite a separate form of inflation; it corresponds to a negative rate of saving, which (unless stopped by penal taxation, or balanced by an increased flow of goods) must be offset by a price-rise. The price-rise will set off the mechanism of wage-induced inflation and also result in still faster dissaving; the process is therefore self-perpetuating, though when savings have fallen to normal levels only the wage-induced inflation is left.

It will be noted that the spiral property of inflations is usually due to wage rises. Thus, deficit-induced inflation is not of itself a spiral process ; if wages and profits remain constant, the Government can, by a single price-rise, secure to itself a permanently increased flow of goods. This is true even though the Government pays a higher price for that flow; but the case is trivial, because no method of deficit finance can fail to set off the wage spiral, and this, in turn, creates the need for further deficit finance. The role of convenience balances is probably a minor one ; but their increase following a rise of prices strengthens wage-induced inflation, but weakens deficit- and dissaving-induced inflation.
(e) Galloping Inflation.-But if confidence in the currency disappears, the greater part of both savings- and convenience-balances rush to be spent at once ; the conventional size of con-venience-balances becomes zero. The first effect is an exaggeration of dissaving-induced inflation; but, in addition, the rise in the velocity of circulation of money, as everyone tries to get rid of it before prices rise further, is
equivalent in our equation to a rise in income flow, which still further stimulates the price-rise ; while the efforts of the State to pay for goods and services at a time when revenue is disorganised provide a powerful dose of deficit-induced inflation.

This grave disease is accompanied by numerous complications. Although the mechanism of galloping inflation is sufficiently described by our fundamental equation, the motive power may arise from outside the country. We have ignored foreign urade conditions; but in some cases internal inflation may be started by a depreciation of the exchanges; and once begun, it is helped on its way by the adverse terms of trade which develop. These are vital considerations in the study of historical and current hyperinflations; we pass them over because they are not relevant to countries which have learnt the technique of internal and exchange controls.

So far we have merely systematized existing knowledge, showing that the various types of inflation correspond to movements of different terms of our fundamental equation, but showing also that the division into types can hardly exist in its purity. Thus at present the price of coal reflects "wage" inflation, that of antiques reflects "deficit" inlation; while the size of bank deposits and the length of queues for ices are both symptomatic of frustrated inflation. To complete the picture, we want to know (A) the present extent of inflationary movement, as defined by the resulting rate of price-rise, and (B) the actual or potential pressures which tend to increase that movement.
(A) Inflation is like a velocity; it ought to be measurable at each point in time. In fact, owing to defects in the data, we can only measure its average value from year to year. The " Inflation Factor" calculated by Mr. Manning Dacey is the " increase in the value of the total supply of consumers' goods attributable to the rise in average prices over the year," i.e., the second term in the last section of equation (3); but it is measured in $£$ sterling, and is not therefore very suitable for international comparisons. But if we multiply it by 100 , and divide it by the value of consumption goods sold in the previous period, now a year, we obtain a weighted mean percentage price rise. The weights are the values sold, to each person, of each commodity, in the previous year.

The index we propose, therefore, is a percentage rate of price rise per annum, and it is given below for the U.S.A., 1930 to 1945, and for Great Britain, 1939 to 1945 ; it is easily deduced from a knowledge of the year-to-year
changes in consumption expenditure in money and in real terms. In the case of the U.S.A., we have had to use the cost of living index (which is more up to date and comprehensive than in this country) as a measure of the relation between real and money expenditure ; in the case of Great Britain, the National Income White Paper gives all the necessary data. The index we obtain requires two refinements, which we are not at present able to give :
(a) The inclusion of purchases of securities as though they were commodities;
(b) An adjustment for price rises due to real or external causes. These are not likely to be very large; but some part of the price rises in 1940 and 1941 ought clearly to be regarded as non-inflationary.
With a careful study of employment, prices and stocks, it should be possible to approximate to our inflation index on a monthly basis. It seems reasonable to suggest that values below $5 \%$ need not be treated with alarm.

| INFLATION INDEX. <br> n rate of price rise per annum. |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Year | U.S.A. | Year | U.S.A. | Gt.Br. |
| 1930 | ... - $2.4 \%$ | 1939 | - 1.4\% | + 1.6\% |
| 1931 | ... $-8.3 \%$ | 1940 | + $0.8 \%$ | + $13.8 \%$ |
| 1932 | ... $-8.1 \%$ | 1941 | + $5.5 \%$ | + $8.5 \%$ |
| 1933 | - $5 \cdot 6 \%$ | 1942 | + 7.9\% | + 5.7\% |
| 1934 | . $+4.0 \%$ | 1943 | + $6.5 \%$ | - $3.9 \%$ |
| 1935 | $\ldots+2.7 \%$ | 1944 | + 1.5\% | + $2.4 \%$ |
| 1936 | $\ldots+1 \cdot 1 \%$ | 1945 | + $2.5 \%$ | - 2.0\% |
| 1937 | $\ldots+3.7 \%$ |  |  |  |
| 1938 | ... $-1.9 \%$ |  |  |  |
| (1939 | ... $-1.4 \%)$ |  |  |  |

(в) No assessment of the dangers of future inflation is valid unless it takes account of the different types analysed above. Mr. E. H. Stern, for instance, in the Bankers' Magazine for August, 1946, defines an index of Inflationary Potential which is an index of liquid assets divided by an index of real civilian consumption and capital formation ; and this index he in turn compares with the index of wholesale prices. This amounts to comparing an index of the stock of shillings with an index of the flow of tons and gallons, and relating the result to an index of shillings per ton; which seems likely to create as much confusion as it avoids.

Wage-induced inflation is what the economists would call an " institutional factor" ; it is a social habit, and there cannot possibly be any numerical way of measuring its danger, for the simple reason that no numerical value can be assigned to the opposing forces of wagebargaining and controls. The only method of study is historical-to relate a price and wage rise of $2 \%$ per annum to a particular set of habits of wage-determination, and a particular set of controls. Nothing valid can be deduced from
studying wage-rates alone ; for a change in wagerates may be a mere consolidation of existing bonuses, or it may be followed by a change in efficiency. The object of study must be total money-earnings in relation to output and prices. Wage-induced inflation in this country is probably speeding up, and it will be strengthened by the rising prices of imports ; but there is no reason to suppose that it is getting out of hand.

Pure deficit-induced inflation is a thing of the past ; it could be measured by the ratio of expected deficit to the current money rate of consumption. The "danger" of frustrated inflation is again not susceptible of numerical measurement ; but the result of the frustration, which constitutes the danger of dissavinginduced inflation, can be measured. The only relevant numerical measure is, in fact, a yardstick for the liquid assets which might some day be released faster than the flow of goods which absorbs them. We do not know how fast the flow of dissaving might become, and even if we did we would have to take into account the possibility of running down stocks in shops. We can only, therefore, measure the level in the tank of liquid assets, and it is misleading to attempt to relate this to current production.

Liquid assets are clearly above their normal level ; but what is normal? It is by no means obvious that in 1938 private individuals (or business firms) were carrying all the liquid funds they would have liked to absorb. The table below gives calculations which treat 1938 or 1941 as normal for Great Britain, and 1937 as normal for the U.S.A. The choice of years is arbitrary, and must remain so until someone studies the habits of the public in holding liquid assets.

Having decided on a normal year, a normal level for each year can be calculated. For Great Britain, we have taken as sufficiently indicative of personal liquid assets the mid-year values of :

Personal bank deposits.
Note and coin circulation with the public (a large part of this is with business firms; but the error due to including it all here is small).
National Savings Certificates with accrued interest.
Post Office and Trustee Savings Banks deposits with accrued interest.

## Defence Bonds.

The " normal" level we take to vary in proportion to the price-index of all consumption goods at market prices-which comes as near as one can hope to the common idea of the price-level. A rough calculation has been made for business
assets, taking into account only non-personal deposits and tax reserve certificates; and the normal level of these we have assumed to vary with the gross national product at market prices. The figures for the U.S.A. are intended to be illustrative only; they assume the sum of bank deposits and currency in private hands to be representative of the movement of liquid assets, while " normal" balances are assumed to vary with the cost of living index. Clearly over a period such as 1929-1946, changes in public habits might invalidate the results.

The inflationary pressure or potential is generated by the excess of liquid assets over their normal level ; but in order to allow of inter-
national comparisons, the " inflationary pressure ratio " is defined as the ratio of excess assets to normal assets. When this ratio is zero, assets are at their normal level ; when it reaches 1 , assets are double their normal level. History will tell us when the level becomes dangerously high ; personal assets in Great Britain are normally about half a year's national income, so one might hazard a guess that values of the inflationary pressure ratio above 0.5 ought to be taken seriously. Such values do not presage inflation; they merely indicate that controls against inflation are required. The validity of the table is affected by the assumption, discussed above, that the cheap money policy is not inviolable.

INFLATIONARY PRESSURE RATIO.

| 19291931 |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| U.S.A. :- | 1029 |  | 1031 | -0.2 | -0.2 | - 2 | - | 1936 | 1937 |
| 1937 normal | $-0.2$ | $-0.2$ | $-0 \cdot 1$ | -0.2 | $-0.2$ | $-0.2$ | $-0 \cdot 1$ | $0 \cdot 0$ | $0 \cdot 0$ |
| U.S.A. :- | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 | 1946 |
| 1937 normal | 0.0 | $+0 \cdot 1$ | $+0 \cdot 2$ | $+0.3$ | $+0.2$ | $+0.5$ | $+0.7$ | $+0.9$ | $+1 \cdot 2$ |
| BRITAIN : - |  |  |  |  |  |  |  |  |  |
| Personal- |  |  |  |  |  |  |  |  |  |
| 1938 normal | $0 \cdot 0$ | $0 \cdot 0$ | $+0.05$ | $+0.13$ | $+0.30$ | $+0.49$ | $+0.83$ | $+1 \cdot 11$ | $+1.38$ |
| 1941 normal | $-0 \cdot 12$ | $-0.12$ | $-0.07$ | $0 \cdot 0$ | $+0.15$ | $+0.31$ | $+0.61$ | $+0.87$ | $+1.10$ |
| Business- |  |  |  |  |  |  |  |  |  |
| 1938 normal | $0 \cdot 0$ | $-0 \cdot 10$ | $-0.09$ | $+0.23$ | $+0.59$ | $+0.90$ | $+1 \cdot 15$ | $+1.51$ | $+1.61$ |
| 1941 normal | $-0 \cdot 19$ | $-0.28$ | $-0.26$ | $-0.01$ | $+0.27$ | $+0.53$ | +0.73 | +1.03 | +1.10 |

## ALGEBRAICAL APPENDIX

The argument of the paper can be summarized as follows :
Let $W$ be the sum of all wages and salaries received by private individuals in unit time, R the sum of rent, interest and profits received by private individuals in unit time, D their net payment to the State in unit time.

Individuals' Disposable Income $=\mathrm{W}+\mathrm{R}-\mathrm{D}$ per unit time.
Let C be the convenience-stock, S the savings-stock; q the quantity of goods, services or non-encashable securities bought, at price $p$, in a particular transaction.
Equation (1) is :

$$
\begin{equation*}
\mathrm{W}+\mathrm{R}-\mathrm{D}=\Sigma \mathrm{pq}+\frac{\mathrm{dC}}{\mathrm{dt}}+\frac{\mathrm{dS}}{\mathrm{dt}} \tag{1}
\end{equation*}
$$

the summation being over all transactions occurring in the unit of time.
If C is designed to give command over quantities $\mathrm{q}_{0}$ of goods at prices p ,

$$
\begin{align*}
& \mathrm{C}=\Sigma \mathrm{q}_{\mathrm{o}} \mathrm{p},  \tag{2}\\
& \text { and } \delta \mathrm{C}=\Sigma \mathrm{q}_{0} \delta \mathrm{p}, \\
& \text {, }
\end{align*}
$$

If $\delta \mathrm{p}_{1}$ is the " non-monetary" and $\delta \mathrm{p}_{2}$ the "inflationary " price-rise, equation (3) reads :

$$
\delta \mathrm{W}+\delta \mathbf{R}-\delta \mathrm{D}=\left\{\Sigma \mathrm{p} \delta \mathrm{q}+\left(\Sigma \mathrm{q} \delta \mathrm{p}_{1}+\Sigma \mathrm{q} \delta \mathrm{p}_{2}\right)\right\}+\delta\left\{\Sigma \mathrm{q}_{0} \frac{\mathrm{dp}}{\mathrm{dt}}+\Sigma \mathrm{p} \frac{\mathrm{dq}_{0}}{\mathrm{dt}}\right\}
$$

We then have:

$$
\begin{equation*}
\delta\left\{\frac{\mathrm{dS}}{\mathrm{dt}}\right\} \text { where } \delta \mathrm{p}_{1}+\delta \mathrm{p}_{2}=\delta \mathrm{p} \tag{3}
\end{equation*}
$$

For Wage-Induced Inflation

$$
\begin{equation*}
\delta \mathrm{W}+\delta \mathbf{R}-\delta \mathrm{D}=\Sigma \mathbf{q} \delta \mathbf{p} . \tag{4}
\end{equation*}
$$

For Deficit-Induced Inflation :
For Frustrated Inflation
For Dissaving-Induced Inflation
Galloping Inflation involves all the terms of equation (3), except $\Sigma \mathrm{p} \delta \mathrm{q}$.
Mr. Manning Dacey's "Inflation Factor" is $\Sigma \mathrm{q} \delta \mathrm{p}$; our Inflation Index is $100 \frac{\Sigma \mathrm{q} \delta \mathrm{p}}{\Sigma \mathrm{qp}}$ The "Inflationary Pressure Ratio " is $\frac{(C+S)}{P(C+S)_{0}}-1$, where $(C+S)_{0}$ is the level of liquid assets in the and P is the proportional price-rise.

## THE PROBLEM OF EXPORTS

By H. S. Boorer.

The average annual balance of payments of the United Kingdom for the three years before the war (1936-38 inclusive) is officially estimated as follows :-
U.K. PRE-WAR BALANCE OF PAYMENTS

|  | $\ddagger \mathrm{Mn}$. <br> a year | Exports | $£ \mathrm{Mn}$ <br> a yea <br> 477 |
| :---: | :---: | :---: | :---: |
| Imports retained Other payments | 86 | Net - |  |
|  | 7 | Exports of Sil | 1 |
|  |  | Shipping Inco | 105 |
|  |  | Income from vestments | 203 |
|  |  | Commissions, | 44 |
|  |  |  | 830 |
|  |  | Debit Balance | 43 |
|  | 873 |  | 873 |

This period of three years has been accepted as the standard of reference for the discussion of the problem of the post-war balance of payments.

The war-time disturbances to the pre-war position might be classified into those which we hope may prove to be short term in character and those which are almost certain to last a long time, if not permanently. We might hope that the short term disturbances will have been adjusted by the end of 1951 and amongst them might be put:-
(i) Large payments made abroad as a result of the increased commitments our armed forces have overseas, as the cost of our civil government of Germany and elsewhere and as the result of relief and assistance generally. These payments may at present aggregate some $£ 450 \mathrm{Mn}$. a year.
(ii) The reduction in the pre-war volume of our exports, to a volume which at one time was about one-third only of pre-war. Recently the volume of exports has again approximated to pre-war, but it will take time before we can determine whether this is a permanent recovery or only a temporary one brought about by abnormal demands.
(iii) The loss of a considerable proportion of our merchant fleet. The position at the end of June, 1945, was that after allowing for returnable tonnage British shipping represented only $72 \%$ of the pre-war tonnage.

It will be difficult in these respects to get back to a position as favourable as that which we had in 1939. It is difficult to bring troops home when their presence abroad seems to help to maintain order, it is difficult to withdraw from former enemy territories when these lack Governments of their own, it is difficult to stop granting relief
when need seems great. It will be hard to recover permanently export markets in countries which for six or seven years have been learning to manage with reduced supplies of our products. But these difficulties ought to be solved satisfactorily by the end of 1951. The recovery of our shipping is only partly a problem of increasing the tonnage, but the other part of the problem seems to be comparable in nature to and associated with the recovery of exports, so that too ought to be solved by 1951.

There are, however, other changes which are likely to be more permanent. The change in the internal distribution of net income may bring a shift in demand from locally produced services to food and other commodities, much of which may have to be imported. Full employment at home and abroad and a general reduction in world tariffs would tend to increase both our imports and our exports. The elimination of German and Japanese competition in certain industries, particularly in capital goods industries, is likely to increase the demand for some very important categories of British exports, though this effect may be at least partly offset by increased competition in other commodities, mainly consumer goods, which they are still permitted to produce. The net effect of these long-term changes in world conditions might, if other things were equal, quite possibly be to bring an increase in both British imports and British exports. There are, however, other factors which will tend to offset any tendency to expansion in British imports and may perhaps be powerful enough to keep imports permanently below the pre-war level, even without the maintenance of government-imposed restrictions on imports or consumption.

These factors are apparently due, almost entirely, to the decrease in our assets held overseas and to the increase in the amounts we owe abroad. Our net assets held overseas seem to have vanished. It is usually estimated that they approximated to $£ 4,000 \mathrm{Mn}$. before the war, but during the war we realised over $£ 1,000 \mathrm{Mn}$ and borrowed to the extent of about $£ 3,000 \mathrm{Mn}$. Nevertheless, as we tend to borrow cheaply and lend in such a way as to obtain a higher yield we still receive a net income from overseas investments estimated for 1945 at about $£ 100 \mathrm{Mn}$. Owing to the rise in prices of imports to double pre-war this $£ 100 \mathrm{Mn}$. is only worth some $£ 50 \mathrm{Mn}$. of pre-war pounds. The net income
rom overseas investments before the war was about $£ 200 \mathrm{Mn}$. a year so that there is a decline of some $£ 150 \mathrm{Mn}$. in terms of pre-war pounds, the position being summarised as follows :-


It is difficult to guess the trend of real net income from overseas investments. With the restoration of property which has been in enemy hands, especially in the Far East, and with increasing prices the real income from the equity type of share may rise, but this is likely to be modified with any price reductions such as the new price at which the United States is buying Malayan rubber. But against this are the gradual conversions of fixed interest assets held overseas to lower rates of interest and the continuing increase in our overseas liabilities. Further, the interest we pay on our overseas liabilities may not always remain as low as it is at present. It would be dangerous to assume that the net income from overseas investments will in the future exceed in purchasing power $£ 50 \mathrm{Mn}$. of pre-war pounds, it might easily be less.

It is probable that it is not net income from overseas investments with which we shall be concerned for many years to come, but rather with receipts from overseas investments and payments in respect of overseas liabilities. Argentina has certainly agreed to accept a low rate of interest on her frozen sterling balances but we have agreed to free a proportion of those assets thus increasing substantially the payments in respect of our liabilities to the Argentine. $£ 5 \mathrm{Mn}$. a year on $£ 125 \mathrm{Mn}$. is substantial and yet even at this rate the total repayment of the Argentine debt is a long-term problem. Similarly if Brazil uses a proportion of her sterling assets to purchase equipment from this country the export of that equipment will not help us to obtain imports, it will simply be a payment in respect of overseas liabilities. Thus, for our purposes, repayments ought to be included with the interest payments which have to be made on external liabilities. It is realised that such repayments before the end of 1951 may be charged against the American loan, but they show the direction which negotiations are taking and at least make it more likely that our commitments to the United States from 1951 will amount to the full $£ 35 \mathrm{Mn}$. a year, subject of course to the clause allowing for the waiver of interest payments in the Loan agreement.

Another feature of our balance of payments
before the war was that we had a debit balance recorded at $£ 43 \mathrm{Mn}$. a year. Following the wartime change in our debtor-creditor position it may be more difficult after 1951 to repatriate overseas investments or increase overseas indebtedness further. It may be that we cannot maintain a debit balance, indeed as indicated above we may need, because of repayments, to maintain a credit balance.

The position with regard to our balance of payments is, therefore, that we require to increase above the pre-war value the credit items other than income from investments if we are to maintain the pre-war volume of imports. Allowing for a reduction of $£ 150 \mathrm{Mn}$. on net real income from overseas investments and for the cancellation of the debit balance of $£ 43 \mathrm{Mn}$., this increase of $£ 193 \mathrm{Mn}$ on $£ 477 \mathrm{Mn}$. of pre-war exports means an increase of $40 \%$. Allowing for a further reduction of net income from overseas investments and some credit balance to allow for amortisations the required increase might easily be $50 \%$. And this makes no allowance for substantial repayments of debt, no allowance for increased imports of materials subsequently to be incorporated in the increased exports. Above all, it makes no allowance for a possible deterioration in the terms of trade.

The present export drive is an indication of the acceptance of an immediate need for an active policy. As an active long-term policy it seems that we have two steps that we can take to expand exports, we can lower prices or, what amounts to much the same thing, we can advertise (using the term in a wide sense) more abroad. Either method means reduced receipts per unit of exports. In other words it means turning the terms of trade against this country, it means that if a $50 \%$ increase is sufficient with unchanged terms of trade that an increase of more than $50 \%$ will be necessary.

What is the elasticity of demand for British exports ? There may be political influences overseas preventing us from increasing exports to individual countries above a level considered to be normal ; in effect it is suggested that above a certain level the demand for exports becomes rapidly more inelastic and that may be about the pre-war level. Between the wars there was discussion which suggested that the elasticity might be about unity, that no matter what a country (Germany) did it might find that it could not pay reparations ; if it increased exports by $10 \%$ it would find that the price would have fallen by about $10 \%$ so that its revenue remained almost unchanged. But let us suppose that demand for our products is elastic, let us assume
an elasticity of 7 , that an increase of $70 \%$ is obtained by a reduction in price of $10 \%$ and see what the position is. We find that making this favourable assumption about the elasticity of demand for our exports that the accepted $50 \%$ increase is insufficient for its declared purpose, the increase ought to be almost $70 \%$.

There is another aspect of the problem of increasing exports : not only must the person overseas be attracted to buy British by lower prices or increased publicity, but also the person in Britain must be attracted to produce for export. Direction of managements and labour is becoming more difficult than it was during the war and though something can be and is being done by the allocation of raw material supplies, ultimately we shall probably return to the simple price incentive. At present that incentive probably exists but it is not clear that it will remain more profitable to produce for the export than the home market. The direction of wartime was accepted willingly partly because people were directed in general towards industries where higher earnings could be obtained. A similar incentive seems even more important for peacetime.

To plan an active policy for increasing exports therefore seems to involve a dilemma, the dilemma being that we can only expect to sell more abroad by reducing prices, but can only hope to produce the increased supplies for export by making the production of those exports more profitable both for the labour and the other resources employed than is production for the home market, in other words by raising prices. The greater the increase in exports required the greater will the necessary price differentials be. The solution of the dilemma involves changes in relative prices, if the home price level remains constant then export prices must rise either because world prices have risen even more or because sterling has been depreciated by a revaluation on the grounds of fundamental disequilibrium. Alternatively the internal price level must fall relatively to export prices, which must themselves fall in relation to world prices.

No matter in which way the necessary price differentials are produced it would be only in the most exceptional circumstances that the price of imports would not rise in terms of the internal price level and the natural consequence of this would be that we should buy less from abroad. If this were to happen the problem would be considerably eased. If part of the adjustment were in imports it would not be necessary to increase exports so greatly and a smaller volume of labour and other resources would have to be
attracted to export production, in which case a smaller price differential would be sufficient and the terms of trade would not move so much against us. In discussion it is perhaps admitted that this is the likely solution to our problem, but it appears to be generally assumed that any reduction in imports would be an unfortunate solution and economically less desirable than if the whole of the adjustments were to be in exports. This paper is an attempt to show that this may not be the ideal solution. The ideal solution may require some reduction in imports as well as expansion in exports, and this apart from the possibility of invoking the waiver clause in the Loan agreement if imports fall.

The position might be illustrated by an over-simplification which probably illustrates the position as many members of the public see it. This simplification assumes that pre-war imports were balanced by exports plus net income from overseas investments, whilst as overseas investments now yield no net income post-war imports have to be balanced by exports only. Further, it will be necessary to express prices in terms of an unchanged external price level to remove difficulties of exposition due purely to changes in the purchasing power of money.

According to this simple model the pre-war position might be summarised as follows :-


The net income from overseas investments having been lost a new balance will be established. We should take steps to ensure that the loss is as small a burden on the country as possible and it seems generally accepted that this means there should be no decrease in imports. The obvious solution therefore is that exports should be increased by the same amount as the reduction in net income from overseas investments. The argument then concludes that as this means an increase in value of exports by $50 \%$ it means an increase also of $50 \%$ in volume.

A first objection to this conclusion is generally realised, which is that as exports contain some proportion of imported raw materials this solution would involve a reduction in the supply of imported materials for home consumption. Intellectually this problem can be overcome by considering that one defines increase in exports as meaning increase after allowing for imported materials therein. Being generally accepted this factor will not be enlarged on here.

A second objection is that no allowance has
been made for any necessary reduction in prices of exports. This increase in exports at which we aim is a decision of British policy; in a sense it is being forced upon the world and is not Britain's reply to changes in world demand. It is an increase in which Britain takes the initiative and is to be obtained independently of general demand. In other words it has to be produced by lowering prices. If exports are increased there are therefore two factors working upon the value of exports : one the increase in volume increasing value, the other the price factor decreasing value ; and it is not immediately apparent which is the more important (a). We shall, however, assume that the elasticity of demand for exports is high, for the higher the elasticity the weaker the arguments of this paper. We might assume that a $50 \%$ increase in exports is obtained by a $7 \%$ decrease in prices, thus continuing the assumption elsewhere in this paper of an elasticity of about seven. We should then have the position as follows :-

| Imports | 150 | *Exports <br> Debit Balance | $\begin{array}{r} 139 \frac{1}{2} \\ 10 \frac{1}{2} \end{array}$ |
| :---: | :---: | :---: | :---: |
|  | 150 |  | 150 |

*Volume 1.5 of pre-war, price 0.93 of pre-war, therefore value $100 \times 1.50 \times 0.93=139 \frac{1}{2}$.

The increase in volume by $50 \%$ still leaves a further adjustment equivalent to $10 \frac{1}{2}$ value units to be made. As previously pointed out an elasticity of about seven requires that exports should increase not by $50 \%$ but by almost $70 \%$ to achieve equilibrium. At the new equilibrium every unit of imports would cost about $10 \%$ more when measured in terms of exports because the terms of trade have moved against Britian.

An adjustment which involves some reduction in imports eases the serious situation likely to be brought about by trying to make the whole of the adjustment one of exports thereby causing ? deterioration in the terms of trade. We make the reasonable assumption that the supply curve of imports to the United Kingdom is such that, if less is taken, the price will be at least slightly lower, in which case every reduction in imports reduces the cost of imports irrespective of the elasticity of supply, for both the volume and the price factors work in the same way by reducing

[^34]costs $(b)$. Indeed, in the particular case in which the elasticity of demand for British exports is unity, a reduction in imports would be the only way in which we could solve the problem and there would be no point at all in worrying about exports in the range with elasticity about unity.

The solution by which imports are reduced as well as exports increased does not seem to have been widely discussed (at least in public), yet every reduction in imports and/or exports turns the terms of trade in our favour. This does not mean the terms of trade are the only consideration, perhaps too much attention was paid to the terms of trade after the 1914-18 war, when sterling was appreciated and ultimately restored to the old gold parity, but there does seem to be a danger that in determination not to make the same mistakes as last time we may go to the other extreme.

There is one equilibrium point with increased exports and decreased imports in which the terms of trade would be the same as before the war. There is no justification in concluding that this position is the one most to be desired, for it is probable that the demand for imports is relatively inelastic and that some deterioration in the terms of trade is a cost worth bearing rather than taking a very substantial cut in imports. A solution giving unchanged terms of trade with elasticities of both supply of imports and demand for exports about seven is illustrated below as applying to our simplified model, imports being reduced by $20 \%$ in volume and exports increased by $20 \%$, prices of both imports and exports falling by some 3\%:-

$$
\begin{array}{lll}
\text { Imports } & \text { Exports } & 116.4 \\
(150 \times 0.8 \times 0.4 \\
0.97) & (100 \times 1.2 \times 0.97)
\end{array}
$$

After this over-simplification let us consider a problem only partially analogous to the problem of exports. Suppose our modern textile machinery were destroyed and it was impossible to replace it, other modern machinery being unaffected, with the result that all textiles had to be produced by spinning wheel and hand loom. In such a case it would be considered foolish to try to maintain the output of textiles at the old level, it would involve too great a diversion of resources from elsewhere. Instead, we should economise textiles, make them last (Continued on page 130)

[^35]
## INDEX NUMBERS OF PRICES IN 12 COUNTRIES.

Mainly based upon the Monthly Bulletin of the United Nations. $\dagger$



|  | STOCKS \& SHARES ! <br> $\begin{array}{cc}\text { Industrials } & \text { Fixed } \\ \text { Interest }\end{array}$ |  |  |  | MONEY* |  | $\begin{aligned} & \text { NEW } \\ & \text { CAPITAL } \\ & \text { ISSUES } \end{aligned}$ |  | OTHER BANKING. |  |  |  |  |  |  |  |  |  | TREASURY BILLS. |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  | Bank of England. |  |  | Nine Clearing Banks. |  |  |  |  |  |  |  |  | छु ※̈ <br> £Mn. |
|  | ㄷ <br>  <br> \% of <br> 1924 |  | $\begin{aligned} & \text { 으 } \\ & \text { Hy } \\ & \text { g̈n } \\ & \text { E } \\ & \text { \% of } \\ & 1924 \end{aligned}$ |  <br> \% of <br> 1924 |  |  | for <br> U K. <br> £ Mn. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1913 Av.... | $62 \cdot 5$ | - | 138 | 72.5 | - | 4.38 |  | 20.2 |  |  | - |  |  |  |  |  |  |  |  |  |  |
| 1919 Av. | 106 |  | 91 | 110 |  | $3 \cdot 95$ | $15 \cdot 7$ | $19 \cdot 8$ |  |  | 411 |  |  |  |  |  |  |  |  |  |  |
| 1920 dv.... | 106 | - | 79 | 127 | - | $6 \cdot 36$ | $27 \cdot 6$ | 520 |  |  | 449 |  |  |  |  |  |  |  |  |  | 949 1004 |
| $1 \geqslant 21 \mathrm{Av}$.... | 72 | - | 81 | 121 | $4 \cdot 3$ | -20 | 8.3 | 18.0 |  |  | 435 | 1763 | 331 |  | 815 | 309 |  |  |  |  | 1004 |
| 1922 Av.... | 82 | - | 96 | 105 | 2.0 | 2.62 | 8.4 | 196 |  |  | 393 | 1727 | 335 |  | 732 | 372 |  |  | 581 | 234 | 815 |
| 1923 Av.. | 101 | - | 102 | 98 | 2.0 | $2 \cdot 78$ | $5 \cdot 6$ | 17.0 |  |  | 385 | 1631 | 271 |  | 744 | 338 |  |  | 482 | 152 | 634 |
| 1924 v.... | 100 | - | 100 | 100 | 2.4 | 3.45 | 7.4 | 11.2 |  |  | 390 | 1652 | 242 |  | 711 | $32+$ | 11.7 | $48 \cdot 5$ | 442 | 159 | 601 |
| 1925 Av.... | 10y | - | 933 | 1018 | $5 \cdot 5$ | $4 \cdot 17$ | 11.0 | $7 \cdot 3$ | 72 | 55 | 383 | 163 | 223 |  | 839 | 270 | 11.9 | 51.7 | 460 | 150 | 610 |
| 1926 Av.. | 115 | - | 964 96.9 | 1038 | 4.7 | 4.88 4.24 | 11.7 14.7 | 94 10.7 | 63 | 55 | 314 | 16? 6 | 24 |  | 876 | 249 | 11.8 | 53.8 | 490 | 130 | 620 |
| 1927 Av.... | 142 | - | 96.9 99.2 | 100.8 | 36 | 4.10 | 18.3 | $18 \cdot 3$ | 66 | 53 | 373 | 1675 1729 | 216 235 |  | 888 933 | 238 239 | 116 | 5.5 53.9 | 36 496 | 114 | 620 613 |
| 1929 Av.. | 139 | - | 96.3 | 101.0 | 46 | $5 \cdot 3$ | 133 | 7.9 | 63 | 50 | 331 | 1762 | 226 |  | 974 | 242 | 10.7 | 3 | 521 | 239 |  |
| 1930 Av... | 112 | - | 99.4 | 103.1 | 24 | $2 \cdot 62$ | $10 \cdot 6$ | $9 \cdot 1$ | 66 | 50 | 308 | 1763 | '62 |  | 948 | 213 | 10.7 | 53.8 | 521 | 97 | 0 |
| 193 L Av.... | 87 | - | 98.7 | 10o. 8 | $2 \cdot 9$ | 5.53 | 37 | 3.4 | 65 | 54 | 354 | 1723 | 254 |  | 901 | 285 | 10.4 |  | 481 | 14. | 9 |
| 1932 Av.... | 84 |  | 1124 | 90.3 | 1.7 | 1.94 | $7 \cdot 0$ | $2 \cdot 4$ | 81 | 51 | 360 | 1752 | 307 |  | 830 | 33) | $10 \cdot 5$ | $47 \cdot 6$ | ¢33 | 188 | 629 |
| 1933 Av.... | 103 | - | 124.4 | $80 \cdot 7$ | $\cdots$ | $\cdot 71$ | $7 \cdot 9$ | $3 \cdot 3$ | 1uc | 0 | 311 | 1914 | 352 |  | 746 | 519 | 10.9 | 39.0 | $5{ }^{\prime}$ ) | 327 | +09 |
| 1934 Av.... | 125 | - | 132.5 | $7 \cdot 7$ | 6 | 81 | 8.9 | 3.6 | 102 | 54 | 378 | 1812 | 288 |  | 740 | 513 | 11.3 | $40 \%$ | 473 | 377 | 850 |
| 1935 Av... | 139 | - | $136 \cdot 7$ | 73.6 | 5 | 57 | 13.5 | 1.7 | 98 | 51 | 394 | 1931 | 264 |  | 755 | 598 | 10.8 | 38.5 | 473 | 393 | 866 |
| 1936 Av.... | 161 | - | $135 \cdot 9$ | $73 \cdot 2$ | 5 | 61 | 15.9 | $2 \cdot 2$ | 96 | 54 | 432 | 2104 | 312 |  | $8 ? 5$ | 598 | $10 \cdot 3$ | 39.2 | 516 | 225 | 801 |
| 1937 Av.... | 150 | - | 1277 | 78.4 | 5 | 51 | 11.6 | $2 \cdot 7$ | 97 | 58 | 479 | 2172 | 276 |  | 910 | 607 | 103 | 41.9 | 5\%0 | 229 | 801 |
| 1938 Av.... | 123 |  | 1266 | $79 \cdot 0$ | . 5 | 61 | $7 \cdot 7$ | $2 \cdot 1$ | 104 | 56 | 485 | 2161 | 274 |  | 930 | 593 | 10.6 | 43.0 | 547 | 330 | 877 |
| 1939 Av.... | 114 | - | $116 \cdot 3$ | $86^{\circ} 2$ | ${ }^{-8}$ | 1.20 | 3.6 | 1.9 | 103 | 58 | 507 | 2129 | 246 |  |  |  |  |  |  |  |  |
| 1940 Av.... | 95 | - | $123 \cdot 0$ | 81.6 | 1.0 | - 04 | $0 \cdot 3$ | 0.0 | 107 | 77 | 571 | 2377 | 246 351 |  | 943 906 | 564 621 | 10.9 10.7 | $44 \cdot 3$ $38 \cdot 3$ | 488 | 58.2 9.5 | 1070 |
| 1941 Av.... | 101 |  | 131.0 | 76.6 | 10 | 1. 33 | 0.2 | 0.0 | 118 | 69 | 652 | 2818 | 220 | 474 | 815 | 831 | 10.4 | $38 \cdot 3$ 29.1 | 793 | 1463 | 1708 |
| 1942 Av.... | 113 | - | 1353 | 74.2 | 1.0 | 103 | $0 \cdot 3$ | $0 \cdot 0$ | 131 | 60 | 807 | 3104 | 223 | 614 | 858 | 1003 | 105 | 24.5 | 970 | 100 | 23870 |
| 1943 Av.... | 135 | - | $134 \cdot 1$ | $74 \cdot 9$ | 1.0 | 1.03 | 0.6 | $0 \cdot 1$ | 148 | 65 | 966 | 3481 | 173 | 961 | 711 | 1072 | 10.5 | 20.5 | 1107 | 1811 | 2978 |
| 1944 Av.... | 148 |  | 133.5 | $75 \cdot 1$ | 1.0 | 1.03 | 0.5 | $0 \cdot 1$ | 176 | 67 | 1135 | 3953 | 16 t | 1338 | 715 | 1082 | 10.5 | 181 | 1337 | P148 | 3485 |
| $\begin{aligned} & 1945 \text { Av.... } \\ & 1944 \end{aligned}$ | 156 |  | 1351 | $74 \cdot 3$ | 0.9 | 0.93 | 1.4 | $0 \cdot 3$ | 207 | 68 | 1284 | 4461 | 181 | 1747 | 753 | 1072 | 10.5 | 16.4 | 1602 | 2288 | 3890 |
| J AN. | 139 | +1.6 | $133 \cdot 5$ | $75 \cdot 1$ | 1.0 | 1.03 |  |  | 188 | 66 | 1075 | 3758 | $13)$ | 1257 | 706 | 1069 | 10.5 | 18.8 | 1180 | 1936 | 3116 |
| FEB. ..... | 141 | + 1.4 | $133 \cdot 9$ | $74 \cdot 9$ | 1.0 | 1.03 |  |  | 161 | 62 | 106 | 3701 | 118 | 1219 | 718 | 1062 | 106 | 194 | 1170 | 1947 | 3116 |
| MAR....... | 140 | +0.8 $+\quad 0.8$ | $133 \cdot 4$ | $75 \cdot 1$ | 1.0 | 1.03 | $2 \cdot 1$ | $0 \cdot 1$ | 179 | 68 | 1092 | 3788 | 107 | 1285 | 736 | 1055 | 10.6 | 19.4 | + | + | 3149 |
| APR....... | 145 | +0.8 $+\quad 3.5$ | 1330 | 75.4 | 10 | 1.03 | 21 | 01 | 168 | 63 | 1124 | 3816 | 143 | 1268 | 72 ) | 1070 | $10 \cdot 7$ | $18 \cdot 9$ | 1200 | 2018 | 3218 |
| JUNE..... | 152 | +3.9 +3 | 133.3 | 75 <br> 75 | 1.0 | 1.03 |  |  | 161 | 71 | 1126 | 3843 | 169 | 1263 | 721 | 1077 | $10 \cdot 3$ | 18.7 | 1280 | 2.85 | 3465 |
| JULY | 156 |  | 13 | $75 \cdot 1$ | 1.0 | 1.03 |  |  | 168 | 70 | 1133 | 3897 | 198 | 1230 | 734 | 1081 | $10 \cdot 4$ | 18.7 | † | †' | 3536 |
| AUG....... | 156 157 | +14 +11 | 133.3 133.0 | $75 \cdot 2$ 754 | 1.0 1.0 | 1.03 1.03 |  |  | 193 | 66 | 1156 | 3.17 | 208 | 126 ? | 720 | 1090 | $10 \cdot 3$ | 184 | 1430 | 2139 | 3569 |
| SEPI. ... | 151 | + $4 \cdot 2$ | $132 \cdot 8$ | 75 75 | 1.0 1.0 | 1.03 1.03 |  |  | 172 | 70 | 1147 | 4015 | 205 | 1288 | 707 | 1096 | $10 \cdot 3$ | 175 | $1+30$ | 2199 | S629 |
| OCP. .... | 151 | $+0.3$ | 1312 | 753 | 1.0 | 1.03 | 4.5 | 0.8 | 170 | 75 | 1151 | 4041 | 200 | 1392 | 701 | 1099 | $10 \cdot 4$ | 17.4 | 1430 | 2265 | ${ }^{2} 695$ |
| NOV....... | 154 | + 25 | 1345 | 74.5 | 1.0 | 1.03 |  |  | 178 | 67 | 1160 | 4127 | 160 | 1515 | 701 | 1088 | 10.4 | $17 \cdot 0$ | 1451 | 230 | 3750 |
| DEC....... | 154 | $+0.7$ | $13+6$ | $74 \cdot 5$ | 1.0 | 1.03 |  |  | 186 | 61 | 1177 | 4181 4320 | 187 | 1494 | 703 | 1118 | 10.5 | 168 | 1470 | 2305 | 3775 |
| 1945 |  |  | 1310 | 745 | 10 | 103 |  |  | 118 | 61 | 1226 | 4320 | 138 | 1611 | 717 | 1080 | 11.0 | 16.6 | 1470 | 2536 | 3806 |
| JAN. ...... | 157 | +2.0 | $135 \cdot 3$ | $74 \cdot 1$ | 1.0 | 1.03 |  |  | 214 | 68 |  |  |  |  |  |  |  |  |  |  |  |
| FEB. ...... | 156 | $+\quad 0.9$ +0.5 | 13.5 | 74.0 | 1.0 | 1.03 |  |  | 184 | 68 73 | 1220 | 4244 4190 | 150 | 1608 | 719 | 1081 | $10 \cdot 3$ | 16.9 | 1450 | 2342 | 3792 |
| MAR. . . . ${ }^{\text {AP. }}$ | 157 | +0.5 $+\quad 15$ | $135 \cdot 5$ $135 \cdot 9$ | 74.0 73.8 | 1.0 | 1.03 | $5 \cdot 3$ | $1 \cdot 7$ | 191 | 68 | 12 \% | 4211 | 143 | 168 | 734 | 1069 | $10 \cdot 4$ | 17. | 1430 | 2251 | 3739 3681 |
| MAY ...... | 157 | + | 13, 8 | 73.8 73.9 | 1.0 | 1.03 |  | 17 | 185 | 62 | 1239 | 4300 | 191 | 1760 | 706 | 1057 | 10.4 | 164 | 1130 | 2204 | 3634 |
| JUNE..... | 151 | $-1.8$ | 1349 | 744 | 1.0 |  |  |  | 185 | 67 | 1263 | 4389 | 112 | 1818 | 715 | 1044 | 10.4 | 16.3 | 1500 | :173 | 3673 |
| JULY..... | 158 | + 30 | 1356 |  |  |  |  |  | 201 | 60 | 1276 | 4517 | 128 | 1870 | 726 | 1045 | 10.4 | $16 \cdot 1$ | 1600 | 2188 | 3788 |
| AUG....... | 152 | + 4.2 | $135 \cdot 2$ | 74.3 | 1.0 1.0 | 1.03 1.03 |  |  | 219 | 61 | 1298 | 4581 | 172 | 1924 | 725 | 1040 | 10.4 | 15.8 | 1680 | 2310 | 3990 |
| SUPT. ... | 154 | +17 | 131.8 | 74.6 | 1.0 | 1.03 | 11.7 | 1.8 | 211 |  | 1327 | 4635 | 188 | 1918 | 723 | 1043 | $10 \cdot 5$ | 156 | 1690 | 2285 | 3975 |
| OCT. ...... | 156 | +1.3 | 13.9 | 74.5 | 1.0 | 1.03 | 117 | 18 | 219 | 73 | 1330 | 4654 | 207 | 1896 | 729 | 1062 | 106 | 15.7 | 1090 | $236{ }^{5}$ | 405 |
| DEC. ...... | 161 155 | + 3.5 | $134 \cdot 8$ | 74.5 | 0.5 | 0.53 |  |  | 232 | 77 | 1325 | 4618 | 181 | 1854 | 755 | 192 | 106 | 16.4 | 1710 | 2330 | 4040 |
| 1946 ${ }^{\text {c.. }}$ | 155 | -2 | 133.6 | 75.3 | 0.5 | 0.53 |  |  | 217 | 64 78 | 1366 | 4651 | 287 360 | 1610 1461 | 763 776 | 1113 1146 | $10 \cdot 3$ 11.1 | 168 16.8 | 1790 | 2296 | 4186 4226 |
| JAN...... | 158 | $+1.7$ | 1358 | 71.0 |  |  |  |  |  |  |  |  | , |  | 76 |  |  |  |  | 1 | 422 |
| FEB....... | 1.79 .5 | + 1.7 | 1331 | 72.8 | 0.5 0.5 | 0.53 0.53 |  |  | 221 | 79 | 1345 | 4493 | 350 | 1439 | 790 | 1142 | $10 \cdot 5$ | $17 \cdot 6$ | 1790 | 2421 | 4211 |
| APR ....... | 160 | -0.6 | 137.6 | $73 \cdot 0$ | 0.5 | 0.53 0.53 |  |  | 238 221 | 66 | 1329 | 4452 | 331 | 1414 | 830 | 1152 | $10 \cdot 3$ | 180 | 1720 | 2540 | 4260 |
| MPR....... | 165 | +30 +50 | 1.9 .0 141.3 | $72 \cdot 3$ | 0.5 | 0.53 | $39 \cdot 9$ | 6.7 | 221 | 67 69 | 1326 | 4513 | 368 | 1389 | 814 | 1157 | 106 | 18.0 | 1740 | 2083 | 4423 |
| JUNE ... | 173 | +50 $+\quad 25$ | $141 \cdot 3$ | $71 \cdot 1$ | 0.5 | 0.53 |  |  | 719 | 69 | 1346 | 4625 | 42.2 | 1394 | 797 | 1192 | 10.4 | $17 \cdot 2$ | 1820 | 2702 | 5.2 |
|  | 175 | + 25 | $110 \cdot 1$ | $71 * 7$ | $0 \cdot 5$ | 0.53 |  |  | 248 | 65 | 1362 | 453 4797 | 457 510 | 1254 | 810 841 | 1286 | 10.4 10.4 | $17 \cdot 4$ 17.5 | 1880 | 259 2.60 | 4439 4490 |
| JULY ... AUG. | 179 | $-0.5$ | 140:0 | $71 \cdot 8$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $\begin{array}{ll} \text { AUG. } \\ \text { SEPI. } & \ldots \end{array}$ | 176 | - 1.0 | $140 \cdot 1$ | 71.8 | $0.5$ | 0.53 | $\begin{gathered} 315 \\ 9: 0 \end{gathered}$ |  | 258 | 63 | 1371 | 4863 | 506 | 1331 | 838 | 1309 | 1041 | 172 | 1930 | 2479 | 4409 |
| ОСГ........ | 171 154 | - 2.9 -3.7 | 1405 | 716 71.4 | 0.5 | 0.53 | $\begin{gathered} 9 \cdot 0 \\ 13 \cdot 3 \end{gathered}$ |  | 243 247 | 86 | 1383 | 4940 | 450 | 1452 | 855 | 1295 | $10 \cdot 71$ | 17.3 | 1940 | 2489 | 4429 |
| OC1....... | 154 | -37 | $14) 7$ | 71.4 | 0.5 | 0.53 | 6.1 |  | 247 260 | 76 74 | 1366 $13 \sim 2$ | 5040 | 392 | 1610 | 879 | 1236 | 10.51 | $17 \cdot 4$ | $195)$ $148)$ | 2508 | 4458 4515 |


$\ddagger \ddagger$ Figures below are half-yearly totals

STOCKS \& SHARES-
NEW CAPITAL ISSUES-
BANK OF ENGLAND-
PRINCIPAL BANKS-
TREASURY BILL8-

MOREY-

Sensitive Index.-Ge and Field as percentage of 1924 level; on 15th of month.
issues during month in Gt. Britain (a), for D. K . ( $b$ ), for abroad, excluding Government loans, etc.- As published Deposits. Side-months' totals from 1940
Bank Notes and Curroncyonth.
"Current Deporith Inth-17th of month. Issues amalgamated, November 22 nd . 1928 1.e.-excluding the National Bank. Lito otc. Before September, 1939, averages tor the month of 9 clearing banke for last making up day of

$\dagger$ Average of daily quotations for year. + Italics. old suries approximated.
From Aug 6th

PRICE OF GOLD-
BOARD OF TRADE INDEX -
STATIST (SAUERBECK)
cOST OF LIVING INDICES-
RETAIL FOOD, RENT-
WAGE INDEX-

Annual averages of London dally rates. 1944 Standard ( 925 Ane), from Jan. 1945, .999 fine
Average (cash) price of bar silver, to Dec. 1944, Standard (. 925 fine); from Jan. 1945, 999 fine 1924 average; Geometric Mean of Wholesale Prices (average for mant JOURNAL. Average wholesale prices of 19 foodstufis and 26 raw materin of for 1924.-STATIST's index showing movement since 1924 in cost of maintaining unchanged aganst previous Hving of Labour working-class households oefore Aug., 1914. For 1 sc st month. month, e.g., reading for March ist is shown aga
As above for food only and for rent and rates.intin for Jan., 1944 p.6-8.

|  | TOTAL IMPORTS. <br> (Declared Values) |  |  |  | £ Mn. |  | EXPORTS OF U.K. GOODS. <br> (Declared Values) |  |  |  | OUTPUT. |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Materials. <br> 荡 <br> £ Mn. |  |  |  |  |  | Materials. $\begin{gathered} 3 \\ \text { B } \\ \text { B } \end{gathered}$ <br> $£ \mathrm{Mn}$. |  | $£ \mathrm{Mn}$. |  |  |  |  | Mn . lbs. |
| 1913 Av. | $2 t \cdot 2$ | 23.5 | 16.1 | 64-1 | $9 \cdot 4$ | $54 \cdot 7$ | 2.7 | $5 \cdot 8$ | $34 \cdot 3$ | $43 \cdot 8$ | 5510 | 197 | 147 |  |  |
| 1919 Av. | $\left\{\begin{array}{l}58.9 \\ 59.9\end{array}\right.$ | 53.9 50.6 | $\left.\begin{array}{l}22.2 \\ 24 \cdot 7\end{array}\right\}$ | $\ddagger 135 \cdot 6$ | 13.7 | 121.9 | $\left\{\begin{array}{l}2.8 \\ 2.8\end{array}\right.$ | $10 \cdot 1$ 9.3 | $\left.\begin{array}{l}52 \cdot 7 \\ 53.5\end{array}\right\}$ | $\ddagger 66.6$ | 4401 | 142 | 151 |  |  |
| 1920 Av . | 63.8 | 59.2 | 37.8 | 161.2 | 19.0 | 142.2 | $4 \cdot 2$ | $12 \cdot 1$ | 93.4 | 111.2 | 4386 | 154 | 173 |  |  |
| 1921 Av . | 47.3 | 22.6 | $20 \cdot 4$ | 90.5 | 8.9 | 81.6 | 3.1 | 5.3 | $49 \cdot 1$ | 58.6 | 3127 | 50 | 71 |  |  |
| 1922 Av. | $39 \cdot 3$ | $24 \cdot 9$ | 19.1 | 83.6 | $8 \cdot 6$ | 75.0 | 3.0 3.7 | 8.5 | $47 \cdot 4$ | $60 \cdot 0$ | 4787 | 94 | 113 |  |  |
| 1923 Av. | $42 \cdot 4$ | $27 \cdot 1$ | 21.4 | 91.4 | $9 \cdot 9$ | 81.5 | $3 \cdot 7$ | 10.9 | $48 \cdot 3$ | 64.0 | 5293 | 143 | 163 |  |  |
| 1924 Av. | $47 \cdot 6$ | $33 \cdot 4$ | $24 \cdot 9$ | 106.4 | 11.7 | 94.7 | $4 \cdot 7$ | 8.9 | $51 \cdot 7$ | $66 \cdot 8$ | 5110 | 140 | 157 | 508 |  |
| 1925 Av. | $47 \cdot 5$ | $35 \cdot 5$ | $26 \cdot 6$ | $110 \cdot 1$ | 12.8 | $97 \cdot 3$ | $4 \cdot 5$ | $7 \cdot 0$ | 51.5 | $64 \cdot 5$ | 4660 | 120 | 142 | 555 |  |
| 1926 Av. | 44.2 | $32 \cdot 8$ | 26.2 | 103.4 | 10.5 | $9 \geqslant .9$ | $4 \cdot 1$ | $3 \cdot 9$ | $45 \cdot 0$ | 54.4 | 2420 | 47 | 69 | 587 | $2 \cdot 2$ |
| 1927 Av . | $44 \cdot 9$ | 29.4 | 26.8 | 101.5 | $10 \cdot 3$ | 91.2 | $4 \cdot 3$ | $6 \cdot 4$ | $47 \cdot 1$ | $59 \cdot 1$ | 4813 | 140 | 174 | 686 | $3 \cdot 3$ |
| 1928 Av. | $44 \cdot 25$ | 28.0 | 26.4 | $99 \cdot 7$ | $10 \cdot 0$ | $89 \cdot 7$ | $4 \cdot 4$ | 5.85 | $48 \cdot 3$ | $60 \cdot 3$ | 4540 | 126 | 163 | 756 | $4 \cdot 4$ |
| 1929 Av . | $44 \cdot 6$ | 28.4 | 27.8 | 101.8 | $9 \cdot 1$ | 92-7 | $4 \cdot 6$ | $6 \cdot 6$ | $47 \cdot 9$ | $60 \cdot 8$ | 4944 | 145 | 185 | 858 | $4 \cdot 7$ |
| 1930 Av. | $39 \cdot 6$ | $20 \cdot 9$ | $25 \cdot 6$ | 87.0 | $7 \cdot 2$ | $79 \cdot 8$ | $3 \cdot 9$ | $5 \cdot 3$ | $36 \cdot 8$ | $47 \cdot 6$ | 4677 | 119 | 141 | 909 | $4 \cdot 0$ |
| 1931 Av . | $34 \cdot 7$ | 14.5 | 21.8 | 71.8 | $5 \cdot 3$ | 66.5 | $2 \cdot 9$ | $3 \cdot 9$ | 24.4 | $32 \cdot 6$ | 4207 | 72 | 100 | 951 | $4 \cdot 6$ |
| 1932 Av . | 31.1 | 13.8 | $13 \cdot 1$ | 58.5 | $4 \cdot 3$ | $54 \cdot 2$ | $2 \cdot 6$ | $3 \cdot 6$ | 23.0 | $30 \cdot 4$ | 3990 | 68 | 101 | 1020 | 6.0 |
| 1933 Av . | 28.3 | $15 \cdot 1$ | 12.5 | $58 \cdot 3$ | $4 \cdot 1$ | $52 \cdot 2$ | $2 \cdot 3$ | $3 \cdot 8$ | 23.5 | $30 \cdot 7$ | 3970 | 79 | 135 | 1130 | $7 \cdot 1$ |
| 1934 Av . | 28.9 | 17.5 | 14.2 | $61 \cdot 0$ | $4 \cdot 3$ | 56.7 | 2.5 | $4 \cdot 0$ | 25.4 | $33 \cdot 0$ | 4230 | 114 | 170 | 1289 | $7 \cdot 7$ |
| 1935 Av . | 29.6 | 17.7 | 15.4 | $63 \cdot 0$ | $4 \cdot 6$ | 58.4 | $2 \cdot 6$ | $4 \cdot 4$ | 27.4 | 35.5 | 4262 | 123 | 189 | 1464 | 10.0 |
| 1936 Av . | 31.8 | $20 \cdot 7$ | $17 \cdot 7$ | $70 \cdot 7$ | $5 \cdot 1$ | $65 \cdot 6$ | $3 \cdot 0$ | $4 \cdot 3$ | 28.4 | $36 \cdot 7$ | 4369 | 148 | 225 | 1685 | 11.8 |
| 1937 Av . | $35 \cdot 9$ $35 \cdot 8$ | 26.3 | $22 \cdot 9$ | 85.7 | 6-3 | 79.4 | $3 \cdot 2$ | $5 \cdot 4$ | $33 \cdot 7$ | 43.5 | 4610 | 163 | 249 | 1909 | 13.1 |
| 1938 Av. | 35.8 | 20.7 | 19.5 | $76 \cdot 6$ | $5 \cdot 1$ | 71.5 | $3 \cdot 0$ | $4 \cdot 7$ | $30 \cdot 4$ | $39 \cdot 2$ | 4353 | 130 | 199 | 2031 | 11.2 |
| 1939 Av . |  |  |  | 73.8 | $3 \cdot 8$ | $70 \cdot 0$ |  |  |  | 36.6 | 44.37 | 153 | 253 | 2201 | $15 \cdot 1$ |
| 1940 Av . |  |  |  | 96.0 | $2 \cdot 2$ | 93.8 |  |  |  | $34 \cdot 3$ | 4290 | 157 | 248 | 2398 | 14.3 |
| 1941 Av . |  |  |  | 95.4 | $1 \cdot 1$ | $9+\cdot 3$ |  |  |  | $30 \cdot 4$ | 3957 | 142 | 236 | 2697 | 12.4 |
| 1942 Av . |  |  |  | 83.0 | 0.4 | $\overline{82 \cdot 6}$ |  |  |  | $2 \cdot 6$ | 3930 | 146 | 244 | 2971 | 10.5 |
| 1944 Av. | $43 \cdot 3$ | $23 \cdot 3$ | $39 \cdot 8$ | $102 \cdot 8$ | 0.5 | $102 \cdot 3$ |  |  |  | $19 \cdot 4$ | 3815 | 138 | 251 | 3079 | 10.7 |
| 1945 Av. | $40 \cdot 6$ | 24.5 | $39 \cdot 8$ $25 \cdot 1$ | 108.9 91.8 | $1 \cdot 3$ $4 \cdot 2$ | 107.6 87.6 | 1.9 4.6 | 0.7 1.3 | $19 \cdot 0$ $25 \cdot 1$ | 22.1 32.8 | 3688 3500 | 130 | 234 227 | 3196 | 11.5 |
| $1944$ |  | 24.5 | 25.1 | 91.8 | $4 \cdot 2$ | $87 \cdot 6$ | $4 \cdot 6$ | $1 \cdot 3$ | $25 \cdot 1$ | $32 \cdot 8$ | 3500 | 137 | 227 | 3106 | 12.2 |
| JAN. .... |  |  |  | ( 92.9 | 0.5 | 92.4 |  |  |  | (22.3 | 3793 | 136 | 242 | 3712 | 11.4 |
| FEB. | $42 \cdot 6{ }^{\text {A }}$ | ver ${ }^{\text {a }}$ 23.9 | $\mathrm{ge}_{39.7}$ | 104.6 | 0.4 | $104 \cdot 2$ | ${ }_{1}{ }^{\text {A }}$ | $v$ era | g e | $17 \cdot 1$ | 3847 | 138 | 258 | 3594 | 11.8 |
| APRIL | $42 \cdot 6$ | $23 \cdot 9$ | $39 \cdot 7$ | $110 \cdot 6$ -107.7 | 0.9 | $109 \cdot 7$ | 1.7 | 0.8 | $19 \cdot 0$ | $19 \cdot 9$ | 3634 | 127 | 244 | 3691 | $12 \cdot 3$ |
| MAY |  |  |  | 107.7 <br> 119.4 | $0 \cdot 4$ | 107.3 |  |  |  | 22.5 | 3460 | 122 | 224 | 2886 | $10 \cdot 1$ |
| JUNE.. |  |  |  | $\left(\begin{array}{l}119.4 \\ 116.3\end{array}\right.$ | $6 \cdot 6$ | 118.8 |  |  |  | $30 \cdot 0$ | 3969 | 126 | 245 | 2924 | 11.8 |
| JULY | 43.4 | $22 \cdot 1$ | 39.5 | $108 \cdot 3$ | 1.1 | 116.0 | $0 \cdot 8$ |  |  | $18 \cdot 3$ | 3749 | 127 | 233 | 2745 | 11.7 |
| AUG. | $46 \cdot 3$ | $22 \cdot 1$ | 43.0 | 113.6 | $1 \cdot 1$ | 107.2 113.4 | 0.8 0.9 | 0.5 | $15 \cdot 5$ 12.1 | $17 \cdot 1$ 13.9 | 3686 3185 | 125 | 208 210 | 2605 | 12.3 9.4 |
| SEPT.* | $41 \cdot 7$ | 19.8 | $40 \cdot 1$ | 1103.8 103 | 0.2 2.7 | 113.4 101.1 | 0.9 1.9 | 0.4 0.7 | $12 \cdot 1$ 19.9 | $13 \cdot 9$ $23 \cdot 1$ | 3185 3819 | 123 | 210 236 | 2606 2919 | 9.4 12.0 |
| OCT. | $44 \cdot 7$ | 22.5 | $41 \cdot 6$ | $110 \cdot 2$ | $0 \cdot 8$ | 109.4 | $2 \cdot 5$ | $0 \cdot 6$ | $21 \cdot 3$ | $24 \cdot 8$ | 3876 | 133 | 239 | 3332 | 12.5 |
| DEC. | $50 \cdot 8$ $39 \cdot 1$ | 26.0 23.4 | $40 \cdot 7$ | 1214 | $3 \cdot 3$ | 118.1 | $3 \cdot 0$ | $0 \cdot 6$ | $25 \cdot 5$ | 29.8 | 3911 | 136 | 244 | 3598 | 12.4 |
| 1945 | $39 \cdot 1$ | $23 \cdot 4$ | $34 \cdot 0$ | $98 \cdot 6$ | $4 \cdot 4$ | $9 \pm .2$ | $3 \cdot 5$ | $0 \cdot 6$ | $20 \cdot 2$ | $25 \cdot 2$ | 3538 | 133 | 220 | 3744 | 10.6 |
| JAN. | 43.8 | 23.0 | $34 \cdot 0$ | 101.2 | $1 \cdot 6$ | 99•6 | $2 \cdot 5$ | $0 \cdot 8$ | 21.7 | $25 \cdot 7$ | 3506 | 147 | 216 | 4174 | 12.9 |
| FEB. | $42 \cdot 1$ 37.6 | 19.3 21.9 | 28.8 30.7 | 90.8 | 0.9 | $89 \cdot 1$ | $2 \cdot 0$ | 0.7 | 18.4 | 23.2 | 3693 | 137 | 241 | 3925 | 12.1 |
| APRIL | 37.6 41.9 | 21.9 21.4 | $30 \cdot 7$ $33 \cdot 0$ | 93.5 | $5 \cdot 2$ | 88.3 | $2 \cdot 2$ | 1.2 | $19 \cdot 2$ | $24 \cdot 1$ | 3718 | 141 | 246 | 3383 | 13.1 |
| MAY | $42 \cdot 9$ | $23 \cdot 8$ | 3.0 $35 \cdot 9$ | 97.6 103.7 | 8.6 4.8 | $89 \cdot 0$ | $8 \cdot 8$ | 1.2 | $24 \cdot 1$ | $36 \cdot 2$ | 3591 | 137 | 236 | 2926 | 11.4 |
| JUNE.. | 51.0 | $24 \cdot 6$ | $35 \cdot 0$ $35 \cdot 0$ | 103.7 112.4 | $4 \cdot 8$ $3 \cdot 4$ | 98.9 109.0 | $4 \cdot 2$ $7 \cdot 4$ | 0.7 1.1 | $22 \cdot 3$ 28.5 | 28.7 38.9 | 3161 3778 | 128 | 211 238 | 2812 2652 | 10.5 12.7 |
| JULY | $42 \cdot 2$ | $26 \cdot 6$ | $27 \cdot 3$ |  |  |  |  |  | - | 38 | 378 |  |  |  |  |
| AUG. | $42 \cdot 6$ | $33 \cdot 2$ | 21.6 | 97.3 98.8 | $4 \cdot 3$ 6.5 | $93 \cdot 0$ $92 \cdot 3$ | $4 \cdot 5$ $4 \cdot 1$ | 1.1 0.9 | $25 \cdot 9$ 29.6 | $33 \cdot 0$ 37.1 | 3386 2500 | 135 125 | 214 | 2540 | 13.6 9.0 |
| SEPT. | 35.5 30.5 | 23.6 | 17.9 | 78.7 | 6.5 2.5 | $92 \cdot 3$ $76 \cdot 2$ | $4 \cdot 8$ | 1.4 | $29 \cdot 6$ $22 \cdot 4$ | $37 \cdot 1$ 30.0 | 2500 3633 | 125 | 186 | 2707 | 9.0 11.3 |
| NOV. | $30 \cdot 5$ $43 \cdot 4$ | 21.5 $30 \cdot 4$ | 16.1 14.4 | $71 \cdot 4$ | $5 \cdot 1$ | $66 \cdot 3$ | $7 \cdot 0$ | 2.0 | $32 \cdot 4$ | $42 \cdot 8$ | 3742 | 146 | 243 | 3719 | 13.7 |
|  | 35.5 | $30 \cdot 4$ 25.0 | $14 \cdot 4$ $12 \cdot 5$ | $90 \cdot 2$ | $4 \cdot 1$ | $86 \cdot 1$ | 4-1 | 1.5 | $22 \cdot 7$ | 29.9 | 3733 | 150 | 247 | 3463 | 13.8 |
| 1946 | 35 | 25.0 | $12 \cdot 5$ | $74 \cdot 9$ | $3 \cdot 4$ | 71.5 | $4 \cdot 2$ | $2 \cdot 2$ | $34 \cdot 2$ | 43.5 | 3420 | 145 | 222 | 3675 | 12.2 |
| JAN. ...... | $48 \cdot 3$ $37 \cdot 5$ | 27.5 | 17.2 | 96.1 | $4 \cdot 2$ | $91 \cdot 9$ | $5 \cdot 4$ | $2 \cdot 4$ | 46.2 | $57 \cdot 1$ | 3410 | 144 | 229 | 4142 | $15 \cdot 0$ |
| MAR. ....... | $37 \cdot 5$ 54.6 | $24 \cdot 0$ $28 \cdot 0$ | 15.9 | $79 \cdot 4$ | 3.7 | $75 \cdot 7$ | $4 \cdot 6$ | $2 \cdot 6$ | $46 \cdot 2$ $50 \cdot 1$ | $67 \cdot 1$ | 3607 | 146 | 247 | 4142 3462 | 14.0 |
| APRIL | $49 \cdot 4$ | 28.6 | $18 \cdot 0$ 17.4 | 103.5 97.9 | $4 \cdot 6$ | $98 \cdot 9$ | $5 \cdot 4$ | $3 \cdot 1$ | $56 \cdot 1$ | $67 \cdot 1$ | 3772 | 147 | 256 | 3820 | 15.6 |
| MAY | 56.8 | 37.4 | $19 \cdot 4$ 19.3 | 97.9 115.9 | $3 \cdot 8$ $3 \cdot 6$ | 94.1 | $4 \cdot 9$ $6 \cdot 4$ | 3.2 | $59 \cdot 0$ | $69 \cdot 4$ | 3440 | 149 | 252 | 3058 | 14.6 |
| JUNE ...... | 52.9 | $27 \cdot 7$ | $19 \cdot 6$ | $115 \cdot 9$ 102.5 | $3 \cdot 6$ $3 \cdot 7$ | 112.3 98.7 | $6 \cdot 4$ $4 \cdot 1$ | 3.0 | 73.9 | $85 \cdot 2$ | 3920 | 151 | 262 | 3237 | 16.7 13.5 |
| JULY ...... | 46.3 | $31 \cdot 1$ |  | 102. | $3 \cdot 7$ | 98.7 | $4 \cdot 1$ | $2 \cdot 1$ | 56.8 | 65.0 | 3587 | 151 | 240 | 2762 | 13.5 |
| SEPT. ... | 51.2 | $30 \cdot 3$ |  | $121 \cdot 0$ 106.1 | 4.9 $3 \cdot 8$ | 116.1 | $5 \cdot 5$ | $2 \cdot 6$ | $67 \cdot 1$ | $77 \cdot 4$ | 3065 | 145 | 226 | 2847 | 13.6 |
|  |  |  | 22 | 106. | $3 \cdot 8$ | $102 \cdot 3$ | $4 \cdot 3$ | $2 \cdot 0$ | $62 \cdot 3$ | $70 \cdot 8$ | 3759 | 147 | 239 | 3105 |  |

[^36]

RETAIL SALES - Index of value of sales in Departmental Stores, Co-operatives, multiple and independent shops. Each index Index of value of sales in Departmental Stores, co-operatives, multiple and which it relates. Index numbers is based on average daily sales during the whole of 19 a are derived from the percentage movements of Board of Trade Journal, April 1st, 1944.—BANK OF ENGLAND -Dally averages, ex telegraph, telephone, savings bank and postal orders,-BOARD OF TRADE JOURNAI.
RECEIPT8-Dally averages, ex telegraph, telephone
UNEMPLOYMENT-MINISTRY OF LABOUR GAZETTE



## CANADA

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

Toronto, October 14th, 1946.

THE usual statistical aggregates for the most part give a rosy picture of the six months ending in midsummer. Output, employment and rail transport have either held steady after the moderate declines of 1945, or have advanced. Imports and retail sales have reached new maxima, while exports are buoyed up by foreign lending.

In these circumstances one would have expected a general easing of the tension and dislocation arising from wartime shortages, but such is not the case. Disturbances arising from the war evidently persist and have even been intensified. They recall the accumulated dislocations during the depression of the 1930's, the worst of which (e.g., unemployment, exhaustion of consumers' capital, defaulting debtors) appeared some time after the underlying circumstances had all but vanished. At present the dislocations take the form of an acute housing shortage, inadequate inventories, complete absence of many types or qualities of goods, and shortages of labour especially in mining.

Personal experience of conditions gives an impression far less satisfactory than the statistical totals, which relate mainly to early stages of production, would suggest. Of the comparatively large numbers of houses built or altered many are incomplete owing to lack of nails, glass, cement, or plumbing or electrical fixtures; of the few automobiles produced a good number have gone on the streets without bumpers or been sold without tyres ; local scarcities, especially of soap, beef, salt and bottles have dislocated the household and shopping arrangements of millions of people; metropolitan transportation problems have become still more acute. Fancy goods and novelties, on which price ceilings are hard to enforce, abound. We are in the midst of a conjuncture of dislocations not described in the ordinary language of the trade cycle ; one which has a more serious effect upon the output of final than of primary or intermediate products. This is the natural outcome of conflicts between agents of production, and as between industry and government, in which the consumer's interest is not well represented. Considerable loss of efficiency has resulted.

The loss of efficiency is not well reflected in statistics, except in figures of construction costs.

While these costs are estimated on the conventional basis to have risen between $35 \%$ and $40 \%$ above 1939, the actual level of costs has been found in this country and also in the United States to have risen more than $60 \%$ when account is taken of the additional outlay arising from delays while waiting for material, from paying overtime, from buying at higher-than-ceiling prices, from being obliged to purchase goods of needlessly high quality, from extra managerial expense, etc. Also, the difficulties of buying house furnishings and equipment are conspicuous, similar to those recorded in systematic shopping tours in the cities of the United States (see J. Barry in Ladies' Home fournal, August, 1946, p. 143, 186-8). It is to unconventional sources such as the foregoing, and to the daily press, that one must turn for the truth about the present situation. The limitations of a fixed group of statistical series were never more apparent.

It may be argued that in view of the disorganized state of Europe and the Orient, these shortages and difficulties are trivial, but the fact remains that in a highly organized industrial society, and in mechanized agriculture, they are a noticeable drag upon production. The argument that they reduce only the pleasures and amenities of life, and that they may be overcome by foregoing these, is not supported by experience over a period of years.

Shortages, in cases where production has been well maintained, (e.g., boots and shoes, stockings), are attributed mainly to excessive purchases made possible by prices too low to equate supply and demand at a level which permits maintenance of adequate sellers' inventories. Evidently consumers' depleted inventories are being replenished rapidly by at least a minority in the best position to do so (see I. Kelly in The Globe and Mail (Toronto), October 7th, p. 15). A further reason for shortages, especially in clothing, is shorter length of life owing to inferior quality.

While it is true that the present period may be dismissed as a paragraph in the economics of a creeping (or jerking) inflation, it seems well not to overlook the restraints upon and discouragements to production. Thus, income-tax rates are still reported on all sides as being a serious check to incentive among wage earners. Strikes have hampered production seriously since May. Many enterprises are still being squeezed between
higher labour and other costs on the one hand and fixed selling prices on the other ; this applies especially to the standard qualities of goods.

Production: Agriculture.-Contrary to expectations, the unusual weather since early spring seems to have aided agriculture. All important grain crops are larger than last year. At 440 Mn . bushels, the out-turn of wheat is $44 \%$ greater than in 1945, from an acreage $10.7 \%$ greater ; that of oats is $8 \%$ greater despite a $10 \%$ reduction in acreage. The combined yield of hay and clover is however $23 \%$ lower, marked declines having occurred in all provinces except Saskatchewan, Alberta and British Columbia.

Potato production is estimated to be $24^{\circ}$ greater than last year, yield per acre being $10 \%$ above average, and acreage 3\% larger than a year ago.

All the tree fruits are more abundant, the largest increase being in apples ( $133 \%$ ) peaches $(34 \%)$ pears ( $41 \%$ ), and plums and prunes ( $42 \%$ ).

The flow of milk decreased in July and August owing to prolonged dry weather, but unusually heavy rainfall since early August has improved pastures considerably. Small variations of this kind result in relatively large changes in the exportable surplus of dairy produce.

An agreement to sell 160 Mn . bushels of wheat to the United Kingdom at $\$ 1.55$ per bushel during this and the next crop year was concluded on July 24th by the Dominion Government. This price is substantially below the present world level. In the third and fourth years 140 Mn . bushels are to be sold at prices not lower than $\$ 1.25$ and $\$ 1.00$ respectively. Sales to other countries are to be at current world prices.

The Canadian Wheat Board is to remain as sole purchaser of wheat from growers in the Prairie Provinces. The initial payment to growers has been raised from $\$ 1.25$ to $\$ 1.35$ per bushel No. 1 Northern. After the current crop year, when all deliveries will be accepted, the Board does not commit itself to take from each farmer more than 14 bushels per " authorized acre."

At July 31st the total carry-over of Canadian grain was 69.8 Mn . bushels, of which 27.2 Mn . were on farms ; a year earlier the carry-over was 258 Mn . The "visible supply" fell to the very low level of 38.4 Mn. bushels in the middle of August, indicating that exports came very close to the maximum of which the country was capable. Owing to the low level of the carryover, wheat exports in the crop year 1946-7 cannot quite equal those of 1945-6.

The outward movement of grain over the Great Lakes is being hindered by a shortage of vessels, attributable to delayed coal movements arising from strikes in the coal and shipping industries.

Livestock populations are estimated as follows, based on the June 1st official survey :-

|  | Horses | Cattle | Hogs | Sheep and <br> Lambs |  |
| :--- | :--- | :---: | :---: | :---: | :---: |
| 1939 | $\ldots$ | 2,824 | 8,475 |  |  |
|  |  |  | 000 's $)$ |  | 4,294 |
| 1942 | $\ldots$ | 2,816 | 8,945 | 7,125 | 3,366 |
| 1943 | $\ldots$ | 2,775 | 9,665 | 8,148 | 3,197 |
| 1944 | $\ldots$ | 2,735 | 10,346 | 7,741 | 3,459 |
| 1945 | $\ldots$ | 2,585 | 10,759 | 6,026 | 3,626 |
| 1946 | $\ldots$ | 2,397 | 10,385 | 5,377 | 3,378 |

Sows expected to farrow in the six months ending November 30th are only $0.9 \%$ fewer than last year, indicating that the swift decline in breeding since 1943 has ended at least temporarily. The proportion of high quality hogs is now much greater than before the war.

From a regional standpoint, the principal change is the greater reduction of hog raising in the Prairie Provinces than in the east.

Newsprint production has recovered to the point where the mills are operating at almost $100 \%$ of rated capacity, output in the three months ending July being $1,051,177$ tons against 801,524 tons a year earlier. New mills involving a large investment are being erected in Ontario.

Metals.-Gold production has begun to recover from wartime curtailment, being some $10 \%$ over the 1945 levels. Shortages of manpower, higher costs and the reduced price of gold in Canadian dollars are checking revival.

Aluminium production has risen considerably, partly owing to large contracts with the United Kingdom arranged last spring at exceptionally low prices based on utilizing the large excess capacity arising from wartime expansion.

Extending the record of wartime statistics, published in the letter of October, 1944 (p. 92), the following figures for aluminium, gold and gasoline are of interest in showing expansion and the diversion of resources.

|  | Output of <br> Aluminium <br> Mn. lbs. | Output of <br> Gold <br> 1,000 oz. | Gasoline Consumption <br> Aviation Other |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | 1,000 b.bls. $\uparrow$ |
| 1938 | $\ldots$ | 144 | 4,725 | $*$ |

Special Report on the consumption in Canada of aviation gasoline, other gasoline, etc., 1940-5 (Ottawa, D.B.S.), 1946.

* Not known.

Construction.-Employment in this field has been running $25 \%$ over 1945. The value of
contracts awarded has risen almost $50 \%$ over 1945, the largest increase being in commercial, industrial and engineering projects rather than in housing where the shortage is most acute.

Reference has already been made to shortages of certain materials, the high level of costs and delay in completing buildings. Before the steel strikes commenced in July, shortages of nails had already become serious and unrecorded exports to the United States for sale at ten times ordinary prices were said to be taking place. At present the local price of nails in the black market is said to be from two to three times the authorized price.

The housing shortage, aggravated by the return of service men and their families from abroad, is expected to become worse for another year, and much hardship is being borne by a small number of unfortunate families.

The shortage is, moreover, reducing the mobility of labour, thereby prolonging the rather severe unemployment which has appeared in several smaller cities. In a number of places illhoused persons have attempted to seize quarters not intended for them. Diversion of materials to commercial building projects is partly responsible for failure to complete more houses, and revision of the priority system is now proposed.

Employment, though reduced by strikes and the further tapering-off of war production, has in the aggregate been maintained close to the somewhat lower levels reached last year. By the end of June, the index had risen from the seasonal low of 167.0 to 173.6 , against 175.5 a year ago ; during July it fell one point, contraseasonally, owing mainly to strikes. Since the winter the principal gains have been in service trades. Employment in the secondary iron and steel group has been well maintained.

Fairly serious unemployment (i.e., the unemployed number over $15 \%$ of the employed), has appeared in six of the smaller cities in Ontario, Quebec and the Maritime Provinces, where heavy war industry predominated. Most of the unemployed are men. Women have withdrawn from the labour market more swiftly than expected, and a marked scarcity of female labour is reported in several large centres. War veterans, over $80 \%$ of whom had been demobilized by July 31st, are being reabsorbed steadily into civilian employment and the number seeking work has fallen since the spring. Persons attending college and universities, and hence out of the labour market for the next eight months, are at least twice as numerous as before the war.

The unemployment insurance figures, in the accompanying table, show a marked seasonal
reduction in persons applying for benefits, and in persons receiving them, indicating a decline in unemployment. This is confirmed by the third $1 \%$ sample of the labour force, taken on June 1st last.

UNEMPLOYMENT INSURANCE.

| UNEMPLOYMENT INSURANCE. |  |  |  |  |  |  |
| :--- | :--- | :--- | :--- | ---: | :--- | :---: | :---: |
|  |  |  |  | Commencing <br> Benefit | Receiving <br> Benefit | Signing <br> Register |
| 1945 | $\ldots$ | Jan. | $\ldots$ | 8,637 | 15,575 | 27,305 |
| 1945 | $\ldots$ | July | $\ldots$ | 7,446 | 18,257 | 19,224 |
| 1946 | $\ldots$ | Jan. | $\ldots$ | 41,377 | 102,718 | 145,952 |
| 1946 | $\ldots$ | April | $\ldots$ | 35,061 | 158,168 | 123,950 |
| 1946 | $\ldots$ | July | $\ldots$ | 19,534 | 83,838 | 68,535 |
| 1946 | $\ldots$ | August | $\ldots$ | 17,625 | 73,138 | 61,822 |

Strikes.-A series of carefully planned strikes, about which there had been rumours some months in advance, commenced in May ; hitherto, it will be recalled, strikes had been so trifling that they were not mentioned in these letters. In the three months ending July 31st the direct loss of time owing to strikes was $2,418,000$ working days, against 57,000 a year earlier, and in August alone the loss rose to $3,412,000$ days against 169,000 a year earlier. As already mentioned the concentration of strikes at strategic points in the economy has given the strikers a formidable bargaining position and caused serious dislocation in other industries. During the first half of October most of the large strikes were settled, the federal government having conceded increases in excess of the limit of ten cents an hour which it had hitherto insisted upon in an effort to maintain the ceilings on commodity prices.

A farmers' strike occurred in Alberta throughout September, some 50,000 farmers withholding deliveries of livestock, dairy and poultry products in an effort to secure higher ceiling prices.

Foreign Exchange and the Balance of Payments.-On July 5th the Minister of Finance announced to the House of Commons the restoration of parity between the Canadian and American dollar, thereby ending the $10 \%$ discount which was introduced on September 15th, 1939. Other controls on foreign exchange continue though the legislation underwent extensive revision at the hands of Parliament.

The return to parity was hastened by the sudden lapse of price controls in the United States on July 1st, but had for some time seemed likely, though perhaps temporary, owing to the already higher levels of wholesale and retail prices in the United States and Great Britain. In a valuable pamphlet summarizing the Foreign Exchange Control Board's operations, presented to the Minister of Finance on March 1st, 1946, increased Canadian holdings of U.S. dollar balances and the smaller but appreciable rise in Canada's U.S. dollar liabilities (owed mainly to American owners of securities and branch
factories in Canada) is shown, as in the accompanying table.


While the increase in our liabilities to Americans appears to cancel out most of the growth in our New York funds, it should be remembered that some of these liabilities are not of a type which need necessarily be presented as a claim on the New York balances since they may be sold from one American to another, and the others which involve a draft on the New York balances are subject to control by the Foreign Exchange Control Board. In short, Canada's freely available resources in U.S. funds are greater than the accompanying figures would suggest.

In the event that Canada's sterling balances could again be sold in New York, the Canadian supply of U.S. funds would be augmented in the usual pre-war manner.

The new exchange rate has automatically resulted in a reduction in Canadian export prices, especially the price of gold. Tax concessions have been made to the gold mining industry as partial compensation. Newsprint prices have not suffered, owing to two subsequent increases, first to $\$ 74$ a ton, and then to $\$ 84$ in the week of October 7th. Wheat prices, now mainly determined in Canadian dollars by the recent contract with the United Kingdom, will be only slightly affected, and the same applies to a number of the other farm products, and to aluminium, when sold by the bulk purchase method.

Imports have risen to higher levels than at any period of the war. At the same time commodity exports productive of needed foreign exchange have fallen, the balance on commodity trade with the United States having shrunk from $+\$ 15 \mathrm{Mn}$. in the first eight months of 1945 to $-\$ 308 \mathrm{Mn}$. in the same months of this year. This deficit on commodity trade has been offset in part by the increased sale of tourist services to Americans during the past summer, for which
figures are not yet available, and by export of newly-mined gold, which however is going forward in only about half the pre-war volume. A further offset to a shortage of U.S. dollars, from now on, will be the higher American price of a number of Canadian exports, especially newsprint ; against this must however be set higher U.S. prices for goods imported into Canada, and our inability to secure U.S. dollars by selling sterling balances in New York. Obviously an informed judgment on the outlook for the Canadian dollar cannot be given until fuller information on recent changes in the balance of payments is available, but the following tentative appraisal is offered. Canada's position in U.S. dollars, which was quite strong no more than a year ago, appears to be deteriorating rapidly on current account. This tendency arises from the following conjuncture : (1) enormous foreign loans have been extended for the maintenance of our export trades and the economic reconstruction of overseas customers ; (2) a rapid increase of output for domestic use, in both capital and consumer goods, is taking place, making especially heavy demands on United States supplies of coal, oil, machines and parts, and certain foodstuffs ; (3) in order to keep down the internal price level the Canadian dollar has been restored to parity with the U.S. dollar. Each of these three situations induces greater importation from the United States. Behind all three lie the continued use of public credit on a vast scale, the abnormally large supply of money, and the effort to prevent that supply having its natural effect on prices. These are the real determinants of the present drift, and as they are likely to continue for some time as they are not subject to automatic limiting forces, and are politically popular, the deterioration of Canada's U.S. dollar position may go considerably farther. As pointed out in discussion of the foregoing table, the balances now held against the loss of U.S. dollars are large, and there is the possibility that they may be augmented by sterling becoming convertible into U.S. funds. Moreover, Canada's position would justify resort to borrowing in New York to tide over a deficiency if it were merely temporary.

All in all, it would seem that in Canada, as elsewhere, the balance of payments is likely to become a source of embarrassment sooner than the internal fiscal and monetary situations. Hence foreign exchange control is likely to be retained for some time.

Prices.-All the main groups of the Canadian wholesale index rose swiftly in the first seven months of the year, the rise after the easing of
price controls in the winter being especially noticeable. The retail indexes have also risen. The influence of rising prices in the United States, especially since the lapse of controls on July 1st, has been checked by the altered exchange rate.

Important changes have occurred in prices of dairy products. Butter was allowed to rise 4 c . a pound at the beginning of April. A consumers' subsidy of 2c. a quart on milk was removed on June 1st, and on October 1st a producers' subsidy on milk for household use was removed, and a further rise of 3c. a quart followed. Subsidies on milk delivered to concentrated milk factories are also being withdrawn. These changes, which are part of the policy for withdrawing wartime subsidies on consumers' goods, have aroused considerable opposition in urban areas, especially among groups which have been most instrumental in raising the level of wages.

Prices received by farmers for their produce have increased more than the index in col.6, p. 129 suggests, a new weighted index of prices at the farm being 186.6 for July against 179.5 a year earlier. Prices of wheat and newsprint are mentioned elsewhere.

Common stock prices fell abruptly in early September after reaching heights which made stock yields little more attractive than bonds. The index for gold shares has fallen almost $30 \%$ from the January level.

Urban real estate prices have risen further in this part of Ontario, and no doubt elsewhere, particularly of prices of houses where vacant possession is given.

Interest rates on long-term government bonds have stiffened noticeably since the extremely low level reached in March but the index of yield (col. 2) still remains more than nine points below a year ago. First mortgage money is still loaned on residential properties at $5 \%$ by most large companies but some lenders are accepting $4 \frac{1}{2} \%$ on good housing in Ontario cities, and $4 \%$ on commercial properties.

Finance.-The Budget which was brought down on June 27th proposed moderate reductions in personal and corporate income taxes which are not, however, to come into effect until January lst next. The excess profits tax is retained, the rate to be $15 \%$ on profits in excess of the standard rate and to be confined to corporations, thus releasing partnerships and sole proprietors.

Owing to the failure of conferences with the provinces, the Budget also presented a new but less comprehensive plan to be entered into by such provinces as are willing to conclude agreements. Taxpayers in other provinces are to be
penalised by double taxation. The main bone of contention is the minor sources of taxation, which the financially stronger provinces wish to retain in order to assure the elasticity of their revenues.

Anticipated revenues and expenditures for the year ending March, 31st 1947, are roughly $\$ 2,500 \mathrm{Mn}$. and $\$ 2,900 \mathrm{Mn}$. respectively (against $\$ 2,956 \mathrm{Mn}$. and $\$ 4,691 \mathrm{Mn}$. in the previous year), leaving an apparent deficit of only $\$ 400 \mathrm{Mn}$. against $\$ 1,736 \mathrm{Mn}$. the year before ; but to this deficit must be added roughly $\$ 1,000 \mathrm{Mn}$. for loans to other countries. As tax revenues have exceeded expectations the total deficiency to be covered by borrowing may not exceed $\$ 1,400 \mathrm{Mn}$.

The writer's impression is that the Government's anti-inflation financial policy has weakened considerably in the last year, with the result that correspondingly greater demands have been made upon the organs for control of prices and wages at a time when these organs were themselves disintegrating owing to outside pressures, unsteady support from the Cabinet, and inner weakness from loss of personnel and morale. In the last eighteen months, moreover, the inflationary forces have been maintained by granting of large foreign loans, tax reductions, the slow recovery of output of final products, the food and housing crises, disappearance of wartime inhibitions as to spending, and the growth of unchecked speculative activity in the security and real estate markets. Fear of falling prices is still stronger than fear of rising ones, and the warning that the rise leads to a fall is not taken seriously.

The principal justification for relaxing the financial controls lies in the apparent stability of the supply of money since the Ninth Victory Loan. As shown in col. 5, p 129, deposits have not again reached the all-time maximum of $\$ 6013 \mathrm{Mn}$. at November 30, 1945 ; the note issue has also fallen slightly from its maximum of $\$ 999 \mathrm{Mn}$. a month earlier. Had there been a large loan in the intervening months, the former expansion of bank credit would doubtless have continued. The expansion required in the next two months to finance the prospective deficiency of $\$ 1,400 \mathrm{Mn}$. will probably be smaller, proportionally, than comparable expansions during the war, indicating a petering out of the inflationary process. It is still true, however, that the relation between the amount and turnover of money on the one hand, and the volume of output and prices on the other, indicates a strong, if not a violent, tendency toward higher prices in a period of expanding investment and freedom from controls. It follows that, if we are to return to an economy free from price controls, the supply of money should be reduced ; but the possibility


Dates of SkRiEs : Cols

| Col. 1.- "Investor's Index." Index of current market valuation of shareholders' equity in 1 company. (\% of 1935-39.) | includes partly and fully manufactured products in some cases made from imported raw materials, e.g., rubber products. <br> Col 13-Adjusted for seasonal variation. Includes 41 weighted series largely |
| :---: | :---: |
| 2.-Based on the calculated yield of a bond having a constant 15-year maturity period. (\% of 1935-39.) | Col. 13.-Adjusted for seasonal variation. Includes 41 weighted series largely representing foreign trade in raw materials. Tends to overstate amplitude of cyclical fluctuations, probably with an upward bias. |
| 3.-From 33 banking centres, comprising about $85 \%$ of total debits. Excludes debits to accounts of central bank since its founding in April, 1935. Largely influenced by financial transactions. | Weighting and factors revised from January, 1940, to give due representation to factors indicating trend of war production. Based on value of contracts awarded, deflated annually for changes |
| 4.-Refers to operations in Canada only. Includes loans to provincial and municipal governments. | in union rates of wages, and monthly for changes in prices of building materials. |
| 5.-Includes governmental deposits. Excludes all deposits with provincial, postal and Quebec savings banks, and with trust companies. | 15.-Revenue freight only ; excludes cars received from U.S. connections. <br> 16.-Revised back to January, 1938. Index of value, comprising urban |
| 6-8.-Col. 6 comprises 70 items ; col. 7, 296 items ; col. 8, 508 items. | department, variety and independent stores; also country general |
| 9.-Comprises separate groups for food, fuel, lighting, rent, clothing, home furnishing, sundries (including services). Base 1935-39$100 \%$. | stores. Adjusted for number of business days and seasonal variation. Base $1935=100$. From January, 1929, to December, 1937, does not include country general stores. |
| 11.-Excludes all exports of both monetary and non-monetary gold since 1937 ; includes gold in small quantities only, shipped as dust, quartz, etc., in earlier annual averages. <br> 12.-Comprises " animal products" and "vegetable products" groups, | 17.-Includes workers on relief projects. <br> 19.-Establishments with over 15 employees only. Includes part-time workers on same basis as full-time. Excludes farm labourers, civil servants, education, hospitals, finance and other service industries. |

of this has not yet been seriously discussed.
WAGE Rates for 1945 (preliminary), expressed as indexes by the Federal Department of Labour, show further increases in eight out of ten industrial groups. Farm wages have also advanced further, but in both groups the 1945-46 increases have been smaller than during the war.

| WAGE RATES*$(1935-9=100) .$ |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Weighted | Logging |  |  | Male Farm Help |
|  | Average | Steam |  | Manu- | Monthly Wage |
|  | (10 indus- | Rail. | Saw- | factur- |  |
|  | tries) | ways |  |  |  |
| 1939 | $105 \cdot 3$ | $105 \cdot 0$ | 110.5 | $106 \cdot 0$ |  |
| 1940 | $109 \cdot 4$ | $105 \cdot 3$ | 115.9 | 110.6 | \$39•26 |
| 1941 | $119 \cdot 1$ | $110 \cdot 1$ | $126 \cdot 0$ | 122.1 | \$46.45 |
| 1942 | 129.0 | 118.7 | $139 \cdot 1$ | $133 \cdot 0$ | \$58.80 |
| 1943 | $139 \cdot 9$ | $130 \cdot 6$ | $158 \cdot 1$ | $143 \cdot 7$ | \$71.78 |
| 1944 | 144.8 | 131.8 | 162.4 | $149 \cdot 7$ | \$81.92 $\quad \$ 84 \cdot 25$ |
| 1945 | 147.8 | 131.8 | $179 \cdot 5$ | 151.9 | \$88.19 $\quad \$ 90 \cdot 60$ |
| 1946 ... $\$ 96 \cdot 27$ |  |  |  |  |  |
| * Statistical Summary, Bank of Canada (Ottawa) Aug.-Sept. |  |  |  |  |  |
| 1946, p. 65. |  |  |  |  |  |
| $\dagger$ Farm Wages in Canada (Ottawa, D.B.5), Relates to worker receiving compensation solely in money |  |  |  |  |  |
| $\ddagger$ Revised provincial weighting. Source: Quarterly Bulletin |  |  |  |  |  |
| of Agricultural Statistics (Ottawa, D.B.S., 1946) Vol. 39, p. 67. |  |  |  |  |  |

The increases now being granted in settlement of various strikes will raise wage rates in several important industries another $15 \%$ to $20 \%$.

Income.-As shown in the accompanying table, industrial payrolls (before deductions for taxes, insurance, etc.) and gross cash farm income have declined further. Railway earnings, owing to higher costs, have reached an alarmingly low level in view of the large volume of traffic (col. 15, p.129) still being carried; higher freight rates are now being sought. Industrial profits, after taxes, which have fallen gradually since 1942 (col.d), are said to be running at approximately the levels
of 1945. Aggregate income has probably declined less than the scattered series in the table suggest, as no figures are yet available for important industries such as merchandising and other services where the revival of civilian production has been most conspicuous.

Farm income in the twelve months ending next July will probably exceed that of the past crop year, owing to larger crops and higher prices.

|  | (a) | (b) | (c) | (d) |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Farm | Operating | Net earnings, |
|  | Industrial | income | income (net) | after taxes, |
|  | Payrolls | gross cash | all steam | of 337 |
|  | Index | revised | railways. | comp'ies (6) |
|  | Jan.-Aug. | (Jan.-June | Jan,-July | $\text { ( } 12 \text { mos.) }$ |
| 1940 |  | \$270 Mn. (1) | 832.5 Mn . | $\$ 210 \mathrm{Mn}$. |
| 1941 | 100 (June) | 357 (2) | $54 \cdot 1$ | 229 |
| 1942 | 122.8 | 426 (3) | $67 \cdot 9$ | 232 |
| 1943 | $142 \cdot 0$ | 551 | 849 | 222 |
| 1944 | 146 '9 | 765 (4) | 74.7 | 209 |
| 1945 | $144 \cdot 2$ | 725 | $65 \cdot 0$ | 208 |
| 1946 | $137 \cdot 3$ | 634 | 31.5 |  |

(1). Cash Income from Sale of Farm Products, Jan.-June, 1940-42. (Ottawa D.B.S.) mimeo. Sept. 11, 1942.

Ditto Jan.-June, 1941-43. (Ottawa D.B.S.) mimeo Sept. 11, 1943.
(3). Quarterly Bulletin of Agricultural Statistics (Ottawa D.B.S.) July-Sept. 1944, p. 100.
(4). Cash Income from the Sale of Farm Products, Jan.-June, 1944-1946. (Ottawa D.B.S.) mimeo, Sept. 3, 1946.
(5). Operating Revenues, Expenses and Statistics, etc. (Ottawa D.B.S.) July 1941, 1942, 1944, 1946.
(6). Statistical Summary, Bank of Canada (Ottawa) April May, 1946 , p. 36

The Dominion Bureau of Statistics has published a series of income estimates of the type now being offered in London and Washington, entitled National Accounts, Income and Expenditure, 1938-1945. (Ottawa, King's Printer) April, 1946. Price 50 cents. This is intended to supersede a number of earlier attempts.

## The Problem of Exports (Continued from page 116)

longer and find alternative commodities. Yet is not a decision of this kind being made with regard to imports ? To maintain the pre-war volume of imports it is stated to be necessary to put $50 \%$ more effort into producing exports and the question arises as to whether we ought in fact to maintain the volume of imports or whether it would not be possible to make some substitutions profitably.

This analogy is only partially correct because, subject to modifications in the terms of trade, individual imports cost no more than before the war in terms of British exports, but one cannot help wondering whether the marginal principle is not outraged by the proposal that all adjustments should be made at one point of our economy. We have been brought up to consider
that adjustments are more likely to be required on every side, how distributed depending upon relative elasticities, but we have been taught that complete inelasticity is rare, whilst discussion in the 'thirties about tariffs and import restrictions gave no indication that demand for imports was one of the rare cases. Rather did it seem that at the margin there was a large section of our economy competing with imports.

The popular solution seems to assume that demand for imports is completely inelastic, but that exports can much more easily be changed. Is our economy as rigid on the consumption side as seems to be assumed ? Is it as flexible on the production side as seems to be hoped? Or, alternatively, can we safely assume that changing world conditions will solve the problem for us?

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| :--- | :--- | :--- |
|  | 20. | France |
|  | 21. | United Nations |
|  |  | U.S.A. |
|  |  | United Nations |
|  | 23. | France |
|  | 25. | U.K.-Greece |

Maximum selling price of pig lead increased by $£ 9$ per ton to $£ 39$.
General de Gaulle announces his resignation as head of the Government.
Persia appeals to the U.N.O. on delayed withdrawal of Russian troops from Persia.
Steel workers strike.
Soviet and Ukrainian delegations request the Security Council to consider the questions of Greece and Indonesia.
Three-party Government formed under leadership of M. Felix Gouin.
Anglo-Greek financial and economic agreement signed. ( $£ 10 \mathrm{Mn}$. provided for the stabilisation of Greek currency.)

FEB. 5. U.K.
11. U.K.-U.S.A
14. U.K.
U.K.
15. U.S.A.
20. U.K.
25. U.K

Minister of Food announces 1 oz . reduction in fat ration, return to wartime loaf and less feeding-stuffs for poultry.
Increased rates of Exchequer subsidies for houses announced.
Air Pact signed at Bermuda.
Farm workers' claim for increase in minimum wage from $£ 310$ s. 0 d . to $£ 410$ s. 0d. rejected.
Royal Assent to Bank of England Nationalisation Bill.
Steel workers' strike ends.
100 more industries to be withdrawn from the scope of the Essential Works Order.
Treasury issues $£ 58,212,0003 \%$ Treasury Stock to compensate Bank of England stockholders under terms of Nationalisation Act.

MAR.

1. U.K.
U.S.S.R.
2. Germany
3. U.K.
U.K.-Canada
4. Germany
U.K.
5. U.S.A.
6. U.K.
7. Germany
8. India
9. U.K.-U.S.A.
10. Greece

Transfer of ownership of the Bank of England to the Government.
Government ask U.S.A. for loan of $\$ 1,000 \mathrm{Mn}$.
Civilian rations reduced from 1,555 to 1,014 calories per day in the British Zone.
National Coal Board set up. Chairman : Lord Hyndley.
Financial agreement concluded. Canada to lend Britain $\$ 1,250 \mathrm{Mn}$. at $2 \%$ repayable over 50 years.
German Economic Advisory Board set up in the British Zone.
New agricultural prices announced.
General Motors strike settled after sixteen weeks duration.
Sir Stafford Cripps announces that Liverpool cotton futures market is to remain closed.
Allies agree on post-war levels of German industry.
U.K. Cabinet Mission begins consultations in India.
U.K. and U:S. Rubber Sale contract extended to 30th June. U.S. to pay $20 \frac{1}{4}$ cents. per lb. for Malayan rubber, f.o.b. Far East ports.
General Election, Populist majority.

## APRIL 1. U.S.A. <br> U.K.- <br> Switzerland

3. U.S.A.
4. United Nations
U.K.

Soft coal workers strike.
Swiss monetary agreement signed. Rate of exchange fixed at 17.35 Swiss francs to the $£$. Arrangements for provision of exchange for tourists.
Purchase tax on goods imported from Britain not to be included in the amount chargeable to customs duties.
Security Council fix May 6th as date for unconditional withdrawal of Soviet troops from Persia.
Agreement reached on engineering wages and conditions, Increase of $6 /-$ per week in war bonus.

## 1946

```
APRIL 4. U.K
    5. Persia-
        U.S.S.R.
    8. U.K.
    9. U.K.
```

    10. U.S.A.
    17. U.K.-Portugal
    22. U.K.
    25. International
    U.K.
        Canada-France
        29. U.K.-France New financial agreement signed. France to repay \(£ 50 \mathrm{Mn}\). of existing
        debt in gold.
    Debate on world food shortage. Prime Minister's grave warning.
Persia and Russia reach agreement. Russian troops to evacuate Persian territory by May 6th.
Increase in selling price of copper from $£ 62$ to $£ 72$, lead, $£ 39$ to $£ 45$, and zinc, $£ 315 \mathrm{~s}$. 0 d . to $£ 395 \mathrm{~s} .0 \mathrm{~d}$. a ton.
Budget introduced. E.P.T. to be abolished as from 31st December, 1946 ; partial restoration of earned income allowance; some reduction in Purchase Tax and Entertainments Duty, and Death Duties reduced on small and increased on large estates.
Banking and Currency Committee of the U.S. Senate approve proposed credit to the U.K. by 14 votes to 5 .
Monetary agreement signed.
Britain agrees to divert to Europe 200,000 tons of wheat subject to a guarantee of replacement by the U.S. and Canada.
Four-power meeting of Foreign Ministers opens in Paris.
Armouncement of reduction in size of standard loaf from 2 lbs . to $1 \frac{3}{4} \mathrm{lbs}$., without change in price, potatoes and butter to be cheaper, reduction in barley allocation to brewers.
Canada grants France loan of $\$ 240 \mathrm{Mn}$. at $3 \%$.
New financial agreement signed. France to repay $£ 50 \mathrm{Mn}$. of existing debt in gold.

MAY 1. U.K.
Palestine
4. U.K.

France
7. U.K.-Egypt
U.K.
8. International
9. U.K.
17. U.K.
U.K.-U.S.A.
28. U.K.
K.—U.S.A
22. U.K.
U.S.A.-France
29. U.S.A.
30. U.K.
30. U.K.

Agricultural Wages Board approves increase of national minimum wages for men from 70s. to 80 s.
Report of Anglo-American Committee of Enquiry published.
Engineering industry freed from Essential Works Order.
National referendum rejects proposed Constitution.
British Prime Minister announces offer of gradual withdrawal of all British forces as part of negotiations for Anglo-Egyptian Treaty revision.
White Paper on Iron and Steel Industry published.
International coffee market to be re-established.
Ban on conversion of stocks bearing $4 \%$ interest or less lifted.
New tap issue of $2 \frac{1}{2} \%$ Savings Bonds, 1965-67.
Mr. Herbert Morrison announces that Britain is to forego another 200,000 tons of imported wheat between May and September.
Royal Assent to Trade Disputes and Trade Unions Bill.
Sir Ben Smith resigns. Mr. John Strachey appointed Minister of Food.
Report of the Cotton Working Party published.
Financial agreement signed providing for immediate credit of $\$ 650 \mathrm{Mn}$. at $3 \%$ and loan of $\$ 300 \mathrm{Mn}$. at $2 \%$.
Soft coal strike settled.
Minister of Labour announces 2-year period of military training for men called up in 1947 and shorter period for those in 1948.
Announcement of new and lower rates for loans to local authorities from local loans fund, and first public authority conversion offer on a $2 \frac{1}{2} \%$ basis.

JUNE 21. International
23. U.K.

France
25. India
30. U.S.A.

Six-months Rubber Agreement signed by U.S.A., U.K., France, Netherlands, U.S.A., to buy 145,000 tons of Malayan rubber at $23 \frac{1}{2}$ cents. per lb., f.o.b. Far Eastern ports.
Soap ration reduced by one seventh.
French Communist Party agree to enter a coalition government under premiership of M. Bidault.
British mission to India adjourns. Temporary caretaker government to be set up.
President Truman vetoes Price Control Bill.

## 1946

JULY 1. Palestine
U.K.
3. International
U.K.
8. Canada
9. U.K.
12. U.K.
15. U.S.A.-U.K. Sweden
21. U.K.
22. Palestine
24. Canada-U.K.
U.S.A.
29. International

British arrest Jewish leaders. Mr. Attlee makes statement in the House.
Increase in British Control price of copper from $£ 72$ to $£ 84$, lead, $£ 45$ to $£ 55$, and zinc, $£ 395$ s. 0 d. to $£ 495$ s. 0 d. per ton.
Announcement of basic increase in railway fares from $16 \frac{2}{3} \%$ to $33 \frac{1}{3} \%$ and freight charges from $16 \frac{2}{3} \%$ to $25 \%$ over pre-war levels.
Foreign Ministers reach agreement on boundaries of Trieste and on provisional administration of Italian colonies.
Government agrees to exclude sums up to $£ 10,000$ per annum from Borrowing (Control and Guarantees) Bill.
Canadian dollar revalued at parity with U.S. dollar.
Issue of $2 \frac{1}{2} \%$ Savings Bonds discontinued at total of $£ 415 \mathrm{Mn}$.
Royal Assent to Borrowing (Control and Guarantees) and Coal Nationalisation Bills.
New schedule of agricultural prices involving estimated increased payment to farmers of $f 11 \mathrm{Mn}$. for 1946 and $f 15 \mathrm{Mn}$. for 1947-48.
President signs act approving credit to Britain.
Krona revalued at 3.60 to the dollar and 14.50 to the $£$.
Bread and flour rationing comes into force.
British H.Q. in Jerusalem blown up, heavy loss of life.
Four-year wheat agreement announced providing for import of 160 Mn. bushels of Canadian wheat in 1946-48 at $\$ 1.55$ a bushel and 140 Mn . bushels in 1948-50.
President signs revised Price Control Bill.
Peace Conference opens in Paris.

AUG. 1. U.K. Royal Assent to National Insurance and Civil Aviation Bills.
U.S.A.
U.K.-Denmark
2. U.K.
4. Hungary
19. U.S.A.-China

Buying price of silver raised from 71.11 to 90.5 cents. per oz.
New food agreement for purchase of butter, bacon and eggs.
Tribunal determines $f_{1} 164.7 \mathrm{Mn}$. compensation for coal-industry nationalisation.
Rate of exchange fixed at 11.62 guilden to the dollar.
Exchange rate adjusted to 3,350 Chinese national dollars to one U.S. dollar.

SEPT. 1. Greece
2. India
5. Germany
9. U.S.A. Turkey
11. U.K.
17. U.K.-

Argentina
U.K.-France
20. U.S.A.
21. U.K.-Brazil
26. U.K.

International
27. U.K.

Greek plebiscite shows large majority in favour of monarchy.
First all-Indian Government formed.
Britain and America agree in principle on economic amalgamation of zones and the formation of bi-zonal German committees.
Sharp break on Wall Street.
Exchange rate increased from 728 to 1,128 piastres to $\AA$ and from 180 to 280 to \$. Economic controls relaxed.
Chancellor announces reduction of yield on seventh issue. of 15 s . National Savings Certificates from end of March, 1947.
Trade and Finance Agreement signed, covering sterling balances, railways and meat.
Trade and Finance Agreement signed. Repayment of debt postponed to period 1950-61.
Mr. Henry Wallace, Secretary of Commerce, resigns.
Trade Agreement signed.
Official price of tin in the U.K. increased from $£ 300$ to $£ 38010$ s. 0d. a ton.
World Bank and International Monetary Fund Conference opens. Mr. Dalton elected Chairman.
Announcement of Bill prohibiting use of silver in coinage.

OCT.

1. U.S.A.-U.K. U.S. to purchase a further 200,000 tons of natural rubber at $20 \frac{1}{4}$ cents.
2. International
3. France
4. U.S.A.

Germany
15. India

Internationa
16. U.K.

NOV.
4. U.K.
U.S.A.-China
6. U.S.A
U.K.
8. U.K.-

Czechoslovakia
11. France
13. U.K.
U.K.
18. U.K
19. U.K.
U.S.A.
21. U.K.
28. U.K.

France

Commission to be set up to review cotton weaving industry.
Treaty of friendship, commerce and navigation.
Republicans gain heavy majority in Congressional elections.
Report of Royal Commission on Equal Pay published.
Czech Government to purchase $£ 2,500,000$ of surplus U.K. stores.
General Election. Communists become largest party in National Assembly.
Exchange Control Bill introduced in House of Commons.
Increase in British control price of copper from $£ 84$ to $£ 98$, and zinc $£ 495$ s. 0d. to $£ 55$ per ton.
London Rubber Market re-established. Private trading restored.
Minister of Transport announces basis of compensation for nationalisation of inland transport services.
Soft coal strike begins.
National Farmers' Union and Ministry of Agriculture reach agreement on modification of price review procedure.
Text of Transport Bill issued.
National Assembly meets.

DEC. 4. U.K.
6. U.K.
7. U.S.A.
10. U.K.
12. France

Malta
U.K.
18. Austria
U.K.
31. U.S.A.

Sir Stafford Cripps outlines Government's plan for the re-organisation and rebuilding of the cotton industry.
Text of the Companies Bill issued.
Soft coal strike called off by Mr. John L. Lewis.
Fiduciary issue increased by $£ 50 \mathrm{Mn}$. to $£ 1,450 \mathrm{Mn}$.
M. Blum elected Prime Minister.

Government to increase grant to Malta from $£ 10 \mathrm{Mn}$. to $£ 30 \mathrm{Mn}$.
Stock Exchange sends protest to Government on proposed basis of compensation to railway stockholders.
British Government to make $£ 10 \mathrm{Mn}$. contribution in the form of grants and credits for the economic recovery of Austria.
Second reading of the Transport Bill. Government majority of 158.
President Truman issues proclamation "terminating the period of hostilities of World War Two ".


[^0]:    * See "U.S. Plans for Sixty Million Jobs" (p 10 of this issue).

[^1]:    * At one time it was proposed (with Secretary Byrnes's support) that the clause end with the phrase " without resort to measures which are likely to create unemployment in other countries."

[^2]:    * Since there are fewer unemployed and an older labour force in 1950, the number of equivalent men is larger than in 1938. The rise in productivity per worker exceeds that per equivalent man.
    $\dagger$ U.S. Billion $=1,000 \mathrm{Mn}$.
    $\ddagger$ Goldenweiser and Hagen, "Jobs After the War," Federal Reserve Bulletin (May, 1944); Hagen and Kirkpatrick, "The National Output at Full Employment in 1950," American Economic Revierv (Sept., 1944); Hagen, "Post-war Output in the U.S. at Full Employment," Revierv of Economic Statistics (May, 1945); National Planning Association, National Budgets for Full Employment (Pamphlets 43-44, April, 1945). See also Wallace, Sixty Million fobs (1945); Dept. of Commerce, Postwvar Markets (1945); Mosak, "Forecasting Post-war Demand," Econometrica (January, 1944).
    § Mayer, Post-zvar National Income (Brookings Pamphlet 55, 1944), and Tucker, "Projections of National Income," Business Record (Dec., 1944-Jan., 1945).

[^3]:    National Planning Association, Fiscal and Monetary Policy (Pamphlet 35, July, 1944).

[^4]:    II Op. cit., p. 45. It must be stressed that the whole analysis given here is a rough first approximation. The distribution of the labour force, its aggregate product and the direction of consumer and business demand are in fact inextricably mixed. Different increases in productivity and changes in the distribution of income affect relative prices and demand and so the manpower distribution and total product. The simple method of working through from the labour force to total product and expenditure is sufficient, however, for the present broad purposes.

[^5]:    ** American Industry Looks Ahead (August, 1945). The U.S. manufacturing industry envisages that its business in 1947 will be more than $40 \%$ above 1939 and that manufacturing employment will rise to 13.5 Mn . If this is realised, the goal for 1950 would be well within reach.

[^6]:    (e) New Index \% of December, 1942.

    * Provisional.
    (c) Tokyo Bank Index, exel. rent.
    (d) Excl, rent and clothes.
    (f) No comparable earlier figures.
    (g) Official Index
    + Figures are averages for month, or mid-month or end of month figures.

[^7]:    PRICE OF GOLDPRICE 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 15th of month to Dec. 1944, Standard (. 925 fine) ; from Jan. 1945, . 999 fine.-ECONOMIST,
    BOARD OF TRADE INDEX - 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
    STATIST (SAUERBECK) Average wholesale prices of 19 foodstuffs and 26 raw materials on last day of month, as percentage of average COST OF LIVING INDEX-Ministry of Labour's index showing movement since 1924 in cost of maintaining unchanged the standard of living prevalent in working-class households before Aug, 1914. For 1 st of month, but placed against previous RETAIL FOOD, RENTWTAE INDEXAs above, for food only and for rent and rates
    For description see Sp. Memo, No, 28 and Bulletin for January, 1944, pp,6-8.

[^8]:    *See Board of Trade Fournal, 13-4-46

[^9]:    ${ }^{1}$ L.C.E.S. Bulletin, April, 1945, p. 32.
    ${ }^{2}$ National Income and Expenditure of the United Kingdom, 1938-1945. Cmd. 6784, 1946. (Price 9d.)
    ${ }^{3}$ It is curious that wages and salaries paid by the government are published less accurately than the total of all wages and salaries.

[^10]:    ${ }^{4}$ There can be no reason to show rents separately, as the official estimate of rents, based on Schedule A assessments, is by definition more or less constant. Excess rents, building society interest and certain other rents are assessed under Schedule D and included in interest and profits.

[^11]:    ${ }^{5}$ The new term, " national cost," in the latest official estimates seems to be an even less happy term than Keynes' factor cost.
    ${ }^{6}$ The fall in government expenditure was even greater still, for during the war lease-lend consumption goods were deducted from war expenditure and not expenditure on consumption.
    ${ }^{7} C f$. estimates by Mr. Kirk, of the Ministry of Agriculture, quoted in The Economist, January 19, 1946, p. 115.

[^12]:    ${ }^{8}$ The estimate of expenditure on rent, etc., also suffers from the defect explained in footnote ${ }^{4}$ above. It shows, for 1945, an expenditure, excluding rates, actually less than for 1939. How far excess rents are included in the item "services not included above" is not known.
    ${ }^{9}$ Though the price indexes are implied in the official estimates, they are for some reason not given there. As explained in table 4, the price index is obtained as the ratio of two officially published figures.

[^13]:    ${ }^{10}$ The figures relating to the volume and average prices of consumption should be read in the light of the qualification given in L.C.E.S. Bulletin, April, 1945, p. 34. It should be noted that weighting with market prices the volume index would be a few points more and the market price index a few points less than shown.
    ${ }^{11}$ The proportion saved in 1945 would come to $15 \%$ with the terminal pay of the forces excluded.

[^14]:    ${ }^{12}$ That is, excluding undistributed profits and company taxes.

[^15]:    e) New Index \% of December, 1972.

[^16]:    $\ddagger$ Change in classification in 1919．Italics as in 1913

[^17]:    EXTERNAL TRADE－Excluding Munitions after 1941．Accounts of Trade of U．K．－Board of Trade．
    COAL－OND STEEL－Output of Saleable Coal，including opencast，Gt．Britain－Ministry of Fuel．
    IRON AND STEEL－Output of Pig Iron，Steel Ingots and Castings－Iron and Steel Control．
    RAYON－Monthly Totals－Board of Trade．

[^18]:    $\dagger$ Joan Robinson, An Essay on Marxian Economics, London, 1942, p. 98.

[^19]:    1 Statistics of man-hours and hourly earnings. (Ottawa, Dominion Bureau of Statistics) Monthly.
    2 Statistical Report on the Operation of the Unemployment Insurance Act. (Ottaws, D.B.S.) Monthly.
    3 For definitions and procedure see Labor Force Bulletin

[^20]:    4 It should be noted that the index of retail sales in column $16, \mathrm{p} .60$, exaggerates the expansion in the war years as it does not include sales of new or used motor vehicles, which declined greatly. Now that motor vehicles are again being made and sold the index will show a downward rather than an upward bias.

[^21]:    * Cash Income from the Sale of Farm Products (Ottawa. Dominion Bureau of Statistics, Jan. 3, 1945) mimeo.

[^22]:    * For comparison with footnote on p. 22 in Bulletin I Vol XXII : Figures for "Building plans passed" (including buildings other than dwellings) for the period Dec./Nov, in 1942/3, 1943/4 and 1944/5 were, for the Transvaal, $£ 3.94 \mathrm{Mn} ., £ 7 \cdot 86 \mathrm{Mn}$, and $£ 11.21 \mathrm{Mn}$. respectively, and for other areas $£ 2.20 \mathrm{Mn}$., $£ 3.92 \mathrm{Mn}$. and $£ 6.49 \mathrm{Mn}$. respectively.

[^23]:    *Printed by error as $119 \cdot 6$, April 1945 Bulletin p. 26. It is now clear that the number of shifts and the output per shift (averaged over all employed) are somewhat lower than before the war.

[^24]:    * See Statement Relating to Defence, Cmd. 6743, 1946.

[^25]:    * This note was prepared in connection with an enquiry now in progress at the National Institute of Economic and Social Research. Details of the data and of the methods will be published in a forthcoming occasional paper on "International comparisons of productivity."

[^26]:    * Vide J. H. Kirk: The output of British agriculture during the war. Proceedings of the Agricultural Economics Society, 1946.

[^27]:    ** Two points have to be observed: (i) The above exchange rates were arrived at by using U.S. weights when calculating the price index. If British weights would be used in the U.K.-U.S. comparison, and German weights in the U.S.-Germany comparison the relative size of output would be U.K. 100, U.S. 1,358 and Germany 336, instead of U.K. 100, U.S. 1,030 and Germany 356 as above. (ii) The ratio of net output to gross output is different in the three countries; it is the lowest in the U.K., indicating that the quantum of agricultural operations may be different in the three countries (i.e., it is perhaps lower in the U.K. than in the two others).

[^28]:    * Long-term changes in productivity per head in the U.S. agriculture have been estimated by H. Barger and H. H. Landsberg: American Agriculture, 1899-1939. New York, 1942, and by the Bureau of Labor Statistics. The estimates above are from the second source mentioned. As data on hours of labour per year are inadequatefollowing Barger and Landsberg-it has been assumed that the hours were $5 \%$ higher in 1909 than in 1937. For Britain the available information is scanty. The figures were based on data given in (1) British Agriculture (a report of enquiry organized by Viscount Astor and B. Seebohm Rowntree), London, 1938, pp. 53 and 306 ; and (2) C. Clark : op. cit., p. 255. For lack of more precise data it has been assumed that working hours were about $10 \%$ higher in 1908 than in 1936-37. War-time changes in British labour productivity are based on information given by H. Kirk : (Op. cit.).

[^29]:    * Colin Clark: The Conditions of Economic Progress, 1940, p. 246. Our estimates for U.S., U.K. and Germany differ from Clark's only in estimating employment.

[^30]:    * A further point to be considered is that if we are talking of expanding agriculture relatively to industry, this must mean expanding certain specific branches of agriculture (e.g., production of wheat or bacon, etc.). For this purpose it would be more relevant to make productivity comparisons relating to particular products and not only to agriculture as a whole. A study of this type has just been published by the Ministry of Agriculture on milk production in the U.K. and U.S.

[^31]:    ＊Bank Rate $2 \%$ to 24th Aug．； $4 \%$ to 28 th Sept．； $8 \%$ to 26 th Oct．，1999；2\％since．执 Figures below are half－yearly totals

[^32]:    EXTERNAL TRADE－Excluding Munitions from 1942－5．Accounts of Trade of U．K．－Board of Trade．
    COAL－AND STEEL－Output of Saleable Coal，including opencast，Gt．Britain－Ministry of Fuel．
    IRON AND STEEL－Output of Pig Iron，Steel Ingots and Castings－Iron and Steel Control．
    ELECTRICITY－Units generated by Authorised Undertakers，Great Britain－Electricity Gommission．
    Monthly Totals－Board of Trade．

[^33]:    NOTE :-All males $14-64$ and all females $14-59$ in working population, except private domestic service. Women in parttime paid employment each counted as half a full-time employee. Actual figures from Ministry of Labour ; estimates for end- 1946 partly official targets and partly official and private estimates.
    $\dagger$ Ex-members of Forces not yet taken up employment and insured persons registered as unemployed.
    *National and local government, Civil Defence, N.F.S. and police.

    The total working population changed little in the late summer, since the intake of boys and girls leaving school approximately counterbalanced withdrawals from the labour force.

[^34]:    (a) Let receipts from exports pre-war be $\mathrm{R}=$ price multiplied by volume of exports $=\mathrm{PE}$. If the volume is increased the receipts will be $\mathrm{P}(1-\mathrm{p}) \times \mathrm{E}(1+\mathrm{e})=$ $\mathrm{PE}(1+\mathrm{e}-\mathrm{p}-\mathrm{pe})$ where p is the relative decrease in price and $e$ the relative increase in volume, both $e$ and $p$ being positive. Ignore pe as being small and it will be seen that receipts from exports only increase if $e$ is greater than $p$ and in all cases the influence of $p$ is to modify that

[^35]:    (b) Let cost of imports pre-war be $\mathrm{C}=$ price multiplied ty volume of imports $=$ PI. If the volume is decreased the cost will be $\mathrm{P}(1-\mathrm{pi}) \times \mathrm{I}(1-\mathrm{i})=\mathrm{PI}(1-\mathrm{i}-\mathrm{pi}$
    ipi) where pi and $i$ are relative decreases in price and volume respectively and both positive. Ignore ipi as being small and it will be seen that in all cases the cost is reduced, the influences of $i$ and pi being in the same direction.

[^36]:    EXTERNAL TRADE- Excluding Munitions from 1942-5. Accounts of Trade of U.K.-Board of Trade.
    IRON AND steel- Output of Pig Iron Coal, including opencast, Gt. Britain-Ministry of Fuel.
    ELECTRICity-
    RAYON-
    Units generated by Authorised
    Monthly.Totals-Board of Trade.

