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# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

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## THE ECONOMIC POSITION

fanuary 31st, 1949.

The most noteworthy development of the last quarter of 1948 was the continued rise in exports, the volume of which averaged $147 \%$ of 1938 as compared with $138 \%$ in the previous quarter and $118 \%$ in the last quarter of 1947. As neither the volume of imports increased nor the terms of trade worsened, the adverse balance of trade fell sharply to only $£ 79 \mathrm{Mn}$. in the quarter, taking imports c.i.f., or probably not more than $£ 26 \mathrm{Mn}$. taking imports f.o.b. Even after allowing for the sterling grants we have undertaken to make to Europe as our contribution to E.R.P., and other drains on capital account, it seems probable that the total deficit in our balance of payments is at present running well within the limits of the grants and loans we are receiving under E.R.P.

Internally, developments have been less satisfactory. Industrial output rose by perhaps $5 \%$ between the second half of 1947 and the second half of 1948, but the rise from the first to the second half of 1948 was too small to measure
with certainty. Unemployment remains at a phenomenally low level, and the redistribution of labour in favour of the more essential industries is proceeding very slowly. In particular, the increase in the number of coal miners has been very small. In general there are some signs that the effectiveness of the disinflationary policy initiated towards the end of 1947 has diminished as the result of a number of factors. These include the reduction in the adverse balance of payments on income account, the recent increases in government expenditure and probably also some relaxation in the restrictions on capital creation. The check to disinflation may well be reflected later in a check to the improvement in our ability to export. From now on we must expect to encounter steadily increasing competition, both in prices and availability, in many export markets, while at the same time we shall have to fill the gaps left by the exhaustion of the proceeds of the sale of the Argentine railways and by the gradual fall in the amount of American aid. Clear evidence of a continued rise in internal productivity will be eagerly awaited.

# DEFENCE AND PUBLIC FINANCE 

By R. C. Tress.

## I

The main source of the post-war expansion in British exports and in supplies for the home market has been the progressive relaxation in the hold on resources by National Defence. Now, that process has not only been halted, which was inevitable, but has been put into reverse. The significance of this change is in part to be seen in the recent slowing down in the rate of expansion in production. But it will be plainer when the Defence Estimates for 1949/50 have appeared and we see how the Chancellor of the Exchequer meets the challenge of new demands upon a national product already fully, if not over-, committed. The challenge can be met on two fronts : by finding other ways besides increased manpower (mainly higher productivity) for raising the national output ; and by devising means for establishing a new balance between the consumption demands of income receivers and the supplies which will be available for them.

This latter is the first problem which the new attention to defence sets public finance : how to provide for rearmament without inflation. But only if "showing the flag" can confidently be expected to prevent eventual war does it comprise the whole problem. If war is a possibility against which we are preparing, then preparedness is a quality to be demanded also of public finance itself. Along with the accumulation of physical resources, the financial armoury needs re-stocking-with weapons enough to cope with the financing of a war should it arise. Oddly enough, we seem less aware of this requirement now than in the nineteenth century, when major wars were less frequent ; the insistence on a low income tax in peacetime was on this ground. "If no preparation is made," said Sir Henry Parnell, more than a hundred years ago, " when war shall happen, everything will be in confusion, and all money matters in great embarrassment. There will be no time for deliberation ; everything will be done in a hurry ; every kind of expedient will be adopted that promises the means of overcoming the difficulty of the moment and, as the raising of money by loans will appear to divest the war of its chief privations, this will be, in all probability, the course adopted." *

[^0]Each of the last two great wars have been financed in substantial part by borrowing, including pre-1939 rearmament (in a period of unemployment). But, by now, we should have realised the grave defects of this procedure when wars are fought on such colossal scales. For all the rise in taxable capacity, the doubling of the National Debt charge since 1938 is a heavy burden. But far more damaging has been the sluggishness of response and political blindness to the post-war state of national impoverishment which has resulted when so many individuals within the nation, possessed of savings, tax rebates and gratuities, feel better instead of worse off than before. The more frequently major wars occur, the more dangerous to economic and political stability become the inflations which tend to accompany and succeed them. Suppressing inflation, we have discovered, is not enough. For public finance to be adequately prepared for war, it must be in a position, if not to prevent all inflation happening (for that no doubt is impracticable), at least to keep it within a manageable maximum.

The purpose of this article, having emphasized the requirement, is to see, in rough quantitative terms, what that requirement involves and what prospects we might have of meeting it. To state the problem, no more than orders of magnitude are required, and the statistics drawn upon are estimates for the financial year 1948/9, made last spring $\dagger$, with no attempt to bring them up to date. The official figures are still the only consistent data available, and the fact that the year 1948/9 will almost have ended by the time this article appears will, it is hoped, relieve the author of the charge of looking for a war at any date other than in the past.

## II

As a result of war and post-war events and policies, the British economy and the British public finance system are both now in very different shape from what they were in 1939. There are not $1 \frac{1}{4}$ million unemployed standing

[^1]by to augment the national output. We no longer have over $£ 2,000 \mathrm{Mn}$. of gold and realisable overseas assets to draw upon. More difficult to quantify and more temporary, the state of our internal capital equipment is in many places inferior. Any increased provision for military purposes at the present time must be at the expense of other national activities, and a war effort on the scale of 1939-45 would be practicable only if there were a very dramatic increase in productivity, or if our economy became, to an even greater extent than last time, a converter into war material of overseas loans and gifts.

To gather the order of magnitude involved, we may ask what would have happened if 1948/9 had been a war year. The transfer of large numbers of men and women to the Armed Forces creates difficulties in defining the concept of national income as well as in estimating its size, but for present purposes this movement must be reckoned as effecting a decline in productivity (value of output per head). No doubt there would at the same time be an additional recruitment to the working population, mainly of female workers, but, putting the two movements together, we cannot assume a national income higher than that originally forecast for 1948/9 at the price level then assumed current, namely, $£ 9,500 \mathrm{Mn}$. Any higher figure for later years would mostly depend, apart from price changes, on the previous advance in productivity.

At the present time, out of a national income of this size, the defence departments (including the defence activities of the Ministry of Supply) and civil defence are claiming approximately $£ 700 \mathrm{Mn}$. $(7 \%)$ of this national product. With the amount of the product itself unchanged, the extent to which this share might be augmented would depend upon the amounts which the other claimants on the national product-personal consumption, Government non-defence services, and investment at home and abroad-could be induced to surrender.

Of these competing claimants, personal consumption might conceivably be cut down from just over $£ 6,650 \mathrm{Mn}$. to $£ 5,700 \mathrm{Mn}$. at current factor costs. This latter figure represents the equivalent, in current values, of an annual volume of consumption a little higher per head than the lowest reached in any one year of the 1939-45 war, but probably near the minimum of what could be sustained through a number of years. It would involve a reduction of nearly $15 \%$ from present average standards.

Proportionately, economies in the claims of public authorities on real resources might be
greater than this, but they would come mainly from the winding up or transfer to the defence part of the accounts of "terminable" activities arising out of the last war, of a good deal of scientific research, and of some part of the Government works and building maintenance included in current expenditure. A reduction in the Civil Service is unlikely, and while we can allow for a halt to further expansion in the social services (e.g., more schools), we cannot, at least at this stage of the argument, suggest their curtailment except where, as in the National Health Service, reduction would be the unavoidable accompaniment of war. Altogether, perhaps the odd $£_{2} 260 \mathrm{Mn}$. $(20 \%)$ of a total of $£ 1,260 \mathrm{Mn}$. demanded by the public authorities for nondefence services might be saved.§

Economies in current consumption, personal and through the Government, might thus amount to a little over $£ 1,200 \mathrm{Mn}$. Any remaining additions to the war effort would need to be at the expense of capital. Economically, modern wars, for all the austerities they impose, are in substantial measure a substitution of warmaking for capital formation.

Just as the present restricted state of consumption offers smaller scope for economies than were provided before the war by that source, so does the greater volume of resources now being put to new capital creation at home offer enlarged opportunities for mobilisation from this. On the estimates of early 1948, net home investment was to absorb $£ 1,250 \mathrm{Mn}$. at market prices, or rather under $£ 1,200 \mathrm{Mn}$. at factor cost$13 \%$ of the national product.

It is very difficult, however, to estimate to what extent, besides halting new capital development (which, of course, includes new housing), we could so soon again begin to neglect existing capital. In "concentrated" industries, though there might be anxieties for the future, there could be no immediate difficulties. Neither could there be in running down work-in-progress and stocks of less essential commodities. But a good deal of the permitted deterioration in 1939/45 was in the equipment of public utilities, and stocks both of many raw materials and of less essential goods are now substantially lower than in 1939.

Fortunately, reasonably correct estimation at

[^2]this point (if such is conceivable) is not necessary to the purpose in hand. Provided we can assume limited dividends during war and the continuance of investment control afterwards, the inflationary threat from accumulated capital reserves-the financial counterpart to delayed maintenanceis not serious. The additional volume of defence expenditure made possible by the release of resources from capital investment can be safely financed through these business savings and, whatever the sum may be, the strain on the budget is unaffected. In the figures below, a rate of net capital disinvestment of $£ 400 \mathrm{Mn}$. has been assumed, making the total contribution to the war effort out of home capital $£ 1,600 \mathrm{Mn}$. a year.

Overseas disinvestment, or capital borrowing from abroad, is entirely self-financing. The indefinite possibilities in this direction leave an open end to the measure of our war effort and we might well, for the present argument, have ignored help from this source altogether. But the net home investment of $£ 1,200 \mathrm{Mn}$. in a peaceful 1948/9 was reckoned possible without inflation only if a net balance of $£ 300 \mathrm{Mn}$. could be obtained on overseas account. And while our actual overseas balance for this period looks like being much less, we nevertheless rely on Marshall aid to finance purchases from dollar areas and these (without counter-balancing exports elsewhere) would be as necessary in wartime as now. The comparison between the peacetime and wartime uses of resources is made easier, therefore, if we continue to add $£ 330 \mathrm{Mn}$. from overseas to the resources available. Thus, instead of a positive $£ 900 \mathrm{Mn}$. for net additions to assets, our current account would show, on these figures, a negative $£ 700 \mathrm{Mn}$.

Summing up as in Table I, $£ 3,500 \mathrm{Mn}$. or $37 \%$ of the national income may be said to be the rough order of magnitude of the war effort which the United Kingdom would have been able to sustain in the financial year 1948/9, with the same resources as were, in fact, available to us in that year. This is five times the volume of resources actually planned for defence in 1948/9. (Manpower and financial statistics in this field

TABLE 1.
RESOURCES AVAILABLE AND THEIR POTENTIAL USE.

|  | $\begin{gathered} £ \mathrm{Mn} \text {. at } \\ 1948 / 9 \\ \text { factor cost } \end{gathered}$ | \% of national product |
| :---: | :---: | :---: |
| Net National Product | 9,500 | 100 |
| Disinvestment in Home Capital... | 700 | 7 |
| Gifts and Loans from abroad |  |  |
| Total Resources available | 10,200 | 107 |
| Personal Consumption | 5,700 | 60 |
| Public Authority Consumption :- |  |  |
| (a) Civilian ... | 1,000 | 10 |
| (b) Direct Defence | 3,500 | 37 |

are not very closely correlated, but were they so, this estimate would imply $7,000,000$ persons in the Armed Forces and on direct munitions work, compared with nearly $9,000,000$ in 1944.)

## III

Altogether, the central government has four main items of expenditure to cover. Besides direct defence expenditure, it has to meet its share (practically one-half) of the non-defence goods and services acquired by public authorities, transfer payments made to persons (including E.P.T. rebates, war damage payments and national debt interest) and transfer payments made to other authorities-the national insurance funds and the local authorities. In each of these, some economy could be expected without invading current social services further than is dictated by physical necessities-in sum, perhaps $£ 370 \mathrm{Mn}$. As will be seen from the estimates in Table 2, at market prices $\|$, there is left on this reckoning an increase in expenditure, compared with the actual estimates for $1948 / 9$, of nearly $£ 2,600 \mathrm{Mn}$., and a bill to be met by the central government totalling $£ 5,800 \mathrm{Mn}$.

TABLE 2.
CENTRAL GOVERNMENT EXPENDITURE ( $£ \mathrm{Mn}$.).

|  | Estimates | "War " | Change |
| :---: | :---: | :---: | :---: |
| Defence | 710 | 3,675 | + 2,965 |
| Other Goods and Services | 640 | 510 | 130 |
| Transfers to Persons | 1,395 | 1,225 | - 170 |
| Transfers to other Authorities | 460 | 390 | 70 |
| Total | 3,205 | 5,800 | + 2,595 |

Not all of this expenditure would need to be covered by taxation for inflation, during and after the war, to be prevented. The selffinancing of the resources made available through gifts and loans from overseas has already been commented upon, and the funds from home disinvestment may almost as confidently be deducted from the bill. The national insurance funds and local authorities may be expected to have collected revenue in excess of their reduced expenditure, and thus accumulated surpluses available to the central government. These three items, as Table 3 shows, might account for approximately one-sixth of total expenditure, leaving the remaining five-sixths to be financed from revenue or borrowing out of current private incomes.

The estimated revenue-yield for the financial year 1948/9 is $£ 3,605 \mathrm{Mn}$., but apart from adjust-

[^3]ments to allow for a full year's working of last year's tax changes, the " special contribution" must be omitted as a non-recurrent item along with outstanding E.P.T. liabilities, and the yields from motor duties and purchase tax must be written down in recognition that war conditions would enforce reduced consumption of the items taxed. Rounding off, something like $£ 1,500 \mathrm{Mn}$. is left outstanding, to be financed by new taxation or by borrowing. To what extent can saving be relied upon to fill this gap? From whence might new tax revenue be obtained ?

TABLE 3.
THE FINANCING OF GOVERNMENT EXPENDITURE (£ Mn.).
Central Government Expenditure $\quad \underset{5}{\mathbf{~}}$

Gifts and Loans from abroad
Accumulations against running down of Domestic 700 Capital
Surpluses of other Public Authorities
Amount to be financed by Revenue and Saving
Estimated Revenue at existing rates
Amount outstanding
Businesses and private persons will wish to set aside some savings and wartime inflation due to excess demand can be avoided if government borrowing is kept within the bounds provided by these sums, unstimulated by currency or credit expansion. Unlike peacetime, the paper assets accumulated against these savings will have no counterpart in real investment, but provided they are held, voluntarily or through controls, for as long as the inflationary pressure lasts, they will provide no serious obstacle to the achievement of post-war equilibrium either. The British economy has now lived for so long under inflationary conditions that there are few data from which to estimate how great these acceptable savings might be ; but it would be risky to rely upon more than $£ 500 \mathrm{Mn}$., or one-third, of the gap being safely filled by this means. Tax revenue would then have to be found for the remaining two-thirds.

## IV

Estimates of taxable capacity have often been made in the past and fears that the limit has been reached have as often been falsified. Taxable capacity is an elastic concept, and the point at which the raising of any tax results in less than no revenue, because of a reduction in the national income, may be far distant. But the point at which loss of national income is to be offset against any revenue advantages-a point which is much more relevant to war economics-comes much earlier and may already have been reached so far as the present taxation system is concerned.

There are both political and economic reasons for thinking that this may be so. First, unlike in 1939, any large increase in taxation must fall heavily and immediately upon the middle and lower income ranges. In 1939, tax rates were low compared with the present time, and a wide dispersion in the distribution of money income between classes reflected a corresponding range of variation in real consumption standards. Now, the more equal distribution of post-tax money income, coupled with rationing and restrictions on supplies of "less essential" goods for the home market, leaves the scope for further economies far less obvious. Because the present standard of living among, e.g., wage-earners, is nearer now to the national average, the inroads into that standard demanded by another war would have of necessity to be greater and brought about more quickly than in 1939-45. The more egalitarian a society, the more equal must the sacrifices be in fighting its wars. But the policy which would secure admission of that fact and acquiescence in it might be as elusive as have been policies of a similar character to deal with the problems of the last four years.

Secondly, we have already had sharp experiences of the difficulties of maintaining industrial efficiency in the face of high profits taxation and of the adverse effects of P.A.Y.E. upon attendance and the will to work. Whilst the money needed to finance government expenditure might be raised from revenue, there is no obvious way for this to be done. In the changes in taxation that have been made since the war, direct taxes have been most reduced and indirect taxes have been partially substituted. If, therefore, we were to revoke all post-war tax concessions while retaining all new taxation, we should expect the yield of direct taxes to rise and that of indirect taxes to fall, with the first change greatly outweighing the second. In the autumn Budget of 1945, when the largest changes were made, $£ 320 \mathrm{Mn}$. were lost by income tax concessions; if the earlier rates were now restored the gain would be substantially greater because money incomes liable to tax have risen. All in all, therefore, and with E.P.T. on a new base replacing the profits tax, this method of restoring wartime taxes might bring us a good way towards closing the $£ 1,000 \mathrm{Mn}$. gap. It would, however, be at best a most precarious balance and there are a number of possibilities which might upset it. Any further expansion in government expenditure, particularly upon transfer payments and subsidies (the maximum possible command over goods and services has already
been provided for), would be a disturbance. Higher national productivity would enlarge the national income and hence the capacity to pay direct taxes, but whereas the additions to tax revenue would be a fraction of the increased income, the increased war effort would, on the hypothesis here laid down, absorb the whole. Only an increase in prices and therefore in money income would cause revenue to expand more than the cost of government purchases, and this would be something neither to work for nor to rely upon.

But would such a development in taxation as the simple return to 1945 be either a practical or a sound policy to pursue? An important part of the tax reductions made by Dr. Dalton were explicitly designed to ease the burden on the wage and small salary earner. But it is one thing to establish that poor as well as rich must pay for the war and quite another to impose upon the poor the heavier part of the additional burden. In restoring earlier tax levels, no criterion of equity could be invoked; revenue would be taken where it could be found. Moreover, with their restoration there would also be restored their ill-effects upon productive effort. Dr. Dalton removed the disincentives by removing the taxation; he did not invent a means of divorcing the one from the other.

These criticisms and misgivings do not depend, moreover, upon one single arrangement of our present taxes. It is difficult to envisage any other arrangement, adequate for the purpose,
which would have greater success or escape the same objections. Faced with the patent objections to a higher income tax, the United Kingdom has turned increasingly to indirect taxes as a " painless" way of extracting revenue. But the commodities bearing tax are limited in wartime, and it is doubtful if demand for them would be so inelastic if incomes were not rising at the same time as market prices. A rise in the wages and other incomes is the inevitable accompaniment to wartime shifts in manpower and resources, and higher money incomes bring a larger tax revenue. But they do so by causing more earnings to become subject to marginal rates of tax, i.e., by intensifying disincentives. Moreover, against any gain by this means must be set the burden on the Exchequer of stabilising the cost of living-and no one would remove food subsidies in this period-which becomes increasingly heavy as prices rise.

At the high levels necessary, our present tax system becomes cumbersome in its treatment of individuals and careless in its effects upon enterprise and effort. Its use to such an extent, even if it is politically feasible, ceases to be economically wise. The difficulties, political and economic, of financing a new war might well be greater than in any war previous. Can an adequate system be devised? Or must we in the end and despite all the arguments against it, rely upon inflation and rigid controls to effect our objects? It may not be too soon to begin looking for an answer to these questions.

## THE COMMONWEALTH DOLLAR PROBLEM

By A. R. Conan.

In this article an attempt is made to assemble and integrate the latest information available on the dollar supplies of British Commonwealth countries other than the United Kingdom and Canada. By presenting the overall picture in this way it should be possible to survey more realistically than has yet been practicable the size and composition of the Commonwealth's dollar needs, the detailed treatment of the problem during the past year or two, and the prospects for the future.

The starting point for such a study is with Commonwealth commodity trade. For this the available data are summarised in Table 1, which shows the dollar trade of the countries concerned for the years 1939, 1946 and 1947; for the present purpose dollar trade has been taken as trade with the United States and Canada. The
figures have been derived, in general, from the official returns of the individual countries, but special adjustments or estimates have been necessary in the following cases.
(i) South Africa.-No official figures for the distribution of trade by countries in 1947 have yet been published; it has therefore been necessary to estimate dollar trade from the returns of the United States and Canada. These, when adjusted to take account of freight and insurance, show a dollar deficit of approximately $\oint 100 \mathrm{Mn}$. for 1947 ; for present purposes this figure has been adopted, although there are some grounds for thinking that the actual deficit may have been nearer $£ 110 \mathrm{Mn}$.
(ii) India.-The published Indian trade returns for recent years are of little value for
balance of payments calculations as they exclude transactions on Government account ; this in the present instance is especially misleading since heavy imports of foodstuffs from North America are involved. It has accordingly been necessary to have recourse to estimation. In the export columns of the Table (all the figures in which refer to pre-partition India) the figures are based on those published by the Reserve Bank of India; the United States and Canadian trade returns have been taken as a guide to imports.
(iii) Colonies.-The figures have been derived from the Statistical Abstract of the British Commonwealth or the trade returns of individual territories. Detailed up-to-date figures are not available for some Colonies and in such cases estimates have been included; the totals should therefore be regarded as provisional, but it does not seem likely that the full returns would give results very different from those shown. There is, however, reason to believe that in some cases the official returns undervalue the dollar-earning power of exports and allowance should be made for this. Palestine has been excluded throughout.

The totals are in general agreement with those given in the White Paper on the United Kingdom Balance of Payments, 1946 to 1948 (Cmd. 7520), Table 4, Item 3. The figures in the White Paper, however, refer not only to Commonwealth countries but to the whole of the sterling area and include also trade with American Account countries other than the United States and Canada.

Several interesting points emerge from Table 1 below. In the first place, at least for the Southern Dominions and India, the increase in dollar exports as compared with pre-war seems to have been far greater than can be attributed solely to

TABLE 1.
DOLLAR TRADE OF THE COMMONWEALTH.* (£Mn.)

|  | Dollar Exports |  |  | Dollar Imports |  |  | Deficit Surplus + |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1939 | 1946 | 1947 | 1939 | 1946 | 1947 | 1939 | 1946 | 1947 |
| Australia | 6 | 40 | 33 | 29 | 38 | 76 | $-23$ |  |  |
| New Zealand | 3 | 10 | 9 | 8 | 13 | 28 | -23 | +3 -3 | - 43 |
| India ... | 12 | 60 | 65 | 8 | 55 | 115 | + 4 | + 5 | - 50 |
| Eire... ... | - | 1 | - | 5 | 11 | 35 | - 5 | $-10$ | - 35 |
| S. Rhodesia... | 5 | 1 | 1 | 1 | 4 | 7 | $-1$ | - 3 | - 6 |
| Ceylon | 5 | 7 | 13 | $\bar{\square}$ | 3 | 13 | + 5 | + 4 | - |
| Colonies | 55 | 60 | 100 | 20 | 50 | 100 | $+35$ | $+10$ | - |
| Total | 81 | 179 | 221 | 71 | 174 | 374 | $+10$ | $+5$ | $-153$ |
| S. Africa | 3 | 18 | 30 | 21 | 73 | 130 | -18 | $-55$ | $-100$ |
| Total | 84 | 197 | 251 | 92 | 247 | 504 | $-8$ | $-50$ | $-253$ |

the rise in world price levels, and greater than that shown by the comparable United Kingdom figures. Here, there were probably several factors of importance. As regards volume, the underlying physical conditions are relevant: none of the countries concerned suffered war damage ; from the point of view of price, the governing factor was no doubt the exceptionally large increase in wool prices after the war, but this was itself only the expression of an increase in demand. Colonial exports as a whole failed to share in this trend, mainly because of the relatively slow recovery in Malaya.

Secondly, the provenance of the dollar exports is significant. In both 1946 and 1947 India and Ceylon together accounted for about one-third of the total and the Colonies, on average, for approximately the same proportion; Australia, New Zealand and South Africa, in the aggregate, accounted for only one-third. The figures are thus to a large extent a measure of North America's dependence on a range of tropical products which must be imported ; to a lesser extent they indicate the need for imports of products such as wool, which that region produces but in insufficient quantities. Three countries make a relatively small contribution to the total: New Zealand, whose main exports other than wool are foodstuffs sold under contract to the United Kingdom ; Eire, whose exports also are chiefly food destined for the United Kingdom market ; and Southern Rhodesia, whose main export crop is tobacco of a type not likely to be in demand in North America.

On the import side it will be seen that the increase in the total for 1946 as compared with 1939 was not unduly large when account is taken of the movement of price levels: the extent of the further increase, amounting to $100 \%$ between 1946 and 1947, and its widespread character, are noteworthy although it should be remembered also that before the war violent fluctuations in dollar trade were not unknown. The price factor here was probably of high importance and due weight should be given to the rise in United States prices in 1947, but even allowing for price changes it seems likely that the total for that year was in real terms about twice as large as in 1939. As explained above, it is not possible in every case to give exact figures for imports, but it is clear that in 1947 South Africa, India and the Colonies were responsible for by far the largest part of the total, imports into each of these being probably of the order of $£ 100 \mathrm{Mn}$. Next in importance was Australia, which in 1947 took, by value, exactly twice as
much as in 1946. Both New Zealand and Eire imported from dollar sources to an extent which not only showed a very large increase as compared with pre-war, but was very considerable in relation to both population and dollar exports.

The figures for the dollar deficit can now be appreciated. As a result of the increase in imports, a relatively small deficit of about $£ 50 \mathrm{Mn}$. in 1946 increased in the following year to approximately $£_{250 \mathrm{Mn} \text {. Again, the breakdown of the }}$ total is significant : in 1946 several countries returned a favourable balance and only South Africa a large deficit, but in the following year all showed a deficit except Ceylon. In absolute terms by far the heaviest deficit was that of South Africa, but the proportionate increase over the preceding year was greater in several other countries. India, which had a favourable balance in 1946, became one of the largest deficit countries, with Australia on about the same level and Eire not far behind. The failure of the Colonies as a whole to make any significant net contribution to the dollar pool in 1947-the longterm programme speaks of "a small dollar surplus"*-appears to have been a relatively minor factor in accounting for the deficit of that year.

The figures for commodity trade thus reveal ;very large gap. To fill this gap there is available first of all the gold output of the countries concerned. The figures for Commonwealth gold production given in Table 2 show how far the deficit can be met in this way.

It is clear that, for the purpose, gold is a very valuable asset. Notwithstanding the fact that the price of gold has failed to rise pari passu with the price of other commodities, the gold output of the Commonwealth as a whole was in 1946 sufficient to cover the visible deficit of the countries listed in Table I and leave a considerable balance available for other requirements. It was, however, far from adequate in 1947, when the whole of South Africa's current output must have been absorbed in the dollar deficit of that country. Although in the latter year Australia's output was sufficient to cover nearly one-quarter of its dollar deficit, and Southern Rhodesia, with the Colonies, contributed a sizeable amount, the net result of taking gold production into account is only to reduce the adverse balance of commodity trade to approximately $£ 130 \mathrm{Mn}$.

The output of gold, therefore, is obviously very far below what is required: the figures show also that in every case output has declined

[^4]TABLE 2
COMMONWEALTH GOLD PRODUCTION.*
(£Mn.)

|  |  |  | 1939 | 1946 | 1947 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Australia | $\ldots$ | ... | 12 | 7 | 8 |
| New Zealand | ... | ... | 1 | 1 | 1 |
| S. Rhodesia | ... | ... | 6 | 5 | 5 |
| India ... | ... | $\ldots$ | 2 | 1 | 1 |
| Colonies ... | $\ldots$ | $\ldots$ | 10 | 7 | 7 |
| Total | $\ldots$ | ... | 31 | 21 | 22 |
| S. Africa... | $\ldots$ | $\ldots$ | 99 | 104 | 98 |
| Total* | $\ldots$ | $\ldots$ | 130 | 125 | 120 |

as compared with pre-war, a trend primarily attributable to the rise in mining costs, while the price of gold has remained virtually unchanged. It remains to be seen how far this tendency can be overcome through the operation of two new factors : first, the various measures adopted to stimulate output in the chief gold-producing countries of the Commonwealth; secondly, the discovery of new gold-bearing areas in the Orange Free State, the prospective output of which may increase South Africa's production by upwards of $£ 50 \mathrm{Mn}$. per annum. It seems clear, however, that even allowing for any likely expansion in output in the near future, gold can fill the dollar gap only to a limited extent.

So far the discussion has been confined to commodity trade and gold output, but some mention should be made of the invisible items also. Although the information available is scanty, enough can be assembled to give an indication of the amounts involved. On the credit side, Eire has dollar earnings of some $£ 5 \mathrm{Mn}$. per annum, derived mainly from tourists ( $£ 2 \mathrm{Mn}$.) and emigrants' remittances ( $£ 3 \mathrm{Mn}$.) ; a similar pattern exists in the West Indies, where emigrants' remittances from the United States averaged nearly $£^{3} \mathrm{Mn}$. in 1946-7 and dollar tourist receipts, together with expenditure on account of United States bases, may perhaps amount to as much as $£ 5 \mathrm{Mn}$. Something may be allowed also for United States " institutional " contributions to Commonwealth countries so that total credits may not be far short of $£ 15 \mathrm{Mn}$. On the debit side only Australia has to provide for dollar debt ( $£_{2} \mathrm{Mn}$.), while the interest payable on American private capital invested in the Commonwealth is probably about $\AA_{5} \mathrm{Mn}$. Appreciable sums are due also on account of film remittances : these amount to about $£ 1 \mathrm{Mn}$. for Australia, but for New Zealand and Eire are under $£ 500,000$, and for the whole Commonwealth may be less than $£_{5} 5 \mathrm{Mn}$. With an allowance of $£ 3 \mathrm{Mn}$. for travel expenditure and
other debits, total debits may perhaps be put at approximately $£ 15 \mathrm{Mn}$. These data suggest that the inclusion of normal current invisible items would on balance make no significant difference to the results derived from the figures for commodity trade and gold output.

If capital movements were taken into account for the years 1946-7, the figures would probably show an appreciable net debit. Although since the war there has been a certain influx of American capital into some Commonwealth countries, it can hardly as yet have reached appreciable dimensions : for Australia and South Africa it totalled perhaps $£ 5 \mathrm{Mn}$. and $£ 4 \mathrm{Mn}$. respectively in 1947. In both cases, however, this was more than offset by the post-war liquidation of war-time commitments: thus, South Africa had to provide for a Lend-Lease settlement of $£ 25 \mathrm{Mn}$., while Australia had to meet similar payments. From 1948 onwards capital movements should be of increasing importance, since South Africa and India may borrow in the United States, Eire receives loans under the European Recovery Programme, and the Colonies may obtain dollar capital from both ECA and the International Bank. In addition, as mentioned below, certain Commonwealth countries have exercised their rights to draw on the International Monetary Fund.

Apart from possible capital movements, the prospects for the future depend mainly on the course of commodity trade. In this field, although there may be scope for a long-term increase in exports to dollar markets, as is in fact envisaged under the Geneva Agreements, in the short-run the reduction of the deficit involves primarily the restriction of imports. A summary of the measures taken for this purpose in individual countries is given below, with an estimate of the results for 1948.
(i) Australia.-In the fiscal year 1946/7, with dollar imports of approximately $£ 50 \mathrm{Mn}$., Australia had an adverse dollar trade balance of under $£ 10 \mathrm{Mn}$. ; the official estimate of the total dollar deficit for the year was, however, $£ 25 \mathrm{Mn}$., this being largely on account of non-recurrent items arising out of the war. For 1947/8, when import restrictions were intensified, a deficit of $£ 21 \mathrm{Mn}$. was forecast but as exports declined and dollar imports rose to $£ 66 \mathrm{Mn}$., the deficit on commodity trade alone, in fact, amounted to $£ 34 \mathrm{Mn}$. For $1948 / 9$ it was proposed to restrict dollar imports to the 1946/7 level, while dollar exports are estimated at about $£ 40 \mathrm{Mn}$. ; on this basis the prospective deficit for the year would be only $£ 10 \mathrm{Mn}$. and in fact the deficit for the
calendar year 1948 was probably little more than this. Although, as mentioned above, there has been some offset through an influx of private capital, the Government, because of the burden involved in outgoings on interest and the problem of repayment, is unwilling to encourage this inflow or to borrow in the United States.
(ii) New Zealand.-The fact that New Zealand's chief exports (except wool) are almost entirely sold under contract to the United Kingdom precludes any considerable expansion in dollar exports at present and attention is therefore centred mainly on imports. Restrictive measures have included cuts in petrol and newsprint consumption, a higher tobacco duty and the replacement of North American coal by imports from the United Kingdom. As a result the dollar deficit in 1948 was probably $50 \%$ less than in 1947 and it is understood that the 1949 import schedule will enforce a further cut in dollar imports. The external trade policy embodied in these measures has been subjected to some criticism on the ground that a partial diversion of food exports to hard currency countries would enable New Zealand to import agricultural requisites in adequate quantities and would thus, through an increase in agricultural output, benefit the United Kingdom also. In any event, however, the New Zealand dollar problem, considered in the general setting of the sterling area, is of relatively small dimensions and, on a medium-term view, there seem to be prospects for the expansion of dollar markets.
(iii) South Africa.-The position of South Africa is somewhat anomalous in that, although a member of the sterling area, the Union has been since January, 1948, responsible for meeting dollar commitments from its own resources. As it was anticipated that sterling reserves would cover sterling commitments until 1950, the whole of the current gold output became available to meet the non-sterling deficit. In the absence of import restrictions a further increase in the dollar deficit developed during 1948; on the basis of figures for the first half of the year, dollar imports were at the rate of $£ 150 \mathrm{Mn}$. per annum which, with merchandise dollar exports at perhaps $£ 30 \mathrm{Mn}$., would give a dollar deficit of about $£ 120 \mathrm{Mn}$. Although definite figures are not available, a review of the available evidence suggests that, notwithstanding the subsequent imposition of import restrictions, the dollar deficit for the whole year was at least $£ 125 \mathrm{Mn}$. This amount was found from current gold output and reserves and, to a small extent, by drawing on the International Monetary Fund,

It is not expected that any inflow of dollar capital which may take place during the next few years will be sufficient to offset a dollar deficit at current levels, but it has been officially stated that the Government would have no objection in principle to easing the dollar problem by means of an American loan if South Africa could borrow in the United States on appropriate terms.
(iv) India and Pakistan.-In September, 1947, India agreed to co-operate with the other members of the sterling area in restricting dollar expenditure as far as possible. From January 1st, 1948, separate arrangements for allocations of hard currencies were made by the United Kingdom with India and Pakistan, as from that date each Dominion controlled its own exchange earnings and expenditure.

Under successive Agreements, India's hard currency quotas were fixed at $£ 10 \mathrm{Mn}$. for the first half of 1948 and $£ 15 \mathrm{Mn}$. for the 12 months ending June, 1949 ; in addition, India retains its own hard currency earnings and assists in the conservation of sterling area resources by drawing on the International Monetary Fund for part of its requirements. Dollar drawings from the Fund in 1948 in fact amounted to $£ 17 \mathrm{Mn}$., a sum which was probably not far below the total dollar deficit for the year.

The arrangements with Pakistan provide for the retention by that Dominion of its own hard currency earnings and for hard currency releases of $£ 3.3 \mathrm{Mn}$. for January-June, 1948, and $£ 5 \mathrm{Mn}$. for the 12 months ending June, 1949. In September, 1948, the Pakistan Government relaxed restrictions on imports from both hard and soft currency countries on the ground that the exchange position was favourable. The trade figures available for the first nine months of the year suggest that Pakistan was, in fact, earning a small dollar surplus; any deficit which may arise from a more liberal import policy in the later months of the year is thus likely to be inconsiderable.
(v) Eire.-The United Kingdom-Eire Agreement of 1947 provided that Eire's drawings from the dollar pool during the period October, 1947, to June, 1948, would be limited to $£ 14 \mathrm{Mn}$. (a rate of $£ 19 \mathrm{Mn}$. per annum) ; in addition, Eire could utilise its own dollar earnings. The 1948 Agreement contained no express stipulations on the subject of dollar expenditure, but Eire undertook to limit as far as possible its drawings on the dollar pool and to apply for the maximum amount available under the European Recovery Programme. ECA loans so far granted comprise
$£ 20 \mathrm{Mn}$. for the whole of 1948 and $£ 22 \mathrm{Mn}$. for the 12 months ending June, 1949.

Eire's visible dollar trade for 1948 will probably show a deficit of under $£ 20 \mathrm{Mn}$. : with invisible dollar earnings at approximately $£ 5 \mathrm{Mn}$. and ECA loans at $£ 20 \mathrm{Mn}$., there should accordingly have been no occasion to draw on the dollar pool during the year. The outlook for the future is not so clear, since no expansion of dollar exports is contemplated under Eire's Long Term Programme submitted to ECA.
(vi) Southern Rhodesia.-Following the introduction of control over dollar expenditure in September, 1947, Southern Rhodesia's dollar earnings (including gold) during the nine months ended June, 1948, totalled nearly $£ 5 \mathrm{Mn}$. as against dollar expenditure of rather over $£ 5 \mathrm{Mn}$. It is anticipated that by March, 1949, a complete balance will have been achieved.
(vii) Ceylon.-Dollar earnings during 1948 were expected to have been of the order of $£ 14 \mathrm{Mn}$., while arrangements were made to limit dollar expenditure to $£ 8 \mathrm{Mn}$. Ceylon should thus have been able during the year to contribute some $£ 6 \mathrm{Mn}$. to the dollar pool.
(viii) Colonies.-The exchange control in force in colonial territories has not been uniformly satisfactory. Thus, there has been criticism of the high level of dollar imports into Malaya (£18 Mn. in 1947), while Hong Kong (whose special position as regards entrepôt trade makes close control difficult) has had a large dollar deficit ( $£ 10 \mathrm{Mn}$. in 1947). The West Indies constitute another area heavily in deficit : in 1947 they accounted for a net drain on the dollar pool of no less than $£ 27 \mathrm{Mn}$. Although exchange controls have been tightened up, there was probably during 1948 a reduction in dollar exports from Malaya, by far the largest dollarearner, and it would be unwise to assume TABLE 3.
FINANCE OF THE 1948 DOLLAR TRADE DEFICIT OF THE COMMONWEALTH.*
(£Mn.)

|  |  | Estimated | Financed by :- |  | Other <br> Means |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Dollar Deficit | Gold Output | Draft on \$ Pool |  |
| Australia... | $\cdots$ | 15 | 7 | 8 | - |
| New Zealand | $\ldots$ | 10 | 1 | 9 | $\overline{17}$ (b) |
| India ... | $\ldots$ | 25 | 1 | 7 | 17(b) |
| Eire |  | 20 | - | - | 20 (c) |
| S. Rhodesia | ... | 5 | 5 | - | - |
| Ceyion(a) | $\cdots$ | -5 | $\overline{100}$ | -5 | \{ $2 \cdot 5(b)$ |
| S. Africa... | $\ldots$ | 125(e) | 100 |  | $\{22 \cdot 5(d)$ |

[^5]any very considerable contribution from the Colonies to the dollar pool last year. On a longer-term view, however, it is of interest to note that official estimates contemplate that net dollar earnings of the Colonies may by 1952/3 increase to $£ 75 \mathrm{Mn}$. per annum.

An attempt has been made in Table 3 to present in summary form provisional estimates of he probable outcome for 1948 ; the figures in the first column of the Table should be regarded as very tentative, but the results are probably adequate to show :-
(a) the reduction of the dollar trade deficit in 1948 for all the main countries concerned, with the notable exception of South Africa : excluding the Colonies and

South Africa, the reduction as compared with 1947 may have been of the order of $£ 80 \mathrm{Mn}$.;
(b) the relief to the dollar pool effected by both the reduction of the dollar deficit and the arrangement under which South Africa is responsible for its own deficit ;
(c) the further measure of relief as a result of financing part of the dollar deficit by ECA loans or by drawing on the IMF : some $£ 40 \mathrm{Mn}$. was found in this way ;
(d) the consequent reduction in net drawings on the dollar pool by Commonwealth countries on trade account from approximately $£ 130 \mathrm{Mn}$. in 1947 to perhaps $£_{£} 20 \mathrm{Mn}$. in 1948.

## INDUSTRIAL PRODUCTION AND PRODUCTIVITY

By W. B. Reddaway

(on behalf of the group of the Department of Applied Economics, Cambridge, responsible for the Index of Production)

The inclusion of a provisional figure for December makes it possible to compare the average level of our index-number of industrial production in 1948 with the average for 1947. This shows a rise of about $10 \%$-slightly more for the "A" series (based on houses completed), slightly less for the " $B$," which takes account of the (smaller) number of houses started.

This large rise is partly accounted for by the fuel crisis in 1947. The improvement is, of course, none the less "real" for that, but it is useful to make a second comparison which is unaffected by this exceptional factor. If we take the second halves of the two years, the " A " index shows a rise of $5 \%$, so that progress has been quite substantial even over this later period.

Comparison between the first and second halves of 1948 is complicated by seasonal considerations. These largely reflect the differing incidence of holidays, and that source of disturb" ance can be roughly eliminated by using our "working-day" index. This shows a slight rise (rather over $1 \%$ ) between the two halves, but the movement is too small to justify more than a tentative conclusion that the trend is still slightly upwards. The unadjusted figures showed a fall of nearly $1 \%$, owing to the greater influence of holidays in the second half of the year, so that the whole thing turns on the accuracy of the adjustment; the emphasis in our conclusion should be on the slightness of the movement, rather than on its upward direction.

## Changing Pattern of Production

Frequently the divergent movements of the group index-numbers are more important than the rise or fall of the total. As December figures for all the groups are not yet available, the most relevant comparison seems to be June-November, 1948, compared with a year before.

On this basis the "A" index for production as a whole shows a rise of $5 \frac{1}{2} \%$, and the following are the groups with a rise of $10 \%$ or more, or with a fall :
$\quad$ Rise of $10 \%$ or more.
Industrial Machinery, etc.
Chemicals
Sundry Trades
Building, etc. ("A" Basis)

There does not seem to be any common underlying force behind the diverse moments. Certainly it is not a case of the pre-war pattern reasserting itself, as machinery and chemicals were already well above the pre-war level. The rise in the building, etc., " A " index is largely due to the increased number of permanent houses completed; the " B" index rose by only $6 \%$ because of the smaller amount of work done in the preparatory stages.

The fall in clothing may be exaggerated, though employment has also fallen, and so has the quantity of made-up garments purchased by wholesalers on the Board of Trade's panel ; for the making-up trades we rely on two input series
(wool cloth and non-wool cloth), and this is clearly not very satisfactory. The other two falls have fairly clear explanations: the virtual cessation of aluminium house production and the decreased output of radio sets for " other metal-using trades", and the fall in beer and
tobacco output for " food, drink and tobacco". Productivity

Any conclusions about " productivity " based on a comparison between the movements of an index of production and those of numbers employed can only be of the most tentative kind, INDEX OF INDUSTRIAL PRODUCTION (Excluding Finished Munitions) 1946 average $=100$

\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline \multicolumn{2}{|l|}{Period} \& \begin{tabular}{c} 
Total I \\
\hline A
\end{tabular} \& \(\frac{\text { Index } \ddagger}{\text { B }}\) \&  \&  \&  \&  \& \[
\begin{aligned}
\& \text { D } \\
\& \frac{0}{0} \\
\& 0 \\
\& 0 \\
\& 0 \\
\& 0 \\
\& 0
\end{aligned}
\] \&  \&  \&  \&  \& \multicolumn{2}{|l|}{\begin{tabular}{l}
Building, \\
Building Materials \& Furniture
\end{tabular}} \& \[
\begin{aligned}
\& \text { TH } \\
\& \text { \# } \\
\& \text { on } \\
\& 0 \\
\& \text { Bun }
\end{aligned}
\] \&  \&  \\
\hline Weight \& \& 1000 \& 1011 \& 77 \& 51 \& 62 \& 27 \& 31 \& 116 \& 118 \& 120 \& 59 \& 105 \& 116 \& 144 \& 51 \& 39 \\
\hline Av. 1935* \& \& 99 \& 98 \& 142 \& (123) \& 76 \& 47 \& 108 \& (74) \& (84) \& 94 \& (76) \& (153) \& (138) \& 87 \& (127) \& 100 \\
\hline Av. 1946 \& \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \\
\hline Av. 1947 \& \& 108 \& 107 \& 105 \& 107 \& 103 \& 96 \& 119 \& 123 \& 108 \& 100 \& 100 \& 119 \& 110 \& 103 \& 106 \& 115 \\
\hline Av. 1948 \& \(\ldots\) \& (119) \& (117) \& (121) \& (107) \& (113) \& 99 \& 133 \& (148) \& (107) \& 100 \& (117) \& (141) \& (124) \& 111 \& (109) \& (136) \\
\hline 1946
1st Qr \& \& 93 \& 94 \& 97 \& 94 \& 98 \& 97 \& 73 \& 89 \& 90 \& 99 \& 99 \& 74 \& 82 \& 104 \& 93 \& 91 \\
\hline 1st Qr. \& .... \& 97 \& 98 \& 98 \& 99 \& 101 \& 102 \& 98 \& 98 \& 96 \& 100 \& 99 \& 91 \& 95 \& 97 \& 95 \& 97
101 \\
\hline 3 RD Qr. \& \(\ldots\) \& 99 \& 98 \& 99 \& 101 \& 96 \& 102 \& 101 \& 97 \& 101 \& 97 \& 99 \& 111 \& 109 \& 91 \& 98 \& 101 \\
\hline \[
\begin{aligned}
\& 4 \mathrm{TH} \text { Qr. }
\end{aligned}
\] \& \(\ldots\) \& 111 \& 110 \& 106 \& 106 \& 105 \& 99 \& 129 \& 115 \& 112 \& 104 \& 103 \& 124 \& 114 \& 107 \& 115 \& 111 \\
\hline JAN. \& \& 107 \& 106 \& 103 \& 115 \& 105 \& \& 117 \& 109 \& 110 \& 98 \& 96 \& 112 \& 103 \& 110 \& 109 \& 108 \\
\hline FEB. \& \& 85 \& 85 \& 72 \& 77 \& 84 \& 96 \& 60 \& 100 \& 75 \& 81 \& 80 \& 79 \& 75 \& 109 \& 91 \& 83 \\
\hline MAR. \& \& 102 \& 102 \& 100 \& 94 \& 94 \& \& 100 \& 112 \& 107 \& 97 \& 95 \& 98 \& 91 \& 109 \& 101 \& 114 \\
\hline APR. \& \& 104 \& 104 \& 102 \& 103 \& 103 \& \& 133 \& 115 \& 104 \& 98 \& 95 \& 111 \& 105 \& 100 \& 106 \& 105 \\
\hline MAY \& \& 108 \& 108 \& 109 \& 108 \& 104 \& 88 \& 142 \& 115 \& 109 \& 103
104 \& 102 \& 119 \& 111 \& 99
98 \& 114 \& 1126 \\
\hline JUNE \& \& 115 \& 113 \& 110 \& 120 \& 110 \& \& 128 \& 131 \& 115 \& 104 \& 105 \& 129 \& 121 \& 98 \& 117 \& 126 \\
\hline JULY \& \& 105 \& 104 \& 104 \& 112 \& 96 \& \& 127 \& 114 \& 105 \& 102 \& 99 \& 125 \& 116 \& 88 \& 98 \& 110 \\
\hline AUG. \& \& 101 \& 100 \& 104 \& 103 \& 96 \& 92 \& 108 \& 112 \& 97 \& 98 \& 95 \& 117 \& 109 \& 88 \& 104 \& 106 \\
\hline SEPT \& \& 114 \& 113 \& 113 \& 117 \& 109 \& \& 133 \& 128 \& 116 \& 105 \& 106 \& 130 \& 119 \& 99
108 \& 110 \& 127 \\
\hline OCT. \& \(\ldots\) \& 121 \& 120 \& 118 \& 122 \& 113 \& \& 138 \& 145 \& 121 \& 108 \& 112 \& 137 \& 124 \& 108 \& 110 \& 128 \\
\hline NOV. \& \& 123 \& 122 \& 121 \& 115 \& 114 \& 109 \& 129 \& 152 \& 123 \& 106 \& 114 \& 142 \& 115 \& 115 \& 109
99 \& 121 \\
\hline \begin{tabular}{l}
DEC. \\
1948
\end{tabular} \& \& 114 \& 112 \& 110 \& 101 \& 104 \& \& 118 \& 144 \& 109 \& 96 \& 105 \& 132 \& 115 \& 111 \& 99

109 \& 121 <br>
\hline JAN. \& \& 117 \& 116 \& 119 \& 112 \& 115 \& \& 136 \& 139 \& 120 \& 97 \& 113 \& 129 \& 114 \& 114 \& 109 \& 137 <br>
\hline FEB. \& \& 123 \& 121 \& 124 \& 122 \& 118 \& 81 \& 128 \& 154 \& 120 \& 96 \& 119 \& 139
136 \& 122 \& 117 \& 108 \& 149
137 <br>
\hline MAR. \& \& 115 \& 112 \& 117 \& 100 \& 112 \& \& 125 \& 139 \& 105 \& 95
98 \& 111 \& 148 \& 129 \& 113 \& 109 \& 148 <br>
\hline APR. \& ... \& 123 \& 121 \& 126 \& 113
98 \& 118 \& 105 \& 132
134 \& 150 \& 104 \& 101 \& 113 \& 144 \& 124 \& 105 \& 106 \& 132 <br>
\hline MAY \& \& 117
123 \& 115 \& 118 \& 98
111 \& 111 \& 105 \& 144 \& 157 \& 109 \& 105 \& 115 \& 149 \& 129 \& 110 \& 110 \& 143 <br>
\hline JULY \& \& 113 \& 111 \& 114 \& 97 \& 99 \& \& 139 \& 143 \& 99 \& 99 \& 113 \& 144 \& 127 \& 97 \& 95 \& 130 <br>
\hline AUG. \& \& 108 \& 106 \& 112 \& 94 \& 101 \& 90 \& 100 \& 134 \& 91 \& 99 \& 110 \& 131 \& 116 \& 97 \& 112 \& 119 <br>
\hline SEPT. \& \& 122 \& 120 \& 126 \& 109 \& 119 \& \& 140 \& 157 \& 104 \& 102 \& 120 \& 147 \& 130 \& 109 \& 111 \& 136 <br>
\hline OCT. \& \& 126 \& 123 \& 130 \& 113 \& 119 \& \& 143 \& 155 \& 108 \& 105 \& 125 \& 147 \& 130 \& 116 \& 120 \& 138 <br>
\hline NOV. \& \& 126 \& 124 \& 130 \& 113 \& 117 \& 119 \& 143 \& 154 \& 109 \& 107 \& 125 \& 143 \& 128 \& 121 \& 118 \& 140 <br>
\hline DEC. \& \& (118) \& (115) \& - \& - \& - \& \& 132 \& - \& - \& 100 \& - \& - \& - \& 118 \& - \& - <br>
\hline
\end{tabular}

Figures in later months are subject to revision. For further details, and for the months of 1946, see "The Measurement of Production Movements" (Carter, Reddaway, and Stone) : Cambridge University Press, 1948, 12/6. In general, the Index is based on the quantity of goods delivered by an industry ('A'series) ; the ' B' indices use additional series reflecting the changes in work in progress in house and shipbuilding

* The 1935 figures (and especially those in brackets) are subject to larger error than the rest of the index. On the same basis, the total for the average of $1935-8$ is probably about 108 .
$\dagger$ Quarterly figures set against the middle months of the quarters. As a measure of the activity of the industry, more significance should be attached to comparisons based on the average of several quarters than to fluctuations from quarter to quarter. No shipbuilding ' A ' series is published.
$\ddagger$ The corresponding figures on a 'working day 'basis, as described in the November 1948 Bulletin, are as follows: 1948-Jan., A 117, B116; Feb., A 123, B 121; Mar., A 124, B 121; Apr., A 123, B 121 ; May, A 122, B 120 ; June, A 125, B 123 ; July, A 120, B 118 ; Aug., A 122, B 120; Sept., A 125, B 123; Oct., A 126, B 123 ; Nov., A 126, B 124; Dec., A (125); B (122). These are expressed as a percentage of the weekly production in 1946 ; the corresponding working-day rate for 1946 was 103.

The following alterations have been introduced this quarter, some causing very minor emendations in ing beginning in May, 1947, industries (other than shiprepairing) represented by employment series have been given an assumed rise proty 0 index most affected ('Building, etc.') is raised by one point in late 1947, and by 2 points at the end of 1948. The total index is raised by one point at December, 1948.
(ii) The present indicators for steel melting and finishing have been replaced by an index for steel melting and rolling, together with the production of tinplate, tubes and wire.
(iii) A new indicator, for Television, has been added in the 'Other Metal Using group.
(iv) A new deflator for the value of wires and cables produced has been taken.

The total effect of these alterations is (e.g.) to increase the October total index, over the previous estimate, by two points.
and the numerical estimates are inevitably subject to a formidable margin of error. It may, however, be a little better than nothing to take our " B" index on a working-day basis to represent production, and compare it with the movements in the numbers officially estimated to be engaged in manufacture, mining, building, etc., and gas, water, electricity.

On this basis, July-December, 1948, showed a rise compared with a year earlier of rather over $4 \%$ in production and $2 \%$ in numbers employed; the apparent rise in production per head of rather over $2 \%$ in a year is, of course, a complex as well as an uncertain figure, which may be influenced
by many factors besides harder work-e.g., the increased proportion of adult males, longer hours, or better equipment, better material supplies or shifts of labour between industries.

If we compare the second half of 1948 with the first, production per working day rose by rather over $1 \%$ and the numbers employed rose by about $\frac{1}{2} \%$. On the face of it this suggests that the rise in production per head was still continuing, but was less rapid between the first and second halves of 1948 than it had been earlier. The inevitable imperfections of the data, however, mean that such a conclusion can at best be only a very tentative one.

## FINANCE

By F. W. Paish

Government Finance.-Signs of expanding Government expenditure are now becoming increasingly apparent. Expenditure during the third quarter of the 1948/9 financial year totalled $£ 791 \mathrm{Mn}$., or $£ 55 \mathrm{Mn}$. more than in the third quarter of $1947 / 8$, whereas in the two previous

TABLE 1.
ORDINARY REVENUE AND EXPENDITURE.
Weekly Average, £Mn.

|  | Ordinary Revenue Total | Expenditure |  | Surplus ( + ) or Deficit ( - ) |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Supply Services | Total |  |
| 1938/9* | $17 \cdot 8$ | $15 \cdot 8$ | $20 \cdot 2$ | $-2.4$ |
| 1945/6 1946/7 1947/8 | $62 \cdot 9$ | 95-7 | $104 \cdot 9$ | -42.0 |
|  | $64 \cdot 0$ | $63 \cdot 9$ | 74.9 | -10.9 |
|  | 73.5 | $50 \cdot 7$ | $59 \cdot 9$ | +12.6 |
| 1938 9* Apr.-June July-Sept. Oct.-Dec. Jan.-Mar. | $10 \cdot 1$ | 12.0 | 18.0 | $-7.9$ |
|  | $13 \cdot 3$ | $15 \cdot 3$ | 18.1 | $-4.8$ |
|  | $14 \cdot 0$ $34 \cdot 0$ | $15 \cdot 7$ 20.2 | 21.6 | $-7.6$ |
|  | $34 \cdot 0$ | $20 \cdot 2$ | $23 \cdot 2$ | $+10.8$ |
| 1946/7 Apr.-June | $48 \cdot 4$ | $61 \cdot 3$ | $69 \cdot 4$ | $-21 \cdot 0$ |
| July-Sept. | $54 \cdot 2$ | $54 \cdot 2$ | $69 \cdot 9$ | $-15 \cdot 7$ |
| Oct.-Dec. Jan.-Mar. | $56 \cdot 2$ 98.1 | 58.1 83.3 | $65 \cdot 5$ | $-9 \cdot 3$ |
|  | 981 | $83 \cdot 3$ | $95 \cdot 6$ | $+2.5$ |
| 1947/8 April-June | 64-6 | $38 \cdot 6$ | 47-7 | +16.9 |
| July-Sept. | 61.4 | $50 \cdot 0$ | 61.5 | -0.1 |
| Oct.-Dec. Jan.-Mar. | 57.9 110.4 | $47 \cdot 3$ $67 \cdot 1$ | 56.0 78.7 | $+1.9$ |
|  |  |  | 78 | +317 |
| 1948/9 Apr.-June | $61 \cdot 1$ | 38.5 | $47 \cdot 2$ | $+13.9$ |
| July-Sept. | $63 \cdot 2$ | $46 \cdot 2$ | $57 \cdot 1$ | +6.1 |
| Oct.-Dec. | $61 \cdot 1$ | 51.8 | $60 \cdot 2$ | +0.9 |
| Oct. 1-30 <br> Oct. 31- | $56 \cdot 7$ | $46 \cdot 3$ | $59 \cdot 0$ | $-2 \cdot 3$ |
| $\begin{aligned} & \text { Nov. } 27 \\ & \text { Nov. } 28- \end{aligned}$ | $66 \cdot 2$ | $45 \cdot 2$ | $50 \cdot 9$ | $+15 \cdot 3$ |
| Jan. 1.29 | $60 \cdot 6$ 149.7 | 60.3 | $68 \cdot 8$ | $-8.2$ |
| Jan. 1-29 | $149 \cdot 7$ | 56.7 | $63 \cdot 2$ | +86.5 |

[^6]quarters expenditure had been below the level of the year before. Revenue for the quarter, at $\oint 803 \mathrm{Mn}$., remained buoyant, but the increase of $£ 40 \mathrm{Mn}$. over $1947 / 8$ was less than the increase in expenditure, and the surplus for the third quarter fell from $£ 26 \mathrm{Mn}$. to $£ 11 \frac{1}{2} \mathrm{Mn}$.

While up to the end of September it looked as if Revenue was running more above estimate than was Expenditure, in the third quarter the rise in Expenditure was much the greater of the two. Up to the end of September, Revenue (excluding Sales of Surplus War Stores, Surplus Receipts from Trading, and Miscellaneous Receipts) was equal to $42 \%$ of the estimate for the whole year, and Expenditure to $46 \%$, as compared with $41 \%$ and $46 \%$, respectively, of the year's actual totals* in the first half of 1947/8. The proportion of the year's estimated expenditure incurred in the third quarter was $27 \%$, as compared with only $24 \%$ in the third quarter of 1947/8, while Revenue for the quarter rose only from $20 \%$ last year to $21 \%$ this. At this rate it looks as if Expenditure for the year would be about $£ 200 \mathrm{Mn}$. above estimate, as against an excess of only $£ 100 \mathrm{Mn}$. in Revenue. A shortfall of $£ 100 \mathrm{Mn}$. in Government saving, unless offset by an increase in private saving, would be large enough to have a perceptible effect on the whole economy.

Apart from a seasonal rise in the cost of cotton buying, which required $£ 38 \mathrm{Mn}$. as

[^7]against a re-credit of $£ 9 \mathrm{Mn}$. in the previous quarter, extra-budgetary expenditure showed a further slight decline :-


After taking credit for the $£ 11 \frac{1}{2} \mathrm{Mn}$. surplus on income account, there was left about $£ 116 \mathrm{Mn}$. to be covered in other ways. Of this, $£ 82 \mathrm{Mn}$. was ostensibly covered by grants recorded as having been received from E.C.A., leaving only $£_{34 \mathrm{Mn} \text {., in addition to sinking funds and changes }}$ in balances, to be met by an increase in the National Debt. Of the $£ 40 \mathrm{Mn}$. so required, $£ 20 \mathrm{Mn}$. was covered by the first E.C.A. loan.

| GOVERNMENT | TABLE <br> BORRO <br> Oct. <br> (30 days) | 3 <br> WING, <br> Nov. <br> (28 days) | 1948. £M Dec. (34 days) | Total (92 days) |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certs. | -2.7. | -2.2 | $-2 \cdot 3$ | -7.2 |
| $2 \frac{1}{2} \%$ Def. Bonds | $1 \cdot 3$ | $1 \cdot 3$ | $1 \cdot 3$ | $3 \cdot 9$ |
| $3 \%$ Term. Annuities | $-1.7$ | $-2.9$ | 47-6 | $43 \cdot 0$ |
| Other Debt: Internal... | $-35.9$ | -6.1 | $-18.1$ | $-60 \cdot 1$ |
| External | -0.2 | -2.6 | $17 \cdot 4$ | $14 \cdot 6$ |
| Repayments ... | $-3.9$ | $-4 \cdot 3$ | $-2 \cdot 6$ | $-10.8$ |
| Total Long and Medium - term Bor. rowing | $-43 \cdot 1$ | $-16 \cdot 8$ | $43 \cdot 3$ | $-16 \cdot 6$ |
| Tax Reserve Certs. | $13 \cdot 5$ | $5 \cdot 5$ | $25 \cdot 1$ | $44 \cdot 1$ |
| T.D.R.'s | $-14 \cdot 5$ | $-3 \cdot 0$ | $79 \cdot 0$ | 61.5 |
| Treas. Bills: Tender | $40 \cdot 0$ -2.7 | $-\overline{39} \cdot 2$ | $-\overline{56} \cdot 3$ | 40.0 -98.2 |
| W. \& M. Advances : Govt. Depts. Bank of England | $22 \cdot 0$ | $4 \cdot 6$ $7 \cdot 0$ | -17.7 -7.0 | $8 \cdot 9$ |
| Short-term Borrowing | $58 \cdot 3$ | $-25 \cdot 1$ | $23 \cdot 1$ | $56 \cdot 3$ |
| Total Borrowing | $15 \cdot 2$ | $-41.9$ | 66.4 | $39 \cdot 7$ |

This way of looking at the matter, however, is misleading. The amounts recorded as having been received from E.C.A. have no current economic significance. What really affects the position at the moment is the amount of sterling received by the authorities as the result of net sales of gold or dollars to meet the adverse balance of payments on income account; and fortunately the amount of sterling so received during the quarter was probably a great deal less than the $£ 102 \mathrm{Mn}$. recorded as having been received from E.C.A. If we ignore the merely book-keeping adjustments resulting from the E.C.A. grants and loans, and also the result of
purely intra-governmental transactions, such as the issue of $£ 50 \mathrm{Mn} .3 \%$ Terminable Annuities to the P.O. Savings Bank, the broad conclusion emerges that the budget surplus for the quarter plus the sterling received from the finance of our adverse balance of payments on current account was quite inadequate to cover the extrabudgetary payments, the greater part of which were financed by increased issues of tender Treasury Bills and Treasury Deposit Receiptsin other words, by borrowing from the banks.

Other Finance.-The seasonal expansion in the Bank of England's note circulation at Christmas was more than twice as large as in 1947 (when heavy dishoarding of notes was in progress on unfounded conversion fears), and about the same as in 1946. As a precautionary measure the fiduciary issue was temporarily increased by $£ 25 \mathrm{Mn}$. to $£ 1,325 \mathrm{Mn}$., though in point of fact the extra notes were never actually needed. The cash reserves of the clearing banks were, of course, maintained at a comfortable level throughout.

The rise of just over $£ 100 \mathrm{Mn}$. between September and December in total issues of tender Treasury Bills plus T.D.Rs. was closely paralleled in the accounts of the eleven clearing banks in increases of $£ 87 \mathrm{Mn}$. in T.D.Rs. plus Discounts. The rise in Advances, which had been almost completely checked in the previous quarter, was also resumed with an increase of $£ 36 \mathrm{Mn}$. to $£ 1,378 \mathrm{Mn}$., and net Deposits increased by a further $£ 132 \mathrm{Mn}$. to $£ 5,895 \mathrm{Mn}$., or $£_{226 \mathrm{Mn} \text {. more than in December, 1947. In }}$ pre-war years there was normally a sharp seasonal increase in the banks' discounts and deposits between June and December, due to the seasonal incidence of the Treasury's receipts and payments, and while it is still too soon to calculate the post-war seasonal movements with equal accuracy, it seems probable that most, if not the whole, of the increase of $£ 174 \mathrm{Mn}$. in net deposits since last June, has been due to seasonal causes. Lloyds Bank's seasonally adjusted index, which applies to gross deposits, rose by only two points, from $261 \frac{1}{2}$ to $263 \frac{1}{2}$, between June and December, as compared with a rise of nine points between December, 1947, and June, 1948, when the effects of the $£ 150 \mathrm{Mn}$. Argentine railway sale were being felt. It seems possible, therefore, that in the second half of 1948 the process of expanding bank deposits was almost checked.

Prospects for a continuation of this check to expansion during 1949 depend on the forthcoming Budget. If the Government can so arrange its affairs that, after meeting its out-
goings on both income and capital accounts, it can reduce its debt to the banks in the form of T.D.Rs. and Treasury Bills faster than the banks find it necessary to expand their advances, we may perhaps hope at last to see reversed the ten-years' rise in bank deposits.

Prices of fixed interest securities have continued to rise steadily, if slowly. The gradual recovery in prices of industrial securities, after a check in December, was resumed in January, though the volume of business remained small. The Midland Bank's figures of new capital issues for the last quarter of 1948 showed a very sharp rise to $£ 126 \mathrm{Mn}$., as compared with $£ 42 \mathrm{Mn}$. in the previous quarter and $£ 19 \mathrm{Mn}$. in the last quarter of 1947 , but of this $£ 100 \mathrm{Mn}$. was due to the Electricity Loan, which resembled a Government refunding operation rather than a commercial
issue. Apart from the Electricity issue, public issues in 1948 totalled $£ 151 \mathrm{Mn}$., or almost exactly the same as in the previous year. With the continued depletion of the liquid reserves of many companies, caused by a combination of high replacement costs and high taxation, it would not be surprising to see an appreciable increase in this total during 1949. If so, the change would be more apparent than real. If there is no further increase in real capital creation, the pressure on the resources of the capital market as a whole is the same whether companies obtain finance by selling their holdings of existing securities or by issuing new ones of their own. It is possible, however, that, with the initial pressure falling on industrials rather than on gilt-edged, the margin between the yields on the two types of securities may show some tendency to widen.

## PRICES

## By R. G. D. Allen.

The course of prices since September does not suggest any modification of the conclusions reached in the last issue of the Bulletin (pp. 126-9). There is still little indication of which way prices will go following the check to the rise in the middle of 1948. Both import and export prices were higher at the year end than in July, but the terms of trade were no worse. Wholesale and retail prices in general changed little during the second half of 1948, apart from seasonal movements and increases in electricity charges in December. Some prices were firm, particularly

TABLE 1 ,
PRICE INDEX NUMBERS, 1948 (Av. $1938=100$ ).

|  | Jan. | Apr. | July | Oct. | Nov. | Dec. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Average Values of : |  |  |  |  |  |  |
| Imports | 271 | 285 | 294 | 295 | 298 | 299 |
| Exports ... | 238 | 245 | 245 | 252 | 252 | 253 |
| Terms of Trade... | 114 | 116 | 120 | 117 | 118 | 118 |
| Wholesale Prices : |  |  |  |  |  |  |
| All Items ... ... | 209 | 216 | 219 | 217 | 217 | 218 |
| Food and Tobacco ... | 179 | 187 | 189 | 185 | 186 | 183 |
| Basic Materials | 312 | 320 | 327 | $322 \frac{1}{2}$ | 324 | 331 |
| Manufactures... | 184 | 190 | $190 \frac{1}{2}$ | $190 \frac{1}{2}$ | 191 | 191 |
| Retail Prices : |  |  |  |  |  |  |
| All Items | 168 | 174 | 174 | 175 | 175 | 175 |
|  | 143 | 151 | 149 | 148 | 149 | 149 |
| Clothing, Household durables and Misc. goods | 191 | 192 |  |  |  | 14 |
| goods $\quad$... | 191 | 192 | 196 | 201 | 201 | 202 |

Annual index numbers of average values of imports and exports interpolated in 1948 by means of monthly index number of import and export prices. Terms of trade as ratio of index numbers of import average values to that of export average values. Index of wholesale prices is official (B. of Trade) index of average monthly prices. Index of retail prices is official (M. of Labour) index of mid-month prices, carried back to 1938 (see Table 2), with group3 combined according to their
weights in the index.
metals among raw materials and clothing and household durables at the retail stage. There were, however, price reductions in several categories. Table 1 shows the main series.
Table 2 sets out the full details of the index of retail prices for working class families based on the year $1938=100$ as in Table 1 and in the new statistical tables in this Bulletin. The calculations involved are an extension of those used in previous issues of the Bulletin (August, 1947, p. 74 and February, 1948, p. 18). The refinement in the calculations is made possible by the publication of full details of the weights of the official index of retail prices in Industrial Relations Handbook, Supplement No. 2, 1948. The main uncertainty remaining in the estimates is in the index for the food group. The internal weighting within the food group has a large effect on an index of all food prices, and this weighting can be traced only from price changes for the major sub-groups of food. Such price changes are shown neither in the official index of retail prices nor in the White Paper on National Income and Expenditure. The present calculation follows Mr. Dudley Seers (Bulletin of the Oxford Institute of Statistics, July/August, 1948) in setting the price index for all food items for working class families as 138 in June, 1947, on average $1938=100$.

There has recently been a revival of interest in the effect of food subsidies on prices. The Economic Secretary to the Treasury has stated that the retail price index would rise by " as much as 13 points " if subsidies were removed (Hansard,

17th December, 1948, column 1619). This is, presumably, a rise from 108 to 121 in the index of retail prices, (June, $1947=100$ ). But exactly what is meant by removal of food subsidies?

One interpretation is that subsidies are abolished and that price control and rationing are abandoned or become ineffective. On this basis it is impossible to measure the resulting price-rise and difficult even to hazard a guess as to the general effect. What we can do is to answer a different question, one which may be more limited, but which is certainly definite and intelligible. The question is, if the net subsidy on each item is reduced to zero, while price control and rationing remain otherwise unchanged, what then will be the rise in price? A net subsidy of zero on any item may mean, of course, that there is a profit on some sales (e.g., imported eggs) and a loss on others (e.g., domestic eggs) to maintain a uniform price. The question can be answered by spreading the stated amounts of various subsidies over the volume of supplies. The same method can be used to show the effect of a uniform reduction of subsidies by a half or by any other proportion. A simple modification of the calculation would also show the effect of a differentiation in subsidies, some being reduced by various proportions and others being left unchanged.

The calculation cannot be made directly on the retail price index, as price changes for the subgroups of food in the index are not given officially. Nor is it possible to make the calculation on the index of wholesale food prices, published by the Board of Trade. A special index number has been constructed of wholesale prices of food products, the series used being generally selected from those included in the Board of Trade index. They are based on 1938, averaged with an arithmetic mean and weighted according to amounts flowing through distributive channels towards final consumption in 1938. The index number is shown for the past three years in Table 3.

TABLE 3.
INDEX NUMBER OF WHOLESALE PRICES OF FOOD PRODUCTS (Av. 1938=100).

|  | Average |  |  | Financial Year, 1948/49 |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1946 | 1947 | 1948 | After Subsidies | Before Sub. sidies |
| Cereals | 119 | 131 | 135 | 135 | 260 |
| Meat and fish | 151 | 152 | 162 | 164 | 240 |
| Dairy produce | 125 | 121 | 139 | 141 | 255 |
| Fruit and vegetables | 234 | 277 | 249 | 236 | 244 |
| Other foods | 189 | 207 | 249 | 248 | 299 |
| All items | 158 | 167 | 177 | 176 | 255 |

Composition of groups (with weights in brackets) -
Cereals : Flour, bakers (3) ; flour, non-bakers (2) ; oatmeal $\left(\frac{1}{2}\right)$; rice $\left(\frac{1}{2}\right)$.
Meat and fish: Beef (6) ; mutton and lamb (3) ; pork (1) ; bacon (3) ; ham (1); chickens (1); fresh fish (1 $\frac{1}{2}$ ); canned salmon ( $\frac{1}{2}$ ).
Dairy produce: Milk (4) ; butter (4) ; margarine (1) ; cheese (1) ; eggs (3).
Fruit and vegetables: Potatoes (1) ; tomatoes (1); cabbage (1) ; onions (1) ; apples (1) ; bananas (1) ; oranges (1).
Other foods: Sugar, domestic (21 $\frac{1}{3}$ ) ; sugar, other (2); tea (2) ; coffee ( $\frac{1}{3}$ ); cocoa ( $\frac{1}{3}$ ).
The effect on this index of reducing net food subsidies to zero is shown in the last two columns of Table 3. These relate to the financial year April, 1948, to March, 1949, inclusive. It is necessary to take a year to avoid seasonal effects and the information utilised on subsidies is given for the financial year 1948/49. It is assumed that the original index (after subsidies) remains unchanged after December, 1948.*

Without subsidies, then, the general level of

[^8]TABLE 2.
ESTIMATED INDEX OF RETAIL PRICES FOR WORKING CLASS FAMILIES (Av. $1938=100$ ).

|  |  |  | AVERAGES |  |  |  |  |  |  |  |  | $1947$ <br> June | 1948 |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 | 1946 | 1947 |  | Jan. | Apr. | July | Oct. | Nov. | Dec. |
| Food ... |  |  | 102 | 116 | 123 | 125 | 125 | 125 | 127 | 129 | 137 | 138 | 143 | 151 | 149 | 148 | 149 | 149 |
| Rent and Rates |  |  | 101 | 102 | 103 | 103 | 103 | 103 | 103 | 105 | 108 | 110 175 | 110 | 189 | 109 192 | 1 | 109 | 109 202 |
| Clothing ... |  | . | 103 | 131 | 160 | 167 | 163 | 167 | 171 | 171 | 175 | 175 | 189 | 159 | 161 | 163 | 163 | 165 |
| Fuel and Light |  |  | 101 | 114 | 121 | 125 | 128 | 133 | 139 | 142 | 219 | 215 | 231 | 231 | 232 | 234 | 234 | 234 |
| Household Durables |  | $\ldots$ | 102 | 129 | 172 | 216 | 1 | 215 | 141 | 140 | 148 | 145 | 161 | 157 | 158 | 158 | 158 | 158 |
| Miscellaneous Goods | ... | ... | 101 | 110 | 121 | 127 | 130 | 137 | 141 | 148 | 145 | 145 | 150 | 152 | 152 | 153 | 153 | 153 |
| Services $\begin{aligned} & \text { Drink and Tobacco }\end{aligned}$ |  | $\ldots$ | 100 107 | 112 | 119 159 | 123 | 128 | 130 236 | 134 234 | 241 | 274 | 285 | 297 | 316 | 316 | 316 | 316 | 316 |
| All Items ... .. |  | $\ldots$ | 102 | 119 | 130 | 139 | 143 | 146 | 148 | 150 | 160 | 161 | 168 | 174 | 174 | 175 | 175 | 175 |

wholesale food prices would now be about $2 \frac{1}{2}$ times the 1938 level. This is about the same rise as in prices received by domestic farmers, but rather less than the rise in the prices of imported food. It is remarkable how uniform is the price rise since 1938 in the different food groups. Only the miscellaneous group (sugar, tea, coffee and cocoa) shows a price rise much different from the average.

The termination of subsidies, in the sense used here, would increase the present level of wholesale food prices by about $45 \%$, from $176 \%$ to $255 \%$ of 1938. The same absolute increase would occur in retail food prices, but the percentage increase would be smaller. This percentage increase can
be estimated at $35 \%$ for the food group in the retail price index. The effect on the total retail price index is then easily calculated and the results for October, 1948, are as follows :-

|  |  | June, 1947 $=100$ |  | $\begin{gathered} \text { Average } \\ \hline \text { After } \\ \text { Subsidies } \end{gathered}$ | $1938=100$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | After Subsidies | Before Subsidies |  | Before Subsidies |
| Food ... All Items | $\ldots$ | $\begin{aligned} & 107.6 \\ & 108.4 \end{aligned}$ | $\begin{aligned} & 145 \cdot 3 \\ & 121.5 \end{aligned}$ | $148$ | ${ }_{196}^{200}$ |

The reduction of net subsidies to zero raises the retail price index as a whole by about $12 \%$. This calculation confirms the estimate given by the Economic Secretary to the Treasury.

# WAGES AND EARNINGS 

By A. L. Bowley

There were no changes in wages that affected our index-number significantly between last October and January. The average increase from December, 1947, to December, 1948, was $4 \%$ or $5 \%$, which corresponds closely to the change in retail prices. There are, however, several claims for increases under discussion, and there have been minor adjustments not CHANGES IN WEEKLY WAGE RATES.

shown in the index-numbers. Builders' wages are increased from February 7th, in accordance with the earlier rise in retail prices; their index will rise about 3 points, inducing a trifling change in the general average.

The earnings per shift of coal-miners continued to rise during the first three-quarters of 1948, though there has been no change in the minimum or the standard piece-rates since November, 1947.
COAL MINERS' EARNINGS AND NUMBER OF SHIFTS

(a) Average earnings per man-shift (including allowances in kind) of all workers.
(b) Average weekly earnings of all workers.
(c) Quotient of $b$ by $a$, which indicates the average number of shifts per week in the quarter.

The reduction of weekly earnings in the third quarter is due to holidays.

The following Table shows the relation of the various index-numbers since June, 1947. The details were discussed in the Bulletin for last November.

The report on Earnings and Hours in Principal Industries in April, 1948, was published

|  | Wage-r | Index N d of Month | mbers |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{array}{r} \text { Bu } \\ \text { General } \end{array}$ | Excluding Coal | Ministry of Labour | Prices Index Mid-Month |
| 1947 |  |  |  | 100 |
| June | 100 | 100 $100 \cdot 8$ | 100 100 | 100 |
| July $\quad$. | $100 \cdot 6$ $100 \cdot 6$ | $100 \cdot 8$ $100 \cdot 8$ | 100 | 100 |
| August ... | $100 \cdot 6$ 101.4 | $100 \cdot 8$ 101.7 | 101 | 101 |
| September | 101.5 | 101.7 | 102 | 101 |
| November | $104 \cdot 2$ | $102 \cdot 9$ | 103 | 103 |
| December | $104 \cdot 2$ | $102 \cdot 9$ | 103 | 104 |
| 1948 |  |  |  | 104 |
| January... | $105 \cdot 0$ $106 \cdot 1$ | $104 \cdot 1$ $105 \cdot 4$ | 104 104 | 106 |
| February | 106.1 106.7 | $105 \cdot 4$ 106.2 | 104 105 | 106 |
| April ... | $107 \cdot 1$ | $106 \cdot 4$ | 105 | 108 |
| May ... | 107.1 | $106 \cdot 4$ | 105 | 108 |
| June | $107 \cdot 3$ | 106.6 | 106 | 110 |
| July ... | $107 \cdot 6$ | 107.0 | 106 | 108 |
| August ... | $107 \cdot 6$ | 107.0 | 106 | 108 |
| September | 107.7 | 107.2 | 106 | 108 |
| October ... | 109•1 | $108 \cdot 6$ | 107 | 108 |
| November | $109 \cdot 1$ | $108 \cdot 6$ | 107 | 109 109 |
| December | 109•1 | $108 \cdot 6$ | 107 | 109 |
| $1949$ <br> January... | $109 \cdot 1$ | $108 \cdot 6$ | 107 | $\cdots$ |

too late for comment in the previous Bulletin. Salient figures, showing the movement since 1938, are as follows :-

PRINCIPAL INDUSTRIES,* UNITED KINGDOM


RELATIVE NUMBERS EMPLOYED


## THE EXTERNAL TRADE POSITION

By C. F. Carter.

The improvement in the British balance of payments during 1948 is partly due to the invisible items; but comment on these must await the publication of fuller estimates, and this article reviews only the progress in visible trade. The point of reference can be any of the numerous "targets" provided by the Government. The recent past has been singularly productive of these ; here are some of the estimates for the volume of U.K. exports as a percentage of 1938 :

| - | Relating to :- | \% |
| :---: | :---: | :---: |
| Board of Trade (Sept., 1947) | End-1948 rate | 0 |
| "Econ. Survey" (Mar., 1948) | End-1948 rate | 0 |
| Do. | Average of 1948 | 30 |
| Do. | Second half of 1948 | 136 |
| Board of Trade (Oct., 1948) | End-1949 rate ... ${ }^{\text {a }}$ ] | 155 |
| Do. | Average of 1948 (expected) | 38 |
| Cmd. 7545 (Oct., 1948) | Average, July, '48-June, '49 | 145 |
| Cmd. 7572 (Dec., 1948) | Average, July, 49-June, '50 | 150 |
| Do. | Average, July, |  |

These figures cause confusion between rates at a moment of time and averages for a period, and between calendar years and E.C.A. years; but in any case two different types of estimate are involved. Some of the figures are "Tantalus" estimates, meant to encourage the community to fresh efforts by being always just beyond our reach ; while others are realistic, even pessimistic, forecasts of what may safely be assumed in planning for the future. Yet as we look
further into the future, to a time when price competition may be severe, even these "realistic" forecasts become tinged with optimism.

To make confusion worse confounded, the end-year targets for both 1948 and 1949 are quoted in terms of end-1947 prices plus 5\%, though the "Economic Survey" says that "it is the percentages and not the values which form the targets". Also, exports have a marked seasonal movement, similar to that of production as a whole, with peaks at July (June for production) and November. It is therefore not easy to relate the rate attained in December with the

|  |  | U.K. Exports Value (f.o.b.) (£Mn. per year) | Exports <br> Volume index <br> (1938-100) | Production (industrial only) : LCES index : 1946 put at 99 . |
| :---: | :---: | :---: | :---: | :---: |
| 1938 | ... ... | 471 | 100 | $\cdots$ |
| 1946 |  | 915 | 99 | 99 |
| 1947 | $\ldots$ | 1138 | 109 | 107 |
| 1948 | ... ... | 1583 | 136 | 118 |
| 1948 | lst Qtr.2nd Qtr.3rd Qtr.4th Qtr. | 1416 | 126 | 117 |
|  |  | 1565 | 134 | 120 |
|  |  | 1613 | 138 | 113 |
|  |  | 1719 | 147 | 122 |
| 1948 | November December | 1790 | 149 | 125 |
|  |  | 1715 | 148 | 117 |

average for either the preceding or the following year.

Nevertheless we must record with satisfaction that Tantalus has sipped the waters of success. The foregoing table shows the development of the export drive in its relation to industrial production.

Exports have thus comfortably exceeded the "Economic Survey" estimates for the average of 1948 and for the second half of 1948, and seem likely to exceed the E.C.A. estimate for 1948-49; but they have just failed to reach the hoped-for figure of $150 \%$ at the end of the year. The rise in prices over the year having been about $6 \%$, the value estimate in the "Economic Survey" has been exceeded by some $£ 150 \mathrm{Mn}$.

How has this result been achieved, and what are the prospects for 1949 ? The following table shows the performance of the chief groups :

|  | Relative importance (\% of total "target" exports). | Target rate, end 1948 <br> (\% of 1938). | Approximate rate achieved. (\% of 1938) |
| :---: | :---: | :---: | :---: |
| Vehicles | 14 | 255 | 280 |
| Machinery ... | 15 | 206 | 210 |
| All metal products | 44 | 201 | 210 |
| Cotton products ... | 9 | 79 | 75 |
| Wool products ... | 8 | 202 | 145 |
| All textile products | 25 | 134 | 110 |
| Other manufactures | 19 | 164 | 140 |
| Food and drink ... | 4 | 117 | 115 |
| Coal | 3 | 39 | 39 |
| Total, inc. miscellaneous items ... | 100 | (150) | (149) |

The figures shown in the last column are the approximate highest monthly rates achievedmainly in November, as Christmas causes a natural fall in exports in December.* It will be seen that cotton exports have made the expected end-of-year spurt, to come very near to the target rate, which they have exceeded in value; while wool products and "other manufactures" (especially "fancy" goods) lag behind. The target level of coal exports was just reached in October, but the prospects of further expansion are not very bright. The export price of coal, however, has risen by some $40 \%$ since 1947 , so that our exports are bringing in larger foreign exchange earnings than the target values allow.

The failures of other industries were mostly offset by the success of the metal trades. This is perhaps not a very safe foundation for our hopes for 1949 and later years. Some day price competition and import restrictions will surely limit the growth of our automobile exports. The

[^9]long-term prospects for shipbuilding are not too bright. The massive exports of machinery and electrical goods are vulnerable to changes in trade conditions abroad, to the completion of re-equipment programmes, and to the development of competitive producers. The target rate for the end of 1949 has therefore been set at 212 for the group, hardly more than the rate already achieved, and for the further expansion of total exports it is assumed (a) that the textile lame ducks will struggle up to their end-1948 destination a year late, (b) that coal and " other manufactures ", especially chemicals and pottery, will show a substantial rise. The first of these is possible, the second decidedly optimistic on present showing. Nor must it be forgotten that, as the first table shows, the 1948 rise in exports has meant a drop in the proportion of goods flowing to the home market. It may well be difficult to reduce this proportion any more.

Total imports in 1948 were $£ 2,080 \mathrm{Mn}$., and retained imports $£ 2,015 \mathrm{Mn}$., thus leaving a visible adverse balance (imports measured c.i.f.) of $£ 432 \mathrm{Mn}$. There has been considerably less target practice in the import field. The policy here has been to stabilise the volume of retained imports at about $80 \%$ of 1938, the proportion allocated to food being slightly below that in 1947, and that for raw materials, together with non-ferrous metals and refined petroleum, correspondingly higher. The active item in determining the cost of imports has been the price-level, and here the hopes of a year ago have been disappointed:

|  | Retained Imports |  |  | Exports <br> Average value index (1938 = 100). | Terms of Trade based on Average Values.* |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Value <br> (c.i.f.) <br> (£Mn. <br> per year) | $\begin{gathered} \text { Volume } \\ \text { index } \\ (1938= \\ 100) \end{gathered}$ | $\begin{gathered} \text { Average } \\ \text { value } \\ \text { index } \\ (1938= \\ 100) . \end{gathered}$ |  |  |
| 1938... | 858 | 100 | 100 | 100 | 100 |
| 1946... | 1251 | 68 | 212 | 196 | 108 |
| 1947... | 1735 | 78 | 260 | 222 | 116 |
| 1948... | 2015 | 81 | 290 | 247 | 117 |
| 1948 lst Qtr. | 1915 | 80 | 274 | 239 | 115* |
| 2nd Qtr. | 2095 | 81 | 300 | 247 | 117* |
| 3 rd Qtr. | 2019 | 82 | 289 | 250 | $118 *$ |
| 4th Qtr. |  | 80 | 297 | 250 | 118** |

* For the quarters of 1948 , interpolated the import and export price indices, since the quarterly variations in average values reflect seasonal changes in the composition of trade.
The index of the terms of trade reached a peak of 126 in July, and there is therefore some reason to hope that the long adverse movement has come to an end. But the terms of trade are still $6 \%$ worse than in 1947-a change which has cost us $£_{100 \mathrm{Mn} \text {. }}^{\text {. }}$

The final measures of progress which we must consider are the proportions of imports taken
from, and exports sent to, the "Western Hemisphere" countries,* which are as follows:

Exports and
Imports (c.i.f.)
Re-exports (f.o.b.)

It will be seen that a little of the ground won in the early part of the year, by a sharp reduction in the proportion of imports from the Western Hemisphere, lost in the third quarter but regained in the fourth; and that the slow rise of the export proportion continues.

All these trade figures teach the same lesson : that, although 1948 has seen valuable progress, unrelenting effort will be needed to hold our ground in 1949, let alone to advance to the " viability" of 1952.

## CAPITAL FORMATION

## THE BUILDING AND CIVIL ENGINEERING INDUSTRIES

By Ian Bowen

In the table below, estimates are given of the value of work done by the building and civil engineering industries. The latest preliminary estimates relate to the third quarter of 1948 ; revised figures for the second quarter are also shown in the table.

The gross value of output of the industries in the third quarter is put at $£ 169 \mathrm{Mn}$., as against $£ 187 \mathrm{Mn}$. in the preceding quarter, and $£ 153 \mathrm{Mn}$. in the third quarter of 1947. The decrease between the second and third quarters of 1948 was due to two main factors: the large (but apparently well-justified) allowance made for a fall-off in labour output in the holiday period, due to holidays with pay: and secondly the continuing shift of labour from relatively high productivity work on new housing to employment on less valuable types of work. Owing to
this shift, the value of work done on new housing fell more severely than any other item.

In the third quarter of 1948 about 7,000 more men were employed in the industry on the average than in the second quarter, an increase of less than $1 \%$ of the existing labour force, but nevertheless an increase. The decline in the value of work done thus did not represent a release of man-power from the constructional to other industries.

The decline in value of work done on new housing amounted to $£ 10 \mathrm{Mn}$. The number of houses under construction continued to decline, owing to the considerable excess of houses completed over houses begun.

The man-power position would clearly allow for the present, or a larger, housing programme to be continued, i.e., an annual output of about

ESTIMATED GROSS OUTPUT OF THE BUILDING AND CIVIL ENGINEERING INDUSTRIES IN GREAT BRITAIN (£Mn.).

|  | HOUSING |  |  |  | WORKOTHER THAN HOUSING |  |  | TOTAL |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | New houses | Conversions and adapta. tions | War damage repairs for houses | Repairs and maintenance for houses | Other war damage repairs | Industry and agriculture | Other |  |
| 1946 Qr. I | $30 \cdot 3$ | $5 \cdot 6$ | $25 \cdot 7$ | 11.0 | $3 \cdot 6$ | $12 \cdot 3$ | $19 \cdot 0$ | 107.5128.1 |
| , | $42 \cdot 5$ | $5 \cdot 8$ | $23 \cdot 6$ | $13 \cdot 0$ | $3 \cdot 9$ | $16 \cdot 8$ | 22.5 |  |
| ", III | $48 \cdot 6$ | $5 \cdot 4$ | $19 \cdot 6$ | 13.9 | $3 \cdot 5$ | $19 \cdot 9$ | $21 \cdot 6$ | 132.5 |
| ", IV | $62 \cdot 1$ | 6.1 | $20 \cdot 1$ | 16.2 | $4 \cdot 1$ | $24 \cdot 3$ | $25 \cdot 6$ | $158 \cdot 5$ |
| Total | $183 \cdot 5$ | $22 \cdot 9$ | $89 \cdot 0$ | $54 \cdot 1$ | $15 \cdot 1$ | $73 \cdot 3$ | $88 \cdot 7$ | $526 \cdot 6$ |
| 1947 Qr. $\begin{array}{rrr}\text { I } \\ \prime \prime & \text { II } \\ \text { ", } & \text { III } \\ \text { IV }\end{array}$ | $\begin{aligned} & 42 \cdot 1 \\ & 51 \cdot 1 \\ & 49 \cdot 5 \\ & 60 \cdot 0 \end{aligned}$ | $\begin{aligned} & 4 \cdot 8 \\ & 6 \cdot 6 \\ & 5 \cdot 7 \\ & 6 \cdot 2 \end{aligned}$ | 13.5 | 13.4 |  | 16.9 |  | $115 \cdot 2$ 159.8 |
|  |  |  | $17 \cdot 4$ | $19 \cdot 3$ | $4 \cdot 3$ $4 \cdot 1$ | 26.4 26.9 | $\begin{aligned} & 34 \cdot 7 \\ & 34 \cdot 2 \end{aligned}$ | 153.1 |
|  |  |  | $\begin{aligned} & 14 \cdot 6 \\ & 15 \cdot 4 \end{aligned}$ | $22 \cdot 6$ | $4 \cdot 4$ | $31 \cdot 1$ | $40 \cdot 5$ | $180 \cdot 2$ |
|  |  |  |  |  |  |  |  |  |
| Total | $202 \cdot 7$ | $23 \cdot 3$ | $60 \cdot 9$ | $73 \cdot 4$ | 15.9 | 101.3 | $130 \cdot 8$ | 608-3 |
| $\begin{array}{cr}1948 \\ \text { Qr. } & \text { I } \\ \text { ", } & \text { III } \\ & \text { III }\end{array}$ |  |  | $13 \cdot 4$ | $22 \cdot 3$ | $4 \cdot 3$ | 27.8 | $40 \cdot 3$ | 170.5 |
|  | 58.8 | 6.5 | 14.0 | $25 \cdot 3$ | $4 \cdot 7$ | $36 \cdot 0$ 35.8 | $41 \cdot 7$ 38.7 | 187.0 169.1 |
|  | $48 \cdot 2$ | $5 \cdot 7$ | 11.9 | $24 \cdot 3$ | $4 \cdot 5$ | $35 \cdot 8$ | 38.7 | $169 \cdot 1$ |

220,000 houses a year, and according to a hint of the Economic Secretary to the Treasury (Hansard, December 16th, 1948), it is not officially expected that any substantial change in the total labour force of the industries is to be made. But there has been heavy licensing of factory and industrial building in the second half of 1948. Moreover, the new educational proprogramme for 1949 (issued by the Ministry of Education on December 17th, 1948) is twice as big as the 1948 programme. Conflicting claims of this kind on the resources of the industry, the release of labour from the building materials' industries, and a continuing scarcity of timber may combine to prevent an expanded programme of house-building.

One solution to the problem would be to cut down the size, and perhaps the amenities, of the post-war council house. This has been proposed by the Girdwood and Laidlaw Committees on house-building costs in their first reports. The main arguments in favour of this course are the need to reduce costs, so as to lessen the financial strain of the present programme, and the possibility of enabling more houses to be built with the same resources. (Another quite separate argument is that resources could be saved by including in the housing programme a larger proportion of one and two-bedroom houses than was at first contemplated; local authorities
are gradually accepting and applying this principle.)

Counter-arguments are that costs seem quite likely to come down of their own accord in 1949, unless general inflationary forces drive them up; and secondly, that a given percentage cut in amenities would cause long-run inconveniences to tenants, disproportionate to the saving that would be effected, and also that a reduction in size or amenities would not inevitably lead to a greater achievement in total houses completed.

The maintenance of a very large labour force attached to the constructional industries has marked a failure to achieve the paper targets of the plan embodied in the Economic Survey. But this does not necessarily mean that the labour remaining attached to the industry has been badly distributed from an economic point of view. The attraction has largely been the numerous minor works of repair and maintenance which were urgently needed to restore the capital equipment of industry and of private citizens. With the gradual lifting of the administratively cumbrous licensing restriction on small works, running into millions per year, such a drift on to small works was bound to result from the exercise of consumers' preference for this kind of expenditure. After a few years, the size of the repair and maintenance annual bill will very likely fall once again.

# WORLD COMMODITY SURVEY 

$$
\text { I.-COPPER, LEAD AND ZINC IN } 1949
$$

By R. F. Podmore

An attempt is made herein to suggest the possible World Situation during 1949 in the three non-ferrous metals-copper, lead, zinc. This may appear a bold, even rash, undertaking where the only certain prediction is that as the year unfolds, surprises will be in store, but it is hoped that some thoughts of value will emerge. Space necessitates treatment in broad outline and, naturally, estimates are tentative. Tonnages are all Short Tons of $2,000 \mathrm{lbs}$.

As a preliminary the situation as it developed during 1948 should be summarised. Throughout the year demands for copper, lead and zinc continued strong in all consuming countries and, had currency difficulties been absent, the quantities sought for would undoubtedly have been even greater. Despite strikes, transport dislocation, and lack of operating supplies, the levels of primary production continued at a relatively high
rate, but not sufficient to outstrip demand. Although complete stock figures are not available, there is little doubt that industrial stocks were not greatly augmented during the year. The considerable employment of secondary metal emphasised the firmness of demand. Price changes in the United States (the only representative free market) were all upward. Copper rose from $21.525 \mathrm{c} / \mathrm{lb}$. in January to $23.521 \mathrm{c} / \mathrm{lb}$. in December; N.Y. Lead- $15.00 \mathrm{c} / \mathrm{lb}$. on January 2nd, was $21.50 \mathrm{c} / \mathrm{lb}$. by November; and Prime Western Zinc was $17.50 \mathrm{c} / \mathrm{lb}$. in December against $10.50 \mathrm{c} /$ lb . at the beginning of the year. Earlier concern over the available reserves of non-ferrous metals was somewhat allayed by information issued regarding the prospecting and development of potentially great properties in Canada, the United States and elsewhere. Although these will not contribute to any great degree in 1949 to the
supply of metals, there are possibilities that useful tonnages of lead and zinc will be increasingly available from South West Africa, Australasia and other scattered mining enterprises. In all, it may be stated that 1948 was, in general, very favourable for the producers of virgin copper, lead and zinc. How far will this situation persist, if at all, in 1949?

The key to the World Situation for metals during 1949 is in the probable developments within the U.S.A. Important secondary factors are the extent of present world stocks of the metals; possible new mine production; and not least in importance, although mainly political, the influence of the U.S.S.R. With primary raw commodities such as copper, lead and zinc, the outlook is best reviewed against the global background considered in relation to its component parts,
(a) N. America (U.S.A., Canada and Mexico).
(b) U.K. and Europe.
(c) Rest of the World.

## N. America

Table 1 estimates the possible production and consumption of copper, lead and zinc during 1949 in the U.S.A., Canada and Mexico.

TABLE 1
NORTH AMERICA: ESTIMATES FOR 1949 Newly-mined Virgin Metal 000 Sh . Tons.

|  |  | Production | Consumption | Balance |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
| Copper | $\ldots$ | $\ldots$ | 1,400 | 1,500 | -100 |
| Lead | $\ldots$ | $\ldots$ | 800 | 845 | -45 |
| Zinc (slab) $\ldots$ | $\ldots$ | 1,110 | 955 | +155 |  |

These estimates are based on the industrial requirements of the area and do not allow for quantities needed by the U.S. Authorities for stock-piling. It is evident that the U.S.A. supply problem will determine the course of metals not only in America but throughout the world. The United States Administration needs to prevent a business recession and will have to decide whether defence necessities take priority over civilian economy.

The supply problem incorporates two main factors:-
(a) the extent of stock-piling effectiveness,
(b) whether postponed consumer needs are already fully met.
The uses of the three metals in industry are extremely broadly based so that only a major recession would cause large contraction in demand; it must be assumed that every effort will be made to avoid this situation and a continuing strong demand may be anticipated. Stock-piling re-
quirements provide an ever present re-inforcement to demand. It has been announced that 90,000 short tons of Copper, 53,000 of Lead, and 60,000 of Zinc are wanted by June, 1949. Since the early 1930's U.S. domestic output of lead and zinc has been insufficient for her industrial needs; copper is now in the same category ; it may, therefore, follow that the suspension of the U.S. Tariff on copper will be extended beyond March next. Both Canada and Mexico have exportable surpluses of all three metals which they will endeavour to maintain in order to acquire foreign exchange.

## U.K. and Europe

TABLE 2
U.K. AND EUROPE: ESTIMATES FOR 1949

Newly-mined Virgin Metal. 000 Sh. Tons

|  |  | Production | Consumption | Balance |  |
| :--- | :--- | :--- | :---: | :---: | :---: |
|  |  |  |  |  |  |
| Copper | $\ldots$ | $\ldots$ | 150 | 780 | -630 |
| Lead | $\ldots$ | $\ldots$ | 140 | 550 | -410 |
| Zinc (slab) $\ldots$ | $\ldots$ | 555 | 660 | -105 |  |

This Table, compiled on similar principles to Table 1, excludes the U.S.S.R. from the area and illustrates the most important feature of the European metal situation: Europe's overwhelming degree of dependence on imported material to meet industrial requirements. Even in zinc (dealt with throughout this Article in terms of slab zinc because of the commodity's special metallurgical features) there is the need for importation of considerable quantities of ore and concentrates for refining. In the review of the European outlook in general, the United Kingdom is included, although its special position in relation to the Empire and Commonwealth is not disregarded. Few European countries have exportable surpluses of copper, lead or zinc (Yugoslavia is most favoured with balances in all three ; Scandinavia is well placed for copper and Belgium and Poland for zinc) so that, while for some nations considerable reliance is placed on colonial resources, the currency problem will tend to restrict metal uses to basic essential needs for rehabilitation and re-export of manufactures. It scarcely needs emphasising how much depends upon Marshall Aid assistance in financing purchases ; the extent of this must wait Congress' approval of E.R.P. figures based on consideration and adjustment of O.E.E.C. countries' reports.

Nevertheless, the scope and fundamental importance of European industrial capacity presumes the continuation, as far as possible, of the currently strong demand for metals even in face of the better bargaining position of the U.S.A. for any surpluses.

Rest of World.-

TABLE 3

REST OF WORLD (i.e., excluding N. AMERICA AND EUROPE): ESTIMATES FOR 1949 Newly-mined Virgin Metal. 000 Short Tons

|  | Copper |  |  | Lead |  |  | Zinc (Slab) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { E } \\ & \text { O } \\ & 0 \\ & 0 \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ | $\begin{aligned} & \text { B } \\ & 0 \\ & 0 \\ & 0 \\ & \text { a } \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ |  | $\begin{aligned} & \text { I } \\ & \text { O } \\ & 0 \\ & 0 \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ |  | \% | $\begin{aligned} & \text { B } \\ & \text { O. } \\ & \text { B } \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ | $\begin{aligned} & \text { a } \\ & \text { O } \\ & \text { 品 } \\ & \text { 晰 } \\ & 8 \end{aligned}$ |  |
| Africa | 500 | 25 | $+475$ | 96 | 5 | $+91$ | 25 | 5 | $+20$ |
| S. America | 550 | 50 | $+500$ | 77 | 48 | + 29 | 5 | 20 | -15 |
| Asia | 275 | 300 | -25 | 140 | 135 | + 5 | 125 | 165 | $-40$ |
| Australasia | 20 | 40 | -20 | 240 | 50 | $+190$ | 80 | 50 | $+30$ |
| Total... | 1,345 | 415 | $+930$ | 553 | 238 | $+315$ | 235 | 240 | $-5$ |

In Table 3 figures for the U.S.S.R. are combined with the totals for Asia and it must be assumed that the U.S.S.R. will, throughout 1949, continue largely self-sufficient in metals, although it is expected that she may try to acquire some tonnages from outside sources either directly or through countries within her zone of influence.

The Table indicates that the role of the Rest of the World in relation to copper, lead and zinc is, on the whole, that of a supplier of the metals to the chief industrial nations. The question therefore is, to what extent will the area be able to maintain or increase its output of the necessary tonnages? Economic mining programmes are not susceptible to rapid changes; sudden increases in rates of production cannot be expected. However, the estimated production figures in Table 3 are, in general, within the rated mine capacities of the individual properties considered. Restricting influences on production during 1948 were lack of operating supplies, transport troubles and stoppages of labour. Without these features in 1949, the output as estimated should be forthcoming. There is the further possibility of the firmness of demand supporting the current high prices and even leading to higher levels, thus encouraging efforts to attain maximum production. An additional reinforcing factor is the proposal for E.C.A. help in increasing output of strategic materials.
Summary
TABLE 4
SUMMARY : WORLD ESTIMATES FOR 1949 Newly-mined Virgin Metal. 000 Sh. Tons

|  |  | Production | Consumption | Balance |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
| Copper | $\ldots$ | $\ldots$ | 2,895 | 2,695 | +200 |
| Lead | $\ldots$ | $\ldots$ | 1,493 | 1,633 | -140 |
| Zinc (slab) $\ldots$ | $\ldots$ | 1,900 | 1,855 | +45 |  |

Table 4, consolidating estimates in the three preceding tables, indicates the probable narrow margins between available supplies and demand for virgin metal during 1949 for the World as a whole. Consumption estimates have been evaluated on a conservative basis, primarily because of indicated exchange difficulties, and they exclude possible off-take for strategic stock-piling. The conclusion of a Defensive Pact between the Brussels Powers, Canada and the U.S.A. would, probably, lead to increased demands for metals for armaments. The outlook for 1949 is recapitulated, all too briefly, hereunder :-

Copper.-An intriguing position may easily develop during 1949, with a real surplus as a possibility. However, strategic stock-piling will undoubtedly have first call on apparent surpluses over industrial needs and, periodically, may be in competition with commercial demands. No great changes appear likely in proportionate uses of copper. High Conductivity products are expected to claim the lion's share, thus continuing the tightness of electrolytic copper supply. Projected increases in non-dollar Electrolytic Refining capacity are not likely to be effective to any large degree in 1949. Fluctuations in other uses arose in the last few months of 1948, notably in the Brass Trades, which were also affected by the zinc situation, but no fundamental change is apparent and the level of demand still appears to be high. The world copper situation in 1949 will need close attention. A potent factor is the output of newlymined copper which, in the absence of unfavourable developments, may reach substantial proportions and even exceed world industrial demand.

LeAD.-The primary lead producers' outlook indicates a continuation during 1949 of the favourable situation that obtained during 1948. The incidence of secondary lead in production and consumption statistics complicates the picture, but also serves to emphasise the world shortage of the metal. Use of lead in the three main fields, the storage battery industry, cables, and building, shows no overall tendency to contract in moderately, while the multiplicity of other uses in aggregate continues to require large quantities. If to these industrial demands are added tonnages intended for stockpiling, production will need to be maintained at levels to furnish not less than $1,750,000$ short tons of lead in 1949. This objective is within the total mine capacity of the producers and, provided interruptions to production are at a minimum, should be attained. Lead, however, is likely to remain in short supply.

Zinc.-Although zinc has been considered in this article mainly as slab zinc, pyrometallurgical

| Commo-dity | Season | Unit | Pre-war base | WORLD PRODUCTION |  |  | WORLD CONSUMPTION |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | $\begin{aligned} & \text { Last } \\ & \text { season (p) } \end{aligned}$ | $\begin{gathered} \text { Last } \\ \text { season (p) } \\ \% \text { of } \\ \text { pre-war } \end{gathered}$ | $\begin{gathered} \text { Current } \\ \text { season (p) } \\ \% \text { of } \\ \text { pre-war } \end{gathered}$ | $\begin{gathered} \text { Last } \\ \text { season (p) } \end{gathered}$ | $\begin{gathered} \text { Last } \\ \text { season (p) } \\ \text { \% of } \\ \text { pre-war } \end{gathered}$ | $\begin{gathered} \text { Current } \\ \text { season (p) } \\ \text { \% of } \\ \text { pre-war } \end{gathered}$ |
| Wheat... | Begins spring | Mn. bush. of $60!\mathrm{b}$. | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | 5,790 | 97 | 105 | n.a. | - | - |
| Fats and Oils | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | $\begin{gathered} 17,700 \\ \text { (oil equiv.) } \end{gathered}$ | 92 | n.a. | n.a. | - | - |
| Sugar ... | Begins Sept. | 000 tons | 1937-8 | $\begin{gathered} 27,236 \\ \text { (raw value) } \end{gathered}$ | 94 | 105 | n.a. | - | - - |
| Tea ... | Calendar year | Mn. lb. | $\begin{gathered} \text { Average } \\ 1936-8 \end{gathered}$ | $\begin{gathered} 774 \\ \text { (exports) } \end{gathered}$ | 87 | n.a. | 774 <br> (absorption excl. local produce) | 87 | n.a. |
| Coffee ... | Begins July | Mn. bags of 132 lbs . | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to } 1939 / 40 \end{aligned}$ | $\begin{gathered} 28.8 \\ \text { (exportable) } \end{gathered}$ | 81 | n.a. | 29.6 (in 1948) | n.a. | n.a. |
| Cocoa ... | Begins October | 000 tons | $\begin{array}{\|c} \text { Av. } 1935 / 6 \\ \text { to } 1938 / 9 \end{array}$ | 585 | 83 | n.a. | 600 | 91 | (93) |
| Cotton (q) | Begins <br> August | Mn. bales (478 lb. net) | $\begin{array}{\|l} \text { Av. } 1934 / 5 \\ \text { to } 1938 / 9 \end{array}$ | $23 \cdot 2$ | 80 | 97 | 26.5 | 95 | 97 |
| Wool (apparel) | $\begin{aligned} & \text { Begins } \\ & \text { July (d) } \end{aligned}$ | Mn. lb. (greasy) | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to } 1938 / 9 \end{aligned}$ | 2,910 | 99 | 101 | 3,850 | 124 | 122 |
| Jute | Begins July | 000 tons | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 1,440 (n) | 85 | (79) | n.a. | - | - |
| Sisal ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 210 (o) | 88 | (100) | n.a. | - | - |
| Rubber... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936-9 \end{gathered}$ | $\begin{gathered} \text { 1,830 incl. 1,270 } \\ \text { natural } \end{gathered}$ | 176 | (197) | $\underset{\text { natural }}{\text { 1,735 incl. } 1,110}$ | 156 | (169) |
| Copper... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1937-8 \end{gathered}$ | 2,130 (primary) | 100 | (110) | n.a. | - | - |
| Lead | Calendar year | 000 tons | 1938 | 1,280 | 78 | n.a. | n.a. | - | - |
| Tin | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936-8 \end{gathered}$ | 113.5 (in ore) | 64 | (84) | 132.6 | 77 | (84) |
| Zinc | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 1,450 | 109 | n.a. | n.a. | - | - |

It will be appreciated that many figures included above are rough estimates only. This applies especially to those in brackets. All tons are long tons of $2,240 \mathrm{lbs}$. n.a. $=$ not available. (a) in hands of principal exporters. (b) apparent supplies. (c) average 1936-9.
(d) Some minor producers on other seasons. (e) incomplete. (f) Average 1934-38. (g) Price ratios are in terms of the currency in which quoted; the corresponding sterling ratios are added marked (g), where necessary.

## WORLD COMMODITY <br> SURVEY

|  | WORLD STOCKS |  | U.K. CONSUMPTION |  | PRICES |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Amount | $\%$ of pre-war | Last season (p) | $\begin{aligned} & \% \text { of } \\ & \text { pre-war } \end{aligned}$ | Date | Representative price | $\begin{gathered} \% \text { of } \\ \text { pre-war (g) } \end{gathered}$ |
| July, 1948 | 406 (a) | n.a. | 210 (b) | 98 | $\begin{gathered} \text { Jan. } 3-13, \\ 1949 \end{gathered}$ | Chicago May futures $\$ 2.26$ per bush. | $\begin{gathered} 232 \\ 276(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 1,120 | (80) | Oct., 1948 | U.S. Dept. of Labor index $(1926=100)$ | $\begin{aligned} & 316 \text { (c) } \\ & 378 \text { (g) } \end{aligned}$ |
| - | n.a. | - | $\begin{aligned} & 1,830 \text { refined } \\ & =2,020 \text { raw } \end{aligned}$ | 86 | Jan., 1949 | Raws, f.o.b. Cuba $\$ 4.00$ per 100 lb . | $\begin{gathered} 275 \\ 335(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 435 | 86 | $\begin{gathered} \text { Dec. 21, } \\ 1948 \end{gathered}$ | Calcutta auction average, with export rights $2 / 2 \frac{1}{2} \mathrm{lb}$. | (230) |
| - | n.a. | - | 0.7 | (180) | $\begin{gathered} \text { Jan. 3-13, } \\ 1949 \end{gathered}$ | New York spot, Brazilian Santos, No. 2 29•25c.lb. | $\begin{gathered} (320) \\ (380)(\mathrm{g}) \end{gathered}$ |
| - | n.a. | - | 103 (1) | 97 | $\begin{gathered} \text { Jan. 3-13, } \\ 1949 \end{gathered}$ | Accra, c.i.f. New York 28.5 c. per lb. (average) | $\begin{gathered} (400) \\ (485)(\mathrm{g}) \end{gathered}$ |
| $\begin{aligned} & 31 \text { July, } \\ & 1948 \end{aligned}$ | (13.8) | (80) | (1-9) | (70) | $\begin{gathered} \text { Jan. 3-13 } \\ 1949 \end{gathered}$ | New York spot, middling建" $\quad 33.0$ c. per lb. | $\stackrel{290}{350}(\mathrm{~g})$ |
| $\begin{gathered} 30 \text { June, } \\ 1948 \end{gathered}$ | 3,551 | n.a. | (480 clean weight) | (113) (f) | Dec., 1948 | Dominions wool, average clean delivered cost out of London Sales 64's. $=99 \mathrm{~d}$. lb. 48 's. $=37 \frac{1}{2}$ d. lb. | $\begin{aligned} & 385(\mathrm{k}) \\ & 280(\mathrm{k}) \end{aligned}$ |
| - | n.a. | - | 100 | 58 | Jan., 1949 | First Marks, c.i.f. London (Nominal) £105 per ton | 578 |
| - | n.a. | - | n.a. | - | Jan., 1949 | No. 1 (free) c.i.f. London £94 per ton | 560 (h) |
| $\begin{gathered} 31 \text { Oct., } \\ 1948 \end{gathered}$ | 897 incl. 782 natural | 166 | 156 incl. 154 nat. | 140 | $\begin{aligned} & \text { Jan. 14, } \\ & 1949 \end{aligned}$ | London R.S.S. spot $12 \frac{9}{16} \mathrm{~d}$. per lb. | 153 |
| $\begin{gathered} 31 \text { Oct., } \\ 1948 \end{gathered}$ | 209 refined (e) | (60) (j) | 350 | 125 | Jan., 1949 | U.S. electro, Connecticut Valley $23 \cdot 5 \mathrm{c}$. per lb. | $\begin{gathered} 199 \\ 246(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 200 (refined) | 50 to 60 | Jan., 1949 | New York 21.5c. per lb. | $\begin{gathered} 450 \\ 545(\mathrm{~g}) \end{gathered}$ |
| $\begin{aligned} & 30 \text { Sept., } \\ & 1948 \end{aligned}$ | $143 \cdot 7$ | n.a. | 27-4 | 124 | Jan., 1949 | Refined, New York, 103c. per lb. | $\begin{gathered} 211 \\ 253(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 222 | 106 | Jan., 1949 | U.S. Prime Western (East St. Louis) $17 \cdot 5 \mathrm{c}$. per lb . | $\begin{gathered} 380 \\ 460(\mathrm{~g}) \end{gathered}$ |

(h) \% of early 1939 . (j) \% of 1937. (k) \% of average $1934-8$ for London sales. (l) Including some now used as a scurce of fats. (n) excluding additions to up-country stocks. (o) The total world production of hard fibres may be estimated as about 450,000 tons basis : Commercial crop only. Calendar year estimates for "last season" refer to 1947 ; for "current" season to 1948 . (q) Revised
treatment processes absorb considerable tonnages in the production, as by-products, of zinc dust, oxide, salts, etc. These by-products satisfy a large part of the demand for zinc products from industry for the manufacture of pigments, chemical preparations, linoleum, etc., reducing the amount of metallic zinc available. In assessing prospects for zinc, conditions in these consuming industries must be considered, together with industries using metallic zinc for galvanising, rolling, alloys and castings. Stockpiling requirements, although considered neces-
sary, may not be classed as urgent. While the brass outlook is variable and zinc alloy die-casting meets competition from aluminium at current zinc prices, galvanising, the chief consumer, would like more zinc, and demand for rolling, sheet and strip maintains a high level. Freedom of transportation for carrying ore and concentrate to refiners and smelters from producing mines is important, but given the absence of hindrances to movement, output of slab zinc should be adequate for industrial requirements in 1949, leaving a small surplus available for stock-piling.

## 2.-OTHER COMMODITIES

By C. F. Carter

The estimates for cotton presented in the table now exclude quantities (of about 1.5 Mn . bales) grown, especially in India and China, for consumption on hand spindles and for other non-commercial uses. The estimates therefore relate to the "commercial" or " factory" crop only. The " prices" column of the table shows the heavy fall in cocoa prices (from $635 \%$ of pre-war in July to $400 \%$ in January, dollar basis) and the closing of the price-spread for wool. In July the average for 70s, Dominions wool, was $390 \%$ of the average for 46 s : in December, only $300 \%$.

## Sugar

The latest estimates of production received from Messrs. C. Czarnikow extend those given in our May issue by another year, and may be summarised as follows :-

| Mn. Tons, Raw Value. | 1937/8 | 1947/8 | 1948/9 |
| :---: | :---: | :---: | :---: |
| European beet (exc. Russia) | $7 \cdot 2$ | $4 \cdot 5$ | 6.7 |
| U.S.S.R. ... ... ... | $2 \cdot 5$ | $2 \cdot 0$ | $2 \cdot 5$ |
| U.S.A. (beet) | 1.2 | 1.7 | $1 \cdot 3$ |
| Total Beet (including other producers) | ) 11.1 | $8 \cdot 3$ | $10 \cdot 6$ |
| Cuba, San Domingo, Haiti, Mexico ... | $3 \cdot 8$ | $7 \cdot 0$ | 6.5 |
| U.S.A. (cane), Hawaii, Puerto Rico, Philippines | 3-1 | $2 \cdot 5$ | $3 \cdot 0$ |
| British Empire (cane) ... ... | $2 \cdot 4$ | $2 \cdot 2$ | $2 \cdot 8$ |
| Brazil, Argentina, Peru... | 1.7 | $2 \cdot 4$ | $2 \cdot 3$ |
| India, Pakistan*... | $3 \cdot 2$ | $3 \cdot 2$ | $3 \cdot 2$ 0.7 |
| Java, Formosa ... | $2 \cdot 5$ | 0.4 | $0 \cdot 7$ |
| Total Cane (including other producers) | $18 \cdot 0$ | 18.9 | $19 \cdot 8$ |
| World Total | $29 \cdot 1$ | $27 \cdot 2$ | $30 \cdot 4$ |

The rise of 2.3 Mn . tons in beet sugar production contains a "notional" item of 0.5 Mn . tons increase in the U.S.S.R.; but the increase in Europe outside the U.S.S.R., as compared with the bad year $1947 / 8$, is 2.2 Mn . tons, and every country has contributed to this result. Germany
almost doubled her previous year's production, but still showed a shortfall of 0.9 Mn . tons compared with pre-war. U.S. beet production is estimated as down by 0.4 Mn . tons.

The current Cuban production is put at 5.4 Mn . tons, 560,000 less than last year. The Philippines should recover to about two-thirds of pre-war output, while a further substantial increase in British Empire production (especially in Australia and the West Indies) is expected. Other increases in cane sugar bring the total to 19.8 Mn . tons, 0.9 Mn . tons more than last year ; so that the total world production may be put at the record figure of 30.4 Mn . tons.

In a world of restrictions, quotas and currency difficulties very large parts of this sugar output will move along pre-arranged tracks, without entering any international market. For such free market as exists, by far the largest supplier is Cuba; and the "world free market price " mirrors the exceedingly complex influences at work in the Cuban market. One of these is the quota allocated to Cuba in the U.S. market ; and this depends, not only on the course of American consumption through the year, but also on the extent to which other suppliers fail to take up their prior rights to supply the American market. Thus, there will certainly be a large deficit in the Philippines supply; and Messrs. Czarnikow believe that the first Cuban quota, of under 1.9 Mn . tons, may ultimately become 2.5 Mn . Ultimately, however, Cuba is likely to lose an outlet by the recovery of the other U.S. suppliers.

Another factor, very difficult to estimate, affecting prices is special purchases of the Commodity Credit Corporation and the U,S. Army for relief
shipments. The policy of the Cuban Sugar Institute in segregating supplies for later shipment will have a major influence, especially if their calculations of the right selling times prove less successful than in the past year. The variations of market sentiment with changing estimates of the crops, and of the policy of importing countries in using their hard currencies, have to betaken into consideration.

The Cuban f.o.b. price (basis Raws), starting last May at around $\$ 4 \cdot 20$, hardened slightly to $\$ 4 \cdot 30$, and then weakened down to $\$ 3 \cdot 90$ in June on buyers' resistance, helped by optimistic production forecasts and a reduction in the U.S. quota. In July, however, the U.S. quota was increased again, and Cuba was called on to take
up a deficit in supplies from Hawaii and U.S. mainland cane ; the price hardened further in August with lower crop estimates, a declaration of a further Philippines deficit, and a substantial U.S. Army purchase, till a level of $\$ 4.45$ was reached. The old year ended quietly in September and October, the price reacting to $\$ 4 \cdot 27$. The new crop prices started at or just above $\$ 4.00$, with wide fluctuations between $\$ 4.00$ and $\$ 4.25$ in December ; the irregularity arises from the limited business transacted, as most European countries have home-grown beet or Empire cane supplies to take the edge off their demand. The future course of prices depends on U.S. domestic demand and her foreign relief policy, and it would be rash to predict either.

## NEW TABLES OF U.K. STATISTICS

With this issue we commence the publication of five pages of British Statistics (see pp. 31-35), in place of the four pages which have appeared quarterly since the war. The tables have been revised throughout, and now cover over 100 series, in place of the 60 we have offered hitherto. We believe that we are justified in continuing and extending this part of our service, even though many of the figures included can readily be found elsewhere. We know that many of our readers find it helpful to put economic events in their proper perspective by reference to our long runs of figures, many of which are carried back to 1919 and 1913. Some of these long runs are compiled from several different sources; we have been careful to show breaks in the continuity of definition by a dividing line, and the notes will show what these breaks are. Data relate to the United Kingdom unless otherwise stated.

As far as possible we have converted the series into the form in which they are most commonly used. Thus coal production, usually quoted as a weekly tonnage, is here given as an annual rate, for direct comparison with the annual " planned" figure. The time-reference therefore alters from one table to another, and careful attention should be paid to the heading of the left-hand column. Where monthly and quarterly figures (not relating to continuous processes) have been converted to annual rates, allowance has been made for the number of week-ends in the month, but the effect of other holidays has not been removed. With the exception of some which are not available before 1939, index-numbers are quoted uniformly with the year 1938 as 100 . The use of a single year
of reference has its disadvantages, and we do not imply that 1938 was in any way a "typical" pre-war year. Averages for 1935-8 or 1936-8 are commonly quite close to the 1938 figures, and we decided that it would be clearer to use 1938 alone for reference. The "base years" for weighting of the index-numbers, which are not, of course, necessarily the same as the years quoted as 100, are given in the notes below.

Some of the series are of our own compilation; among these are the index-numbers of stocks and shares, and of wage-rates. Additional information is provided by the tables which we publish in articles in the Bulletin, which have not been consolidated with the main statistical tables. These include the index of production (p. 12), the finance statistics (pp. 13-14), the components of the wage-rate index (p. 17), gross building output (p. 20), and commodity statistics (pp. 24-25).

We should like to express our appreciation of the help we have received in compiling these tables from many Government Departments, individuals and bodies. Sources are recorded below the tables. We remind readers that the Service is prepared, as far as possible, to supply additional statistical information, and also to answer queries on the existing tables. Suggestions for their further improvement will be welcomed.

FINANCE
(Monthly Averages)
1-4. For a full description of the index numbers of securities see L.C.E.S. Special Memorandum 33, and for earlier series from 1867 to 1914 see Special Memorandum 37.

1. Industrial Share Prices.-This is a weighted arithmetic mean of prices of over $80 \mathrm{U} . \mathrm{K}$. industrial ordinary shares.

Each subsidiary industrial group is weighted according to its 1924 net output, and within groups each company is weighted according to the 1924 market value of the shares issued. The prices are at about the 15 th of the month, the yearly figures being averages of the twelve months. Approximate before 1924. Now shown with the year $1938=100$.
2. Sensitive Index.-Unweighted geometric mean of the percentage changes from month to month in the above industrial shares; therefore only quoted for individual months.
3-4. Fixed Interest. Price and Yield.-Unweighted mean, based on 1924, for $4 \%$ Funding Loan, $3 \frac{1}{2} \%$ Conversion Loan, L.C.C. $3 \%$, and British Transport Stock (formerly L.M.S. Debentures). Now shown with the year $1938=$ 100.
5. Yield on Consols.-Flat yield, income tax neglected, for average of working days.
6. Three-Months Bank Bill Rate.-Average for week ending about the 15 th of the month : minimum rates from 1933.
7-8. New Issues for U.K. and Abroad.-Based on issue prices. Excluding borrowings by British Government, vendors' and bonus shares, issues for conversion or redemption of securities previously held in this country, short-dated bills, and all issues by private companies. (Midland Bank data.)
9-10. Bank of England-Bankers' Deposits and Notes in Circulation.-From the Bank Return falling on the Wednesday between the 11 th and 17 th of the month. (9) relates to the deposits of British banks whose main business is in this country; not available separately before 1925. (10) includes Currency Notes before their amalgamation with the Bank Note issue on 22 nd Nov., 1928. In 1913 about $£ 125 \mathrm{Mn}$. of gold sovereigns were also in U.K. internal circulation.
11-18. Returns for nine clearing banks prior to 1937, then 11, by the addition of the National and District Banks. Before Sept., 1939, averages of balances on a day in each week; Sept., 1939 to end of 1946, averages for the last making-up day in each month (varying from bank to bank) ; after 1946, balances on 30th June and 31st Dec., and on the third Wednesday of other months.
11. Clearing Banks-Index of Gross Deposits seasonally adjusted.-For the years, a simple index of column (12) with the year $1938=100$; for the months, Lloyds Bank index, seasonally adjusted.
12-13. Clearing Banks-Gross and Net Deposits.-These columns differ by the amount of the balances with, and cheques in course of collection on, other banks in Great Britain and Ireland.
14-18. Clearing Banks-Principal Assets as Percentage of Gross Deposits.
19-20. Treasury Bills-Tender and Tap.-From June, 1940, to May, 1946, end of month ; otherwise at a date between 11th-17th of month. (19) is the total of Bills issued by tender during 13 weeks preceding the date of the Exchequer Return; (20) is the total of Bills in existence less those issued by tender.

## PRICES, WAGES AND UNEMPLOYMENT

(Monthly Averages and Months)
21-2. Retail Prices Index-Total and Food.-Up to 1938 Ministry of Labour Cost of Living Index (total and food section) ; average of end-months; measures the movement in the cost of an unchanged working-class budget since July, 1914. From 1938-June, 1947, L.C.E.S. calculation (see Bulletin, Feb., 1949, p. 16) based on National Income White Papers and weights of Ministry of Labour Interim Index of Retail Prices. From June, 1947, Interim Index (based on 17th June, 1947, but with 1937-8 quantities for weighting; mid-months (see Ministry of Labour Gazette, Aug., 1947). The whole converted so that the year $1938=100$.
23. Retail Prices Index-Drink and Tobacco.-Up to 1938, data from private sources ; 1938 to date, as for (21-22).
24. Retail Prices Index-Clothing, Household Durables, and Miscellaneous Goods.-1938 to date, as for (21-22); the three relevant sections of the Interim Index have been combined using the weights of that index.
25-7. Board of Trade Wholesale Price Index-Total, Food and Tobacco, Basic Materials.-Since 1930 geometric mean of 200 price-relatives (from some 250 price quotations) distributed between groups in numbers roughly proportional to the value of the corresponding goods produced or imported for final consumption in 1930. Before 1930, 150 price-relatives were used (embodying an increasing number of quotations), and these were distributed on 1907 data. The prices are averages for the months, and include duties and subsidies. The index contains hardly any quotations for finished manufactures. Year $1938=100$ throughout. For further description, see Board of Trade fournal, 24th Jan., 1935.
28. "Statist" Materials Index.-Unweighted arithmetic mean of 26 price-relatives, on base 1867-77 average, for 19 simple raw materials : annual figures from 52 weekly quotations, monthly from end-month prices. 1938 is set as 100. Total index available from 1846 (see fournal of the Royal Statistical Society, annually).
29-31. Index of Prices to Farmers-Livestock, Grains and Dairy Produce.-Constructed from price-series used in Ministry of Agriculture index of prices of agricultural produce, England and Wales. Prices are averages for months and include all Government payments, i.e., including subsidies; year $1938=100$ throughout. Weighting varies from year to year ; see Agricultural Statistics, 1939, Part I. Livestock comprises 9 series, including poultry. Grains are wheat, barley, oats and hay. Dairy produce is milk, butter and eggs. Annual figures are weighted averages of the months.
32. Wage-rates Index.-Prof. Bowley's index of average weekly wage-rates. From 1924, weighted arithmetic mean for 20 occupations; now expressed as percentage of 1938 level. Approximate estimates of movement from 1913 to 1924 derived from an earlier series. See L.C.E.S. Special Memoranda-28 and 50, and Bulletin, January, 1944, pp. 6-8.
33-36. Number of Unemployed, Great Britain; Unemployment Percentage, Great Britain, Wales and Scotland Before July, 1948, registered insured unemployed (insured unemployed less "two-months file" before 1940) related to total insured population. July, 1948, onwards, total registered unemployed, including non-employed registering for first job, and uninsured married women registering for employment, but excluding persons in employment registering for a change of job, and the registered disabled requiring employment under sheltered conditions ; this figure being related to the estimated total industrial population, including uninsured in or seeking employment, but excluding indoor private domestic servants, the Forces, Police and Fire Service, those on release leave not yet employed, and workers over 64 (men) or 59 (women). Figures relate to midmonths. The figures for Feb. and Mar., 1947, and for the average of that year, exclude the estimates for workers stood off during the fuel crisis, but not registered.

## PRODUCTION AND RAILWAYS

(Annual Rates)
(Some monthly figures are the annual rates, not for the calendar month, but for a period closely approximating thereto)
37. Coal Output-Deep-mined.-Including miners' and colliery coal ; weight of stones and dirt eliminated by screening or washing omitted.
38. Coal Output-Opencast.-Not adjusted for losses in stocking.
39. Coal-Stocks.-Distributed stocks held by industry,
public utilities, railways, schools, offices, etc., Government dumps and domestic supply merchants; end of period.
40. Coal-Consumption.-Includes miners' and colliery coal, shipments to Northern Ireland, Service Departments and coastwise bunkers. Earlier figures not adjusted for stock changes.
41. Gas available at Gasworks.-Covers statutory and non-statutory undertakings; includes water-gas, pro-ducer-gas, oil-gas, etc., and gas bought by gasworks from coke ovens. Earlier figures have been adjusted to secure approximate comparability. Cf. P.E.P. Report on the Gas Industry.
42. Electricity Generated.-Before Jan., 1948, authorised undertakings in Great Britain ; subsequently all stations of the British Electricity Authority and the North of Scotland Hydro-Electric Board, and Lochaber Power Station. Generation by railway power stations is excluded.
43. Pig Iron.-Production of hæmatite, basic, foundry and forge pig-iron, direct iron castings, and blast-furnace ferro-alloys.
44. Steel Ingots and Castings.-Includes alloy steel.
45. Finished Steel.-After 1940, deliveries by British producers net of intra-industry transfers for further conversion. Before 1941, production of main finished steel products, excluding bright steel bars and cold-rolled strip, wire, and tubes, pipes and fittings, but with no allowance for intra-industry transfers.
46. Cotton Yarn.-Conditioned weight of single yarn, excluding waste yarns and rayon or mixture yarns. Before 1935, some waste yarns included: data from Censuses of Production, etc., and from Fournal of the Royal Statistical Society, 1928.
47. Rayon Yarn.-Continuous filament single yarn, including other synthetic fibres, on delivered weight basis. Prior to 1930, quantity charged with Excise Duty.
48. Motor Vehicles.-For 1927-37 years ended Sept.; otherwise calendar years. Total number of passenger cars and commercial motor vehicles produced, including chassis delivered as such, production for Services, omnibuses and trollybuses; excludes factory trucks, battery-driven vehicles, and trams. Cf. The Motor Industry of Great Britain, 1947.
49-50. Ships laid down, launched and (in brackets) com-pleted.-Lloyds Register returns for U.K. (also Eire pre-war), and for merchant ships of 100 gross tons and upwards. Based on the expected gross tonnage at the points where (a) work begins in the shipyards, (b) the ship is launched, (c) the ship is handed over to its owners. From 1948 non-propelled craft are omitted.
51. Permanent Houses completed.-New and rebuilt wardestroyed houses in Great Britain, excluding temporary houses (see note under table) and aluminium permanent houses.
52. Rail Traffic Receipts.-Before 1939, main line railways only (i.e., excluding Manchester Ship Canal, London Transport, and the former Northern Counties Committee). 1939-46, the same including London Transport, less an estimate for London Transport. From Jan., 1947, receipts of the lines now covered by the Railway Executive of the British Transport Commission, thus excluding London Transport and all lines in Northern Ireland, but including a few minor lines not owned by the former main-line companies. Given in 13 four-week periods (ending Sunday).
53-55. Freight Train Traffic-Merchandise, Minerals, and Coal and Coke.-Tonnage originating on railways in Great Britain (main-line only before Jan., 1948) conveyed on revenue-earning trains, and cross-channel traffic invoiced to interior stations. Railway service materials omitted, also livestock before 1938. Date for 13 four-week periods are not fully comparable with the
annual figures.

## EXTERNAL TRADE <br> (By Years and Quarters)

56-62. Value of Imports (Total, Food, and Raw Materials), of Exports of U.K. Produce and Manufactures (Total, and Manufactures alone), of Re-exports and of the Visible Trade Balance.-From 1940-5 munitions imported or exported by Government Departments are omitted, fully or approximately. Certain military lend-lease and Mutual Aid goods other than munitions are included, but not stores for U.K. forces abroad. U.N.R.R.A. goods, N.A.A.F.I. stores, etc., are included, except for goods imported by U.N.R.R.A. for re-export. Parcels (except those to prisoners of war) are included; but the personal effects of travellers are excluded (with certain exceptions before May, 1947). Bullion and specie, fissionable materials and second-hand ships are excluded. Note change of classification in 1919 and the exclusion of Eire from U.K. from April, 1923. Declared values of imports include cost (at an open market price net of Customs duties and purchase tax), insurance and freight ; exports are valued "free on board," and the visible trade balance is the difference between these. For further details of definition and valuation, see the "Trade and Navigation Accounts" (monthly). Conventionally about $10 \%$ is deducted from the total import figures to reduce them from a c.i.f. to an f.o.b. basis, but the true deduction varies from year to year and from article to article, and probably lies (for total imports) in the range 10 to $15 \%$.
63-65. Percentages of Total U.K. Imports, and of Total Exports of U.K. Produce and Manufactures, consigned from or despatched to the W. Hemisphere: Value o Visible Trade Balance with W. Hemisphere.-These figures include munitions throughout. The Western Hemisphere is defined to be Canada, Newfoundland, U.S.A., Cuba, St. Domingo, Venezuela, Ecuador, Peru, Chile, Brazil, Uruguay, Bolivia, Argentina. The contribution of other American countries is relatively trivial. (65) is defined on the same basis as (62).

66-73. Volume and Average Value of Total Imports and of Total U.K. Exports: the Terms of Trade: Volume of Food and Raw Materials Imports, and of Manufactured Exports.-These index numbers, with the year $1938=100$, are, for years since that date, based on the revaluation of trade for each year at the average values for 1938. The volume index is the quotient of the revalued trade by the average 1938 trade; the average value index is the quotient of the actual current value of trade by the revalued trade. Prior to 1938 other bases of revaluation (1913, 1924, 1930, 1935) were used, and the indices should be interpreted with this in mind. Figures for 1939-45 are approximate, and exclude most munitions. The quarterly figures for series (67) and (69) are interpolated for each year from the Board of Trade Import and Export price index numbers, which are calculated with fixed weights-the expected current year quantities -and are considered more accurate for short-period comparisons. Series (70) is the quotient of (67) by (69), and shows roughly the change in the volume of exports required to pay for a fixed volume of imports. $C f$. also H.C. Deb., 22nd June, 1948, col. 1135.

## FINANCE

74-75. Short-dated and Medium-dated Yields.-Based on representative securities, changed from time to time, as shown by dividing lines : for list see Monthly Digest. Average of working days, allowing for accrued interest. Redemption is assumed at the later date if the price is below par, and at the earlier date if it is above par. Short-dated have up to 9 years to run, medium-dated about 15-30 years.
76. "Economist" Profits Index.-Chain index of reported profits-since 1939, these are the sum of preference and ordinary dividends (as published), and actual allocations to free reserves, etc.; the figures for earlier years are total profits after debenture interest. The profits are after
N.D.C., E.P.T. and Profits Tax, but in general before Income Tax. Company reports published in the 12 months beginning 1st Oct. are assumed to represent roughly the profits earned in the calendar year beginning the previous 1st Jan. (See Economist, 14th Jan., 1939). New figures are now being published (see Economist, 15th Jan., 1949), which are more reliable than those for earlier years. These earlier figures suffer from numerous defects in comparability, many of which are now to be eliminated. No link between the old and new figures can be established (and therefore no more quarterly or annual indexes can be calculated) until late in 1949. The quarterly figures represent profits reported in the 12 months commencing the following quarter. The quarter shown thus represents approximately the centre of the period in which the profits were earned. The Index is related by the chain method to that published, e.g., in the Economist of 1st Mar., 1941, with base represented by the profits reported in the year ended 30th June, 1936.
77. Rate of Dividend ("Economist").-The rate paid on ordinary capital. Up to 1940, dividend paid is the figure as reported. For later years, it is the true gross figure before deduction of income tax. These figures are assigned to the period in which they were reported, and relate therefore to profits earned in a period some 9 months earlier than those in the adjacent column.
78. Small Savings.-Net changes in years and quarters of Post Office and Trustee Savings Bank deposits (including accrued interest and Service Release Benefit Accounts), National Savings Certificates outstanding (including accrued interest), and Defence Bonds (all issues) outstanding.
79. Budget Surplus.-Cash surplus shown by Exchequer returns "above the line" for financial year, and for the quarters. No attempt has been made to adjust this to make it correspond with true Central Government saving; but the series has been made easier to interpret and compare by the omission of all "miscellaneous receipts," receipts from the sale of surplus war stores, and surplus receipts from trading services.

## PRODUCTION, CONSUMPTION, ETC.

80-81. Softwood Consumption and Stocks.-Prior to 1940 (80) relates to imports only. Sleepers, pulpwood and boxboards are excluded. Stocks are usable sawn timber in National stocks and in the hands of importers, merchants and railways. They are given for the ends of years and quarters; Jan., 1945, to July, 1946, partly estimated. Consumption is based on deliveries (except small retail sales) adjusted for changes in stocks other than National stocks.
82. Cotton Fabrics produced.-Linear yardage of cotton cloth, woven on looms of not less than 23 -inch reed space, measured in the grey state before finishing. Rayon mixture fabrics and hosiery, lace, net, belting and other smallwares are excluded; the cloth content of made-up goods, such as towels, is included.
83. Woollen Fabrics produced.-Deliveries, excluding blankets; the yardage of fabric of width 36 inches and less is halved. 1943 figure is average for year ending Aug.

84-7. Retail Trade Index-Total, and Food, Clothing and Household Goods Components.-Index-numbers, as percentage of 1942 average, of the retail value (including purchase tax) of sales by department stores, multiple shops, retail co-operatives and certain other firms, on a sample basis. Before 1945 average sales per selling day, subsequently average sales per week (approx. for 1945-6). "Food" includes sweets and chocolate, café sales, tobacco; "Clothing" includes footwear. See Board of Trade fournal, 19th April, 1947.
88. Clothing Sales, Wholesale Textile Houses.-Quantity of sales, based on coupon values of May, 1948, expressed as \% of average monthly sales in 1947.
89. Personal Expenditure.-C.S.O. estimate of personal expenditure in U.K. on consumers' goods and services at current market prices. Expenditure by charities and other non-profit-making bodies is included.

## POPULATION AND EMPLOYMENT

90. Crude Birth Rate.-Ratio to population (defined as in 92-93, but for U.K.) of live births-number registered in year to 1939, then number occurring in year or quarter.
91. Crude Death Rate.-Ratio to population (defined as in 92-93, but for U.K.) of deaths registered, excluding still-births, and including during the war deaths of non-civilians registered in the U.K.
92-93. Population-Males and Females.-Great Britain only : estimates as on 30th June (for annual and second quarter figures) and, from 1947, 31st Dec. (for fourth quarter figures). Forces overseas and Merchant Seamen at sea are included after 1939.
94-97. Working Population-Males and Females; Number employed in Industry; Number employed in Manufacturing Industry.-Great Britain only : males aged 14-64, and females 14-59, gainfully occupied, including (in (94) and (95)) the unemployed (see (33)) and those who had not yet taken up employment since leaving H.M. Forces. Indoor private domestic servants are excluded; part-time women workers are counted as one-half. (96) excludes Civil Defence, Fire Service and Police, the Forces, those on release leave not yet employed, and the unemployed. (97) further excludes mining and quarrying, agriculture, fishing, transport, public utilities, building and civil engineering, national and local government, distribution and consumers' services.

## INDUSTRIAL EARNINGS AND HOURS

98-106. Earnings per Week, Hours per Week, and Index of Hourly Earnings-All zvorkers, men and women. Industry excluding agriculture, coal-mining, railways, shipping, docks, distribution, catering, entertainment, commerce and banking, and domestic service. Office staffs, outworkers, and managers and other salaried staff are excluded. Part-time women workers are counted as half. "Men " are aged 21 and over, "women" 18 and over; the figures for "all workers" include boys, youths and girls. Figures relate to the last-payweek of the month.

TABLES ON FORMER BASIS CONCLUDED.
The following figures if inserted in the tables on pp. 142.5 of the November, 1948 Bulletin complete the monthly series on the old basis to December, 1948.




PRODUCTION \& RAILWAY TRAFFIC



SOURCE : Board of Trade throughout.
(Board of Trade Journal and Accounts of Trade.)
$=$ Not available. $\quad(\quad)=$ Approx. only. $\quad 56-62$ and 66-73 exolude most munitions from 1940-5. 63-65 include munitions. * Change of classification in 1919. Italics show 1913 classification. Eire excluded from U.K. from April, 1923 $\dagger$ The quarterly movements are interpolated for each year from the B/T import and export current price series. $\ddagger$ Provisional
For other notes on this table, see Bulletin, February, 1949, p. 29.

FINANCE


POPULATION \& EMPLOYMENT

|  | U.K. |  | POPULATION, GREAT BRITAIN |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Total |  | Working |  | Employed |  |
|  | $\begin{aligned} & 9 \\ & \text { M } \\ & \text { un } \\ & \text { n } \end{aligned}$ |  |  |  | $\frac{\infty}{3}$ |  |  | $\begin{aligned} & \text { In Manufacturing } \\ & \text { Industry } \end{aligned}$ |
|  | Crude rates per annum per thousand |  |  |  |  |  |  |  |
|  |  |  | Mid-year and End-of-quarter Estimates |  |  |  |  |  |
|  |  |  | Mn . | Mn . | Mn . | Mn. | Mn . | Mn. |
|  | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 |
| 1935. | 15.2 | $12 \cdot 0$ | 21.9 | 23.7 |  |  |  |  |
| 1936 . | $15 \cdot 3$ $15 \cdot 3$ | $12 \cdot 3$ 12.6 | $22 \cdot 0$ | 23.8 |  |  |  |  |
| 1937 1938 | $15 \cdot 3$ <br> 15.5 | $12 \cdot 6$ 11.8 | $22 \cdot 1$ $22 \cdot 2$ | $23 \cdot 9$ $24 \cdot 0$ |  | . | . |  |
| 1939 | $15 \cdot 3$ | $12 \cdot 2$ | $22 \cdot 3$ | $24 \cdot 1$ | $14 \cdot 66$ | $5 \cdot 09$ | 17.92 | 6.82 |
| 1940 | 14.6 | 14.0 | $22 \cdot 6$ | $24 \cdot 3$ |  | 5 |  |  |
| 1941 | $14 \cdot 4$ | 13.0 | 22.6 | 24.3 | 15.22 | $6 \cdot 11$ | 17.37 | $7 \cdot 40$ |
| $\begin{aligned} & 1942 \\ & 1943 \end{aligned}$ | 16.0 | $11 \cdot 6$ | 22.7 22.8 | $24 \cdot 4$ | $15 \cdot 14$ | 6.91 | 17.49 | $7 \cdot 75$ |
| 1944 ... | 16.7 17.9 | 12.0 11.7 | $22 \cdot 8$ 23.0 | 24.5 | 15.03 | 7.25 | 17.12 | 7.75 |
| 1945 | $16 \cdot 2$ | $11 \cdot 7$ 11.5 | 23.0 23.0 | $24 \cdot 7$ $24 \cdot 8$ | 14.90 14.88 | 7-11 | 16.68 | $7 \cdot 43$ |
| 1946 | 19.4 | 11.7 | 23.1 | 24.8 24.7 | 14.88 14.64 | 6.77 5.89 | 16.29 17.33 | 6.82 6.59 |
| 1947 | 20.8 | $12 \cdot 1$ | 23.3 | $24 \cdot 9$ | 14.62 | $5 \cdot 74$ | 18.56 | 6.10 |
| $\begin{aligned} & 1948 \\ & 1946 \end{aligned}$ |  |  | $23 \cdot 6$ | $25 \cdot 1$ | 14.56 | 5.73 | 18.97 | $7 \cdot 25$ |
| 4th Qr. | $20 \cdot 8$ | 11.5 |  | $\ldots$ | $14 \cdot 63$ | 5.78 | 18.19 | $7 \cdot 00$ |
| 1 st Qr. | $22 \cdot 7$ | 16.9 |  |  |  |  |  |  |
| 2nd Qr. | $22 \cdot 1$ | 11.1 | $23 \cdot 3$ | $24 \cdot 9$ | 14.62 14.62 | $5 \cdot 48$ $5 \cdot 74$ | 18.21 18.56 | 7.03 7.10 |
| 3rd Qr. 4 4th Qr. | $20 \cdot 3$ 18.2 | $9 \cdot 2$ 11.3 | 23 | $24 \cdot 8$ | 14.62 | 5.74 $5 \cdot 74$ | 18.56 18.68 | $7 \cdot 10$ $7 \cdot 15$ |
| 1948 - | $18 \cdot 2$ | $11 \cdot 3$ | $23 \cdot 4$ | $25 \cdot 0$ | 14.67 | $5 \cdot 76$ | 18.80 | $7 \cdot 25$ |
| 1 lst Qr . | 18.9 | 12.4 |  |  | 14.64 | 5•73 |  |  |
| 2nd Qr. | 19.2 17.8 | 10.4 9.5 | $23 \cdot 6$ | $25 \cdot 1$ | 14.56 | $5 \cdot 73$ | 18.97 | $7 \cdot 27$ |
| 3rd Qr. 4th Qr. | 17.8 16.8 | 9.5 11.6 |  |  | 14.58 | $5 \cdot 77$ | $19 \cdot 10$ | $7 \cdot 31$ |

PRODUCTION, CONSUMPTION, ETC.

|  | Softwood Supplies |  | Textile Fabrics Woven |  | Retail Sales <br> - (Value) |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { In } \\ & 0 \\ & \hline 0 \end{aligned}$ | $\begin{aligned} & \text { g } \\ & \stackrel{0}{\circ} \\ & \stackrel{y}{0} \end{aligned}$ |  | تٌờ | $\begin{aligned} & \text { E0 } \\ & \text { di } \\ & \text { Di } \end{aligned}$ |  |  |  |
|  | $\begin{aligned} & \text { Thousand } \\ & \text { Standards } \end{aligned}$ |  | Ann. Rates Mn. yds. |  | Index Numbers $\ddagger$ <br> \% of 1942 |  |  |  | $\begin{gathered} \smile \\ \hline \begin{array}{c} \text { of } \\ 1947 \end{array} \\ \hline \end{gathered}$ | $\begin{array}{\|c} \text { Ann. } \\ \text { rate } \\ \text { ra Mn } \end{array}$ |
| 1937 | 80 2530 | 81 | $\begin{array}{\|c\|} \hline 82 \\ 3640 \end{array}$ | $\begin{gathered} 83 \\ 284 \end{gathered}$ | 84 92 | 85 88 | ${ }_{94}^{86}$ | 87 | 88 | 89 |
| 1938 | 1860 | $\cdots$ |  |  | 95 | 92 | 96 | 120 |  | 429 |
| 1939 | 1596 |  | .. |  | 97 | 96 | 98 | 115 |  | 442 |
| 1940 | 871 | 698 |  |  | 101 | 98 | 106 | 110 |  | 465 |
| 1941 | 855 | 467 | 2150 | $\because$ | 98 | 97 | 97 | 103 |  | 491 |
| 1942 | 758 | 347 | 1772 |  | 100 | 100 | 100 | 100 |  | 520 |
| 1943 | 679 | 510 | 1793 | 236 | 98 | 102 | 88 | 89 | 79 | 528 |
| 1944 | 858 | 372 | 1648 | 194 | 105 | 107 | 102 | 87 | 80 | 554 |
| 1945 | 921 | 445 | 1539 | 193 | 110 | 110 | 110 | 113 | 79 | 600 |
| 1946 | 1082 | 215 | 1626 | 223 | 130 | 123 | 132 | 187 | 93 | 674 |
| 1947 | 979 | 615 | 1622 | 232 | 147 | 135 | 150 | 237 | 100 | 742 |
| $1948$ | .. |  |  | 268 | 167 | 151 | 185 | 254 |  |  |
| 4 4th Qr. | 983 | 214 | 1740 | 232 | 149 | 130 | 161 | 227 | 90 | 714 |
| $\begin{aligned} & \text { 1947- } \\ & \text { 1st Qr. } \end{aligned}$ | 892 | 117 | 1360 | 201 | 132 | 129 | 122 |  |  |  |
| 2nd Qr. | 924 | 146 | 1700 | 228 | 142 | 133 | 152 | 224 | 106 | 671 732 |
| 3rd Qr. | 1049 | 422 | 1590 | 239 | 143 | 137 | 137 | 245 | 103 | 768 |
| 4th Qr. | 1049 | 615 | 1840 | 258 | 171 | 143 | 190 | 290 | 89 | 798 |
| $\stackrel{1948-}{1 \text { st } Q_{r} .}$ | 1086 | 523 | 1850 | 263 | 151 | 145 | 147 | 233 |  |  |
| 2nd Qr. | 1074 | 412 | 1940 | 259 | 162 | 151 | 180 | ${ }_{246}^{238}$ | 100 | 745 800 |
| 3 rd Qr. | 1120 | 451 | 1790 | 261 | 162 | 151 | 180 | 248 | 113 | 8805 |
| 4th Qr. |  |  |  | 288 | 192 | 159 | 233 | 290 |  |  |

\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|}
\hline \multirow{3}{*}{Last pay. week of months} \& \multicolumn{3}{|c|}{Earnings per week} \& \multicolumn{3}{|c|}{Hours per week} \& \multicolumn{3}{|c|}{Hourly Earnings} <br>
\hline \&  \&  \&  \& ₹ \& \% \& \%
¢

8 \& ق \& 㤐 \& g
¢
O <br>
\hline \& \multicolumn{3}{|r|}{s. d. per week} \& \multicolumn{3}{|c|}{Hours} \& \multicolumn{3}{|l|}{Index Nos. \% of Oct., 1938} <br>

\hline \multirow[t]{2}{*}{1935 Oct.} \& \multirow[t]{2}{*}{$$
\begin{gathered}
98 \\
48 / 11
\end{gathered}
$$} \& \multirow[t]{2}{*}{\[

$$
\begin{aligned}
& 99 \\
& 64 / 6
\end{aligned}
$$

\]} \& \multirow[t]{2}{*}{\[

$$
\begin{gathered}
100 \\
31 / 3
\end{gathered}
$$

\]} \& \multirow[t]{2}{*}{\[

$$
\begin{aligned}
& 101 \\
& 47 \cdot 8
\end{aligned}
$$

\]} \& \multirow[t]{2}{*}{102} \& \multirow[t]{2}{*}{103} \& \multirow[t]{2}{*}{\[

$$
\begin{array}{r}
104 \\
88
\end{array}
$$
\]} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{106

$\ldots$} <br>
\hline \& \& \& \& \& \& \& \& \& <br>

\hline 1938 Oct. \& $$
53 / 3
$$ \& 69/- \& 32/6 \& $46 \cdot 5$ \& 47•7 \& 43.5 \& 100 \& 100 \& 100 <br>

\hline 1940 July \& 69/2 \& 89/- \& 38/11 \& . \& \& \& \& \& <br>
\hline 1941 July \& 75/10 \& 99/5 \& 43/11 \& \& \& \& \& \& <br>

\hline 1942 Jan. \& \multirow[t]{2}{*}{$$
\begin{aligned}
& 77 / 9 \\
& 85 / 2
\end{aligned}
$$} \& 102/- \& 47/6 \& \& \& \& \& \& <br>

\hline July \& \& 111/5 \& 54/2 \& \& . \& $\cdots$ \& \& $\ldots$ \& <br>

\hline \multirow[t]{2}{*}{1943 Jan.} \& \multirow[t]{2}{*}{$$
\begin{aligned}
& 87 / 11 \\
& 93 / 7
\end{aligned}
$$} \& 113/9 \& \[

58 / 6
\] \& \& \& \& \& \& <br>

\hline \& \& 121/3 \& 62/2 \& $50 \cdot 0$ \& $52 \cdot 9$ \& $45 \cdot 9$ \& 163 \& 158 \& 181 <br>
\hline 1944 \& 95/7 \& 123/8 \& 63/9 \& $49 \cdot 2$ \& $52 \cdot 0$ \& $45 \cdot 2$ \& 170 \& 164 \& 189 <br>

\hline | Jan. |
| :--- |
| July | \& 96/8 \& 124/4 \& 64/3 \& $48 \cdot 6$ \& $51 \cdot 2$ \& $44 \cdot 6$ \& 174 \& 168 \& 193 <br>

\hline \multirow[t]{2}{*}{1945} \& 93/9 \& 119/3 \& 63/2 \& 47.0 \& $49 \cdot 4$ \& $43 \cdot 1$ \& 174 \& 167 \& 196 <br>
\hline \& 96/1 \& 121/4 \& 63/2 \& $47 \cdot 4$ \& $49 \cdot 7$ \& $43 \cdot 3$ \& 177 \& 169 \& 195 <br>
\hline \multirow[t]{2}{*}{1946} \& \& 114/1 \& 59/10 \& 45.8 \& $47 \cdot 4$ \& 42-3 \& 177 \& 166 \& 189 <br>

\hline \& $$
101 /-
$$ \& 120/9 \& 65/3 \& $46 \cdot 2$ \& $47 \cdot 6$ \& $42 \cdot 6$ \& 191 \& 175 \& 205 <br>

\hline \multirow[t]{2}{*}{1947 A} \& 103/6 \& 123/5 \& 67/4 \& 45.0 \& $46 \cdot 3$ \& $41 \cdot 5$ \& 201 \& 184 \& 217 <br>
\hline \& 108/2 \& 128/1 \& 69/7 \& $45 \cdot 2$ \& $46 \cdot 6$ \& 41.5 \& 209 \& 190 \& 224 <br>
\hline 1948 Apr. \& 114/- \& 134/- \& 72/11 \& $45 \cdot 3$ \& 46.5 \& $41 \cdot 6$ \& 220 \& 199 \& 234 <br>
\hline
\end{tabular}

## THE SECOND HALF OF 1948 IN THE U.S.A.

Fanuary 5th, 1949.

By A. G. Hart, Columbia University.

The second half of 1948 witnessed continued full employment, with relaxing inflationary pressure. The good crop, beyond the expectations of the early summer, brought a down-turn in farm prices, and non-farm prices levelled off. The range of commodities which were short in the sense of an excess of demand over supply at quoted prices was very much reduced, though premiums on new automobiles did not disappear.

Production and Employment.-Unemployment in the summer and autumn was lower than even in 1947 and 1946. Some commentators emphasized a slight counter-seasonal rise of unemployment from October to November, and the Census enquiry revealed a rise compared with 1947 in the proportion of those employed who worked less than 35 hours per week. Among the signs of concern with the employment situation was an announcement from the American Federation of Labor, just at the turn of the year, that it expected to frame proposals by spring for taking any increase in unemployment in the form of shorter hours rather than lay-offs.

National income (excluding income from farming, government, and rentals) seems to have risen from the first 9 months of 1947 to the first 9 months of 1948 by about $10 \%$ per worker. This rise definitely outpaced that of prices; the non-farm component of the wholesale index rose
less than $6 \%$. As working hours were much the same, this may be a symptom of rising productivity. But 1947 suffered more than 1948 from labour disturbances. Once again the showing of the major components of manufacturing output relative to man-hours is discouraging.

Composition of Output, Expenditure and Income.-The main components of expenditure on national output, and the main elements of saving, are traced in Table 1. The most conspicuous change is the tapering off of the net foreign investment figure as the Government gets under the load of E.R.P. shipments. The total of Government and foreign net purchases is remarkably level across the table; though an increase is in prospect as rearmament takes hold.

In the consumption field, the figures imply little physical-volume expansion during 1948. The non-durables may even show a shrinkage in physical volume, in view of price increases (the drop in food prices came too late in the year to appear in third-quarter figures).

As to domestic investment, construction shows some flagging in contract awards; but the momentum of jobs already under contract has sustained construction operations, and there are signs of relaxation of the rules which have deferred public construction, notably in New York State. Anticipated outlays of business for

COMPONENTS OF OUTPUT, EXPENDITURE AND INCOME ( 5000 Mn .)

|  | Annual Totals |  |  | Quarterly Estimates, Seasonally Adjusted |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1946 | 1947 | $\begin{aligned} & 1948 \\ & \text { est. } \end{aligned}$ | 1947 |  |  |  | 1948 |  |  |
|  |  |  |  | I | II | III | IV | I | II | III |
| Personal Consumption : Durable Goods | $\begin{aligned} & 16 \cdot 2 \\ & 87 \cdot 5 \\ & 43 \cdot 6 \end{aligned}$ | $\begin{aligned} & 21 \cdot 0 \\ & 96 \cdot 5 \\ & 47 \cdot 3 \end{aligned}$ | $\begin{array}{r} 23 \\ 103 \\ 51 \end{array}$ | $\begin{aligned} & 19 \cdot 6 \\ & 92 \cdot 5 \\ & 46 \cdot 0 \end{aligned}$ | $\begin{aligned} & 21 \cdot 1 \\ & 96 \cdot 3 \\ & 46 \cdot 7 \end{aligned}$ | $\begin{aligned} & 21 \cdot 1 \\ & 96 \cdot 8 \\ & 47 \cdot 7 \end{aligned}$ | $\begin{array}{r} 22 \cdot 1 \\ 100 \cdot 2 \\ 48.8 \end{array}$ | $\begin{array}{r} 21 \cdot 2 \\ 101 \cdot 2 \\ 49 \cdot 7 \end{array}$ | $\begin{array}{r} 22 \cdot 6 \\ 103 \cdot 2 \\ 50 \cdot 6 \end{array}$ | $\begin{array}{r} 23.6 \\ 102.9 \\ 51.9 \end{array}$ |
| $\underset{\text { Durable Goods }}{\text { Non-Durables }}$... |  |  |  |  |  |  |  |  |  |  |
| Services ... |  |  |  |  |  |  |  |  |  |  |
| Total ... ... | 147.4* | $164 \cdot 8$ | 177 | $158 \cdot 1$ | 164-2* | $165 \cdot 6$ | $171 \cdot 1$ | $172 \cdot 1$ | 176.5* | 178.5* |
| Domestic Investment (Gross) : | $\begin{array}{r} 8.9 \\ 12.8 \\ 4.8 \end{array}$ | $\begin{array}{r} 11.7 \\ 17.8 \\ 0.6 \end{array}$ | $\begin{array}{r} 15 \\ 21 \\ 3 \end{array}$ | $\begin{array}{r} 10.8 \\ 16.6 \\ 5.2 \end{array}$ | $\begin{array}{r} 10.3 \\ 17.9 \\ -1.8 \end{array}$ | $\begin{array}{r} 11.6 \\ 17.6 \\ -3.5 \end{array}$ | $\begin{array}{r} 14.0 \\ 18.9 \\ 2.5 \end{array}$ | $\begin{array}{r} 14 \cdot 3 \\ 19 \cdot 8 \\ 4 \cdot 6 \end{array}$ | $\begin{array}{r} 14 \cdot 4 \\ 20 \cdot 9 \\ 2.3 \end{array}$ | $\begin{array}{r} 14 \cdot 8 \\ 21 \cdot 4 \\ 2.8 \end{array}$ |
| New Construction ... Producers' Durables |  |  |  |  |  |  |  |  |  |  |
| Net Growth in Inventory ... |  |  |  |  |  |  |  |  |  |  |
| Total | $26 \cdot 5$ | $30 \cdot 0^{*}$ | 39 | $32 \cdot 6$ | $26 \cdot 4$ | 25-6* | $35 \cdot 4$ | $38 \cdot 7$ | $37 \cdot 6$ | $39 \cdot 0$ |
|  | $4 \cdot 7$ | $8 \cdot 9$ | 2 | 8.8 | $10 \cdot 2$ | $8 \cdot 4$ | $8 \cdot 2$ | $3 \cdot 9$ | $2 \cdot 9$ | $0 \cdot 7$ |
| Government Purchases of Goods and Services | $30 \cdot 8$ | $28 \cdot 0$ | 35 | $26 \cdot 9$ | $27 \cdot 6$ | $28 \cdot 3$ | $29 \cdot 0$ | $30 \cdot 1$ | $33 \cdot 5$ | $37 \cdot 7$ |
| Gross National Product | 209 - $3^{*}$ | 231 ${ }^{\text {6 }}$ | 253 | $226 \cdot 4$ | 228.3* | $227 \cdot 9$ | 243•8* | 244*9* | 250.4* | $255 \cdot 9$ |
|  | $\begin{array}{r} 159 \cdot 2 \\ 11 \cdot 8 \end{array}$ | $\begin{array}{r} 173.6 \\ 8.8 \end{array}$ | $\begin{array}{r} 190 \\ 13 \end{array}$ | $\begin{array}{r} 169 \cdot 7 \\ 11.6 \end{array}$ | $\begin{array}{r} 168 \cdot 2 \\ 4 \cdot 1 \end{array}$ | $\begin{array}{r} 175.0 \\ 9.4 \end{array}$ | $\begin{array}{r} 180 \cdot 9 \\ 9.7 \end{array}$ | $184 \cdot 1$$12 \cdot 0$ | $\begin{array}{r} 188 \cdot 2 \\ 11.7 \end{array}$ | $\begin{array}{r} 193.7 \\ 15.2 \end{array}$ |
| Consumers' Disposable Income Consumers' Saving ... |  |  |  |  |  |  |  |  |  |  |
| Corporate Net Saving ex-Inventory Adjustment... | $\begin{array}{r} 1.2 \\ 11.8 \\ 0.2 \end{array}$ | $\begin{array}{r} 6 \cdot 1 \\ 13 \cdot 3 \\ 5.6 \end{array}$ | $\begin{array}{r} 9 \\ 15 \\ 10 \end{array}$ | $\begin{array}{r} 4.0 \\ 12.8 \end{array}$ <br> (b) | $\begin{array}{r} 7 \cdot 2 \\ 13 \cdot 3 \end{array}$ <br> (b) | $\begin{aligned} & 6 \cdot 0 \\ & 13 \cdot 4 \\ & (b) \end{aligned}$ | $\begin{array}{r} 5 \cdot 9 \\ 13 \cdot 8 \end{array}$ <br> (b) | $\begin{aligned} & 6 \cdot 3 \\ & (a) \\ & (b) \end{aligned}$ | $10 \cdot 3$ <br> (a) <br> (b) | $\begin{aligned} & 9 \cdot 8 \\ & (a) \\ & (b) \end{aligned}$ |
| Adjustment... <br> Depreciation, etc. |  |  |  |  |  |  |  |  |  |  |
| Treasury Cash Surplus ... ... |  |  |  |  |  |  |  |  |  |  |

[^10]new plant and equipment for the first quarter of 1949 imply a decline only slightly more than seasonal from the high 1948 levels.

The renewal of inventory expansion is partly the reflection of crop developments. Farm inventories declined by about $\$ 2,100 \mathrm{Mn}$. in 1947, because of depletion of feed and livestock, while non-farm inventories grew by $\$ 2,700 \mathrm{Mn}$. For 1948, the farm component will presumably be negative during the early part of the year but strongly positive toward the end. There are signs, however, that inventory accumulation has gone far enough to be a real anti-inflationary factor. The classification of manufacturers' stocks (valued in current dollars) into purchased materials, goods in process and finished products shows the first group up almost exactly in proportion to sales, the middle group slightly less; but finishedproduct stocks rose from $43 \%$ of the month's sales in October, 1947, to 52\% in October, 1948. Retail stocks, furthermore, rose from $120 \%$ of a month's sales to $132 \%$. For the first time since the war, we are witnessing genuine clearance sales of men's clothing. At the most crucial point of the whole inventory complex, visible stocks of bituminous coal (industrial and retail dealers' holdings) rose from $105 \%$ of a month's consumption in October, 1947, to $146 \%$ in October, 1948.

Consumers' saving shows signs of recovery from its low post-war ratio to disposable income. This fact, together with expectations that inventory accumulation will be much less in 1949 and with some slackening in construction and new equipment, suggests an end to the era of excess demand. Rearmament (particularly if Lend-Lease is revived) will doubtless produce strong pressure on some sectors of metal products and chemicals ; but allowing for new taxes in prospect, it is far from sure to revive the general " sellers' market."

Wages and Prices.-Despite the lack of spectacular wage settlements, wage rates continued to creep up during the second half of 1948. The average of factory weekly earnings (see Table p. 38 col. 7) rose by $5 \frac{1}{2} \%$ in the six months ended October, 1948 ; but this was the adjustment to the wage-pattern set early in the year, rather than evidence of renewed rapid inflation. The year ending October, 1948, showed a rise of $7.0 \%$ compared with $11.6 \%$ for the year ending October, 1947. (Changes in working hours were too slight to affect the result substantially; increases in hourly rates for manufacturing were $11.3 \%$ in the year ended October, 1948, 8.6\% in the year ended October, 1947.) In view of the levelling off of living costs, it is a reasonable forecast that the 1949 wage increases will be modest.

The transition from a season of very poor to one of very good crops brought a sharp break in food prices. The rise in grain prices in response to the 1947 crop failure had been overdone, and, as indicated six months ago, there was a speculative reaction in the later winter. As crop prospects became more concrete, prices eased off further ; and when the actual crops came in, replenishing the exhausted farm stocks, there was a further break. The break extended to livestock prices. The key prices moved as follows :-

$$
\text { PRICES IN } 1948 .
$$

|  | Wheat <br> \$per bu | Matze <br>  <br> \$ per bu | OATS Sper bu |  | Hogs <br>  <br> \& per lb. |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Jan. | $3 \cdot 15$ | 2.58 | 1.40 | 0.29 | $0 \cdot 27$ | 10.9 |
| Feb. | $2 \cdot 68$ | $2 \cdot 15$ | $1 \cdot 27$ | $0 \cdot 26$ | $0 \cdot 22$ | 11. |
| Mar. | $2 \cdot 61$ | $2 \cdot 23$ | $1 \cdot 28$ | $0 \cdot 26$ | $0 \cdot 21$ | $10 \cdot 3$ |
| April | $2 \cdot 61$ | $2 \cdot 26$ | $1 \cdot 25$ | $0 \cdot 28$ | $0 \cdot 20$ | $9 \cdot 4$ |
| May | $2 \cdot 60$ | $2 \cdot 25$ | $1 \cdot 17$ | $0 \cdot 31$ | $0 \cdot 20$ | $9 \cdot 1$ |
| June | $2 \cdot 56$ | $2 \cdot 26$ | $1 \cdot 11$ | $0 \cdot 35$ | $0 \cdot 23$ | $10 \cdot 6$ |
| July | $2 \cdot 31$ | $2 \cdot 16$ | 0.77 | $0 \cdot 36$ | 0.25 | $12 \cdot 8$ |
| Aug. | $2 \cdot 22$ | 1.95 | 0.76 | $0 \cdot 35$ | $0 \cdot 27$ | 14.2 |
| Sept. | $2 \cdot 26$ | 1.76 | 0.75 | $0 \cdot 34$ | $0 \cdot 28$ | $15 \cdot 3$ |
| Oct. | $2 \cdot 28$ | $1 \cdot 37$ | 0.77 | $0 \cdot 32$ | $0 \cdot 26$ | 17.8 |
| Nov. | $2 \cdot 37$ | $1 \cdot 27$ |  | $0 \cdot 30$ | $0 \cdot 23$ |  |

This sequence presents a very pretty problem of interpretation, when we remember that short feed supplies in the crop year of 1947/8 gave farmers incentives to cut down their livestock herds, while the good new crop gave incentives to build them up. (Cf. the hog-corn ratio.) Yet the number of hogs slaughtered, after running below 1947 all summer, suddenly jumped above 1947 in the early autumn, just as new maize became available. It looks as if the reaction of livestock prices reflects a sentimental reaction to grain prices rather than a rational adjustment; and there may be another phase of rising meat prices before the delayed effects of the crop on the flow of meat really set in.

Commodity prices other than farm products and food (Table p. 39, col. 29) levelled off during the summer. The same was apparently true for construction costs. Security prices also registered a slowing or cessation of inflation. Common stock prices (col. 32), after reaching the highest levels since 1946 early in the summer, sagged off somewhat and then dropped sharply in November ; while prices of Government bonds, after depending on Federal Reserve supports through most of 1948, rose above support levels. The November movements of both classes of securities were partly a response to the outcome of the election.

Money and Finance.-The public's cash holdings (cols. 38,39 ) rose somewhat after the seasonal trough in March-but only enough to bring them back in October to the 1947 level.

sOURCE - Survey of Current Business.
DATES.-Cols., 1-3, mid-month ; cols. 18-20, end of month.
SEE ALSO FURTHER NOTES ON PAGE 100 OF BULLETIN FOR AUGUST, 1947.
U.S. STATISTICS


DATE8 - Cols. $25,38.9$, end of month; cols. 27-9, monthly aver of Current Business. Cols. 25-6, 32.9-Federal Reserve Bulletin.
SEE ALSO
SEE ALSO FURTHER NOTES ON PAGE 100 OF BULLETIN FOR AUG. 1947

The Treasury continued to run a cash surplus (col. 37)-amounting to almost $\$ 10,000 \mathrm{Mn}$. for the year ending in October. The effect on the public's cash holdings was offset chiefly by a rise over the year of about $\$ 5,000 \mathrm{Mn}$. in commercial bank loans, a net redemption of about $\$ 3,000 \mathrm{Mn}$. in non-bank holdings of Government securities, and a rise of about $\$ 2,000 \mathrm{Mn}$. in the monetary gold stock. All these processes, however, seem to have slowed down in the second half-year.

If monetary inflation has at last reached its limits, it is thanks to taxation rather than to money management. We witnessed during the half-year a sensational exhibition of the way public debt policy has nullified monetary control through commercial bank reserves. Under the monetary legislation of the summer, the Federal Reserve Board was empowered to raise reserve requirements by $4 \%$ of deposits. This was done during September, yielding a rise of about $\$ 2,100 \mathrm{Mn}$. in the amount of reserves required, as compared with excess reserves of $\$ 800 \mathrm{Mn}$. at the end of August. But at the end of September, excess reserves were $\$ 900 \mathrm{Mn}$. Commercial banks simply let enough of their Government securities shift into Federal Reserve hands to restore their cash reserve position.

The Federal Reserve support of bond prices has financed not only the maintenance of easy bank reserves (permitting loan expansion at commercial banks) but loan expansion at nonbank credit institutions. The drop in non-bank holdings of government securities is traceable largely to insurance companies, which have been expanding mortgage loans and maintaining their cash by liquidating government securities.

Restoration of war-time controls on instalment credit is apparently a fairly effective measure. If in addition the Administration gets any large proportion of the $\$ 4,000 \mathrm{Mn}$. of added taxes called for in the State of the Union message, the public's cash is apt to start shrinking. The levy of such taxes on corporate profits, as projected, will be doubly anti-inflationary: besides impounding corporate funds in tax notes, it will probably reduce corporate borrowing power ; and on both counts it will check capital formationor at least the bidding up of prices on new construction and new equipment.

Journalistic and professional discussions in the last few weeks have turned largely on the position of corporate profits. Department of Commerce figures show corporate profits, after inventory revaluation adjustment but before taxes, at $24.3 \%$ of income originating in corporate business for the first three quarters of 1948, compared with $22.5 \%$ in 1947 and $22.2 \%$ in 1929. Corresponding figures after tax are $13.3 \%$ for $1948,11.6 \%$ for $1947,19.1 \%$ for 1929. (Labour quarters put more emphasis on profits before
both tax and inventory adjustments, amounting to $27.6 \%$ for $1948,27.2 \%$ for 1947, $21.2 \%$ for 1929.) Business puts a great deal of stress on the fact that the book values on which depreciation is based are now far below replacement costs, so that much of what appears as net profit ploughed back into the business is really devoted merely to keeping physical capital intact. How large a correction should be made for this factor is hard to gauge ; its general order of magnitude must be around a tenth of profit net of taxes and inventory adjustment. With prices levelling off, inventory revaluation will probably cease to figure much in the profits figures, and nominal profits will look more modest-in itself a safeguard against inflationary wage demands.

The stock market seems to put a rather low value on the part of nominal earnings not paid out as dividends. Just before the election, shares were yielding about $6 \%$ of market value in dividends ; and earnings (net of tax but not of inventory adjustment) were running at $2 \frac{1}{2}$ times dividends. The post-election slump of share prices accentuated this situation.

1949 Prospects.-As usual, in recent years, the year's end finds serious misgivings about the danger of a slump. If commentators are less worried than one and two years ago, it is probably because they are growing accustomed to this situation. In a sense they should, for if economic stabilization policy succeeds, our normal situation will be one of prosperity in the shadow of a possible downturn.

Our forward-looking series look fairly favourable. The prospects for producers' plant and equipment and for state and local public work have already been mentioned. The President's economic message suggests an expansion also in federal works. Residential construction contracts let in the autumn of 1948 were so much above those of 1947 that a sharp decline here is scarcely likely (table, p. 38, col 14). New orders of manufacturers (col. 17) were about the same in dollar volume as in 1947. In view of the rise in prices, this means a smaller backlog measured in physical volume ; but not sufficiently smaller to cause production to be cut back.

It looks reasonably likely that the balance will swing to the deflationary side if all the antiinflation measures under discussion are put into effect. But policy has a good deal of room for manœuvre. If business actually slackens off, proposals for tax increases can be withdrawn during the year. The Government's strategic stock-piling programme is well behind schedule, which is a safeguard against any substantial slump in production or imports of a number of materials. With good management and a measure of good luck, policy should be able to avoid both unemployment and inflation in 1949.


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## THE ECONOMIC POSITION

30th April, 1949.
So far as the published figures go, the position of the country has shown little change over the last quarter. Industrial production has been well maintained at the level reached before Christmas. Total British exports in January reached the very high volume of $162 \%$ of 1938 and, after a temporary relapse in February, recovered in March to the January level. Wholesale prices rose slightly in January and then fell back again, while the retail price index (not affected in March by subsidy changes) has remained stationary. Unemployment remains at an extremely low level.

Unfortunately, the present stationariness cannot be regarded as the beginning of a period of greater stability. Such balance as has been obtained exists only by virtue of the very large grants and loans which this country and the rest of Western Europe are receiving from the United States under E.R.P. If Europe is ever to pay its own way, a great expansion of direct exports to the Western Hemisphere seems essential. It is for this reason that the Economic Survey, while prudently putting total British exports during 1949 at little if anything above their present
level, looks for a very marked increase in exports to the Western Hemisphere, and that the President of the Board of Trade has called for an increase of $50 \%$ in exports to N. America. Now that it is becoming increasingly clear that the phase of post-war inflation is ending in the United States, and may be succeeded by at least a moderate recession, the attainment of these objectives will prove exceedingly difficult. It is true that we may hope for some fall in the prices we have to pay for our imports, but in present conditions it is by no means certain that this will compensate for the greater difficulty we are likely to encounter in selling our exports, whether as a result of increased foreign competition, or of new restrictions on imports, such as have been imposed by S. Africa.

On all grounds, the necessity for a reduction in British costs of production is becoming increasingly urgent. Any renewal of inflationary pressure in this country, at a time when it is disappearing abroad, would be even more harmful than it was when inflation was world-wide. The very optimistic programme for capital creation at home during 1949 should be reviewed in the light of our balance of payments problem.

## THE BUDGET AND ECONOMIC POLICY

By F. W. Paish and R. C. Tress

I.

The Budget for April, 1949, marks a turning point in British post-war financial history. Ever since the end of the war civil expenditure has been rising steadily, especially on the education, health and national insurance services and on food subsidies, but until this year the rise was offset by the fall in the cost of defence and also, to a smaller extent, of interest on the national debt. It was therefore possible for the rising civil expenditure to be accompanied by reduced taxation, and when, in November, 1947, taxes were increased as a disinflationary measure in order to provide a budget surplus, it was possible to regard this as an emergency measure to deal with an exceptional situation. But this year the end of the fall in defence expenditure has allowed the effects of rising civil expenditure to become obvious, so that the estimated Government expenditure for $1949 / 50$ is not only greater than the actual expenditure in 1948/49, but also takes an increased percentage of a rising taxable income (i.e., factor incomes plus transfer incomes).

TABLE 1.
BRITISH CENTRAL GOVERNMENT EXPENDITURE.

|  | Defence | Civil | Consolidated Fund* | Total- |
| :---: | :---: | :---: | :---: | :---: |
| Exchequer Issues1946/47. |  |  |  |  |
|  |  |  |  |  |
| £Mn. ... ... | 1,653 | 1,679 | 578 | 3,910 |
| \% of Government Expenditure ... | $42 \cdot 3$ | $43 \cdot 0$ | $14 \cdot 7$ | 100 |
| \% of Taxable Income | $18 \cdot 2$ | 18.4 | $6 \cdot 4$ | $43 \cdot 0$ |
| $\begin{array}{lllllllll}\text { £Mn. } . . & \ldots & \ldots & 854 & 1,799 & 534 & 3,187\end{array}$ |  |  |  |  |
|  |  |  |  |  |
| penditure .... ... | $26 \cdot 8$ | $56 \cdot 4$ | $16 \cdot 7$ | 100 |
| \% of Taxable Income | 8.9 | $18 \cdot 6$ | $5 \cdot 5$ | $33 \cdot 0$ |
| 1948/49 : |  |  |  |  |
| £Mn. ... ... ... | 753 | 1,881 | 519 | 3,153 |
| \% of Government Expenditure ... | $23 \cdot 9$ | $59 \cdot 7$ | 16.4 | 100 |
| \% of Taxable Income | $7 \cdot 2$ | $18 \cdot 0$ | $5 \cdot 0$ | $30 \cdot 2$ |
| Budget Estimates, 1949. |  |  |  |  |
| £Mn. ... ... ... |  |  |  |  |
| \% of Government Expenditure ... | 760 | 2,024 | 508 | 3,292 |
|  | $23 \cdot 1$ | $61 \cdot 5$ | 15.4 | 100 |
| \% of Taxable Income | $7 \cdot 0$ | 18.7 | $4 \cdot 7$ | $30 \cdot 4$ |

The rise in civil expenditure in 1949/50 would have been even greater had not the Chancellor taken measures to reduce it ; for the cost of food subsidies threatened to increase from $£ 485 \mathrm{Mn}$. in $1948 / 49$ to $£ 568 \mathrm{Mn}$. in $1949 / 50$. The Chancellor decided to limit the maximum cost of subsidies in $1949 / 50$ to $£ 465 \mathrm{Mn}$. by reducing the rates of subsidy on tea, sugar,
cheese, meat, butter and margarine. This is $£ 20 \mathrm{Mn}$. below the $1948 / 49$ figure, and represents a nominal saving of $£ 103 \mathrm{Mn}$. for $1949 / 50$, but part of this economy is only apparent, since the reductions in the subsidies on tea and sugar are offset by reductions of $£ 33 \mathrm{Mn}$. in the taxes on these commodities, leaving their prices unchanged. The net cost of subsidies, therefore, will increase by $£ 7 \mathrm{Mn}$., from $£ 416 \mathrm{Mn}$. in $1948 / 49$ to $\AA 423 \mathrm{Mn}$. in 1949/50.

TABLE 2.
GROSS AND NET COST OF FOOD SUBSIDIES (£ Mn.)

|  | Subsidies* | Indirect Taxes $\dagger$ | Net Total |
| :---: | :---: | :---: | :---: |
| 1948/49, Actual | 485 | 69 | 416 |
| 1949/50, Forecast- |  |  |  |
| (a) Without Budget changes | 568 | 75 | 493 |
| (b) With Budget changes | 465 | 42 | 423 |

* "Food subsidies" comprise the trading losses of the Ministry of Food (including here the cost of milk and welfare schemes), acreage payments to farmers and subsidies to the prices of fertilisers and molasses.
$\dagger$ " Indirect taxes " include estimates for the duties on food, drink and feeding-stuffs under the Import Duties Act, 1932, and the Ottawa Duties (exclusive of the tax on linseed oil).

The rise in estimated expenditure, even after the limitation in the effective rise in the cost of subsidies, remained so great that the Chancellor had little scope for any reductions in taxation. Apart from the reduction in the taxes on tea and sugar, which is merely a change in book-keeping methods, the only important reduction, so far as 1949/50 is concerned, was the reduction in the tax on beer, estimated to cost $£ 18 \mathrm{Mn}$. in 1949/50 and $£ 20 \mathrm{Mn}$. in a full year. The reduction is partly justified on the ground that existing rates of tax have tended to reduce consumption substantially and it may be looked on largely as a means of safeguarding future revenue. Increases in taxation include higher taxes on matches and lighters ( $£ 4 \cdot 8 \mathrm{Mn}$.), and on football pools, etc. ( $£ 5.5 \mathrm{Mn}$.) ; a readjustment of income tax on national insurance contributions and benefits (net $£ 10 \mathrm{Mn}$.) ; the repeal of the Legacy and Succession duties, coupled with increased Estate duties ( $£ 11 \mathrm{Mn}$.), and increased telephone charges ( $£ 2.5 \mathrm{Mn}$.). These last two will yield considerably more ( $£ 20 \mathrm{Mn}$. and $£ 8 \mathrm{Mn}$.) in a full year. The effects of changes in taxation on revenue, distinguishing between taxes which are mainly deductions from private income and taxes which are mainly deductions from private capital, are summarised in Table 3 :-

TABLE 3.
EFFECTS ON REVENUE OF TAX AND SUBSIDY CHANGES FROM ONE YEAR TO THE NEXT
( $£ \mathrm{Mn}$.)

|  | 1949/50 |  | 1950/51 |
| :---: | :---: | :---: | :---: |
|  | Effect of 1948 <br> Budget additional to that in 1948/49* | Effect of 1949 <br> Budget on 1949/50 | Effect of 1949 Budget additional to that in 1949/50 |
| Changes in Taxes mainly paid out of incomeDecreases in Direct Taxes Decreases in Indirect Taxes | -20.25 -6.85 | $-52 \cdot 05$ | +41.50 $-\quad 2.70$ |
| Total Deereases ... | $-27 \cdot 10$ | $-52 \cdot 05$ | $-44 \cdot 20$ |
| Increases in Direct Taxes Increases in Indirect Taxes | $\begin{array}{r}\text { + } \\ + \\ +6.60 \\ \hline\end{array}$ | +10.00 +13.33 | $+\overline{6 \cdot 37}$ |
| Total Increases ... | $+9 \cdot 55$ | $+23 \cdot 33$ | $+6 \cdot 37$ |
| Net Change in Taxes paid out of Income <br> Change in Subsidies to Income | $-17 \cdot 55$ | $\begin{array}{r} -28 \cdot 72 \\ +32 \cdot 80 \end{array}$ | $\begin{array}{r} -37.83 \\ +\quad 0.70 \end{array}$ |
| Net Change in Deductions from Income | $-17 \cdot 55$ | $+4.08$ | $-37 \cdot 13$ |
| Changes in Taxes mainly paid out of Capital $\dagger$ Decreases in Direct Taxes Decreases in Indirect Taxes Increases in Direct Taxes | $-52 \cdot 00$ | $\begin{array}{r} -1.50 \\ +11.00 \end{array}$ | $\begin{array}{r} \overline{0.50} \\ +\quad 9.00 \end{array}$ |
| Net Change in Taxes paid out of Capital ... | $-52 \cdot 00$ | $+9 \cdot 50$ | $+8 \cdot 50$ |

* Effect of taxes paid out of income are given as estimated in the Financial Statement of April, 1948.
$\dagger$ "Special contribution," death duties and stamps on the transfer, etc., of property.

Two of the most important changes in taxation will affect this year's revenue hardly at all. The tax of $10 \%$ on issues of bonus shares, or of shares on bonus terms, had proved so restrictive that it brought in very little revenue. Its abolition, besides making it possible for companies, subject to the consent of the Capital Issues Committee, to bring their paid-up capital more into accord with the capital actually employed in the business, will remove a serious obstacle to raising additional capital from shareholders.

More important is the decision to increase the special depreciation allowance on new machinery and plant from $20 \%$ to $40 \%$ in the first year of its life. This concession, which is estimated to cost nothing in 1949/50, $£ 40 \mathrm{Mn}$. in $1950 / 51$, and $£ 75 \mathrm{Mn}$. in a full year, will probably bring the total amount of depreciation allowed for tax purposes throughout the country very nearly up to the actual cost of maintaining fixed capital intact. It has, however, three disadvantages as compared with the suggested plan for using replacement cost instead of original cost as a basis for the calculation of all profits for
purposes of tax ; it makes no provision for variations in the cost of maintaining circulating capital intact ; it tends to stimulate business investment rather than business savings in a time when the inadequacy of savings in relation to investment is still a major problem ; and it provides no remedy for the almost equally serious disadvantages of the present system of calculating profits if prices should fall. It is, however, to be regarded as a temporary measure to provide relief while the promised inquiry into methods of calculating profits for purposes of tax is taking place.

If we take a single year by itself, this concession represents a mere postponement of liability to tax. If, however, the concession is repeated year after year for an indefinite period, the annual relief from tax enjoyed by a firm with a constant annual gross expenditure on plant and machinery will continue for many years, though at a diminishing rate. How rapidly the annual benefit will fall will depend on the rate and method of depreciation employed ; with the " diminishing balance" method and a rate of $10 \%$ per annum, the annual benefit received would fall by half about every seven years. If a firm increases its annual gross expenditure on plant and machinery, its benefit will fall more slowly than this, or may even rise ; only if it reduces its gross expenditure on plant and machinery below the initial rate will it ever have to repay to the Treasury any part of the benefit received in earlier years, unless and until the concession is reduced or withdrawn.

## II.

After allowing for the changes in taxation, the Chancellor found himself with an estimated revenue of $£ 3,778 \mathrm{Mn}$., as compared with $£ 4,007 \mathrm{Mn}$. last year, to meet expenditure which is expected to rise from $£ 3,176 \mathrm{Mn}$. to $£ 3,308 \mathrm{Mn}$. (including sinking funds), and his surplus, as conventionally calculated, is therefore expected to fall from $£ 831 \mathrm{Mn}$. to $£ 470 \mathrm{Mn}$., or by $£ 361 \mathrm{Mn}$. This is shown under (A) in Table 4. The distinctions between the "above the line" items making up these estimates and other items " below the line," however, are more legal than economic*, and these figures greatly exaggerate the effective amount of the decline. Part of the fall in revenue is due to a decrease in receipts,

[^11]such as those from the sale of assets in India, which represented merely a cancellation of old Government debt, and did not provide any additional money to spend. Another part is due to reduced tax-yields and other receipts mainly paid out of private capital. Since the whole object of the budget surplus is to supplement private savings, which by themselves are inadequate to finance the present high level of investment, any fall in the surplus which is accompanied by a parallel increase in net private savings can be contemplated without anxiety. We need an estimate of the amount of resources which the central government withdraws from private consumption and makes available for investment, i.e., the amount of substitute private saving.

The first stage in establishing an approximately true estimate of this amount of central government saving is that provided by the Alternative Classification given, this year as last, in the Financial Statement and shown in Table 4 under heading (B). (The figures for 1949 are the authors' estimates.) There are a number of changes here, but the important ones are the exclusion from revenue of receipts from the sale of surplus stores and from trading services. There are brought into this account, however, two items -" housing receipts from Votes" and "gifts from Australia "-which rightly belong elsewhere*; compensation to doctors for loss of the right to sell their practices has not been transferred to the capital account ; and there are several items of both actual revenue and expenditure which have been left out altogether, either because they have to be imputed or because they do not come administratively within the range of the Exchequer. The figures under heading (C) in Table 4 are the figures of the Alternative Classification adjusted for all these items. Those for the calendar year, 1948, are taken from the National Income White Paper $\dagger$, the others are new estimates.

The National Income White Paper, whose accounts are shown under heading (D) $\ddagger$, follows these adjusted figures except that (i) National Debt interest is treated as negative income instead of positive expenditure (the surplus being unaffected), and (ii) transfers to private capital account are brought into Government current expenditure. In the White Paper, in other words, all taxes are included in current revenue

[^12]and all transfers in current expenditure. There is a good case to be made for keeping the Governmen t accounts in this way: though a distinction is plain enough in principle, there are in practice many instances where, the individual sums bei ng small enough, the question whether a particu lar tax or transfer payment affects income or capital is at the option of the taxpayer or recipient. The alternative to drawing no line, however, is to draw a reasonable, conventional one, i.e., to exclude from private and Government current acco unts alike those taxes and transfer payments which probably and for the most part are not regarded as subtracting from or adding to private spendable income. Since this treatment comes nearer to what is required for the purpose of estimating the inflationary or deflationary effects of Government policy*-at the present time, for seeing whether the investment programme can be financed-it is the treatment followed in this article and in the estimate of the Government's contribution to saving given under heading (E). Starting from the adjusted figures of the Alternative Classification (C), doctors' compensation is excluded from expenditure just as are payments in respect of war damage claims and E.P.T. refunds; from revenue there are omitted death duties and the " special contribution" (the direct taxes on capital) and also an estimate of the stamp duties levied on the transfer, etc., of property.

This calculation attempts to show the effect of Government action upon saving as it might appear within the Government accounts themselves. In order to show the full effect of Government policy upon the economy one would also have to take account of those accruing but unpaid tax liabilities which remain, for the time being, in private hands. But for forecasting the future effects of Government policy, as distinct from evaluating the past $\dagger$, this is a somewhat hazardous addition. Uncertainties will be noted below regarding the movement in the tax reserves of companies, while, as far as private persons are concerned, the concept of unpaid tax liabilities has a doubtful range of validity when effect upon future gross saving is to be considered.

[^13]TABLE 4.
CENTRAL GOVERNMENT SAVING (£ Mn.).

|  | 1948 | 1948/49 | 1949 | 1949/50 |
| :---: | :---: | :---: | :---: | :---: |
| A. Conventional "Above the Line " $\qquad$ Ordinary Revenue ... Ordinary Expenditure | $\begin{aligned} & 3,865 \\ & 3,202 \end{aligned}$ | $\begin{aligned} & 4,007 \\ & 3,176 \end{aligned}$ | $\cdots$ | $\begin{aligned} & 3,778 \\ & 3,308 \end{aligned}$ |
| Surplus ... ... | 663 | 831 | . | 470 |
| B. Financial Statement Alternative Classifi-cation- <br> Revenue Receipts Revenue Payments ... | $\begin{aligned} & 3,633 \\ & 3,092 \end{aligned}$ | 3,797 3,113 | 3,775 3,250 | 3,744 3,252 |
| Surplus ... . | 541 | 684 | 525 | 492 |
| C. Alternative Classification AdjustedRevenue Receipts Revenue Payments... | $\begin{aligned} & 3,647 \\ & 3,164 \end{aligned}$ | 3,803 3,180 | 3,780 3,320 | 3,750 3,325 |
| Adjusted Surplus... | 483 | 623 | 460 | 425 |
| D. National Income White PaperRevenue Current Expenditure | $\begin{aligned} & 3,109 \\ & 2,805 \end{aligned}$ | $\begin{aligned} & 3,268 \\ & 2,791 \end{aligned}$ | $\begin{aligned} & 3,255 \\ & 2,980 \end{aligned}$ | $\begin{aligned} & 3,230 \\ & 2,985 \end{aligned}$ |
| Surplus on Current Account... | 304 | 477 | 275 | 245 |
| E. Alternative Current AccountCurrent Revenue Current Expenditure | $\begin{aligned} & 3,391 \\ & 3,164 \end{aligned}$ | $\begin{aligned} & 3,505 \\ & 3,180 \end{aligned}$ | $\begin{aligned} & 3,490 \\ & 3,320 \end{aligned}$ | $\begin{aligned} & 3,510 \\ & 3,325 \end{aligned}$ |
| Central Government Saving $\qquad$ | 227 | 325 | 170 | 185 |

It will be seen that, after correcting for capital and other items in this way, Central Government savings fall from $£ 325 \mathrm{Mn}$. in 1948/49 to $£ 185$ Mn . in $1949 / 50$, or by $£ 140 \mathrm{Mn}$., as compared with a fall of $£ 361 \mathrm{Mn}$. in the conventional surplus. (The suggestion of a sag in mid-1949, if real, would be accounted for by differences in the rates of growth of revenue and expenditure.) Before proceeding to enquire whether this reduced level of Government saving is likely to be adequate, we must add to it estimates of the savings of the other public authorities. Data for this purpose are uncertain, but it seems likely that the two together will show some increase over the period :-

TABLE 5.
PUBLIC AUTHORITIES' SAVING (£ Mn.).

|  |  | 1948 | 1948/49 | 1949 | 1949/50 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Central Government National Insurance | $\cdots$ | 227 | 325 | 170 | 185 |
| Funds ... | $\cdots$ | 105 | 110 | 115 | 120 |
| Local Authorities | $\ldots$ | 18 | 15 | 10 | 10 |
| Total | $\ldots$ | 350 | 450 | 295 | 315 |

## III

The test comes when we apply these estimates of the true savings of public authorities to the
combined national capital account. In the calendar year columns of Table 6, the investment figures (apart from the minor change footnoted) and the figures of gross business savings (i.e., depreciation allowances, tax reserves, and undistributed profits) are the same as in official statements $\ddagger$; but the estimates of current public authority saving are lower, and hence the volume of personal savings required is higher. This series of estimates of savings, it is suggested, shows more plainly the true nature of the trend involved.

TABLE 6.
COMBINED CAPITAL ACCOUNT, 1947-49 (£ Mn.).

|  | 1947 | 1948 | 1948/49 | 1949 |
| :---: | :---: | :---: | :---: | :---: |
| Investment- |  |  |  |  |
| Gross Capital Formation at Home |  |  |  | 2,330 |
| External Investment | -630 | -165* | - 80 | - |
| Total Capital Formation | 1,410 | 2,232 | 2,300 | 2,330 |
| Saving- |  |  |  |  |
| Current Saving of Public Authorities | $-343$ |  |  |  |
| Additions to Company | -343 | 350 | 450 | 295 |
| Tax Reserves ... | 65 | 165 | 160 | $90 \dagger$ |
| Depreciation Allowances | 750 | 825 | 850 | $950 \dagger$ |
| Undistributed Profits | 405 | 540 | 550 | 575 |
| Personal Saving ... | 533 | 352 | 290 | 420 |
|  | 1,410 | 2,232 | 2,300 | 2,330 |

[^14]The table brings out clearly the implications of the reduction in the savings of public authorities. Personal savings, before payment of taxes on capital, appear to have been falling steadily ever since the war as more goods have become available in the shops and as restrictions on consumption have been relaxed. Between the calendar year 1947 and the financial year 1948/49 they are
$\ddagger$ Economic Survey for 1949 (Cmd. 7649) and a Parliamentary answer by the Economic Secretary to the Treasury on 11th April (H.C. Deb., Vol. 463, No. 99, Col. 228). The figure of $£ 295 \mathrm{Mn}$. above for the public authority surplus in the calendar year, 1949, is consistent with the $£ 400 \mathrm{Mn}$. surplus in the official figures. The estimates for the financial year 1948/49 in Table 6, apart from those derived earlier, are interpolated.
estimated to have fallen from $£ 533 \mathrm{Mn}$. to $£ 290 \mathrm{Mn}$., or by more than $40 \%$. They are now required sharply to reverse this trend and to rise by $£ 100 \mathrm{Mn}$. or more over the next nine months-that is to say, personal savings during the next nine months need to be $£ 100 \mathrm{Mn}$. greater than during the last nine months of 1948 if business and public savings are no larger than envisaged, if the adverse balance of payments is in fact to be eliminated, and if the planned programme for capital formation is to be achieved.

In the absence of renewed shortages of consumption goods or revived controls, a continuation of the fall in personal savings during 1949 would seem more likely than a sharp rise. If so, personal savings, and hence aggregate savings, seem likely to be between $£ 100 \mathrm{Mn}$. and $£ 150 \mathrm{Mn}$. less than the amount required to complete the financing of the full programme of $£ 2,330 \mathrm{Mn}$. gross capital creation.

There is, of course, a substantial margin of error in all these figures, as the National Income White Paper has firmly reminded us*, and estimates of investment are particularly vulnerable in this respect. The aggregate forecast of gross capital investment in 1949, for example, includes a writing down of the sum of individual capital programmes to allow for shortfalls in execution, and rough estimates of miscellaneous fixed investment, the increase in value of stocks and work in progress and the increase in the value of exports shipped but not paid for. At best, it cannot be taken as representing more than the most probable figure which we can assume. Nevertheless, if these elaborate compilations of official statistics are to be taken as of any value at all, a gap of this size cannot be discounted in forming, and passing judgments upon, national policy.

## IV.

When prospective savings seem likely to fall short of planned investment, there is no absolute criterion by which we can decide which side of the account should be adjusted in order to bring the two into equilibrium without renewed inflation. In view of our war-time capital losses which still have to be made good, it is right that the capital investment programme should be the largest of which the country is capable. But there are limits, the exceeding of which (if possible at all) can only be by way of inflation, because the political difficulties and economic discouragements of a yet higher budget surplus are insupportable. Taken with the present level of

[^15]Government current expenditure, the 1949 capital programme would seem to lie close to, if it does not exceed, that limit.

Probably the best measure of the burden imposed on the economy by the diversion of resources from consumption to investment is the amount of net capital investment-that is to say, the amount of additional capital to be created after providing for the maintenance intact of existing capital, both at home and abroad. Since the war, a large part of the burden of financing capital creation at home has been offset by disinvestment abroad. If, as is intended, the overall gap in our balance of payments is closed in 1949, this source of finance will disappear ; in effect, all our dollar aid will go to financing investment overseas. Unless, therefore, the burden of capital accumulation on the country is to be greater this year than last, net capital creation at home will need to be less by an amount equal to the improvement in our balance of payments.

If we are content to take the official allowance for the depreciation of fixed assets as an adequate provision for maintaining capital intact, as shown in Table 7, this condition would appear to have been approximately fulfilled :-

TABLE 7.
GROSS AND NET CAPITAL FORMATION-I.

|  | 1947 |  | 1948 |  | 1949 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | £ Mn. | \% of Nat. Ine. | $£ \mathrm{Mn}$. | \% of Nat. Inc. | £ Mn. | \% of Nat. Inc. |
| Gross Capital Formation at Home | 2,040 | $23 \cdot 4$ | 2,397 | 24-7 | 2,330 | $23 \cdot 3$ |
| Depreciation of Fixed Capital ... |  |  |  | $-8 \cdot 5$ | $-900$ |  |
| Net Capital Formation at Home ... | 1,290 | $14 \cdot 8$ | 1,572 | $16 \cdot 2$ | 1,430 | $14 \cdot 3$ |
| Net Foreign Investment | -630 | $-7 \cdot 2$ |  | $-1.7$ | - | - |
| Net Capital Formation at Home and Abroad ... | 660 | $7 \cdot 6$ | 1,407 | $14 \cdot 5$ | 1,430 | $14 \cdot 3$ |

On this criterion, and using the same basis for depreciation in 1949 as in the previous years, the amount of total net capital creation planned for 1949 is only $£ 23 \mathrm{Mn}$. more than in 1948, and is a slightly smaller proportion of the national income. (If we adopt for 1949 the new basis for depreciation introduced in the 1949 Budget, net capital creation is $£ 27 \mathrm{Mn}$. less than in 1948, but this is clearly misleading.) It is, however, widely believed that the official allowances for depreciation were in 1947 and 1948 a good deal less than the actual cost of maintaining fixed capital intact, while even the increased 1949
allowance is still probably too low. Further, in times of rising prices the maintenance of an unchanged quantity of circulating capital requires additional monetary investment, and this increase must also be deducted from gross capital formation to obtain an estimate of true net capital formation. If we make these additional adjustments we obtain a rather different picture of the changes in net investment:-

TABLE 8.
GROSS AND NET CAPITAL FORMATION-II.*

|  | 1947 |  | 1948 |  | 1949 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | £ Mn. | \% of Nat. Inc. | £ Mn. | \% of <br> Nat. <br> Inc. | £ Mn. | \% of <br> Nat. <br> Inc. |
| Gross Capital Formation at Home | 2,040 | $24 \cdot 3$ | 2,397 | $25 \cdot 5$ | 2,330 | $23 \cdot 5$ |
| Depreciation of Fixed Capital ... |  |  |  | $-10 \cdot 1$ | -1,000 | $-10 \cdot 1$ |
| Cost of maintaining Circulating Capital intact | $-200$ | $-2 \cdot 4$ | $-150$ | $-1 \cdot 6$ | - |  |
| Net Capital Formation at Home ... | 940 | $11 \cdot 2$ | 1,297 | $13 \cdot 8$ | 1,330 | $13 \cdot 4$ |
| Net Foreign Investment | -630 |  |  | $-1 \cdot 8$ | - |  |
| Net Capital Formation at Home and Abroad ... | 310 | $3 \cdot 7$ | 1,132 | $12 \cdot 0$ | 1,330 | $13 \cdot 4$ |

* Higher estimates of the cost of maintaining capital intact imply corresponding reductions in the estimates of net national income, and hence raise the ratios of the investment aggregates to national income.

The fact that much smaller deductions from gross capital formation need to be made in 1949 than in 1948 in order to arrive at net capital formation leads to the conclusion that true net capital formation is planned to be something like $£ 200 \mathrm{Mn}$. more this year than last. Price rises will account for some of this, perhaps $£ 25 \mathrm{Mn}$., but the remainder represents a real expansion in the rate of capital accumulation, equal to more than half of the prospective increase in the real national income. The responsibility for the gap which seems to be opening between estimated savings and planned investment appears to lie with the investment rather than the savings side of the equation.

Furthermore, there is another item of the official estimates which takes on a rather different appearance when allowance is made for the full cost of maintaining capital intact, namely, the estimate of business savings. The official estimate of business profits is computed by deducting from gross profits only the official rates of depreciation on fixed capital. If in addition we deduct enough to maintain physical capital intact, we obtain the estimates shown in Table 9.

If we attribute the whole additional cost of maintaining capital intact to companies (it should, of course, be shared to some extent by capital

TABLE 9 .
NET SAVINGS OF COMPANIES ( $£ \mathrm{Mn}$.).

|  | 1947 | 1948 | 1949 |
| :---: | :---: | :---: | :---: |
| Official Estimates- |  |  |  |
| Additions to Tax Reserves ... | 65 |  | 90* |
| Undistributed Profits ... | 405 | 540 | 575 |
| Total Company Savings ... | 470 | 705 | 665 |
| Less Additional Cost of Maintaining Fixed Assets intact | $-150$ |  | -50 * |
| Cost of Maintaining Circulating | $-150$ | $-125$ | -50* |
| Assets intact... ... ... | $-200$ | $-150$ |  |
| True Net Savings of Companies... | 120 | 430 | 615 |

owned by public authorities and unincorporated businesses, but the difference is probably not very large), we find that the official estimates imply a very substantial increase in true net business savings-that is to say, of those business savings which are available to finance an increase in physical assets. If, as seems not unlikely, these estimates prove to have been overoptimistic, the further shortfall in savings will widen the gap between savings and planned investment still further.

## V.

The result of our re-examination of the official estimates for capital formation and business savings in 1949 brings us, therefore, to the conclusion that at present prices the prospective rate of total savings, public and private, in 1949 would seem to be at least $£ 100 \mathrm{Mn}$. short of the rate of planned investment, and very possibly more. What is likely to be the effect of such a deficiency if, in fact, a serious attempt is made by the Government and others to fulfil literally the official forecast of aggregate gross capital formation? In a free but closed system the result would be either a rise in interest rates, leading to a curtailment of investment, or an expansion of credit, leading to a rise in prices and an enforced expansion of savings-probably mainly business savings. In a system both free and open, a rise in interest rates, besides checking investment, would tend to draw new capital from the rest of the world to supplement local savings, and so finance the development of an adverse balance of payments on income account ; while an expansion of credit would tend to create an adverse balance of payments, probably without drawing in foreign capital to finance it, and so deplete reserves of gold and foreign exchange. In our present system, where imports are fully controlled, but exports and internal trade only very partially so, prediction is more difficult. If, as is most probable, interest rates are not allowed to rise, the immediate effect of trying to carry
out the full programme for fixed investment will almost certainly be to cause a renewal of credit expansion. This will tend to raise prices and to check exports. Thus our main problems, both of balancing our overseas accounts and of maintaining internal stability, will be made more difficult.

The criticism of Dr. Dalton's Budgets was that they appeared to be drawn up in complete disregard of Government policies in broader economic spheres. That fault has been remedied. A criticism that might not now be unfair is that the Budget is too subservient to these wider schemes. The Budget is an essential-indeed, the most essential-instrument in implementing a general economic plan, but it can be overworked. Government expenditure and the investment programme alike must accommodate themselves to what a reasonable and acceptable Budget will allow. So far as the government's current expenditure is concerned, this point appears to have been taken ; but one may yet wonder if the investment programme would have been left
quite so large had its budgetary implications been appreciated as fully when the Survey was finalised as they are now. There may be difficulties about this. On the administrative side, the need for secrecy is well understood. On the economic side, cutting investment is much easier said than done. Sir Stafford Cripps, in his Budget Speech, whilst admitting the statistical difficulties, described the planning of investment as "the most essential part of our general planning mechanism."* One suspects that the Economic Survey comes closer to the truth, however, in giving first place among the factors affecting the matter to " recent trends." But " decisions already taken about the controlled sectors " $\dagger$ occupy second place, and there, among the Government's own sponsored programmes, if nowhere else, some revision might have been sought to ease the budgetary strain. If the analysis which we have followed above is at all near the truth, the appearance of the budget has not diminished the need for such revision.

[^16]
# BRITISH TRADE PROSPECTS 

by C. F. Carter and A. D. Roy

Since our review in the February Bulletin, the movements of British trade have been irregular, and it is more than usually difficult to estimate the trend. Export volume reached a new post-war record, $162 \%$ of 1938, in January, and after reacting to 143 in February, recovered to 162 again in March.* Imports, by value, were high in January, at $£ 187.2 \mathrm{Mn}$., with large totals for dairy produce, wool and machinery. In February imports declined heavily to $£ 162.0 \mathrm{Mn}$., but in March rose again to $£ 189.9 \mathrm{Mn}$.; large quantities of cotton, petroleum and non-ferrous metals came in during March. The movements of prices have been slight. Some interest was caused by a fall of two points between December and February in the price index for manufactured textile exports, but apart from this the index numbers (which have been newly estimated) provide no firm confirmation of the effects of a " buyers' market." Nor have the import price indices so far published shown much of the fall in commodity prices, which is commented on elsewhere in this Bulletin (p.61). This is not entirely due to bulk buying at fixed

[^17]contract prices ; there would in any case be a considerable time-lag between purchases in the primary markets and arrival in this country.

The moment is, we think, suitable for taking a long view of our trade prospects and for preparing our minds to meet the changes which may come at any time. Two warning voices have been heard recently. One declares that British industry, with its heavy load of taxation and social security payments, and its inflexible wage structure, is certain to price itself out of many world markets as soon as more agile competitors have overcome their production and marketing difficulties. The other ominous voice reminds us that all over the world Governments have been converted to the virtues of disinflation; that falling commodity prices mean falling purchasing power in farms, plantations and mines; and, perhaps, that the inherent instability of American capitalism must before long be seen in sharply declining activity. Nor can we dismiss this last possibility as the product of partisan wishful thinking. America is so large a part of the economic world that quite a moderate decline in her activity-nothing on the scale of 1930-would be a matter of serious concern to the rest of us.

The number of variables in the trade position is so great, and so few of them are under our control, that it is exceptionally difficult to make forecasts which carry any conviction of reality. Yet we think that a few rough conclusions can be drawn from an examination of certain broad aggregates. If these conclusions are disturbing, it is because of the fundamental weakness of Britain's position. We are large importers of primary products, in a world daily becoming more adept at raising their prices ; and we live by exports of manufactures, in a world where national pressures are all towards extending and protecting home manufacture. We are swimming against the tide of events, and our importance in world trade increases our vulnerability whilst yielding us little return in bargaining power.

## The Course of Pricés

Now that many world agricultural prices have declined from their peak, and petroleum and non-ferrous metals have also fallen, there can be little doubt that import prices will fall. There is little doubt, also, that there is an exceptional and inflationary element in export prices. The " buyers' market" has apparently shown itself so far in the hesitation of the buyers, rather than in forthright price-cutting by the sellers; but that price-cutting is bound to come. The result on profits in British export industry may well be serious, even though cost structures throughout the world (and not only in Britain) have tended to become inflexible. But the illusion that every element of both cost and profit is already at a minimum does not usually stand up long against keen competition.

In round figures, import prices are three times, and export prices are two and a half times, their 1938 equivalents. It is natural to suppose that import prices have farther to fall, and that their heavier fall will benefit us. But this is probably an illusion. The terms of trade are roughly the same as in 1929 , much more favourable than in 1913 and (even more) than in the 19th century. The over-production of primary commodities relatively to world purchasing power, in the 1930's gave us an unusual interlude of cheap imports. No doubt the elaborate measures which the primary producers are now taking to put a floor to prices would break up in the whirlwind of another Great Depression. But we have no right to assume that they will prove ineffective in a moderate recession. It will be wise to regard 1929, rather than 1938, as a norm for the relation of import to export prices.

In view of the general British price level, and as export prices are exceptionally high
partly because the exports embody expensive imports, it would not be surprising if both these index numbers fell by $20 \%$ of their 1948 level.


Looking at the immediate future, we ought at least to consider the effect of a $10 \%$ cut in both import and export prices, the two moving parallel. But we have taken into consideration below the more optimistic assumption that import prices may fall more.

The slow publication of trade returns makes it difficult to obtain direct evidence on the prices of our competitors. No clear overall trend yet emerges. But it would seem prima facie likely that other countries, with less trade union power and lower taxation, will be able to act more quickly than Britain in cutting prices. Where British export prices fall $10 \%$, it may be wise to allow for competitive prices falling by either $10 \%$ or $15 \%$.

## World Prosperity

The prosperity of our customers is more important than the price-level in determining how much Britain can sell. There are in reality three factors here involved ; world real incomethe flow of wealth currently produced by mankind ; the proportion of this flow which enters into world trade ; and the proportion of British trade to world trade. In normal times the last factor, though subject to large changes over decades, might be expected to alter little between this year and next. In point of fact the volume of world trade reproduces the cyclical fluctuations of world income, but with a larger amplitude ; and the British share in world exports fluctuates narrowly-by value, about $11 \%$ in $1929,10 \%$ in 1932, $12 \%$ in 1938, and slightly more at the present time. By volume, U.K. exports fell more in the depression. The following table, which should be regarded as highly approximate, summarizes the main variables :-

|  |  |  | World <br> Real Income <br> (excl. USSR) | Volume of <br> World <br> Trade | Vol of. <br> U.K. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Exports |  |  |  |  |  |

What are the prospects for world income? The danger to be avoided here is that of planning as for the previous slump. The falling profit margins in many industrial countries do indeed suggest a
danger of falling activity. But it seems possible that in some countries, including the U.K., Government and business are so convinced of the necessity of capital investment, and so adept at compelling the savings necessary to finance it, that the reduction of profits will come mainly in consumer goods industries. There are already signs of this, and it may be that substantial structural unemployment will appear in consumer goods industries which have been planning on the basis of a demand structure which has disappeared. In the background, however, we have the secular tendency of world income to increase, and the strong recovery of Germany and other European countries, both offset by the likelihood of at least a mild recession in the United States. We suggest that it will be wise to base our forecasts for the near future on alternative assumptions: (a) that world income will be unchanged, and (b) that it will fall by $5 \%$, which might involve a fall of up to $10 \%$ in world trade. Clearly Britain will do well to maintain her present proportion of world trade (the trend of the past fifty years having been downwards) and it will be unwise to assume an increase.

## British Imports

The volume of British imports in 1948 was running at about $78 \%$ of 1938 , and 1938 was $5 \%$ below 1937 and $2 \%$ below 1929 . The volume of food imports is being held around $75 \%$ of 1938, though it may increase in response to falling prices: and the volume of imports of raw materials fluctuates between $80 \%$ and $85 \%$ of 1938 (a year of recession), with a tendency to rise with increasing industrial activity. It is hardly likely to be economically or politically possible to do with less food and raw materials, and it is difficult to see how (apart from importing the materials necessary for increased production) we shall be able to afford much more. We shall therefore make the simple assumption of an unchanged volume of imports.
The Prospects for the Visible Trade Balance
Some calculations made in 1946* suggest the following relations between the quantity of exports and its principal determinants for the period 1924-38.

A $1 \%$ increase in British export prices causes British exports to fall by $0 \cdot 8 \%$.

A $1 \%$ increase in competitors' export prices causes British exports to increase by $1 \cdot 4 \%$.

A $1 \%$ increase in world real income causes British exports to increase by $1.5 \%$.

[^18]These figures are consistent with the commonly held belief that Britain has a substantial market tied by kinship and custom, so that we find it easier to capture our competitors' markets than they find it to capture ours. But is it at all reasonable to apply to the post-war world, with its currency shortages and bilateralism, these calculations (themselves exceedingly doubtful) for 1924-38?

It does at least seem fairly well established that the "hard core" of Britain's export trade is much more sensitive to world income than to price. The magnitudes of the "elasticities" given above are a priori reasonable-for the hard core, to which we were reduced by the Great Depression. But we ought to conceive of the post-war export drive as adding concentric rings of customers, each ring less closely tied to the British supplier and more easily detachable by lower prices elsewhere and by lower prosperity at home. As an average for the extra $50 \%$ which we have added to our trade since 1938, it will be wise to assume that a $1 \%$ increase in the ratio of British to foreign export prices will decrease our exports by $2 \%$; and that a $1 \%$ increase in world income will increase our exports by $2 \%$-the nations feeling able to buy more "luxuries" from abroad.

In 1948 the deficit on our visible trade was $£ 432 \mathrm{Mn}$. We now have enough data to work out the effect on this deficit of changes of the types we have discussed. It may seem somewhat barren to give numerical precision to an exercise involving so many doubtful assumptions. We should therefore make it abundantly clear that we put forward these figures, not as forecasts of the actual deficit, but as indicators of the direction in which things may move. We put forward, in

ADVERSE VISIBLE BALANCE OF TRADE-£ Mn. (Exports f.o.b, and Imports c.i.f.)
(a) WORLD REAL INOOME CONSTANT

| Competitors' Export Price |  | Percentage of 1948 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 85 | 90 | 95 | 100 | 105 |
| British Export Price | $90 \%$ of 1948 | 464 | 446 | 419 | 394 | 361 |
|  | 95\% , | 478 | 462 | 438 | 414 | 384 |
|  | 100\% | 490 | 476 | 453 | 432 | 404 |
|  | 105\% , | 500 | 488 | 467 | 447 | 422 |

(b) WORLD REAL INCOME REDUCED BY 5\%


[^19]effect, a challenge to those who think we are too pessimistic to justify changes in our assumptions which would improve the results.

The figures in bold type lie in the area of reasonable possibility. To fix our attention on one, which is quite feasible, a $5 \%$ decline in world income, with competitors' prices falling $5 \%$ and British export prices remaining constant, might increase our visible adverse balance by $£ 145 \mathrm{Mn}$. (i.e. from $£ 432 \mathrm{Mn}$. to $£ 577 \mathrm{Mn}$.) -while at the same time invisible income would presumably decline.

The tables suggest that if we can manage to keep in step with our competitors a decline of prices will not affect our position much-but will not necessarily improve it, as one might expect with a country whose imports exceed her exports. But to maintain our present volume of imports, necessary as they are to full employment at home, in face of a world recession would place a heavy new burden on our reserves.

## The Dollar Problem

So far we have discussed a very varied field only in terms of broad aggregates. It is, of course, impossible to build up a picture in terms of the fine structure of particular imports to particular countries; but we ought at least to examine the effect of the movements considered above upon our dollar problem. Our visible adverse balance with the Western Hemisphere (as defined by the Board of Trade) was $£ 426 \mathrm{Mn}$. in 1948. The main factors to be considered are as follows :
(a) Schemes already planned should progressively reduce our dependence on Western Hemisphere imports ; but progress here is slow. These schemes tend at the same time to increase our exports to non-dollar countries.
(b) Our exports, particularly to the United States and Canada, are subject to strong price competition, and are probably of types highly sensitive to variations in income. For instance, one would expect exports of whisky, motor cars and fine worsteds to decline heavily in a recession.
(c) The Sterling Area has a considerable dollar income from primary commodities-e.g., rubber, tin, jute, and cocoa. For some of these the amounts bought are likely to vary more than in proportion to the variations of U.S. prosperity ; for instance, synthetic rubber has a prior claim to part of the U.S. market, and natural rubber is the marginal supplier. But in any case there is some danger that the primary products we sell will show the full free-market decline in a recession-price supports being absent or ineffective; while the primary products we buy will be effectively supported in price by the producing nations.

It is impossible to give quantitative expression to the relative importance of these factors; but they suggest a fair possibility that any decline in our general trade position will be accompanied by a more serious deterioration in our dollar balance. With declining Marshall Aid, we should then be forced to make further cuts in the semiluxury dollar imports, such as tobacco, and probably also in industrial raw materials.

## The O.E.E.C. Target

The achievement of balance by 1952, according to the Government's plans as submitted to O.E.E.C. (Cmd. 7572), rests on the assumption that British exports can be maintained, year in and year out, at a rate of $150 \%$ of the 1938 volume. If the British share in world exportsyear in and year out-remains at the relatively high 1948 level, world trade must be stabilised at $10 \%$ above 1948 -that is, $5 \%$ higher than its previous peak at the height of the 1929 boom. If world trade should fall to $95 \%$ of 1948, the British share in exports would have to rise to nearly $15 \%$, against $11 \%$ in 1929. When, therefore, the White Paper says " This represents, on the information now available to the United Kingdom, a realistic assessment of the prospects . . .", it appears to be assuming a fairly drastic change of trend. The fall in the British share of trade is of very long standing, and not even the temporary eclipse of Germany and Japan, and the changes in Eastern Europe, are likely to arrest it for long, unless there is strong action on our part. It is more reasonable to hope that nationalist economic policies will give way to a freer flow of trade, so that the rise interrupted in 1929 may be resumed; but there are all too few signs that this is yet happening, especially in manufactures. The long-term trends may be seen in the following table :


Even if the higher level of trade is achieved, the plan assumes a rise of nearly a quarter-to be maintained year in and year out-in our exports to the Western Hemisphere. The present structure of these exports is such that the high level would be almost impossible to maintain without
continuous full employment in the U.S. Nor must it be forgotten that German and Japanese exports to the Western Hemisphere are recovering.

To have achieved an overall balance in visible and invisible trade by the end of 1948 shows the resilience of the British economy. But the fact that the patient has rallied does not prove that he is cured. He is still exceedingly vulnerable to
infections which he is only too likely to meet in the coming months. He will require both great effort and exceptional good luck if he is to achieve even the moderate robustness now known as "viability." The nation is subject to a continual temptation to relax its efforts and throw away its medicine. Our forecasts suggest that Sir Stafford Cripps' grave diagnosis is far nearer to the truth of the situation.

## THE CHANGED DISTRIBUTION OF PURCHASING POWER

By W. B. Reddaway

It is well known that purchasing power is much less unequally distributed now than before the war. The true extent of the change is, however, normally masked by the manner in which the statistics are presented ; this article attempts to make a logical, if only approximate, comparison between 1938 and 1947, the last year covered by the National Income White Paper.

The difficulties to be overcome are twofold. Firstly, we are clearly concerned with the distribution of net incomes, after direct taxation, since these are what are available for spending. The White Paper, however, quite understandably classifies income-receivers by their gross income, and the rise in tax-rates means that the income ranges relate to lower net sums in 1947 than in 1938, even when expressed in money terms. The importance of this factor may be seen from the following table, which gives the approximate net equivalent of the ranges used by the White Paper:-

| Gross Income | Approx. Net Income Equivalent at 1938/9 Rates at 1947/8 Rates |  |
| :---: | :---: | :---: |
| $\stackrel{£}{\text { under } 250}$ | $\stackrel{£}{\text { under } 248}$ | $\stackrel{£}{\text { under } 242}$ |
| $250-499$ | 248 - 475 | 242 - 440 |
| $500-999$ | 475 - 875 | 440 - 750 |
| $1,000-1,999$ | $875-1,600$ | $750-1,350$ |
| $2,000-9,999$ | $1,600-5,900$ | $1,350-3,500$ |
| 10,000 \& over | 5,900 \& over | 3,500 \& over |

People in the last category for 1947 would nearly all have had net incomes under $£ 5,900$, and for a comparison of (money) purchasing power with 1938 should be moved into the previous one ; throughout the table some transfers of this kind are needed if like is to be compared with like, even in money terms.

Still more important is the second factor, arising out of the reduced value of money. To get a true picture ranges should represent the same net purchasing power in real terms. For want of a better indicator we may use the rise in consumer prices which is implicit in the White

Paper calculations and which gives a price factor of 1.69 for 1947. Strictly speaking, different factors probably ought to be used for each income level, but if we multiply the 1938 limits of the net income ranges by 1.69 we shall have a broad idea of how much money was needed in 1947 to give the same purchasing power. Thus the lowest category should go up to a net income of $£ 248 \times 1 \cdot 69$, or about $£ 420$, the next from $£ 420$ to $£ 475 \times 1 \cdot 69$, or about $£ 800$, and so on.

Having fixed the proper limits for the 1947 net income ranges, a rough process of interpolation enables us to say how many incomereceivers fall in each, and how much of the total net income they possessed. The results are shown in the table below :-

DISTRIBUTION OF NET PERSONAL INCOME

| Approximate Net Income Range |  | No. of Incomes* |  | Percentage of Total Net Income in Range |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1938 Prices | 1947 Prices | 1938 | 1947 | 1938 | 1947 |
| £ | ¢ 420 | Tho | ands | \% | \% |
| under 248 | under 420 | N.A. | N.A. | 60 | 70 |
| 248 - 475 | 420 - 800 | 2,000 | 2,500 | 16 | 19 |
| 475 - 875 | $800 \cdot 1,480$ | 670 | 420 | 10 | 61 |
| 875 - 1,600 | 1,480-2,700 | 224 | 115 | 6 | 3 |
| 1,600-5,900 | 2,700-10,000 | 98 | 30 | 6 | $1 \frac{1}{2}$ |
| 5,900 \& over | 10,000 \& over | 8 | 0 | 2 | 0 |

There are many striking features of this table. Thus in 1947 the number of " people" whose net purchasing power in real terms was greater than the equivalent of $£ 475$ in 1938 was only 565,000, against a million in 1938; further up the scale, the number able to buy as much as the poorest surtax-payer of 1938 had shrunk from 106,000 to 30,000 . On the other hand the number in the second category, with purchasing power equivalent to $£ 248-£ 475$ net in 1938, had grown from 2 Mn . to 2.5 Mn . ; this increase is nothing like so great as the rise to 7.9 Mn . shown in the White Paper (without adjustment for tax or price change), but it is none the less very substantial.

Almost more important than the numbers in the various ranges is the percentage distribution of the total income shown in the last two columns. The natural line of division again comes at the equivalent of $£ 475$ net in 1938. People above this line had $24 \%$ of the total (net) purchasing power in 1938, but only $11 \%$ in 1947 ; within this group surtax-payers in 1938 had $8 \%$ of the total net income, but this proportion had shrunk to only $1 \frac{1}{2} \%$ for people who were as well off in 1947. The effect of reduced numbers in the higher groups has been reinforced by a reduction in the average purchasing power of the survivors.

At the other extreme_the table shows no less
than $70 \%$ of the total net income in 1947 as falling in the lowest category-the equivalent of $£ 248$ or less at 1938 prices. This category is, of course, rather a hotchpotch, including, for example, the earnings of youths and girls who may be members of quite wealthy households, and all transfer-incomes except family allowances and post-war credits.* Nevertheless, this high proportion is of real significance both for the market research organisations and the social student.

[^20]
# CAPITAL FORMATION 

## I. POST-WAR FACTORY BUILDING IN THE DEVELOPMENT AREAS AND THE REST OF GREAT BRITAIN

By Joseph Sykes

This note deals briefly with the effects of post-war factory building upon the distribution and structure of industry in the Development Areas and the rest of Great Britain.

The following table relates to new factories and extensions of existing factories, that were completed after the passing of the Distribution of Industry Act, June, 1945, up to December 31st, 1948.

TABLE 1.
NEW FACTORIES AND EXTENSIONS OF EXISTING FACTORIES (*)COMPLETED June, 1945, to December 31, 1948.
( 5,000 square feet and over)

|  | No. of <br> schemes | Cost† <br> $£ 000$ | Nos. <br> employed | Employ- <br> ment <br> capacity |
| :--- | :---: | :---: | :---: | :---: |
| Development Areas $\ldots$ <br> Rest of Gt. Britain $\ldots$ | 602 <br> 959 | 24,068 <br> 15,622 | 42,960 <br> $\ldots$ | 91,800 <br> 64,700 |
|  | 1,561 | 39,690 | $\ldots$ | 156,500 |

* These, and subsequent figures, do not include factory construction due to the re-adaption of war factories, the making good of war damage and ordinary repair and maintenance. If these items were included the proportion of factory construction accounted for by the rest of Great Britain would be considerably higher than the figures in the text. For the Development Areas had less than one quarter of the total space in war factories; they suffered less-serious war damage ; and, as they had only a small fraction of the national total of factories in 1945, the amount of ordinary repair and maintenance was correspondingly small.
$\dagger$ Approximate.
Already, in the three and half years after the end of the war, there has been an appreciable addition to factory capacity. A greater share has gone to the Development Areas. This has modified the distribution of manufacturing industry, in that while at mid-1945 the Develop-
ment Areas accounted for about $16 \%$ of the national labour force in factory trades they have had some $59 \%$ of the employment capacity. Their share of the total cost was rather over $60 \%$.

Nevertheless, if the further factory projects approved or for which Industrial Development Certificates have been issued are carried out, these proportions will be altered. The following table, relating to the position at December 31st, 1948, gives details of these in addition to those for factory building already completed by then.

TABLE 2.
NEW FACTORIES AND EXTENSIONS COMPLETED OR AUTHORISED (*)
( 5,000 square feet and over)

|  | No. of schemes | $\begin{aligned} & \text { Cost } \\ & £ 000 \end{aligned}$ | Employ ment Capacity |
| :---: | :---: | :---: | :---: |
| Development Areas :- | 602 | 24,068 | 91,800 |
| -approved, or I.D.C's issued ... | 665 | 70,239 | 111,200 |
|  | 1,267 | 94,307 | 203,000 |
| Rest of Great Britain :- | 959 | 15,622 | 64,700 |
| -approved, or I.D.C's issued ... | 2,208 | 111,408 | 139,300 |
|  | 3,167 | 127,030 | 204,000 |
| Total : | 4,434 | 221,337 | 407,000 |

* Factory building ' authorised' comprises (a) that approved under the procedure prior to the passing of the Town and Country Planning Acts, 1947 ; and $(b)$ that ${ }^{\text {' }}$ for which Industrial Development Certificates have been issued' under those Acts.

For all factory building-i.e. that already completed together with that sanctioned or for which Industrial Development Certificates have been issued-the Development Areas account
for some $43 \%$ of the cost and $50 \%$ of the employment capacity. As these proportions are distinctly smaller than those for factory building completed by December 31st, 1948, the inference is that factory building undertaken after that date would be on a greater scale in the rest of Great Britain than before it.

The regional distribution of the total factory building completed and in prospect is analysed in the next table.

TABLE 3.
NEW FACTORIES AND EXTENSIONS COMPLETED OR AUTHORISED, BY REGIONS. ( 5,000 square feet and over)

| Regions | New Factories \& Extensions |  |  | Insured Workers in 1945 <br> \% of Total in Great Britain. |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { No. } \\ \text { of } \\ \text { Schemes } \end{gathered}$ | Employment Capacity |  |  |
|  |  | Nos. | Total in <br> Great <br> Britain |  |
| (1) | (2) | (3) | (4) | (5) |
| Scottish... | 641 | 70,840 | 17.4 | 9.9 |
| Northern | 449 | 70,640 | 17.4 | 5.6 |
| Wales | 366 | 70,090 | 17.2 | 3.9 |
| North Western | 633 | 53,590 | 13.2 | 18.2 |
| Midland | 635 | 43,990 | 10.8 | 13.5 |
| East and West Ridings | 414 | 22,810 | 5.6 | 10.2 |
| London and South Eastern | 436 | 19,880 | 4.9 | 19.0 |
| North Midland... | 328 | 18,940 | 4.6 | 7.1 |
| South Western... | 187 | 17,510 | 4.3 | 4.3 |
| Eastern... | 219 | 14,720 | 3.6 | 4.1 |
| Southern | 126 | 4,030 | 1.0 | 4.2 |
| Great Britain ... | 4,434 | 407,040 | 100 | 100 |

The table shows that, as judged by the percentage of the national total of employment capacity, the regions containing Development Areas-Scotland, Northern, Wales and North Western-occupy the first four places. The distinction between the geographical areas of the country is not so sharp; but north Britain accounts for a higher percentage than south Britain with the midland areas occupying an intermediate position.

The table also shows a re-distribution of employment capacity in factory trades towards the Development Areas and away from other regions. Thus, the three regions which contain five of the six Development Areas-Scotland, Northern and Wales-are the only ones where the figure in column 4 exceeds that of column 5 (percentage of national total of employment capacity and percentage of national total of insured numbers in factory trades in 1945).

Furthermore, there is a clear tendency for regions where factory trades were strong in 1945 to gain less in employment capacity by the factory building than regions where factory trades were not strong in 1945. In the former group are London and South Eastern, North Western and East and West Ridings ; in the
latter group are Wales, Northern and Scotland. In these cases there is a marked departure from the distribution of factory trades prevailing in 1945.

Properly to assess these re-distributions, it should be said that the total employment capacity represented by them is no more than some $6 \frac{1}{2} \%$ of the total of insured numbers in factory trades in 1945. Even so, Scotland, Northern and Wales (containing five of the six Development Areas) stand to gain additions amounting to $11.2,19.6$ and $28.2 \%$, respectively, to their numbers in factory trades in 1945.

How would industrial structure be affected if the factory building in prospect were to materialise ? Table 4 illustrates this by analysing the projects (already completed and in prospect) into principal industry groups on the basis of employment capacity.

TABLE 4.
NEW FACTORIES AND EXTENSIONS COMPLETED OR AUTHORISED, BY TYPE OF PRODUCTS. ( 5,000 square feet and over)
Percentage of Employment Capacity.

| Industry Group |  |  | Development <br> Areas | Rest of Great <br> Britain. |
| :--- | :--- | :--- | :---: | :---: |
| General Purpose Goods | $\ldots$ | 1.5 | 3.2 |  |
| Producers' Goods | $\cdots$ | $\cdots$ | 31.7 | 37.9 |
| Consumers' Goods | $\cdots$ | $\cdots$ | 66.3 | 56.3 |
| Consumers' Services | $\cdots$ | $\cdots$ | 0.5 | 2.6 |
|  |  |  | 100 | 100 |

The percentage of employment capacity in consumers' goods industries is materially higher in the Development Areas. Moreover, the ratio of employment capacity for consumers' goods to producers' goods is more than 2 to 1 in the Development Areas while it is under $1 \frac{1}{2}$ to 1 in the rest of Great Britain.

These figures for the two main industry groups represent departures from the position in 1945. Then, of the insured persons in the two groups in the Development Areas, nearly $60 \%$ were in producers' goods industries and over $40 \%$ in consumers'. The comparable figures for the post-1945 factory building completed and in prospect are $33 \%$ and $67 \%$. By contrast, for the rest of Great Britain the two sets of comparable figures are $47 \%$ and $53 \%$, and over $40 \%$ and under $60 \%$. The relative increase after 1945 which promises to be recorded by consumers' goods industries in Development Areas is striking: it is not the less so because in the rest of Great Britain it is producers' goods industries that promise to show a relative increase then.

It is interesting to see in greater detail how these changes of industrial structure arise.

Table 5 shows the percentage of employment capacity attributable to post-1945 factory building completed and in prospect in different industries.

TABLE 5.
NEW FACTORIES AND EXTENSIONS COMPLETED OR AUTHORISED as at September 30th, 1948.

|  | Development Areas \% of new employment capacity. |  | Rest of Great Britain. \% of new employment capacity. |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Producers' goods. | Consumers' goods. | Pro. ducers' goods. | Consumers' goods. |
| Engineering, shipbuilding, electrical goods ... | 16.6 | 6.1 | 22.8 | 4.3 |
| Clothing ... | - | 13.9 | - | 5.9 |
| Textiles. |  | 13.7 | - | 13.9 |
| Other metal goods | 6.6 | 4.2 | 5.2 | 3.1 |
| Chemicals, etc. ... | 0.5 | 10.2 | 0.4 | 6.1 |
| Other manufactures |  | 5.7 | 1.2 | 6.7 |
| Metal manufacture | 5.6 | - | 5.2 | - |
| Food, drink, tobacco | - | 5.1 | 1 , | 5.3 |
| Vehicles ... ... | 1.2 | 2.4 | 1.2 | 7.8 |
| Manufactures of wood... | 0.5 | 2.6 | 0.9 | 1.3 |
| Treatment of non-metalliferous mining products | 2.0 | 0.6 | 3.4 | 2.7 |
| Paper, printing and publishing | - | 2.5 | 0.1 | 2.5 |
| Total | 33.0 | 67.0 | 40.4 | 59.6 |
|  | 100 |  | 100 |  |

The higher total percentage of employment capacity in consumers' goods industries in the Development Areas arises from their higher figures in clothing, chemicals, certain branches of engineering and electrical goods, manufactures of wood and other metal goods. Within these industries the individual items in excess are tailoring; dressmaking; overalls, shirts, and underwear ; general chemical products and dyes ; pharmaceutical and perfumery goods; wireless apparatus ; household and other electric appliances; furniture and upholstery; watches and
clocks. It is interesting that before 1945 most of these were either thinly represented, or not present in the Development Areas.

The larger total percentage of employment capacity in producers' goods industries in the rest of Great Britain is due to the higher figures in engineering, shipbuilding and electrical goods, manufactures of wood, treatment of non-metalliferous mining products, and other manufactures. The chief individual items in these industries having percentages above those for the Development Areas are machinery of all kinds, except electrical machinery and marine engineering; machine tools; general engineering; constructional engineering; timber; miscellaneous manufactures of wood; various non-metalliferous mining products; linoleum and leather cloth. These industries were already more prominent in the rest of Great Britain before 1945, so that their further growth is consonant with past trends.

To recapitulate briefly, this note shows that:(1) post-war new factory building already completed by the end of 1948 was comparatively greater in the Development Areas than in the rest of Great Britain ; (2) while their share of new factory building in prospect is less than that of factories completed since the war, it is still greater than their share of all existing factories; (3) the extent of the redistribution due to both the above building programmes is not sweeping, but it is not without significance; (4) the two building programmes combined alter industrial structurein the Development Areas by expanding consumers' goods industries relative to producers' goods industries, but vice versa in the rest of Great Britain.

## II. BUILDING AND CIVIL ENGINEERING

## By Ian Bowen

Several new tables of official statistics relating to building and civil engineering output have been published in the last three months. As a result, it is now possible to present a much more complete account of total building and civil engineering output, including the work done by direct employees of local authorities, government departments, public utilities and indeed of all industrial employers, whether or not they are in the building and civil engineering industries (see Table 1 below). Even now, indeed, the picture
is not perfectly clear, as the estimate given in the Monthly Digest (April 1949, Table 90) for value of work done by "employees of private firms " is evidently at best only approximate, and is not even comprehensively defined. This output is stated to be that of " breweries, chemical firms, catering establishments, etc.", and the annual estimate for output of this composite group was running at $£ 44 \mathrm{Mn}$. a year in 1946 and 1947, $£ 52 \mathrm{Mn}$. a year in the first nine months of 1948. The estimates for the other components of total
building and civil engineering output are presumably based on returns, and can be taken to be as reliable as those for the industry itself.

TABLE 1.
Estimated value of building and civil engineering output in Great Britain. £Mn.

|  | 1946 | 1947 | $\begin{aligned} & \text { 1st } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & 1948 \\ & \text { 2nd } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 3rd } \\ & \text { Qr. } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Total Output | 884 | 1,044 | 282 | 300 | 298 |
| Work done by building and civil engineering industries | 546 | 675 | 186 | 203 | 206 |
| Work done by other indus. tries: |  |  |  |  |  |
| Specialist trades | 74 | 93 | 27 | 28 | 28 |
| Local authorities | 65 | 88 | 23 | 24 | 24 |
| Public utilities ... | 56 | 68 | 19 | 20 | 20 |
| Govt. departments | 13 | 15 | 4 | 4 | 4 |
| "Private firms " *. | 44 | 44 | 12 | 13 | 13 |
| Prisoners of war | 16 | 8 | 1 | - | - |
| Prefabrication | 70 | 53 | 10 | 8 | 3 |

The building and civil engineering industries accounted for an output of $£ 546 \mathrm{Mn}$. in 1946, $£ 675 \mathrm{Mn}$. in 1947, and about $£ 800 \mathrm{Mn}$. in 1948 on the basis of the above official figures (the last quarter of 1948 being extrapolated on the basis of employment data and factors of output per head). These totals are higher in every quarter than those previously calculated quarterly on the basis of employment data, mainly because more recent censuses have justified a steeper rise in output per head factors than previously allowed for. The detailed quarterly figures on the new basis are shown in Table 2 :-

The net effect of this change of basis is substantially to increase the estimate that we must now accept as the best available approximation of the value of constructional work done in each quarter. The increases are fairly evenly spread over all classes of work.

In addition to the output figures now released by the Ministry of Works, the Economic Survey (Cmd. 7647) and the White Paper on European Co-operation (Cmd. 7572) contain several statements on the total value of all building and civil engineering work done annually in Great Britain, including constructional output not only of the building and civil engineering industries but of all industrial groups. A comparison of the Monthly

TABLE 3.
Total Output : all building and civil engineering work done in Great Britain. £Mn.


[^21]TABLE 2.
OUTPUT OF THE BUILDING AND CIVIL ENGINEERING INDUSTRIES.

|  | $\begin{aligned} & \text { 1st } \\ & \text { Qr. } \end{aligned}$ | 2nd <br> Qr. | $\begin{aligned} & 1946 \\ & \text { 3rd } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 4th } \\ & \text { Qr. } \end{aligned}$ | Total | $\begin{aligned} & \text { 1st } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 2nd } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & 1947 \\ & \text { 3rd } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 4th } \\ & \text { Qr. } \end{aligned}$ | Total | $\begin{aligned} & \text { lst } \\ & \text { Qr. } \end{aligned}$ | 1948 <br> 2nd <br> Qr. | $\begin{aligned} & \text { 3rd } \\ & \text { Qr. } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| I. HOUSING WORK : |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1. Temporary house erection ... ... | $6 \cdot 2$ | $6 \cdot 5$ | $6 \cdot 7$ | $6 \cdot 1$ | 25.5 | $3 \cdot 0$ | $1 \cdot 9$ | $1 \cdot 8$ | $1 \cdot 6$ | $8 \cdot 3$ | $1 \cdot 1$ | 0.8 | $0 \cdot 4$ |
| 2. Construction of permanent houses and flats; housing site preparation | $23 \cdot 0$ | 33-2 | $42 \cdot 6$ | $49 \cdot 7$ | 148.5 | $41 \cdot 5$ | $45 \cdot 3$ | $54 \cdot 9$ | $60 \cdot 5$ | $202 \cdot 2$ | 56.8 | 58.0 | $53 \cdot 7$ |
| 3. Conversions, adaptations, of houses | $4 \cdot 8$ | $5 \cdot 1$ | $6 \cdot 5$ | $7 \cdot 4$ | $23 \cdot 8$ | $6 \cdot 4$ | $6 \cdot 8$ | $7 \cdot 0$ | $6 \cdot 6$ | 26.8 | $6 \cdot 9$ | 7.5 |  |
| 4. Repair, maintenance, of houses ... | $11 \cdot 1$ | $13 \cdot 4$ | $16 \cdot 0$ | $16 \cdot 0$ | $56 \cdot 5$ | $15 \cdot 8$ | 18.9 | $20 \cdot 6$ | 21.9 | $77 \cdot 2$ | $23 \cdot 5$ | $27 \cdot 3$ |  |
| 5. War damage repairs to houses ... | 26.0 | 23.9 | $20 \cdot 1$ | $20 \cdot 1$ | $92 \cdot 7$ | 16.2 | $16 \cdot 6$ | $16 \cdot 3$ | $14 \cdot 6$ | $63 \cdot 7$ | $14 \cdot 0$ | $14 \cdot 5$ | $14 \cdot 6$ |
| II. INDUSTRIAL AND COMMERCIAL WORK : |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 6. Factories, industrial premises ... | $6 \cdot 7$ | $10 \cdot 2$ | 13.6 | $15 \cdot 7$ | $46 \cdot 2$ | 13.0 | $17 \cdot 9$ | $21 \cdot 4$ | $23 \cdot 7$ | $76 \cdot 0$ | $20 \cdot 8$ | $22 \cdot 8$ | $23 \cdot 3$ |
| 7. Storage, warehouses, docks | $0 \cdot 8$ | $1 \cdot 0$ | $1 \cdot 0$ | $1 \cdot 1$ | $3 \cdot 9$ | $1 \cdot 0$ | $1 \cdot 4$ | $1 \cdot 6$ | $1 \cdot 6$ | $5 \cdot 6$ | 1.5 | 1.7 | $1 \cdot 7$ |
| 8. Shops, commercial premises | $2 \cdot 4$ | $3 \cdot 6$ | 4.8 | $4 \cdot 2$ | $15 \cdot 0$ | $5 \cdot 1$ | $5 \cdot 1$ | $5 \cdot 6$ | $5 \cdot 2$ | $21 \cdot 0$ | $4 \cdot 6$ | $6 \cdot 8$ | $7 \cdot 2$ |
| III. OTHER WORK : |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9. Public utilities | $3 \cdot 5$ | $5 \cdot 5$ | $5 \cdot 7$ | $5 \cdot 5$ | $20 \cdot 2$ | $3 \cdot 0$ | $5 \cdot 7$ | $6 \cdot 6$ | $7 \cdot 2$ | 22.5 | $6 \cdot 8$ | 8.4 | $8 \cdot 1$ |
| 10. Agricultural work ... | $1 \cdot 4$ | 1.8 | $2 \cdot 2$ | $2 \cdot 2$ | $7 \cdot 6$ | 1.7 | $1 \cdot 9$ | $2 \cdot 7$ | $3 \cdot 1$ | $9 \cdot 4$ | $3 \cdot 2$ | $4 \cdot 4$ | $5 \cdot 4$ |
| 11. Coal-mining and opencast ... | $3 \cdot 2$ | $3 \cdot 2$ | $3 \cdot 3$ | $3 \cdot 3$ | $13 \cdot 0$ | $2 \cdot 5$ | $3 \cdot 0$ | $3 \cdot 6$ | $3 \cdot 9$ | $13 \cdot 0$ | $3 \cdot 6$ | $5 \cdot 2$ | $5 \cdot 7$ |
| 12. War damage clearances and repairs (non-housing) | $3 \cdot 9$ | $4 \cdot 3$ | $4 \cdot 5$ | $4 \cdot 6$ | $17 \cdot 3$ | $4 \cdot 0$ | $4 \cdot 6$ | $4 \cdot 9$ | $4 \cdot 7$ | 18.2 | $4 \cdot 8$ | $5 \cdot 4$ | n.a. |
| 13. Output of firms without operative employees | $2 \cdot 7$ | $3 \cdot 6$ | 4.2 | 4.5 | 15.0 | 4.3 | $5 \cdot 1$ | $5 \cdot 5$ | 5.4 | $20 \cdot 3$ | $5 \cdot 4$ | $5 \cdot 8$ | ${ }_{4}^{5 \cdot 8}$ |
| 14. Other work* ... ... ... | $12 \cdot 9$ | 16.8 | $15 \cdot 8$ | $15 \cdot 3$ | $60 \cdot 8$ | $18 \cdot 0$ | $28 \cdot 8$ | $31 \cdot 6$ | $32 \cdot 8$ | $111 \cdot 2$ | $33 \cdot 4$ | $33 \cdot 9$ | $42 \cdot 6 \dagger$ |
| TOTAL OUTPUT BLDG. \& C. ENG. INDUSTRIES | $108 \cdot 6$ | $132 \cdot 1$ | $149 \cdot 6$ | 155.7 | $546 \cdot 0$ | 135.5 | $163 \cdot 0$ | 184-1 | 192-8 | $675 \cdot 4$ | $186 \cdot 4$ | $202 \cdot 5$ | $205 \cdot 4$ |

Digest series with that of the Economic Survey is given in Table 3. It should be noted that the Survey anticipates some shortfalls in the aggregate total of fixed investment in 1949, of which part will presumably be under the heading of Construction.

An examination of Table 7 of the Survey reveals, prima facie, three marked movements from 1948 to 1949 in Construction in the U.K.a fall in housing, a rise in total construction, and a consequent large rise in non-housing construction (Table 4) : -

TABLE 4.

| Construction in Principal Sectors. |  |  |  |  |  |  | £Mn. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | 1947 | 1948 |
|  |  |  |  | 1949 |  |  |  |
| Housing | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 460 | 475 |
| Other | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 350 | 420 |
| Total $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 810 | 895 | 960 |

There are, however, certain qualifications which modify, to some extent, the conclusions which might be drawn from Table 4. In the first place, the values for 1947 and 1948 are at current prices, while those for 1949 are at end1948 prices. Since prices rose by at least $7 \%$ from the average of 1947 to the average of 1948, and by about $2 \frac{1}{2} \%$ between the average and end of 1948 , the 1947 total at 1948 prices would be about $£ 865 \mathrm{Mn}$. and the 1949 total about $\oint 940 \mathrm{Mn}$. Further, the Economic Survey indicates that it considers that in practice not all the individual estimates of expenditure will be achieved, and that the total (presumably in volume) is unlikely to be much above the level of 1948. If therefore we reduce the total for 1949 at 1948 average prices to $£ 905 \mathrm{Mn}$., we may not be very far out.

The question then arises how we should divide this deduction of $£ 35 \mathrm{Mn}$. between Housing and Other Construction. On the whole, it seems likely that the bulk, if not the whole, of the shortfall is likely to be in other construction,
partly because housing is being reduced while other construction is being increased, and partly because housing is one of the most firmly controlled of the various sectors. If we deduct $£ 5 \mathrm{Mn}$. from housing and $£ 30 \mathrm{Mn}$. from other construction, we get the following adjusted result :-

TABLE 5.
Construction in Principal Sectors at 1948 Prices (Adjusted)

|  |  |  |  |  | 1947 | 1948 | 1949 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Housing | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 490 | 475 | 405 |
| Other | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 375 | 420 | 500 |
| Total $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 865 | 895 | 905 |  |

Even after the adjustment of the totals, we are left with a fall of $£ 70 \mathrm{Mn}$. in expenditure on housing and a rise of $£ 80 \mathrm{Mn}$. in expenditure on other construction. On the face of it, this would seem to involve the transfer from housing to other construction of about $80,000 \mathrm{men}$, or $15 \%$ of the housing labour force. But the position is in fact more difficult than this; for of the estimated decrease of $£ 70 \mathrm{Mn}$. (at 1948 prices) in expenditure on housing, some $£ 39 \mathrm{Mn}$. (from $£ 46 \mathrm{Mn}$. to $£ 7 \mathrm{Mn}$.) is in temporary or aluminium houses, and of this only a small proportion represents a reduction in the demand for ordinary building labour. The amount of labour to be released from housing may, therefore, be not 80,000 , but something like 40,000 , while the number which, with unchanged output per head, would be needed to achieve even the adjusted programme for other construction, would be something like 90,000 . Moreover, this is the average increase (or equivalent man-years) required in 1949, and the actual intake of labour by the end of 1949 would have to be very much larger. Since the Survey estimates that the total number employed in the building and contracting industry will not increase, it seems to be assuming both a considerable degree of mobility between housing and other construction and a substantial increase in productivity.

# THE INDEX OF INDUSTRIAL PRODUCTION 

By Arthur Adams

(on behalf of the Group of the Department of Applied Economics, Cambridge, responsible for the Index of Production.)

Although the London and Cambridge Index of Production has covered only three years, a seasonal pattern is already observable. The table shows the annual cycles from August to August put on a comparable basis by taking November
each year as 100 . The pattern is most consistent in the autumn. The spring figures are disturbed by the fuel crisis in 1947 and the irregularities of Easter and Whitsun affecting April and May in 1947 and March and May in 1948. The official


Figures in later months are subject to revision. For further details, and for the months of 1946, see "The Measurement of Production Movements " (Carter, Reddaway, and Stone) : Cambridge University Press, 1948, 12/6. In general, the Index is based on the quantity of goods delivered by an industry (' $A$ ' series) ; the ' $B$ ' indices use additional series reflecting the changes in work in progress in house and ship building.

* The 1935 figures (and especially those in brackets) are subject to larger error than the rest of the index. On the same basis, the total for the average of $1935-8$ is probably about 108
$\dagger$ Quarterly figures set against the middle months of the quarters. As a measure of the activity of the industry, more significance should be attached to comparisons based on the average of several quarters than to fluctuations from quarter to quarter. No shipbuilding 'A' series is published.
$\ddagger$ Weekdays, counting Saturdays as half. These "normal working days" include public holidays, as follows : 1947-Good Friday and Eastor Monday in April, Whit Monday in June, Bank Holiday in August, Christmas holiday in December : 1948-Good Friday and Easter Monday in Marah, Whit Monday in May, Bank Holiday in August, Christmas holiday in December.
(September to November, 1948, and December, 1948, to February, 1949) and comparing the change with the change between the same quarters a year ago.

The Total "A" Index dropped one point on the average between the two quarters in 1947-8, in 1948-9 there was no change between the quarters. One cause of variation of particular group indices from this overall pattern was seasonal ; the movement in the Fuel and Power Index was +7 in 1947-8 and +6 in 1948-9. Another cause was the existence of a trend different from that of the Index as a whole; the Sundry Trades group, with a steep upward trend, rose six points in both 1947-8 and 1948-9, while the Clothing group, now falling, dropped six points between the quarters
in 1947-8 and three points in 1948-9.
Some groups show irregular movements. The Motors, Cycles and Aircraft group lost 6 points between the two quarters in 1947-8, but has gained 10 in 1948-9. This is due chiefly to greater aircraft production and also to a recent strong upward trend in motor production. For the Food group the change was -11 in 1947-8, and -4 in 1948-9. The fall is seasonal ; the difference is due to increased production of chocolates and sweets ( +1 instead of -2 ), bacon and ham, and tobacco. Surprisingly, beer fell less in 1948-9 than in 1947-8-10\% compared with $13 \%$. The Paper and Printing group shows a change of +6 against -5 in 1947-8, paper production being on an upward instead of a downward trend.

## FINANCE

By F. W. Paish

Government Finance.-Revenue in the last quarter of the 1948/9 financial year remained buoyant at $£ 1,577 \mathrm{Mn}$., or $£ 142 \mathrm{Mn}$. more than in the last quarter of 1947/8, while Ordinary Expenditure, at $£ 996 \mathrm{Mn}$. was $£ 27 \mathrm{Mn}$. lower. The conventional surplus for the quarter was,

TABLE 1.
ORDINARY REVENUE AND EXPENDITURE. Weekly Average, £Mn.

|  |  | Ordinary Revenue Total | Expenditure |  | Surplus ( + ) or Deficit (一) |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Supply <br> Services | Total |  |
| 1938/9* |  |  | 17.8 | 15.8 | 20.2 | $-2.4$ |
| 1945/6 |  | 62.9 | 95.7 | 104.9 | -42.0 |
| 1946/7 |  | 64.0 | 63.9 | 74.9 | $-10.9$ |
| 1947/8 |  | 73.5 | 50.7 | 59.9 | +12.6 |
| 1948/9 |  | 76.9 | 50.5 | 60.5 | +16.4 |
| 1938/9* | Apr.-June | 10.1 | 12.0 | 18.0 | -7.9 |
|  | July-Sept. | 13.3 | 15.3 | 18.1 | -4.8 |
|  | Oct.-Dec. | 14.0 | 15.7 | 21.6 | $-7.6$ |
|  | Jan.-Mar. | 34.0 | 20.2 | 23.2 | $+10.8$ |
| 1947/8 | Apr.-June | 64.6 | 38.6 | 47.7 | +16.9 |
|  | July-Sept. | 61.4 | 50.0 | 61.5 | -0.1 |
|  | Oct.-Dec. | 57.9 | 47.3 | 56.0 | +1.9 |
|  | Jan.-Mar. | 110.4 | 67.1 | 78.7 | +31.7 |
| 1948/9 | Apr.-June | 61.1 | 38.5 | 47.2 | +13.9 |
|  | July-Sept. | 63.2 | 46.2 | 57.1 | +6.1 |
|  | Oct.-Dec. | 61.1 | 51.8 | 60.2 | +0.9 |
|  | Jan.-Mar. | 122.6 | 65.1 | 77.4 | $+45.2$ |
|  | $\begin{aligned} & \text { Jan. 1-29 } \\ & \text { Jan. } 30- \end{aligned}$ | 149.7 | 56.7 | 63.2 | $+86.5$ |
|  | $\begin{aligned} & \text { Feb. } 26 \\ & \text { Feb. } 27 \end{aligned}$ | 122.6 | 48.6 | 65.9 | $+56.7$ |
|  | Mar. 31 | 99.0 | 87.9 | 99.8 | -0.8 |
|  | Apr. 1-30 | 62.2 | 45.8 | 56.7 | +5.5 |

[^22]therefore, $£ 581 \mathrm{Mn}$., as compared with $£ 413 \mathrm{Mn}$. last year. For the whole financial year Ordinary Revenue totalled $£ 4,007 \mathrm{Mn}$., Ordinary Expenditure $£ 3,153 \mathrm{Mn}$., and the budget surplus $\AA 854 \mathrm{Mn}$., as compared with original estimates of $£ 3,765 \mathrm{Mn}$., $£ 2,977 \mathrm{Mn}$., and $£ 788 \mathrm{Mn}$., respectively, and the $1947 / 8$ totals of $£ 3,845 \mathrm{Mn}$., $£ 3,187 \mathrm{Mn}$., and $£ 658 \mathrm{Mn}$.

Unfortunately, it is not possible to take the conventional Government returns at their face value. Comparisons with the previous year are particularly disturbed by the fact that of the $£ 100 \mathrm{Mn}$. paid in advance to Argentina under the Andes Agreement in February, 1948, only some $£ 14 \mathrm{Mn}$. was used in 1947/8, as compared with $£ 82 \mathrm{Mn}$. in 1948/9. To allow for this we should add some $£ 86 \mathrm{Mn}$. to the surplus for 1947/8 and deduct $£ 82 \mathrm{Mn}$. from the surplus of 1948/9. On the other hand, the sum of $£ 309$ Mn . derived in 1948/9 from the three exceptional sources (Sales of Surplus War Stores, Surplus Receipts from Trading and Miscellaneous Receipts), though $£ 82 \mathrm{Mn}$. more than originally estimated, was $£ 232 \mathrm{Mn}$. less than in 1947/8. If we deduct these exceptional receipts and allow for the effect of the Andes Agreement, we find that the 1948/9 surplus becomes $£ 463 \mathrm{Mn}$., as compared with an original estimate of $£ 476 \mathrm{Mn}$. and a surplus last year of $£ 202 \mathrm{Mn}$. Further adjustments necessary to convert these figures into true income surpluses are discussed in a special article on page 42 of this issue.

In spite of a fall of $£ 37 \mathrm{Mn}$. in expenditure on cotton buying, extra-budgetary payments for the quarter, at $£ 115.5 \mathrm{Mn}$., were only $£ 12 \mathrm{Mn}$. lower than in the previous quarter :-

TABLE 2.
EXTRA-BUDGETARY PAYMENTS, 1949. £Mn.

|  | $\begin{gathered} \text { Jan. } \\ \text { (29 days) } \end{gathered}$ | $\begin{aligned} & \text { Feb. } \\ & \text { (28 days) } \end{aligned}$ | $\begin{aligned} & \text { Mar. } \\ & \text { (33 days) } \end{aligned}$ | $\begin{aligned} & \text { Total } \\ & (90 \text { days }) \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Net E.P.T. Refunds | 0.8 | 1.0 | 0.9 | 2.7 |
| Post-war Credits ... | 1.2 | 1.5 | 1.8 | 4.5 |
| Net War Damage Payments : |  |  |  |  |
| W.D.C. | 9.0 | 9.0 | 13.9 | 31.9 |
| Bd. of Trade | 0.7 | 0.8 | 0.8 | 2.3 |
| Housing | 13.6 | 12.7 | 28.7 | 55.0 |
| Coal Nationalisation | 10.0 | -8.8 | $-3.7$ | $-2.5$ |
| Cotton Buying ... | 3.5 | -0.6 | $-2.0$ | 0.9 |
| $\begin{array}{cc}\text { Overseas } & \text { Develop- } \\ \text { ment } & \ldots\end{array}$ | 2.5 | 2.2 | 0.2 | 4.9 |
| Civil Contingencies | 10.0 | 75.0 | -68.0 | 17.0 |
| Other ... | 1.7 | 0.5 | $-3.4$ | $-1.2$ |
|  | 53.0 | 93.3 | $-30.8$ | 115.5 |

The quarter's budget surplus of $£ 581 \mathrm{Mn}$., together with $£ 25 \mathrm{Mn}$. received as E.C.A. grants and $£ 8 \mathrm{Mn}$. as a gift from Australia and New Zealand, was sufficient, after meeting the extrabudgetary payments and providing for sinking funds, to reduce the national debt by $£ 494 \mathrm{Mn}$.:-

TABLE 3

|  | $\begin{aligned} & \text { Jan. } \\ & 29 \text { days) } \end{aligned}$ | $\begin{gathered} \text { Feb. } \\ (28 \text { days }) \end{gathered}$ | $\begin{aligned} & \text { Mar. } \\ & \text { (33 days) } \end{aligned}$ | $\begin{gathered} \text { Total } \\ (90 \text { days }) \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| Net Savings Certs. | 3.7 | 2.3 | 1.2 | 7.2 |
| $2 \frac{1}{2} \%$ Def. Bonds ... | 2.1 | 2.1 | 1.7 | 5.9 |
| $3 \%$ Term. Annuities | $-3.0$ | $-1.3$ | 87.2 | 82.9 |
| Other Debt : |  |  |  |  |
| Internal ... | 4.2 | 8.9 | $-12.3$ | 0.8 |
| External... | 35.2 | 2.6 | 2.2 | 40.0 |
| Repayments | $-2.6$ | $-3.6$ | $-2.7$ | -8.9 |
| Total Long and Medium-term borrowing | 39.6 | 11.0 | 77.3 | 127.9 |
| Tax Reserve Certs. T.D.R.'s | -45.8 -201.0 | - 50.3 -290.5 | -67.3 116.0 | -163.4 -375.5 |
| Treas. Bills: Tender | -40.0 | - 20.5 | - | -375.5 -40.0 |
| Tap | $-168.6$ | 124.1 | $-76.2$ |  |
| W. \& M. Advances Govt. Depts. | 102.9 | 43.1 | $-67.9$ | 78.1 |
| Bank of England |  | 21.3 | $-21.3$ |  |
| Short-term Borrowing | $-352.5$ | -152.3 | $-116.7$ | -621.5 |
| Total Borrowing ... | -312.9 | -141.3 | -39.4 | -493.6 |

The rise in the long-term borrowing for the quarter was due largely to the funding of a further $£ 90 \mathrm{Mn}$. of floating debt held by the P.O. Savings Bank into 3\% Terminal Annuities, and to additional loans (shown as "Other DebtExternal ") received from the United States under E.R.P. The fluctuations in "Other Debt-Internal " reflect mainly payments into
and out of the Special Account at the Bank of England, as grants under E.R.P. alternately accumulate and are released, and also the repayment to South Africa in sterling of the first $£ 5 \mathrm{Mn}$. of the $£ 80 \mathrm{Mn}$. gold loan. The ultimate result of these operations was that, after providing for the repayment of $£ 163 \mathrm{Mn}$. of Tax Reserve Certificates, funds were available to reduce the outstanding total of Treasury Deposit Receipts by $£ 375 \mathrm{Mn}$.

Other Finance.-The post-Christmas fall in the Bank of England's note circulation was much smaller this year than last (when dishoarding was still in progress), and the Easter rise was larger, so that by mid-April the note circulation was over $£ 30 \mathrm{Mn}$. higher than twelve months before. How far this is a natural reaction from the dis-hoarding of last year and how far the beginning of a new upward trend it is still too soon to say.

The fall in Government borrowing on T.D.R.s, although partly offset by rises in Discounts and Advances, was sufficient to bring net deposits down from $£ 5,895 \mathrm{Mn}$. in December to $£ 5,612 \mathrm{Mn}$. in March. This fall seems to be rather more than normal for the season, and the Lloyd's Bank seasonally adjusted Index of Gross Deposits fell from 263 in December to 260 in March. This total of net deposits is only slightly above that for March, 1948, though it must be remembered that a year ago deposits had just been swelled by $£ 150 \mathrm{Mn}$., borrowed by the Government to provide the sterling with which Argentina paid for her railways, of which the effects appeared only gradually as payments were made to former shareholders in the course of the year. Apart from the delayed effects of this transaction, it can be said that the net reduction in Government borrowing over the past year has been very nearly sufficient to offset the increase of $£ 120 \mathrm{Mn}$. in Advances, and that this amount of Government saving has been made available for the finance of private borrowing through the intermediation of the banks.

Prices of fixed interest securities continued to rise slowly until about the middle of February, and the subsequent reaction has been slight. Prices of industrial securities, after weakening gradually throughout February, broke rather sharply during the first half of March, apparently on fears of a fall in the level of business profits, and despite some subsequent recovery are still back at the level of last autumn. New Capital Issues for the quarter, as recorded by the Midland Bank, were substantially lower than in the corresponding quarters of 1947 and 1948.

## PRICES

By R. G. D. Allen.

In the first three months of 1949 price changes were small, with little effect on the general index numbers. Among wholesale prices (Table 1) there were some declines in basic materials and

TABLE 1.
WHOLESALE PRICE INDEX NUMBERS (Average, $1938=100$.)

|  | Average. 19471948 |  | 1948 <br> Dec. | Jan. | $\begin{aligned} & 1949 \\ & \text { Feb. } \end{aligned}$ | Mar. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Wholesale Prices <br> (B. Trade) : |  |  |  |  |  |  |
| All Items ... | 189 | 216 | $217 \cdot 7$ | $218 \cdot 2$ | $218 \cdot 0$ | $217 \cdot 4$ |
| Food and Tobacco | 169 | 186 | $183 \cdot 0$ | $183 \cdot 1$ | $183 \cdot 0$ | $182 \cdot 5$ |
| Basic Materials ... | 246 | 322 | $331 \cdot 4$ | $331 \cdot 0$ | $328 \cdot 8$ | $327 \cdot 0$ |
| Intermediate Products |  |  |  |  |  |  |
| Products Manufactures | 214 168 | 238 189 | $243 \cdot 2$ $191 \cdot 0$ | 245.0 192.0 | $244 \cdot 9$ $192 \cdot 3$ | 243.9 192.4 |
| Average Values of : |  |  |  |  |  |  |
| Total Imports | 258 | 289 | 298 | $300 \frac{1}{2}$ | $300 \frac{1}{2}$ | 3001 $\frac{1}{2}$ |
| U.K. Exports | 222 | 247 | 254 | 254 | 252 | 252 |
| Terms of Trade | 116 | 117 | 117 | 118 | 119 | 119 |

Index numbers of average values extrapolated into 1949 by means of monthly index numbers of import and export prices. Terms of trade is ratio of index of average value of total imports to that of average value of U.K. exports.
fuel oil, offset by rises in January in a number of semi-manufactured items. Prices of imports and exports alike showed little change. The terms of trade, while showing no improvement, were still not quite as unfavourable as in the middle of last year. Changes in retail prices (Table 2) were even less noticeable ; apart from seasonal movements (including the change in electricity tariffs in March), the only change of note was the continued upward tendency in clothing prices.

TABLE 2.
INDEX OF RETAIL PRICES, WORKING-CLASS FAMILIES

|  | Official Index.$\left.\begin{array}{c} (\text { June } 1947 \\ 1949 \end{array}=100\right)$ |  |  | Estimated Index. (Aver. $1938=100$ ) <br> 1948 <br> 1949 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Jan. | Feb. | Mar. | July | Oct. | Jan. | Post. <br> B'gt* |
| Food | 108-2 | $108 \cdot 6$ | 108.0 | 149 | 148 | 149 | 159 |
| Rent and Rates | $99 \cdot 6$ | $99 \cdot 6$ | $99 \cdot 6$ | 109 | 109 | 110 | 110 |
| Clothing | $116 \cdot 1$ | 117.0 | 117.4 | 192 | 200 | 203 | 206 |
| Fuel and Light | $113 \cdot 8$ | 113.8 | 111.8 | 161 | 163 | 165 | 162 |
| Household <br> Durables | $108 \cdot 8$ | 108.9 | 108-9 | 232 | 234 | 234 | 234 |
| Miscellaneous Goods | 109•3 | 109-3 | 109-3 | 158 | 158 | 158 | 158 |
| Services | 105-1 | $105 \cdot 1$ | $105 \cdot 2$ | 152 | 153 | 153 | 153 |
| Drink and Tobacco | $110 \cdot 8$ | $110 \cdot 8$ | $110 \cdot 8$ | 316 | 316 | 316 | 306 |
| All Items | $109 \cdot 0$ | 109•2 | $108 \cdot 9$ | 174 | 175 | 176 | 178 |

Official index, as published by Ministry of Labour. Estimated index computed as described in Bulletin, February, 1949, pp. 15.6.

* Estimated, allowing for Budget changes, but not for other price changes from March.

In April, however, there were many changes which will be difficult to disentangle in the general index numbers. Leaving aside, for a moment, the changes connected with subsidies and indirect
taxes, we see a movement in prices which is generally downward. Substantial reductions in lead and zinc prices at the beginning of April marked the first turn-down in non-ferrous metal prices which had been so strong in 1948. If American quotations are any guide, these falls will not be the last. Other prices also fell, e.g., some cotton and many wool quotations, rubber and copra. All this would amount to an appreciable fall in the wholesale price index, concentrated in the basic materials group, and only partially offset by seasonal rises in foodstuff prices.

This movement will be overlaid by price changes which are artificial in the sense that they arise out of the announced limitation of trading losses or subsidies. There were two groups of price changes decided in April, in iron and steel and in food products (meat, cheese and fats). The effect of the revisions in iron and steel prices on the Board of Trade wholesale price index will be to push up the index for the iron and steel group by $10 \%$ or more, and the overall index by about $2 \%$. The changes will be in intermediate and manufactured products, the prices of which will rise while the basic materials index will fall (as indicated above).

The final effect (not realised until end-May) of the limitation of food subsidies, announced in the Budget, can be easily worked out in terms of the index of wholesale prices of food products given in the last issue of the Bulletin (p. 16). This index will be raised from $172 \%$ of 1938 to about $186 \%$, i.e., by more than $8 \%$. The Board of Trade index (food and tobacco) will show a smaller rise since it includes many items (e.g., cereals and tobacco) not affected. The consequent change in the retail price index for food, again following the calculations of the last Bulletin, will be to raise the index from $149 \%$ of 1938 to $159 \%$.

This is not the only factor making the retail price index after the Budget different from what it was in March. The reduction of 1d. per pint in the price of beer will also show up, as beer has a heavy weight in the index. The combined effect of changes in food and beer prices (assuming no price changes in other items) is shown approximately in the last column of Table 2. Instead of standing at $76 \%$ above 1938, the post-Budget index of retail prices will be a little higher, some $78-79 \%$ above 1938. Other price movements, not connected with the Budget, may push the figure even higher.

# WAGES AND EARNINGS 

By A. L. Bowley

Wage rates have been nearly stationary since October, 1948. The only changes that affect our index-number significantly are an increase of $\frac{1}{2} \mathrm{~d}$. an hour for bricklayers and $\frac{1}{2} \mathrm{~d}$. or $\frac{1}{4} \mathrm{~d}$. for their labourers in February, and an interim addition in March for cotton weavers of 4 s .6 d . weekly pending a re-settlement of the wagestructure in the industry. An increase of 4/-(90/- to 94/-) in the minimum wage of agricultural labourers raises the general average slightly in March and is included in the table.

$\dagger$ The main entry for coal is based on the average earnings per shift, which have increased more rapidly than any recorded change in piece-rates. The alternative is on the assumption that the only changes since May, 1947, are those connected with a bonus on attendance for five shifts worked in a week, in May, 1947, and an increase in minimum wages in November, 1947 See Bulletins Nov., 1947, p.112, Aug., 1948, p. 94 and Nov., 1948, pp. 133-4.

As in earlier Bulletins a comparison is shown of the various wage-index numbers based on June, 1947.

The Ministry of Labour's periodic account of Earnings and Hours in the principal Industries is now available for October, 1948.

It is important to notice that the Industries have been re-classified in groups, in accordance with the new "Standard Industrial Classification." While the change does not affect the comparability of the general averages for all industries, it is no longer possible to trace with any certainty the movement in several of the groups of industries or indeed in the industries separately.

|  | Wage-rate Index Numbers <br> End of Month |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | General | etin Excluding Coal | Ministry of Labour | Retail <br> Prices Index <br> Mid-Month |
| 1947 |  |  |  |  |
| June | 100 | 100 | 100 | 100 |
| July | $100 \cdot 6$ | $100 \cdot 8$ | 100 | 101 |
| August ... | $100 \cdot 6$ | $100 \cdot 8$ | 101 | 100 |
| September | 101-4 | $101 \cdot 7$ | 101 | 101 |
| October... | $101 \cdot 5$ | $101 \cdot 7$ | 102 | 101 |
| November | $104 \cdot 2$ | $102 \cdot 9$ | 103 | 103 |
| December | 104•2 | $102 \cdot 9$ | 103 | 104 |
| 1948 |  |  |  |  |
| January... | $105 \cdot 0$ | 104-1 | 104 | 104 |
| February | $106 \cdot 1$ | $105 \cdot 4$ | 104 | 106 |
| March ... | 106.7 | 106.2 | 105 | 106 |
| April ... | 107•1 | 106.4 | 105 | 108 |
| May ... | 107.1 | $106 \cdot 4$ | 105 | 108 |
| June ... | $107 \cdot 3$ | $106 \cdot 6$ | 106 | 110 |
| July ... | $107 \cdot 6$ | $107 \cdot 0$ | 106 | 108 |
| August ... | $107 \cdot 6$ | $107 \cdot 0$ | 106 | 108 |
| September | $107 \cdot 7$ | $107 \cdot 2$ | 106 | 108 |
| October... | $109 \cdot 1$ | $108 \cdot 6$ | 107 | 108 |
| November | $109 \cdot 1$ | $108 \cdot 6$ | 107 | 109 |
| December $1949$ | $109 \cdot 1$ | $108 \cdot 6$ | 107 | 109 |
| - January... | $109 \cdot 1$ | 108.6 | 108 | 109 |
| February | $109 \cdot 4$ | $108 \cdot 9$ | 108 | 109 |
| March ... | $110 \cdot 0$ | $109 \cdot 7$ | 108 | 109 |
| April | 110.0 | $109 \cdot 7$ |  |  |

In the Report attention is given specially to changes since April, 1947, so as to bring them into line with the wage index initiated in June, 1947.

It is interesting to see that average earnings are no longer moving more rapidly than average wage-rates. Approximate figures for the industries covered by the Report (which excludes agriculture, coal-mining and railways) are as follows :-

PRINCIPAL INDUSTRIES : All workers.

|  |  | $\begin{aligned} & \text { Apr. } \\ & 1947 \end{aligned}$ | $\begin{aligned} & \text { Oct. } \\ & 1947 \end{aligned}$ | $\begin{aligned} & \text { Apr. } \\ & 1948 \end{aligned}$ | $\begin{aligned} & \text { Oct. } \\ & 1948 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Av. earnings | $\ldots$ | 100 | $104 \frac{1}{2}$ | 110 | 113 |
| Av. wage-rates | ... | 100 | $100 \frac{1}{2}$ | $104 \frac{1}{2}$ | 1071 |

The following Table summarizes the recent results :-

PRINCIPAL INDUSTRIES.

|  | $\begin{aligned} & \text { Apr. } \end{aligned}$ | $\begin{aligned} & \text { Oct, } \\ & 1947 \end{aligned}$ | $\begin{aligned} & \text { Apr. } \\ & 1948 \end{aligned}$ | $\begin{aligned} & \text { Oct. } \\ & 1948 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Av. weekly earnings : |  | shillings per week |  |  |
| Men... | $123 \cdot 4$ | 128-1 | $134 \cdot 0$ | $137 \cdot 9$ |
| Women | $67 \cdot 4$ | $69 \cdot 6$ | $72 \cdot 9$ | $74 \cdot 5$ |
| Youths | $47 \cdot 3$ | $51 \cdot 8$ | 57.2 | $58 \cdot 7$ |
| Girls | $40 \cdot 2$ | $43 \cdot 7$ | $48 \cdot 3$ | $49 \cdot 4$ |
| Av. hourly earnings : pence per hour |  |  |  |  |
| Men... ... | $32 \cdot 0$ | $33 \cdot 0$ | $34 \cdot 6$ | $35 \cdot 4$ |
| Women | $19 \cdot 5$ | $20 \cdot 1$ | 21.0 | 21.5 |
| Youths | $13 \cdot 0$ | $14 \cdot 1$ | $15 \cdot 6$ | 16.0 |
| Girls | 11.5 | $12 \cdot 5$ | $13 \cdot 7$ | $14 \cdot 0$ |

[^23]
# WORLD COMMODITY SURVEY 

By C. F. Carter

## The Course of Prices

Ever since the sharp break in wheat prices early in 1948, the world has been watching for that general deflation of primary commodity prices which is necessary to bring them into proper relation with the prices of industrial products. The definition of " proper relation" varies. The farmer would like to see his income stabilized somewhere near its peak level-hence the Brannan proposals for supporting U.S. farm incomes. The large consumers, and especially Great Britain, look back to pre-war prices; not necessarily to 1931-4, with rubber at $1 \frac{1}{2} d$. per lb . and sugar at 4 s . per cwt., but at least to the "normality" of 1937 and 1938. The rubber planters and tin producers ask for a price which will help them to rehabilitate their industries after wartime neglect and damage. The producers have now to accustom themselves to a world which is showing increasing resistance to peak prices. Equally, the consumers must realise that the prices of the 1930's were exceptional, and that it is by no means certain that we shall soon achieve an abundance of cheap food and raw materials. If the general run of dollar prices settles at $170-190 \%$ of 1935-9, it may be reasonable to expect some commodity prices to be $230 \%$ in dollars, or $280 \%$ in sterling, above the immediately pre-war years. But the balance between particular commodity prices may have been seriously upset by drastic changes in demand or supply.

Taking this rough criterion, we find that at the end of last year the commodities listed in our table were grouped as follows :-

| 'Oheap' | 'Normal' |  | 'Expensive' |
| :--- | :--- | :--- | :--- |
| Tea | Wheat | Fats | Wool (merino) |
| Rubber | Wool (crossbred) | Sugar | Jute |
| Copper | Tin | Coffee | Sisal |
|  |  | Cocoa | Lead |
|  |  | Cotton | Zinc |

In February the commentators began to speak in terms of a general break in prices. It is true that there has been a little shaking-out in certain fields, the weakness of prices being, no doubt, intensified by the expectation of further falls. There has been great activity on the barricades, as certain producers prepare to defend the price level. The U.S. price of oils and fats has moved from the "expensive" to the "normal" list, with heavier current and prospective supplies of vegetable oils, and considerable uncertainty about consumer demand. But price falls are still selective, and regard must be paid to special
factors affecting particular commodities at least as much as to overall demand conditions. With the one change mentioned, the list above still holds good.

The situation in the wheat market is discussed below ; the Chicago price is no longer a meaningful indicator of prospects. Sugar prices have been held by Cuban action in withdrawing some 200,000 tons from the world free market, for release later in the year. Unless American consumer demand collapses, the available supplies should be cleared through the year at somewhere near the present price. Cocoa, which was above 50 cents in November, 1947, has slumped heavily to less than 20 cents; that is, from over seven times to less than three times the pre-war price. The primary cause is undoubtedly the unexpected size of the 1948-9 crop, particularly in West Africa, though the swiftness of the movement owes something to the desire of manufacturers to avoid being caught long of cocoa in a falling market. The long-term reason for high cocoa prices-the fall in African production due to disease-is still important, and Brazil has attempted to support the market by segregating supplies. We shall be unable to judge the trend of prices until the 1949-50 crop forecasts begin to arrive. One result of 20.c cocoa is that the present price to the grower in the Gold Coast and Nigeria can only be maintained at a loss, met from the funds accumulated during the years of high prices.

American cotton prices are steady, at a little above support levels; there is room for stockpiling here, and there is no obvious reason for an early change. Alexandrian prices have sagged from their exceptional levels of last year. Wool prices show the effects of the continuing shortage of merino wool ; in January, 70's Dominions wool reached 115 d . per lb . The price fell back to 109d. in March, and slumped to 96d. in April, but latest reports speak of a recovery to somewhere near the 1948 peaks. Crossbred wools had a marked price advance between November and January, but have fallen back to a little above last summer's levels. Supply being inelastic, only a major slump in demand (of which there is little sign) could bring fine wool prices down to " normal" levels. fute is still extremely expensive, and the buying nations can expect little relief until next year's crop arrives. Sisal prices have actually advanced since the East African market was freed, to about $570 \%$ of the 1938-9 level.

## WORLD COMMODITY SURVEY

| Commodity | Season | Unit | Pre-war base | WORLD PRODUCTION |  |  | WORLD CONSUMPTION |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Last season | Last season \% of pre-war | Current season \% of pre-war | Last season | Last season \% of pre-war | Current season \% of pre-war |
| Wheat... | Begins spring | Mn. bush. of 60 lb . | $\begin{aligned} & \text { Average } \\ & 1935-9 \end{aligned}$ | 6,415 | 107 | n.a. | n.a. | - | - |
| Fats and Oils | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | $\begin{gathered} 19,860 \\ \text { (oil equiv.) } \end{gathered}$ | 96 | (96 to 100) | n.a. | - | - |
| Sugar ... | Begins Sept. | 000 tons | 1937-8 | $\begin{gathered} 27,378 \\ \text { (raw value) } \end{gathered}$ | 94 | 105 | n.a. | - | - |
| Tea | Calendar year | Mn. lb. | $\begin{gathered} \text { Average } \\ 1936-8 \end{gathered}$ | $\begin{gathered} (750) \\ \text { (exports) } \end{gathered}$ | (85) | n.a. | (827) <br> (absorption excl. local produce) | (93) | n.a. |
| Coffee . | Begins July | Mn. bags of 132 lbs. | Av. 1935/6 to $1939 / 40$ | $\begin{gathered} 28 \cdot 8 \\ \text { (exportable) } \end{gathered}$ | 81 | n.a. | $29 \cdot 6$ (in 1948) | n.a. | n.a. |
| Cocoa ... | Begins October | 000 tons | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1938 / 9 \end{aligned}$ | 573 | 81 | 100 | 600 | 91 | n.a. |
| Cotton (p) | Begins <br> August | Mn. bales ( 478 lb . net) | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1939 / 40 \end{aligned}$ | $25 \cdot 4$ | 80 | 92 | $28 \cdot 8$ | 103 | 103 |
| Wool (apparel) | $\begin{aligned} & \text { Begins } \\ & \text { July (d) } \end{aligned}$ | Mn. lb. (greasy) | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1938 / 9 \end{aligned}$ | 2,910 | 99 | 101 | 3,850 | 124 | 122 |
| Jute | Begins July | 000 tons | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 1,440 (n) | 85 | (79) | n.a. | - | - |
| Sisal | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 245 (o) | 103 | n.a. | n.d. | - | - |
| Rubber... | Calendar year | 000 tons | $\begin{aligned} & \text { Average } \\ & 1936.9 \end{aligned}$ | $2,049 \text { incl. } 1,515$ natural | 205 | (210) | $\begin{gathered} 1,887 \text { incl. } 1,407 \\ \text { natural } \end{gathered}$ | 180 | (180) |
| Copper... | Calendar year | 000 tons | $\begin{aligned} & \text { Avarage } \\ & \text { 1937-8 } \end{aligned}$ | $(2,200)$ (primary) | (103) | (123) | n.a. | - | - |
| Lead | Calendar year | 000 tons | 1938 | 1,300 | 79 | (81) | n.a. | - | - |
| Tin | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936-8 \end{gathered}$ | 152.9 (tin in concentrates) (f) | 86 | n.a. | $138 \cdot 4$ (f) | 80 | n.a. |
| Zine ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934.8 \end{gathered}$ | $(1,570)$ | (118) | (128) | n.a. | - | - |

It will be appreciated that many figures included above are rough estimates only. This applies especially to those in brackets. All tons are long tons of $2,240 \mathrm{lbs}$. n.a. $=$ not available. (a) in hands of principal exporters. (b) apparent supplies, excluding consumption of British wheat on farms. (c) average 1936-9. (d) Some minor producers on other seasons. (e) incomplete. (f) excluding U.S.S.R. Stocks exclude U.S. strategic stock pile. (g) Price ratios are in terms of the currency in which quoted; the corresponding sterling ratios are added, marked $(\mathrm{g})$, where necessary.

## WORLD COMMODITY SURVEY

|  | WORLD STOCKS |  | U.K. CONSUMPTION |  | PRICES |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Amount | \% of pre-war | Last season | \% of pre-war | Date | Representative price | \% of pre-war(g) |
| July, 1948 | 406 (a) | n.a. | 220 (b) | 101 | $\begin{gathered} \text { Apr. 1-14, } \\ 1949 \end{gathered}$ | Chicago May futures $\$ 2 \cdot 17$ per bush. (rising) | $\begin{gathered} 226 \\ 270(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | - | $=$ | Jan., 1949 | U.S. Dept. of Labor index $(1926=100)$ <br> 146•1 | $\begin{aligned} & 245(\mathrm{c}) \\ & 294(\mathrm{~g}) \end{aligned}$ |
| - | n.a. | - | 1,960 (raw value calendar year 1948) | 86 | Apr., 1949 | Raws, f.o.b. Cuba $\$ 4 \cdot 10$ per 100 lb . | $\begin{gathered} 282 \\ 344(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 398 | 79 | Feb. 22/23 1949 | Calcutta auction average, with export rights ( $1 / 10 \frac{1}{4} \mathrm{lb}$.) | (190) |
| - | n.a. | - | 0.7 | (180) | $\begin{gathered} \text { May } 6, \\ 1949 \end{gathered}$ | New York spot, Brazilian Santos, No. 2 28.25c.lb. | $\begin{gathered} (310) \\ (365)(\mathrm{g}) \end{gathered}$ |
| - | n.a. | - | 103 (1) | 97 | $\begin{gathered} \text { May } 6, \\ 1949 \end{gathered}$ | Acera, c.i.f. New York $18 \cdot 75 \mathrm{c}$. per lb. (nominal) | $\begin{gathered} (270) \\ (330)(\mathrm{g}) \end{gathered}$ |
| 31 July, 1948 | (14.3) | (80) | (2.0) | (73) | $\begin{gathered} \text { Apr. 1-14, } \\ 1949 \end{gathered}$ | New York spot, middling $18{ }^{\prime \prime}$ <br> 33.7 c. per lb. | $\begin{aligned} & 315 \\ & 370 \quad(\mathrm{~g}) \end{aligned}$ |
| 30 June, 1948 | 3,551 | n.a. | (480 clean weight) | (114) (f) | Mar., 1949 | Dominions wool, average clean delivered cost out of London Sales 64's. $=101 \mathrm{~d}$. lb . 48 's. $=33 \frac{1}{2} \mathrm{~d} . \mathrm{lb}$. | $\begin{aligned} & 394(\mathrm{k}) \\ & 252(\mathrm{k}) \end{aligned}$ |
| - | n.a. | - | 100 | 58 | Apr., 1949 | First Marks, c.i.f. London £ $99 \cdot 15$ per ton | 550 |
| - | n.a. | - | n.a. | - | Apr., 1949 | No. 1 (free) c.i.f. Antwerp $£ 96$ per ton | 573 (h) |
| $\begin{gathered} 28 \text { Feb., } \\ 1949 \end{gathered}$ | 885 incl. 725 natural | 129 | 196 incl. 194 nat. | 176 | $\begin{gathered} \text { Apr. 1-14, } \\ 1949 \end{gathered}$ | London R.S.S. spot $11 \frac{1}{16} \mathrm{~d}$. per lb. | 134 |
| $\begin{gathered} 31 \text { Jan., } \\ 1949 \end{gathered}$ | 236 refined (e) | (68) (j) | 357 | 127 | May 6, 1949 | U.S. electro, Connecticut Valley $\quad 18 \cdot 5 \mathrm{c}$. per lb . | $\begin{gathered} 157 \\ 191(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 200 (refined) | 50 to 60 | $\begin{gathered} \text { May } 6, \\ 1949 \end{gathered}$ | New York 15c. per lb. | $\begin{gathered} 316 \\ 383(\mathrm{~g}) \end{gathered}$ |
| $\begin{aligned} & 31 \text { Dec., } \\ & 1948 \end{aligned}$ | $132 \cdot 2$ (f) | n.a. | $25 \cdot 2$ | 114 | $\begin{gathered} \text { May } 6, \\ 1949 \end{gathered}$ | Refined, New York, 103c. per lb. | $\begin{gathered} 211 \\ 258(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 222 | 106 | $\begin{gathered} \text { May } 6, \\ 1949 \end{gathered}$ | U.S. Prime Western (East St. Louis) $\quad 12 \cdot 5 \mathrm{c}$. per lb. | $\begin{gathered} 271 \\ 333(\mathrm{~g}) \end{gathered}$ |

[^24]In contrast, rubber is weak; the brief discussion of the statistical position, below, shows how the price depends on excess production being taken off the market for military stockpiles. Tin prices are maintained, though in a quiet market. Copper has fallen a little, and lead and zinc heavily (by about a third in each case). Last year's exceptional price for lead undoubtedly brought out unusual quantities of secondary metal, but production is still only about $80 \%$ of pre-war, and the price fall may, therefore, have gone rather too far. The fall in non-ferrous metal prices may have arisen from a temporary, even a seasonal, check in American industrial demand or in stockpiling purchases; but, once begun, it has gathered momentum as buyers have held off in the hope of further falls. One result of the gradual re-establishment of adequate consumers' stocks will undoubtedly be to increase the volatility of uncontrolled prices.

American meat prices have fallen heavily, in response to larger supplies and to consumer resistance; but the available information is unfortunately not sufficient to allow of a review of the world meat markets as a whole. Maize prices are steady, a little below the support levels. What we are seeing is undoubtedly a correction of certain abnormalities in commodity prices, but it is not yet a major slump.

## Wheat

Another International Wheat Agreement was provisionally reached in Washington in March, a year after the agreement discussed in our issue of May, 1948, which was never ratified by the U.S. Senate. The new agreement-again subject to ratification-is for four years from August 1st, 1949. Five exporters (including France and Uruguay, which are unimportant) will stand ready to sell 456 Mn . bushels of wheat each year, and 37 importers will stand ready to buy that quantity, at prices not exceeding $\$ 1 \cdot 80$. The minimum price will be $\$ 1 \cdot 50$ in 1949-50, declining by 10 c . each year to $\$ 1.20$ in 1952-3. The quantity involved is from two-thirds to three-quarters of the amounts which, pre-war, entered into world trade. Any trade outside the agreed price-range will not count towards the fulfilment of the obligations assumed by the signatories, but it appears that this does not apply to agreements already made, and $\$ 2$ wheat from Canada next season will therefore, exceptionally, be counted as part of the Canadian and British quotas. There is a provision that the signatories will endeavour not to operate their internal price policies " in such a way as to impede the free movement of prices between the maximum price
and the minimum price in respect of transactions in wheat into which the exporting or importing countries are prepared to enter." Provision is made for adjustment of quotas to meet various difficulties, including non-ratification by any of the signatories ; and further nations (Argentina and the U.S.S.R. are both outside) may join, if approved by two-thirds of the exporters and importers separately. A Wheat Council, with equal voting strength from exporters and importers, will watch over the working of the agreement.

British disappointment with the terms appears to spring largely from their failure to provide an escape from the embarrassments of the Canadian agreement, but it was hardly fair to expect that such an escape would be found. Our troubles are not limited to being caught for a season paying more than the world price. U.S. wheat is in good supply, and another bumper crop is in prospect. At the time of writing it has become clear that, although the formal step of declaring wheat as in surplus supply has not yet been taken, no Marshall Aid dollars will at present be authorised for the purpose of buying Canadian wheat. Presumably the U.S. expects to offer its surplus at about the equivalent of $\$ 1.80$ (for No. 1 Manitoba Northern)-the current Chicago price, relating to marginal internal supplies, reflects mainly the farm support price. The immediate repercussions of the refusal to authorise off-shore purchases will be a complicated re-shuffling of the items for which Britain seeks E.C.A. aid; its full implications for British-Canadian trade cannot yet be seen, but obviously they may be serious.

## Fats and Oils

The following table (reproduced by courtesy of Messrs. Unilever) summarises the 1948 production of oils and fats, in terms of oil, and compares it with pre-war (1935-9 approx.) :-


As we noted in our earlier review (November, 1947), increased consumption in the exporting countries has sharply reduced the quantity
available for world trade. For the world, excluding the U.S.S.R., the balance of exports available (after deducting imports into the U.S.A.) was 4.5 Mn . tons oil equivalent in 1938, but only an estimated 2.9 Mn . tons in 1948. These latter figures omit butter and certain minor industrial oils.

There was a substantial recovery in production, mainly in vegetable oils, as between 1947 and 1948, but this was in part due to favourable weather. Prospects for 1949 are still obscure; the 1948-9 olive oil crop was down, but increases can be looked for in European and Australasian animal fats and in Netherlands East Indies oil production. But it must be remembered that the 1948 world production was $13 \%$ less per head than pre-war, and the European deficit may approach $30 \%$ per head even in 1949. Recovery in this field has still far to go.

## Rubber

The Rubber Study Group met in London at the end of March, and from the statement issued after the meeting, together with figures published in the Rubber Statistical Bulletin, the following statistical summary can be prepared :-

The excess of production over consumption is thus growing, and, if there are settled conditions in Indonesia, might grow more rapidly than the table suggests. The Americans appear to contend, with some justification, that in some bulk uses synthetic rubber is now an effective competitor both in quality and price ; and the expected fall in U.S. synthetic consumption may therefore fail to materialise. There does not seem to be much chance of a substantial increase in rubber prices, and the hopes of stability
around the present levels assume the disappearance of substantial amounts into the U.S. strategic stockpile.

| RUBBER SUPPLIES |  |  |  |
| :---: | :---: | :---: | :---: |
| Production, ('000) tons) | 1947 | 1948 | 1949 |
| Natural : Malaya-estates | 361 | 404 | 700 |
| -smallholders | 286 | $295\}$ | 700 |
| Indonesia-estates | 13 | $102\}$ |  |
| -smallholders | 265 | $331\}$ | 500 |
| Ceylon | 89 | 95 | 90 |
| Rest of world | 241 | 293 | 285 |
|  | 1,255 | 1,520 $\dagger$ | 1,575 |
| Synthetic: U.S.A. | 509 | 490 | (490)* |
| Rest of world $\ddagger$ | 50 | 44 | (45)* |
|  | 559 | 534 | (535)* |
| World total production | 1,814 | 2,054 $\dagger$ | 2,110 |
| Consumption, ('000 tons)- |  |  |  |
| Natural: U.S.A. ... | 563 | 627 | 600 |
| Canada | 32 | 42 | 40 |
| U.K. | 154 | 194 | 183 |
| France | 61 | 86 | 97 |
| Germany | 8 | 27 |  |
| Rest of Europe (exc, U.S.S.R.) | 106 | 154 | 530 |
| U.S.S.R. $\ddagger$. | 35 | 98 |  |
| Rest of world | 151 | 183 |  |
|  | 1,110 | 1,412† | 1,450 |
| Synthetic: U.S.A. | 560 | 442 | 410 |
| Rest of world | 65 | 38 | 40 |
|  | 625 | 480 | 450 |
| World total consumption... | 1,735 | 1,892 $\dagger$ | 1,900 |
| Excess of production over consumption- |  |  |  |
| Natural | 145 | 108 | 125 |
| Synthetic ... | -66 | 54 | 85 |
| Total | 79 | 162 | 210 |
| Change in visible stocks |  |  |  |
| (increase + ) |  |  |  |
| Natural | -92 | -80 |  |
| Synthetic ... | -63 | + 50 |  |
| Total | -155 | $-30$ |  |
| Disappearance (recently |  |  |  |
| mainly to strategic stock- |  |  |  |
| piles) and statistical error | 234 | 192 |  |
| * These figures are estimated by us. <br> $\dagger$ Slightly different figures in the main table are apparently |  |  |  |
|  |  |  |  |
| later estimates. <br> $\ddagger$ Any U.S.S.R. synthetic | productio | or consu | mption is |

(NoTE: In order to ensure continuity, it has regrettably been necessary to return to the basis of computing cotton statistics used prior to the last issue, i.e., including non-commercial cotton.

Our acknowledgments are due for continued help from many sources, including the following : the United States Department of Agriculture (especially for "Foreign Crops and Markets ") ; Messrs. Unilever ; Messrs. C. Czarnikow; the International Tea Committee ; Messrs. Cadbury ; the International Cotton Advisory Committee ; the Commonwealth Economic Committee ; the International Wool Secretariat ; U.K.-Dominion Wool Disposals, Ltd.; Messrs. Wigglesworth; the Rubber Study Group; the Metal Bulletin; the Metal Statistical Digest ; the International Tin Study Group.)

## ANNUAL STATISTICS

(U.K. unless otherwise indicated)

| No. | Series | Units | 1938 | 1942 | 1943 | 1944 | 1945 | 1946 | 1947 | 1948 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | NATIONAL INCOME, CAPITAL, FOREIGN PAYMENTS - |  |  |  |  |  |  |  |  |  |
| 1 | Gross national product at market prices ... | £Mn. | 5731 | [9383] | [9932] | [10124] | [10155] | 10117 | 10944 |  |
| 2 | Net national product at market prices ... | , | 5281 | [8883] | [9432] | [9624] | [9605] | +9417 | 10194 | 11325 |
| 4 | Net national income at factor cost ... ... | , | 4640 | [7652] | [8115] | [8310] | [8355] | 8111 | 8725 | +9675 |
| 4 | Rent, income from abroad, professional earnings |  | 647 |  |  |  | [2824] | 612 | 8725 605 | 9675 631 |
| 5 | Profits of individuals (including farmers) partnerships, companies etc. | , | 1070 | ¢[2817] | [2891] | [2830] | [2824] $\{$ | 612 2250 | 605 2494 | 631 |
| 6 | Salaries, wages, Forces pay and allowances... | , | 2923 | [4835] | [5224] | [5480] | [5531] | 5249 | 5626 | $\stackrel{2973}{6071}$ |
| 8 | Personal income before tax ... ... ... | , | 4886 | [7200] | [7721] | [8072] | [8411] | 8712 | 9027 | 9592 |
| 8 | Direct tax payments from personal income... | , | 442 | [879] | [1145] | [1328] | [1394] | 1408 | 1337 | 1492 |
| 9 10 | Personal expenditure on consumption, current market prices <br> … ... ... | , | 4296 | [5195] | [5282] | [5544] | [5996] | 6741 | 7465 | 8004 |
|  | at 1938 prices ... ... ... | " | 4296 | [3740] | [3685] | [3706] | [3921] | 4263 | 4411 | 4437 |
| 11 | Net capital formation at home ... ... | ,, | [320] | [-336] | $[-383]$ | [-494] | [-11] | [585] | [1290] | [1527] |
| 12 | Net overseas investment- $\ldots$ and Comprising increase in gollar | , | $-70$ | $-663$ | -680 | -659 | $-875$ | -380 | $-630$ | $-1$ |
| 14 | reserves increase | " | . | [75] | [150] | [99] |  | -226 | -1024 | $-423$ |
|  | assets | " | $\ldots$ | [-227] | [-189] | [-143] | $\ldots$ | $-115$ | 252 | 92 |
| 15 | balances ....... |  |  | [-519] | [-647] | [-608] |  | -39 | 142 | 1 |
| 16 | National debt outstanding at March 31st ... | $£ 000 \mathrm{Mn}$. | 6.8 | 13.0 | 15.8 | [18.6 | 21.4 | $23 \cdot 6$ | $25 \cdot 6$ | $25 \cdot 6$ |
| 17 | National floating debt ... ... ... | ," | 0.8 | $3 \cdot 3$ | $4 \cdot 1$ | $4 \cdot 9$ | $6 \cdot 1$ | 6.5 | $7 \cdot 0$ | 6.5 |
|  | AGRICULTURE- |  | 1936/8 Av. |  |  |  |  |  |  |  |
| 18 | Production-wheat | Mn , tons | 1.65 | 2.57 | $3 \cdot 45$ | $3 \cdot 14$ | $2 \cdot 18$ | $1 \cdot 97$ | $1 \cdot 67$ | $2 \cdot 36$ |
| 19 | ", barley | ," | $0 \cdot 76$ | 1.45 | 1.64 | 1.75 | $2 \cdot 11$ | 1.96 | 1.62 | $2 \cdot 03$ |
| 20 21 | ", oats ... | , | 1.94 | $3 \cdot 55$ | $3 \cdot 06$ | $2 \cdot 95$ | $3 \cdot 24$ | $2 \cdot 90$ | 2.51 | 2.96 |
| 21 22 | ", ${ }^{\text {potatoes }}$ refined sugar from ${ }^{\text {a }}$ home. | " | $4 \cdot 87$ | $9 \cdot 39$ | $9 \cdot 82$ | $9 \cdot 10$ | 9.79 | $10 \cdot 17$ | $7 \cdot 77$ | 11.80 |
| 23 | grown beet | 000 ' Mn | . 40 | $\cdot 47$ | -56 | -39 | . 45 | $\cdot 47$ | . 61 | $\cdot 50$ |
| 23 | Mik sold off farms (through marketing schemes) | gals. | $1 \cdot 20$ | $1 \cdot 27$ | 1.34 | 1.38 | 1.42 | 1.50 | $1 \cdot 46$ | 1-62 |
| 24 | No. of cows and heifers in milk (June) ... | Mn . | (2.79) | 2.81 | $2 \cdot 91$ | $2 \cdot 93$ | $2 \cdot 92$ | $2 \cdot 92$ | $2 \cdot 90$ | $2 \cdot 93$ |
| 25 | Total No. of live cattle | ,, | $8 \cdot 67$ | 9.08 | $9 \cdot 26$ | 9.50 | $9 \cdot 62$ | $9 \cdot 63$ | 9.57 | 9.81 |
| 26 | No. of live sheep ... | , | $25 \cdot 79$ | 21.51 | $20 \cdot 38$ | 20.11 | $20 \cdot 15$ | $20 \cdot 36$ | 16.71 | 18-16 |
| 27 | No. of live pigs $\quad$. | ," | 4.47 | $2 \cdot 14$ | 1.83 | 1.87 | $2 \cdot 15$ | 1.96 | 1.63 | $2 \cdot 15$ |
| 28 | No. of live poultry ... | 1936/8 | 76.24 | $57 \cdot 81$ | 50.73 | $55 \cdot 13$ | $62 \cdot 14$ | $67 \cdot 12$ | 70.01 | $85 \cdot 37$ |
| 29 | Price index for agricultural products, E/W... | $=100$ | 100 | 183 | 185 | - 192 | 197 | 208 | 241 | (265) |
|  | POPULATION, LABOUR ete.- |  | 1938 |  |  |  |  |  |  |  |
| 30 | Mid-year population ... ... ... ... | Mn . | (47-7) | $48 \cdot 4$ | $48 \cdot 8$ | $49 \cdot 0$ | $49 \cdot 2$ | $49 \cdot 2$ | $49 \cdot 5$ | $50 \cdot 0$ |
| 31 | No. under 14 or undergoing full-time education | " | (10.3) |  |  |  |  | (10.4) | (10.7) | (11-1) |
| 32 | No. of men, 65 and over, and women, 60 and over | , | $5 \cdot 3$ |  |  |  |  | $6 \cdot 4$ | 6.5 | $6 \cdot 6$ |
| 33 | Population of 'working ages' ( 30 less 31 and 32) |  | (32.1) |  |  |  |  | (32.4) | (32-3) | (32-3) |
| 34 | Proportion (of 33) employed ... ... | \% | (63) |  |  |  |  | (68) | (69) | (69) |
| 35 | Inward balance of civilian passenger movements | 000 | 28 |  |  |  |  | -141 | -28 |  |
| 36 | Working days lost in trade disputes | Mn . | $1 \cdot 3$ | 1.5 | 1.8 | $3 \cdot 7$ | 2.8 | $2 \cdot 2$ | $2 \cdot 4$ | 1.9 |
| 37 | Effective Reproduction Rate, E/W ... ... |  | $0 \cdot 81$ | 0.85 | 0.90 | $1 \cdot 00$ | 0.91 | $1 \cdot 10$ | 1.21 |  |
| 38 | Infantile mortality rate ... ... | live births | 55 | 53 | 52 | 48 | 49 | 43 | (43) | (36) |

Notes. $. \quad=$ not available. ( ) Figures partly estimated. [] Other figures liable to a considerable margin of error

 National Income flgures for 1942-5 differ slightly in definition from other years.

FINANCE


Figures in Cols. 1, 3, 4, 6, 9, 10 19-20 Exchequer Return

[^25]PRICES, WAGES \& UNEMPLOYMENT

| Monthly Averages or Months, | RETAIL PRICES. |  |  |  | WHOLESALE PRICES. |  |  |  | PRICES TO FARMERS. |  |  | WAGES | UNEMPLOYMENT* |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { ఫig } \\ & \text { Hi } \end{aligned}$ | $\begin{aligned} & \text { © } \\ & \text { © } \end{aligned}$ |  |  | $\begin{aligned} & \text { Board of Trade } \\ & \text { Index Nos. } \end{aligned}$ |  |  |  | $\begin{aligned} & \text { Si } \\ & \text { B } \\ & \text { B } \end{aligned}$ | 㘪 |  |  |  | Percentage of Insured Industrial Population Unemployed. |  |  |
|  |  |  |  |  | 팬 |  |  |  |  |  |  |  |  |  | $\begin{aligned} & \frac{1}{\tilde{y}} \\ & \hline \end{aligned}$ |  |
|  | \% of 1938. |  |  |  | \% of 1938. |  |  |  | \% of 1938. |  |  | $\begin{aligned} & \% \text { of } \\ & 1938 \end{aligned}$ | 000's | \% | \% | \% |
| 1913 | $\begin{aligned} & 21 \\ & 64 \S \end{aligned}$ | $\begin{aligned} & 22 \\ & 71 \S \end{aligned}$ | 23 | 24 | $\begin{aligned} & 25 \\ & 82 \cdot 5 \end{aligned}$ | $\begin{aligned} & 26 \\ & 81 \cdot 1 \end{aligned}$ | 27 | $\begin{aligned} & 28 \\ & 95 \end{aligned}$ | 29 | 30 | 31 | $\begin{aligned} & 32 \\ & (50) \end{aligned}$ | 33 | 34 | 35 | 36 |
| 1919 . ${ }^{19}$ | 138 | 156 |  |  |  |  |  | 233 |  |  |  | (105) |  |  |  |  |
| 1920 1921 | 160 | 182 | 1107 | $\cdots$ | $253 \cdot 7$ $162 \cdot 2$ | $220 \cdot 8$ 169.6 |  | 277 |  | $\because$ | $\cdots$ | (125) |  |  | . |  |
| 1922 … | 117 | 125 | 109 | $\cdots$ | 131.1 | $169 \cdot 6$ $134 \cdot 0$ |  | 161 138 |  |  | $\cdots$ | (137) |  |  | .. |  |
| 1923 ... | 111 | 120 | 102 | $\cdots$ | 131.1 | 125.5 |  | 139 |  |  |  | (105) | 1191 |  | $6 \cdot 4$ |  |
| 1924 1925 | 112 | 121 | 99 |  | 137.1 | 134.9 |  | 153 |  |  | $\because$ | 96 | 1067 | 11.6 10.2 | $6 \cdot 4$ 8.6 | 14.3 |
| 1926 … | 110 | 117 | 99 |  | 131.3 $122 \cdot 2$ | ${ }_{125 \cdot 6}^{135}$ |  | 149 |  |  |  | ${ }_{96}^{96}$ | 1171 | 11.0 | 16.5 | $15 \cdot 2$ |
| 1927 | 107 | 114 | 99 |  | 116.9 | 123.4 |  | 137 |  |  |  | ${ }_{96}^{96}$ | 1326 | 12.3 | 18.0 | 16.4 |
| 1928 | 106 | 112 | 100 |  | 115.8 | $123 \cdot 6$ |  | 130 |  |  |  | ${ }_{96}^{96}$ | 11030 | 12.6 10.7 | 19.5 23.0 | $10 \cdot 6$ 11.7 |
| 1929 ... | 105 | 110 | 100 |  | $112 \cdot 6$ | 118.0 |  | 123 |  |  |  | 95 |  |  |  |  |
| 1930 ... | 101 | 103 | 100 |  | 98.6 | 102.7 | 107.7 | 101 | 122 | 99 | 97 | 94 | 1841 | 10.3 15.8 | 19.3 25.9 | ${ }_{18.5}^{12.1}$ |
| 1931 1932 | 95 92 | 93 90 | 103 |  | $86 \cdot 2$ 84.4 | $90 \cdot 9$ $90 \cdot 1$ | 82.5 76.1 | 85 83 | 101 | 81 | 93 | 93 | 2532 | $\stackrel{1}{15 \cdot 1}$ | 25.4 $32 \cdot 4$ | ${ }_{26.6}^{18.5}$ |
| 1933 | 90 | 85 | 104 |  | ${ }_{84 \cdot 5}$ | $85 \cdot 2$ | $76 \cdot 1$ | 83 | 88 | 82 92 | ${ }_{82}^{83}$ | ${ }_{90}^{92}$ | ${ }_{2}^{2621}$ | 21.9 | 36.5 | 27.7 |
| 1934 ... | 90 | 87 | 101 | $\cdots$ | 86.9 | 87.3 | 94.7 | 88 | 91 | 99 | 85 | 90 90 | ${ }_{2021}^{2391}$ | 19.8 16.6 | $34 \cdot 6$ 32.3 | ${ }_{23 \cdot 1}^{26.1}$ |
| 1935 | 92 | 89 | 101 |  | $87 \cdot 7$ | $89 \cdot 2$ | $95 \cdot 0$ | 93 | 89 | 98 | 85 | 91 | 1880 | 16.6 15.3 | $32 \cdot 3$ $31-2$ | ${ }_{21}^{23 \cdot 1}$ |
| 1936 | 94 | 92 | 100 |  | 93.0 | $94 \cdot 2$ | 106.5 | 98 | 92 | 99 | 87 | 93 | 1612 | 13.0 | ${ }_{29}{ }^{31} 4$ | $\stackrel{21.3}{18.7}$ |
| 1937 ... | $\begin{array}{r}99 \\ 100 \\ \hline\end{array}$ | 99 100 | 100 100 | 100 | $107 \cdot 2$ 100 | ${ }_{100}^{105 \cdot 1}$ | $132 \cdot 4$ | 114 | 101 | 111 | 94 | 97 | 1349 | 9.7 | 20.7 | 14.0 |
|  |  |  | 100 | 100 |  | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1649 | 11.5 | 22.2 | $14 \cdot 5$ |
| 1939 1940 | 102 119 | 1102 | 107 141 | 102 | 101.4 | $100 \cdot 0$ | 107.4 | 118 | 101 | 112 | 101 | 101 | 1408 | $9 \cdot 6$ | 17.8 | 12.6 |
| 1941 … | 130 | 123 | 160 | 126 | $134 \cdot 6$ 150.5 | $136 \cdot 4$ $150 \cdot 2$ | $158 \cdot 6$ 179.5 | 148 | 139 147 | ${ }_{202}^{161}$ | 136 161 | 112 | 850 260 | ${ }_{2} 6.4$ | $12 \cdot 4$ $5 \cdot 8$ | 7.5 3.5 1 |
| 1942 ... | 139 | 125 | 197 | 173 | $157 \cdot 1$ | $161 \cdot 1$ | 181.8 | 168 | 159 | 251 | 179 | 131 | 100 | $1 \cdot 0$ | 5.8 2.2 | 3.5 1.5 1.5 |
| 1943 ... | 143 | 125 | 225 | 171 | $160 \cdot 4$ | 164.4 | 187.2 | 176 | 160 | 236 | 172 | 138 | 69 | ${ }^{-7}$ | 1.8 | 1.2 |
| 1944 ... | 146 | 125 | 237 | 175 | 163.7 | $162 \cdot 4$ | 198.3 | 187 | 162 | 239 | 189 | 146 | 64 | - 6 | 1.8 | $1 \cdot 3$ |
| 1945 1946 | 148 150 | 127 129 | ${ }_{241}^{235}$ | 176 175 | 166.7 172.7 | $162 \cdot 5$ 162.6 | ${ }_{206 \cdot 4}^{202 \cdot 2}$ | 191 | 161 | 238 | 194 | 154 | 140 | 1.2 | $4 \cdot 3$ | $2 \cdot 1$ |
| 1947 ... | 160 | 137 | 274 | 182 | 189.1 | 169.2 | $246 \cdot 1$ | 291 | 184 | ${ }_{237}^{230}$ | 209 225 | 176 | 363 468 | 2.4 3.0 | $9 \cdot 3$ | 4.8 |
| 1948 ... | 173 | 149 | 311 | 196 | 216.2 | 185.8 | $322 \cdot 3$ | 341 | 237 | 280 | 239 | 188 | $\stackrel{\text { (310) }}{ }$ | ${ }_{1} 1.7$ | (5.5) | (3.5) |
| 1947 JAN. | .. |  |  |  | 179-1 | 161.0 | $227 \cdot 1$ |  |  |  |  |  |  |  |  |  |
| FEB. ... | $\ldots$ |  |  | $\because$ | $180 \cdot 7$ | 162.6 | 227.7 | 272 | 194 | ${ }_{223}^{229}$ | 286 269 | 171 | $\stackrel{401}{4874}$ | ${ }^{2 \cdot 5}$ | 7.5 | 5.0 |
| MAR. ... | . |  | 242 | $\ldots$ | $181 \cdot 0$ | 162.9 | 226.7 | 277 | 204 | 223 | 243 | $171 \frac{2}{2}$ | ${ }_{765 \dagger}{ }^{\text {¢ }}$ | 5.0 | 11.0 | 6.0 |
| APR. ... |  |  |  |  | 184.5 | 168.0 | 231.4 | 283 | 214 | 225 | 194 | $171 \frac{1}{2}$ | 427 | $3 \cdot 0$ | 7.5 | $4 \cdot 5$ |
| MAY . ${ }^{\text {a }}$ |  |  |  |  | 186.4 | $169 \cdot 3$ | $232 \cdot 0$ | 285 | 216 | 225 | 159 | 173 䂞 | 332 | $2 \cdot 0$ | 6.5 | $4 \cdot 0$ |
| JUNE ... | 161 | 138 | 285 | 180 | 187.2 | $170 \cdot 4$ | $235 \cdot 3$ | 283 | 212 | 224 | 158 | 1744 | 272 | $2 \cdot 0$ | 6.0 | $3 \cdot 5$ |
| JULY ... | 162 | 140 | 285 | 183 | $190 \cdot 6$ | 172.7 | 253.0 | 290 | 209 | 223 | 169 | $175 \frac{3}{3}$ | 256 | 1.5 | $5 \cdot 5$ | $3 \cdot 5$ |
| AUG. ${ }^{\text {SEPT.... }}$ | 161 | 137 | 285 | 183 | 191.2 | 171.6 | 255.6 | 292 | 216 | 243 | 192 | $175 \frac{3}{}$ | 250 | 1.5 | 5.5 | $3 \cdot 5$ |
| OCT. .... | 162 | 137 139 | ${ }_{285}^{285}$ | 185 185 | 192.5 196.6 | 169.2 171.8 | 258.9 $265 \cdot 1$ | 298 309 | ${ }_{228}^{234}$ | 249 253 | 228 265 | 177 | 240 259 | 1.5 | 5.0 | 3.0 3.0 |
| NOV. ... | 167 | 142 | 296 | 187 | 199.9 | $175 \cdot 4$ | $273 \cdot 1$ | 316 | 227 | 257 | 296 | 181 | 268 | 1.5 | $5 \cdot 5$ | 3.0 |
| $\begin{aligned} & \text { DEC. } \\ & 1948 \end{aligned}$ | 167 | 143 | 297 | 189 | $200 \cdot 6$ | $176 \cdot 4$ | 275.3 | 325 | 231 | 260 | 303 | 181 | 277 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JAN. ... | 168 | 143 | 297 | 191 | 209.2 | 178.8 | 312.0 | 332 | 236 | 266 | 299 | $183 \pm$ | 318 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| FEB. ... | 171 | 149 | 297 | 192 | $213 \cdot 7$ | 185.9 | 316.5 | 334 | 240 | 268 | 290 | 185 | 315 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| MAR. ... | 172 | 150 | 297 | 193 | 214.2 | 185.5 | 315.9 | 337 | 243 | 270 | 266 | 186 $\frac{1}{2}$ | 299 | 2.0 | $5 \cdot 5$ | $3 \cdot 5$ |
| APR. ... | 174 | 151 | 316 | 192 | 216.2 | 187-1 | 319-6 | 338 | 245 | 272 | 220 | 187 | 301 | 2.0 | $5 \cdot 5$ | $3 \cdot 5$ |
| MAY ... | 174 | 150 | 316 | 194 | 217.3 | $187 \cdot 3$ | $324 \cdot 9$ | 344 | 248 | 272 | 179 | 187 | 290 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JUNE ... | 177 | 157 | 316 | 195 | 219.0 | 189.3 | 327-4 | 347 | 246 | 271 | 179 | 187 ${ }_{\text {¢ }}$ | $274 \ddagger$ | 1.5 | $5 \cdot 5$ | $3 \cdot 0$ |
| JULY ... | 174 | 149 | 316 | 196 | 218.7 | 188.9 | $327 \cdot 1$ | 344 | 244 | 271 | 190 | 188! | 282 | (1.5) | (5.5) | (3.5) |
| AUG. ... | 174 | 148 | 316 | 198 | 217.9 | 187.9 | 324-3 | 342 | 240 | 279 | 211 | 188 | 299 | (1.5) | .. | . |
| SEPT. | 174 175 175 | 148 | ${ }_{316}^{316}$ | 200 | $\stackrel{216.9}{ }$ | 185.8 | 321.5 | 339 | 235 | ${ }_{285}^{281}$ | 225 | $188 \frac{1}{1}$ | 294 | (1-5) | . | $\cdots$ |
| NOV. | 175 | 149 | 316 | 202 | 217.4 | 185.6 | $324 \cdot 4$ | 346 | ${ }_{232}$ | 285 | 292 | $190 \frac{1}{2}$ | 328 | (1-5) | . | . |
| $\begin{aligned} & \text { DEC. } \\ & 1949 \end{aligned}$ | 175 | 149 | 316 | 202 | 217.7 | 183.0 | $331 \cdot 4$ | 350 | 237 | 285 | 302 | 190 $\frac{2}{2}$ | 327 | (1.5) | $\ldots$ | $\ldots$ |
| JAN. ... | 175 | 149 | 316 | 203 | 218.2 | 183.1 | 331.0 | 352 | 242 | 283 | 298 | 19012 | 376 | (2.0) |  |  |
| FEB. MAR. ... | 176 176 | 150 149 | 316 316 | 204 204 | 218.0 217.4 | 183.0 182.5 | 329.2 327.0 | 350 347 | 246 257 | 282 283 | 288 266 | 191 | 360 340 | 1.8 1.7 | $4 \cdot 4$ $4 \cdot 2$ | $3 \cdot 2$ $3 \cdot 2$ |
| APR. ... |  | - | - |  |  |  |  |  |  | .. | - | 192 | 40 | 1 |  |  |

Sources.-21-22 before 1938 : Ministry of Labour Cost of Living index.
23 before 1938: LCES calculation based on private sources.
21-24-1938-June, 1947 : LCES calculations based on Nationa Income White Papers.
21-24 since June, 1947 : based on Interim Index of Retail Prices

25-27-Board of Trade.
28 -"The Statist.
29-31-Ministry of Agriculture.
32 -Prof. Bowley's Index, calculated for LCES
33-36-Ministry of Labour.

Figures in Cols. 21-4, 32-6 relate to mid-month; Cols. 25-7, 29-31, average for month; Col. 28 -end of month. * Cols, $33-6$ relate to all persons registered as unemployed (excluding certain disabled) from July, 1948, when the National Insurance Act came in force, but previously they exclude those not insured under the current Unemployment Insurance Acts, † Also 503,000 and 24,000 stood off but not registered in February and March, respectively. $\ddagger$ Or 286,000 including uninsured unemployed to correspond with later figures. § July 1914. || Provisional. ( ) Approx. For other notes on this table see Bulletin, February, 1949, p. 28

PRODUCTION \& RAILWAY TRAFFIC


EXTERNAL TRADE


SOURCE : Board of Trade throughout.
(Board of Trade Journal and Accounts of Trade.)
$=$ Not available. $\quad(\quad)=$ Approx. only. $56-62$ and 66-73 exclude most munitions from 1940-5. 63-65 include munitions. * Change of classification in 1919. Italics show 1913 classification. § Eire excluded from U.K. from April, 1923 The quarterly movements are interpolated for each year from the B/T import and export current price series. $\ddagger$ Provisional
For other notes on this table, see Bulletin, February, 1949, p. 29.

FINANCE


POPULATION \＆EMPLOYMENT


PRODUCTION，CONSUMPTION，ETC．

|  | Softwood Supplies |  | Textile Fabrics Woven |  | Retall Sales （Value） |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { fi } \\ & \mathbf{4} \\ & 8 \end{aligned}$ | $\begin{aligned} & \text { g } \\ & \text { 訁 } \\ & 0 \end{aligned}$ | T⿹\zh26灬 － | \％ | 䓀 O O |  |  |  |
|  | Thousand Standards |  | $\begin{aligned} & \text { Ann. Rates } \\ & \text { Mn. yds. } \end{aligned}$ |  | Index Numbers $\ddagger$ \％of 1942 |  |  |  | \％of 1947 | $\begin{aligned} & \text { Ann. } \\ & \text { rate } \\ & \text { ع10 Mn } \end{aligned}$ |
|  | 80 | 81 | 82 | S3 | 84 | 85 | 86 | 87 | 88 | 89 |
| 1937 | 2530 |  | 3640 | 284 | 92 | 88 | 94 | 126 |  |  |
| 1938 | 1860 |  |  |  | 95 | 92 | 96 | 120 |  | 429 |
| 1939 | 1596 |  |  |  | 97 | 96 | 98 | 115 | ． | 442 |
| 1940 | 871 | 698 |  |  | 101 | 98 | 106 | 110 |  | 465 |
| 1941 | 855 | 467 | 2150 |  | 98 | 97 | 97 | 103 |  | 491 |
| 1942 | 758 | 347 | 1772 |  | 100 | 100 | 100 | 100 |  | 520 |
| 1943 | 679 | 510 | 1793 | 236 | 98 | 102 | 88 | 89 | 79 | 528 |
| 1944 | 858 | 372 | 1648 | 194 | 105 | 107 | 102 | 87 | 80 | 554 |
| 1945 | 921 | 445 | 1539 | 193 | 110 | 110 | 110 | 113 | 79 | 600 |
| 1946 | 1082 | 215 | 1626 | 223 | 130 | 123 | 132 | 187 | 93 | 675 |
| 1947 | 979 | 615 | 1622 | 232 | 147 | 135 | 150 | 237 | 100 | 745 |
| 1948 | 1111 | 466 | 1900 | 268 | 167 | 151 | 185 | 254 | 105 | 800 |
| 1947－ |  |  |  |  |  |  |  |  |  |  |
| 1 st Qr． | 892 | 117 | 1360 | 201 | 132 | 129 | 122 | 189 | 106 | 671 |
| 2nd Qr． | 924 | 146 | 1700 | 228 | 142 | 133 | 152 | 224 | 101 | 732 |
| 3 rd Qr． | 1049 | 422 | 1590 | 239 | 143 | 137 | 137 | 245 | 103 | 768 |
| 4th Qr． | 1049 | 615 | 1840 | 258 | 171 | 143 | 190 | 290 | 89 | 798 |
| 1948－ |  |  |  |  |  |  |  |  |  |  |
| 1 st Qr ． | 1086 | 523 | 1850 | 263 | 151 | 145 | 147 | 233 | 106 | 745 |
| 2nd Qr． | 1074 | 412 | 1940 | 259 | 162 | 151 | 180 | 246 | 100 | 800 |
| 3 rd Qr． | 1120 | 451 | 1790 | 261 | 162 | 151 | 180 | 248 | 113 | 810 |
| $\begin{aligned} & \text { 4th Qr. } \\ & 1949- \end{aligned}$ | 1149 | 466 | 2000 | 288 | 192 | 159 | 233 | 290 | 100 | 832 |
| 1st Qr． |  |  |  |  | 165 | 155 | 178 | 236 |  |  |

INDUSTRIAL EARNINGS \＆HOURS


SOURCES ：74－75 Bank of England．77－78 L．C．E．S．calculations from＂Economist＂data．76，79 L．C．E．S．calculations．80－88 Board of Trade ＊Years ending 3 months after calendar year Statistical Office． $90-93$ Registrars－General． 94 － 106 Ministry of Labour
adjusted to weekly basis，1947，etar year．$\ldots=$ Not available．† Imports only，prior to 1940 ．\＃Based on daily averages prior to $1945,1945-6$ adjusted to weekly basis，1947，etc．，on weekly averages．$\dagger \dagger$（77）relates（approx．）to date of earning profits（78）to date of declaring dividends． TRevised series based on No．registered throughout．For other notes on these tables，see Bulletin，February，1949，p．29－30．

## CANADA

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

Toronto, 18th April, 1949.

PRICES AND WAGES.-There now appears to be a widespread feeling that the post-war rise of prices, wages, etc., has largely petered out, and that certain commodity prices which have already declined will not return to the recent maxima. This view appears to be based mainly on the two declines during the past fourteen months in the United States, the extent of which appears in Table 1.

TABLE 1.


The more volatile behaviour of the United States indexes is evident ; also, the tendency of Canadian prices to advance relatively to those of the United States and Great Britain. Differences between the retail indexes reflect in part the continuance of subsidies in Great Britain.

The persistence of relatively lower prices in Canada, in part owing to the more gradual removal of price ceilings and subsidies, has until now provided a sort of insulation against a decline of prices in United States; but the fall of the American wholesale index in January, to within 1.3 points of the Canadian, probably marks the end of the period of insulation.

As to costs of living, the disparity between the Canadian and American indexes remains appreciable, being more than 11 points, but has been reduced from 20.5 points a year earlier.

Wage rates have risen further, the increase in average hourly earnings in the last quarter of 1948 as compared with 1947 being some $12 \%$, against $14 \%$ the year before. For the first time since the inflation of commodity prices began, wages have risen less rapidly than the cost of living. Very little time has been lost in labour disputes.

Many of the more rigid prices and charges have increased at one point or another in the past year or two : freight rates by rail, road and water, railway passenger fares, rates charged by certain public utilities and by hospitals, various professional fees, salaries of civil servants in all levels of government, local property taxes, etc. For the most part these increases have not been enough to compensate for increased costs of operation and living. As to rents of dwelling accommodation, still under federal control, certain adjustments in the direction of higher rents and fewer restrictions on tenure became effective in November and December last. The effect of all these increases, and of those yet to come, will be to offset the inevitable declines in the most inflated prices, e.g., building materials and livestock, and to maintain the post-war "plateau."

Common stocks have not participated in the inflation nearly as much as might have been expected, indeed hardly at all, and collateral loans remain low. Meanwhile, undistributed profits in 1948 are estimated at $\$ 890 \mathrm{Mn}$., or $50 \%$ above 1947 and more than double those of 1946, according to the national accounts. Dividend payments are $30 \%$ above 1946.

Production and Employment.-Production of goods in the industrial sector (col. 13, p.78) increased some $3 \frac{1}{2} \%$ over 1947. Owing to the difficulty of measuring changes in physical volume, especially in the remaining sectors for which only fragmentary data are available, precise generalization is impossible. As to labour, the estimated increase in the numbers employed averaged $1.4 \%$ over 1947 (Department of Labour), in comparison with an increase of $4.2 \%$ in the less representative monthly index of employment. (col. 18.)

Whatever the change in the aggregate, it is on the whole true that output of goods and services in short supply has increased, ${ }^{\star}$ and some components of the index of production have risen conspicuously, indicating more flexibility in the economy than might have been expected in view of the high level of employment of all factors. In this connection, continued priorities for certain capital goods suggest the explanation.

[^26]More important than increased output has been the rise of prices. The economy now seems to be close to an overall internal equilibrium in the markets for final products. Goods, it is commonly said, have been priced out of the market but that stage has been reached in very few cases; rather, an excess of orders over the available supplies has been priced out of the market*, as the disappearance of queues and unfilled orders attests.

Balance of Payments.-During 1948 there were marked declines in exports to the United Kingdom and especially to other parts of the sterling area. This, together with an uncertainty as to future purchases of Canadian produce with E.R.P. credits, has raised serious doubts over the prospects for export trade and hence for the economy at large. The contrast between the past year's achievements and the prospects for overseas trade could hardly be greater.

As shown in Table 2, much of the required diversion of exports toward, and of imports away from, the United States came about last year. The main factor in the change was apparently the greater physical volume of goods sold in the States, reflecting high American demand and lower tariffs, diversion of exports from overseas markets (e.g., lumber) and larger production (aluminium, paper, nickel) and smaller consumption (livestock) in Canada. Evidently the required adjustments, some of them in part fortuitous, are occurring at various points, and it is clear that they are not wholly confined to the results of deliberate intervention. Intervention has however been a powerful force, the Canadian government having restricted purchases in the U.S.A., while governments in the sterling area and elsewhere have put up similar barriers to purchase of goods in Canada.

Meanwhile, less direct intervention in the field of credit has been important. Reduction of Canadian advances to overseas countries, offset by increased assistance from the United States which has supported the trade flows of 1947, has prevented further weakening of Canada's U.S. dollar balances.

The effects of E.R.P. advances are less striking than some had anticipated. In 1948 Canada's receipts of foreign exchange convertible

[^27]TABLE 2 .
CURRENT ACCOUNT TOTALS—Mn. $\$$.

|  |  |  | 1946 | 1947 | 1948* |
| :---: | :---: | :---: | :---: | :---: | :---: |
| All countries : 4359 |  |  |  |  |  |
| receipts from | . | $\ldots$ | 3359 | 3746 | 4139 |
| payments to | ... | $\ldots$ | 2905 | 3661 | 3667 |
| balance ... |  |  | $+454$ | $+85$ |  |
| United States |  |  |  |  |  |
| receipts from |  | .. | 1561 | 1711 | 2240 |
| payments to balance ... |  |  | 2174 -613 | 2846 -1135 | 2641 -401 |
| United Kingdom : |  |  |  |  |  |
| receipts from |  |  | 840 | 967 | 923 |
| payments to |  | ... | +340 | 334 +633 | 435 +488 |
| balance ... |  |  | $+500$ | +633 | +488 |
| Other sterling area : 0 - |  |  |  |  |  |
| receipts from | $\ldots$ | ... | 309 | 415 | 335 |
| payments to |  |  | 140 | 174 +241 | 206 +129 |
| balance ... |  |  | +169 | +241 | +129 |
| All other countries : |  |  |  |  |  |
| receipts from |  |  | 649 | 653 | 641 |
| payments to |  |  | 251 | 307 +346 | 385 +256 |
| balance ... | ... |  | +398 | $+346$ | +256 |

Source: For, Exch. Control Bd., Ann. Report., 1947, 1948. * Preliminary estimates.
into U.S. dollars, from countries other than the United States, were $\$ 712 \mathrm{Mn}$., against $\$ 612 \mathrm{Mn}$. in 1947* (total sales to these countries being $\$ 1900 \mathrm{Mn}$. and $\$ 2035 \mathrm{Mn}$. in these years.) Without the aid of E.R.P. the purchases of these countries from Canada would have been reduced by an almost corresponding amount, as the countries involved would have been obliged to bring their trade into balance on a bilateral basis. This would have required an overall reduction of nearly one-half in their purchases from Canada. It follows that the advances under E.R.P. have been of signal importance in preventing a deterioration in Canada's export business. They have also checked further deterioration in our U.S. dollar position, but are not enough in themselves to account for the improvement which has occurred.

This country's holdings of gold and U.S. dollars, which shrank at the rate of $\$ 800 \mathrm{Mn}$. per annum in 1947 to a minimum of slightly over $\$ 400 \mathrm{Mn}$. in December of that year, had risen at the end of 1948 to $\$ 998 \mathrm{Mn}$. and at March 31st, 1949 , to $\$ 1067 \mathrm{Mn}$. In consequence, restrictions on imports from the U.S.A. have been relaxed further ; in November, quotas on imports of fresh fruit and vegetables were increased ; at the year's end (announced December 13th), a wide range of products, mainly durable goods, was removed from the prohibited list and placed under quotas, and the $\$ 100$ limit on tourists' purchases in the U.S.A. was restored ; on April 1st, inter alia, quotas on consumers' goods were raised by $25 \%$ following the announcement in

[^28]the Budget on March 22nd ; and on April 11th the quotas for purchase of U.S. components of Canadian-made automobiles and other mechanical equipment were raised. In the last case it is hoped that Canadian production will increase by ten times the amount of the U.S. dollars involved.

Among capital transactions proper were the proceeds of a government loan for $\$ 150 \mathrm{Mn}$. in New York and other capital inflow of $\$ 152$ Mn ., including $\$ 68 \mathrm{Mn}$. of direct investments by U.S. firms operating in Canada. A comparison of direct investment and the trade in outstanding securities is of interest, in view of the controversy over the effect upon capital movements of restoring the dollar to par in the middle of 1946. Table 3 shows that each side of the argument has figures to support its views $\ddagger$. The inflow of

TABLE 3.


American funds shown in the last column has been continuous since 1938 but did not exceed $\$ 100 \mathrm{Mn}$. until 1942.

TABLE 4.

|  | $\begin{aligned} & 1939 \\ & \text { S Mn. } \end{aligned}$ | $\begin{aligned} & 1946 \\ & \$ \mathrm{Mn} . \end{aligned}$ | $\begin{aligned} & 1947 \\ & \text { \& Mn. } \end{aligned}$ | $\begin{gathered} 1948 \\ \text { § Mn. } \dagger \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| Salaries, wages and supplemental labour income* (10) | 2,549 | 5,175 | 6,054 | 6,910 |
| Military pay and allowances | 32 | 340 | 83 | 81 |
| Unincorporated Business (net) |  |  |  |  |
| Agriculture | 461 | 1130 | 1235 | 1743 |
| Other | 430 | 1024 | 1117 | 1252 |
| Interest, dividends, net rental income of persons ... (13) | 564 | 878 | 1037 | 1127 |
| Transfer payments (excluding interest) | 255 | 1123 | 864 | 847 |
| Total personal income* (15) | 4291 | 9670 | 10390 | 11960 |
| Gross National Product | 5598 | 11863 | 13519 | 15414 |
| Gross Home Investment (53) Plant, Equipment \& |  |  |  |  |
| Housing ... | 554 | 1321 | 2057 | 2540 |
| Inventories | 327 | 467 | 866 | 550 |
| Personal Saving <br> (a remainder) | 320 | 961 | 650 | 1146 |

The numbers in brackets are the item numbers in the accounts. Sources : National Accounts, Income and Expenditure, 1938-47, and National Accounts, Income and Expenditure, 1947-8, revised. (Ottawa, D.B.S.).

* Before payment of personal income taxes, but after deducting employers' and employees' contributions to social insurance and pension funds, which in 1948 were $\$ 220 \mathrm{Mn}$.
$\dagger$ Preliminary estimates.
$\ddagger$ See Canada's Economy in A Changing World, edited by J. D. Gibson, (Toronto, 1948). (a symposium), ch. IX, X, A. F. Plumptre in Saturday Night (Toronto), March 20, 1948, H. of C. Debates, March 12-23, 1949.

Statistics of the sources of supply of " inconvertible" Canadian dollars sold legally in the United States on the unofficial market (where the average discount was $8.3 \%$ in 1948) are published for 1945 to 1948 in the Foreign Exchange Control Board's latest report (p.20). Actual transactions in the unofficial market are stated to be less than the sources of supply owing to reinvestment of the funds in Canada by the recipient.

Investment.-Growing uncertainty as to the future has not yet resulted in curtailment of investment plans, as far as is known. Projected capital expenditures for 1949 (as of the end of 1948) are $8 \%$ higher than actual expenditures in 1948, indicating approximately the same physical volume of work as last year, while projected outlay for repair and maintenance is some $5 \%$ higher. The forecast for 1949 presented in Table 5 is the fourth of its type to be attempted

TABLE 5.

|  | Capital <br> Expenditure $\$ \mathrm{Mn}$. |  |  | Maintenance |  |  |  |
| :--- | :---: | ---: | :---: | :---: | :---: | :---: | :---: |

in this country, and the results are of considerable interest. "Actual realization of the estimates made by business enterprise for 1946," says the report accompanying the table, " turned out to be only $75 \%$, apparently owing to failure to make adequate allowances for labour and material shortages. In 1947 shortages remained acute and were still present in 1948. In these two years, however, realization of intentions, for business groups covered in the surveys, was in value terms close to $100 \%$. With respect to likely realization of intentions in 1949, physical limitations to the achievement of the investment programme should be of lesser importance." The report cautions that "less firmness should be attached to the present forecast than in any previous post-war year. For the first time since the war a decline in the physical volume of investment in the business sector of the economy is indicated. Backlogs of investment requirements though still in existence have been narrowed to fewer fields."

Other Canadian statistics of investment plans, from another source* covering years from 1925, show that while "contemplated construction" during the years 1925 to 1928 was followed roughly one year later by the award of corresponding contracts, the "contemplated construction" of 1929 had no such results. In 1933-5 the lag of contracts behind "contemplated" was longer, and from 1937-41 it was shorter.

The danger of creating capital equipment too rapidly, and hence of bringing on a compensating and possibly cumulative reduction of output thereafter, is obvious. However, it is an open question whether surveys of the type quoted in the second preceding paragraph will disclose excessive capital formation early enough to be of value in warding off a depression. Capital formation which is large enough to appear excessive in a cumulative upward movement is apt to be doubly excessive in a period of less intense demand, but reliance on the estimates from individual firms cannot be expected to reveal this.

The physical volume of new private capital investment in 1947 and 1948 is estimated to have been some 35 or $40 \%$ higher than in the two years, 1928 and 1929. As the population increased $28 \%$ over the same period, the level of real investment per head is not much greater than in the last boom $\dagger$. For some this will be a cause for anxiety, in view of what happened after 1929. For others, anxiety will be tempered by the possibility of a long-term increase in the demand for capital goods, suggested by the rising ratio of capital investment to sales in the Census of Industry. As to the physical capacity of the economy it appears that " a materially smaller proportion of the country's physical output was devoted to expanding and improving capital equipment in 1947-8 than was the case in 1928-9." $\ddagger$

As to financing of the investment boom, the estimates now presented in the National Accounts (see Table 4) indicate that while personal saving fell in 1946 and 1947 it rose abruptly in 1948, as in the United States.§ It need hardly be pointed out (1) that as the figure for saving is found by subtraction it may be considerably distorted by errors and omissions elsewhere in the accounts; also, (2) that, if accurate, it would exceed the funds available to enterprise by a wide margin,

[^29]as it includes saving used in purchase of houses, and also saving which to a large extent is channelled into systematic payments for life insurance and annuities.

Elsewhere, indications of shortages of capital for certain purposes are found in the renewed expansion of bank loans, and in complaints from investment firms as to the shortage of venture capital (reduced inflow from the United States also being mentioned). Sales of new life insurance, which more than doubled between 1941 and 1946, increased by less than $2 \%$ in the next two years. Meanwhile, the public's holdings of federal bonds have fallen for the third consecutive year, from $\$ 9,150 \mathrm{Mn}$. at the end of 1945 to $\$ 7,571 \mathrm{Mn}$. at the end of 1948.* Net new issues of securities of private corporations in 1948 were $\$ 240 \mathrm{Mn}$., of which stocks amounted to $\$ 45 \mathrm{Mn}$., whereas in the previous year comparable figures were $\$ 231 \mathrm{Mn}$. and $\$ 110 \mathrm{Mn} . \dagger$ The borrowings of private companies and of municipalities and provinces were facilitated by repayment of federal debt out of revenue in the last three years, especially in 1947, but little if any net repayment of federal debt is anticipated in the present fiscal year. Tax reductions will however leave funds for reinvestment in the hands of large owners of shares, and will probably enable more purchases of life insurance by those in the lower brackets.

The Budget, brought down on March 22nd, made important reductions in the income tax, in excise duties on articles other than alcohols and tobaccos, and in levies on transport and communication. The reduction of income taxes was mainly effected by increasing the exemptions and widening the brackets to which the lowest rates apply. $\ddagger$ The marginal rates on the middle brackets are lowered by roughly oneseventh ; at $\$ 30,000$ of net taxable income the rate is lowered from 55 to $50 \%$, while at $\$ 50,000$ it is reduced from 60 to $55 \%$. An important change is the exemption to be applied to dividends received from Canadian companies. Double taxation of corporate earnings has long been the subject of criticism, and partial relief is now to be granted in the form of a deduction from tax of $10 \%$ of the amount of personal income from dividends on common shares. As to tariffs, no changes are proposed, in view of the forthcoming negotiations at Annecy, but duties on imports

[^30]CANADA

| Monthly Averages or Months | FINANCE |  |  |  |  | PRICES. |  |  |  | Trade and production. |  |  |  |  |  | EMPLOYMENT. |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | Wholesale |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 1 | 2 | 3 | 4 |  | 5 | 6 | 7 | 8 | 9 | 10 |  |  |  |  | 000 | \% | \% |  |
| 1926 Av |  | - | 253 | 125 | 195 | 100 | 100 | 100 | $\bigcirc$ | 84 | 107 | 63 |  | $\begin{array}{r} 14 \\ 272 \end{array}$ | 15 | $\begin{array}{r} 16 \\ 100 \end{array}$ | $\begin{array}{r} 17 \\ 100 \end{array}$ | $\begin{aligned} & 18 \\ & 10 \end{aligned}$ |
| 1934 Av . 1935 Av . | 84 | 二 | $\begin{aligned} & 274 \\ & 263 \end{aligned}$ | $\begin{aligned} & 111 \cdot 5 \\ & 104 \end{aligned}$ | 195 208 | 59 63 | 73.5 | 71.5 |  | 43 46 | 55 | 26 |  | 193 | 88.8 | 109 | 91 | 96 |
| 1936 | 109 | 98.1 | $\begin{aligned} & 266 \\ & 299 \end{aligned}$ | 104 91.5 | 221 | 63 70 | 74 | 74 | $96 \cdot 2$ 98.1 | 46 | 62 | 26 | 86 | 197 | 91.9 | 97 | 98 | 100 |
| 1937 Av . | 116 | 103.8 | 293 | 96 | 235 | 87 | 80 | 85 | 98.1 1012 | ${ }_{6}^{53}$ | 80 84 8 | 39 | 95 108 | 208 | 96.5 | 87 | 104 | 104 |
| 1938 Av. | 95 | 99.0 | 258 | 98 | 242 | 74 | 78 | 78 | $102 \cdot 2$ | 56 | 71 | 26 | 102 | 202 | $\frac{104 \cdot 5}{101}$ | 101 | 115 | 115 |
| 1939 Av . | 92 | 101.8 | 264 | 104 | 258 | 64 | 75 | 75 | 101.5 | 63 | 78 | 29 | 109 | 212 | 105 | 107 | 111 | 111 |
| 1940 Av | 77 | 105.2 | 287 | 113 | 275 | 67 | 82 | 83 | $105 \cdot 6$ | 90 | 100 | 32 | 130 | 235 | 117 |  |  | 126 |
| 1941 Av. | 68 | $100 \cdot 6$ | 327 | 122 | 303 | 71 | 89 | 90 | 111.8 | 121 | 137 | 49 | 157 | 270 | 134 | 130 | 173 | 126 |
| 1942 Av . | 64 | 99.3 | 379 | 118 | 333 | 82 | 92 | 96 | 117.0 | 137 | 198 | $42 \cdot 9$ | 185 | 282 | 153 | 131 | 209 | 175 |
| 1943 Av . | 84 | 97.5 | 449 | 115 | 400 | 96 | 93 | 100 | 118.4 | 144 | 250 | 64.7 | 199 | 289 | 161 | 128 | 227 | 184 |
| 1944 Av. | 84 | 97.1 | 505 | 113 | 471 | 103 | 94 | 102.5 | 118.9 | 146 | 290 | $92 \cdot 8$ | 199 | 304 | 173 | 104 | 223 | 182 |
| 1945 Av . | 100 | $95 \cdot 3$ | 569 | 126 | 542 | 115 | 94 | 103 | 119.6 | 132 | 272 | 101.5 | 176 | 302 | 187 | 110 | 201 | 174 |
| 1946 Av . 1947 Av . | 116 | $85 \cdot 3$ $84 \cdot 4$ | ${ }_{621}^{577}$ | 140 | 597 622 | 124 133 | 99 117 | 108 | 123.6 | 161 | 195 | 78.1 | 159 | 307 | 214 | 138 | 187 | I74 |
| 1948 Av . | 112.9 | $95 \cdot 3$ | 673 | 208 | 658 | 149 | 117 140 | 129 |  | 220 | 234 259 | 84.9 | 175 | 330 | 236 | 154 | 200 | 189 |
| 1946 |  |  |  |  |  |  |  |  |  | 220 | 259 |  | 182 | 338 |  | 170 | 20 | 196 |
| JAN. | 124 | 90.0 | 599 | 142 | 581 | 122 | 95 | 104 | 119.9 | 140 | 191 | $83 \cdot 3$ | 160 | 287 | 196.1 | 190 | 182 | 167 |
| FEB. | 122 | 85.9 | 534 | 139 | 583 | 123 | 95 | 105 | 119.9 | 117 | 155 | $66 \cdot 2$ | 159 | 263 | 212.7 | 101 | 183 | 167 |
| MAR. | 119 | 83.8 | 568 | 133 | 578 | 123 | 96 | 106 | $120 \cdot 1$ | 140 | 180 | 78.5 | 162 | 302 | 229.2 | 106 | 185 | 169 |
| APRIL | 125 | 84.3 | 576 | 131 | 590 | 123 | 99 | 108 | $120 \cdot 8$ | 161 | 180 | $70 \cdot 6$ | 166 | 282 | 221.6 | 115 | 186 | 169 |
| MAY | 124 | 85.1 | 612 | 131 | 588 | 124 | 99 | 109 | 122.0 | 164 | 199 | 82.8 | 162 | 296 | 208.5 | 131 | 185 | 170 |
| JUNE | 123 | 84.9 | 561 | 130 | 576 | 125 | 99 | 109 | $123 \cdot 6$ | 158 | 169 | $62 \cdot 4$ | 156 | 291 | $210 \cdot 5$ | 142 | 187 | 174 |
| JULY | 119 | $85 \cdot 1$ | 555 | 133 | 589 | 126 | 99 | 109 | $125 \cdot 1$ | 162 | 191 | 71.5 | 153 | 304 | 212.0 | 148 | 184 | 173 |
| AUG.. | 117 | 85.0 | 487 | 135 | 589 | 124 | 100 | 109 | $125 \cdot 6$ | 163 | 246 | $84 \cdot 5$ | 150 | 325 | 220.8 | 152 | 187 | 176 |
| SEPT. | 104 | 84.9 | 589 | 138 | 604 | 123.5 | 100 | 109 | 125.5 | 156 | 172 | 63.8 | 152 | 324 | 213.8 | 152 | 188 | 178 |
| OCT. | 102 | 85.0 | 631 | 144 | 620 | 126 | 101 | 111 | 126.8 | 186 | 207 | 90.5 | 158 | 371 | 210.5 | 152 | 193 | 183 |
| NOV. | 103 | 85.0 | 621 | 159 | 636 | 126 | 101 | 111 | 127.1 | 198 | 235 | 95.2 | 166 | 349 | $223 \cdot 1$ | 146 | 194 | 186 |
| $\begin{aligned} & \text { DEC... } \\ & 1947 \end{aligned}$ | 106 | 85.0 | 593 | 164 | 625 | 126 | 102 | 112 | 127-1 | 182 | 214 | 87.5 | 168 | 295 | 212 -4 | 125 | 191 | 181 |
| JAN. | 106 | 84.9 | 621 | 162 | 623 | 127 | 104 | 114 | 127.0 | 174 | 210 | 85.4 | 174 | 302 | $220 \cdot 1$ | 122 | 194 | 181 |
| FEB. | 109 | 84.7 | 560 | 166 | 617 | 128 | 107 | 118 | 127.8 | 177 | 179 | 66.0 | 176 | 270 | $233 \cdot 4$ | 124 | 194 | 180 |
| MAR. | 106 | 84.6 | 574 | 168 | 619 | 129 | 108 | 120 | 128.9 | 209 | 212 | 70.4 | 177 | 306 | $238 \cdot 5$ | 129 | 195 | 181 |
| APR. | 105 | 84.8 | 604 | 173 | 636 | 129 | 112 | 123 | $130 \cdot 6$ | 226 | 193 | 61.8 | 178 | 311 | 228.8 | 133 | 196 | 180 |
| MAY. | 104 | 84.6 | ${ }_{5}^{684}$ | 175 | 607 | 131 | 113 | 125 | $133 \cdot 1$ | 240 | ${ }_{271}^{271}$ | 106.9 | 175 | 345 | $234 \cdot 0$ | 150 | 198 | 185 |
| JUNE | 105 | 84.3 | 597 | 182 | 615 | 132 | 116 | 128 | 134.9 | 231 | 276 | 117.7 | 176 | 332 | 235-3 | 165 | 201 | 189 |
| JULY | 107 | $83 \cdot 8$ | 612 | 186 | 617 | 133 | 116 | 129 | $135 \cdot 9$ | 227 | 239 | 84-1 | 171 | 343 | 236-1 | 176 | 202 | 193 |
| AUG.. | 105 | 83.9 | 524 | 189 | 618 | 133 | 117 | 131 | $136 \cdot 6$ | 205 | 224 | $75 \cdot 5$ | 168 | 331 | $237 \cdot 0$ | 180 | 203 | 193 |
| SEPT. | 104 | 84.0 | 593 | 194 | 619 | 133 | 123 | 134 | $139 \cdot 4$ | 208 | 222 | $70 \cdot 3$ | 175 | 352 | $240 \cdot 5$ | 180 | 204 | 195 |
| OCT. | 105 | 84.2 | 721 | 202 | 628 | 135 | 127 | 139 | $142 \cdot 2$ | 254 | 254 | 81.5 | 179 | 388 | 234.0 | 181 | 205 | 198 |
| NOV. | 107 | 84.4 | 677 | ${ }_{216} 16$ | 628 | 139 | 131 | 142 | $143 \cdot 6$ | 229 | ${ }_{256}^{256}$ | 96.3 | 178 | 356 | ${ }^{258.3}$ | 170 | 205 | 200 |
| DEC... | 106 | 84.8 | 681 | 210 | 641 | 143 | 132 | 143 | 146.0 | 194 | 269 | 103.0 | 179 | 321 | $242 \cdot 5$ | 142 | 199 | 194 |
| JAN... | 107 | $92 \cdot 1$ | 649 | 203 | 628 | 147 | 136 | 147 | 148.3 | 206 | 238 | $89 \cdot 9$ | 178 | 317 | $248 \cdot 6$ | 138 | 201 | 189 |
| FEB. | 102 | $92 \cdot 1$ | 555 | 202 | 623 | 145 | 137 | 147 | 150-1 | 182 | 211 | $73 \cdot 2$ | 182 | 286 | 251.7 | 129 | 203 | 189 |
| MAR | 101 | 96.7 | 628 | 199 | 640 | 144 | 137 | 147 | $150 \cdot 8$ | 197 | 231 | 78.6 | 182 | 324 | $267 \cdot 3$ | 131 | 202 | 187 |
| APR. | 109 | 96.5 | 687 | 201 | 646 | 147 | 137 | 149 | $151 \cdot 6$ | 227 | 215 | $61 \cdot 4$ | 184 | 334 | 249.9 | 147 | 202 | 187 |
| MAY | 116 | 95.3 | 645 | 201 | 645 | 150 | 137 | 150 | 153.3 | 225 | 285 | 94.9 | 182 | 324 | $254 \cdot 5$ | 167 | 204 | 192 |
| JUNE | 120 | $95 \cdot 4$ | 647 | 201 | 646 | 155 | 138 | 152 | $154 \cdot 3$ | 233 | 237 | $75 \cdot 5$ | 180 | 342 | 266.0 | 186 | 207 | 198 |
| JULY | 116 | $95 \cdot 6$ | 674 | 202 | 645 | 154 | 139 | 152 | 156.9 | 225 | 254 | 72.5 | 175 | 337 | 255 | 208 | 206.5 | 201 |
| AUG. | 114 | 96.2 | 574 | 203 | 661 | 151 | 143 | 158 | 157.5 | 206 | 227 | 65.7 | 176 | 344 | 265 | 201-5 | 209.5 | 202 |
| SEPT. | 113 | 96.1 | 671 | 210 | 678 | 150 | 144 | 158 | 158.9 | 222 | 286 | 103.2 | 184 | 378 | 259 | 197 | 210 | 203 |
| OCT. | 116 | 96.3 | 765 | 221 | 680 | 149 | 144 | 159 | 159.6 | 243 | 310 | 121.3 | 185 | 388 | 265 | 193 | 208 | 204 |
| NOV. | 118 | 95.7 | 802 | 230 | 702 | 150 | 144 | 160 | 159.6 | 238 | 297 | 125.6 | 185 | 370 |  | 185 | 208 | 204 |
| $\begin{aligned} & \text { DEC... } \\ & 1949 \end{aligned}$ | 116 | 95.5 | 780 | 225 | 703 | 149 | 144 | 159 | 158.9 | 232 | 319 | 117.6 | 186 | 316 |  | 154 | 203 | 196 |
| JAN... | 114 | 95.4 | 693 | 222 | 694 | 148 | 143 | 159 | 159.6 | 224 | 240 | 87.2 | 179 | 298 |  | 148 | 203 | 191 |
| FEB. MAR. | 108 | $95 \cdot 4$ | 598 | 223 | 696 | 145 | 142 | 158 | $159 \cdot 5$ $159 \cdot 3$ | 206 | 208 | 68.7 |  | 300 294 |  |  |  |  |

§Revised to include payments on wheat announced 23-2-49
*Provisional.
Cols. 13,15 -seasonally adjusted. Dates of Series : Cols. 4, 5, 16-18, end of month; 1-2, 6-8, averages; 9, beginning of month. Souroe : Dominion Bureau of Statistics.

## Notes on Series

Col. 1.-"Investor's Index." Index of current market valuation of shareholders' equity in 100 companies. (\% of 1935-39.)
2.-Based on the calculated yield of a bond having a constant 15 -year maturity period. (\% of 1935-39.)
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.
4 -Refers to operations in Canada only. Includes loans to provincial and municipal governments.
5.-Includes governmental deposits. Excludes all deposits with provincial, postal and Quebec savings banks, and with trust companies.
6-8.-Col. 6 comprises 70 items ; col. 7, 296 items; col. 8, 508 items.
9.-Comprises separate groups for food, fuel, lighting, rent, clothing, home furnishing, sundries (including services). (\% of 1935-39). 1.-Excludes all exports of both monetary and non-monetary gold since 1937; Includes gold in smail quantities only, shipped as dust quartz, etc., in earlier annual averages.

Col. 12.-Comprises agricultural (vegetable) products and animal products groups, includes partly and fully manufactured products, in some cases made from imported raw materials, e.g., rubber.
, 13.-Adjusted for seasonal variation. New index includes more industries and products than formerly ( 170 series), but excludes building base 1935-9; weighted by the net values for that period.
, 14.-Revenue freight only ; excludes cars received from U.S. connections.
," 15.-Revised back to January, 1938. Index of value, comprising urban department, variety and independent stores ; also country general 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.
16.-Not seasonally adjusted.
18.-Establishments with over 15 employees only. Includes part-time workers on same basis as full-time. Excludes farm labourers, civi servants, education, hospitals, finance and other service industries.
of British cotton and rayon piece goods, which have been entering free, will be restored on July 1st, 1949, in accordance with last year's legislation.

TABLE 6.

|  |  | Forecast |  |  |  |
| :---: | :---: | ---: | ---: | ---: | :---: |
| Year ending Mar. 31: | $1945-6$ | $1946-7$ | $1947-8$ | $1948-9$ | $1949-50$ |
| Total Revenues \$Mn | 3,013 | 3,008 | 2,872 | 2,768 | 2,477 |
| Total Expenditures | 5,136 | 2,634 | 2,196 | 2,193 | 2,390 |
| Budgetary surplus <br> or deficit $(-)$ £Mr. | $-2,123$ | 374 | 676 | 575 | 87 |

Transactions and changes in balances not shown in the accompanying table of revenue and expenditures considerably modify the surplus. They relate mainly to loans and advances as between the Treasury and (1) semi-autonomous government agencies such as the Foreign Exchange Control Board and (2) other governments. The published material on this aspect, in the Appendix to the Budget, is not sufficiently uniform as between the last two fiscal years, and as between the accounting methods of the Department of Finance and the Bank of Canada* to be dealt with precisely here. However, it appears that on balance $\$ 182 \mathrm{Mn}$. was available from the operations of 1948-9 for debt reduction or increase of cash balances, (no decrease of the latter being feasible) as compared with the very large reduction of $\$ 946 \mathrm{Mn}$. in the amount of securities in the hands of the public in the previous year, of which $\$ 449 \mathrm{Mn}$. was from drawing down cash balances to a low level.

As to the present fiscal period the outlook is still very uncertain; it is doubtful whether the Treasury will be able to resume the indirect contribution to the financing of investment which it made by repayment of debt to the banks in 1947, and by refunds in 1948 $\dagger$. In

[^31]other words it is probable that its operations will not be deflationary, and they may well be the reverse, even though a balancing action on the deflationary side might appear desirable. The policy is variously interpreted as reflecting anticipation of a slump, or of an election.

During 1948 the money supply again rose, following the pause owing to debt reduction in 1947, the extent of the increase being some $10 \%$, irrespective of the definition, of money employed. As to origins of the increase, in the year ending February 28th last the loans of the commercial banks rose $\$ 224 \mathrm{Mn}$., and investments $\$ 354 \mathrm{Mn}$.

Long Trends.-These letters necessarily stress short-term changes to the exclusion of long-term, paying little attention to such matters as the swift pace of industrialization in the past decade. During the war, increased industrialization was to be expected, but after hostilities a return to something not far different from the pre-war pattern of industry seemed likely. As the following indexes of production show, however, the wartime expansion of the industrial sector has carried over into peace, notwithstanding great reductions in shipbuilding, and in aircraft, explosive, and munition manufacture. Similar evidence is available in the indexes of employment. In mining, however, there has been little expansion, in the aggregate.

TABLE 7.
$\%$ of 1935-9

|  | Indexes of Production of Manufactures |  |  | Electric Power Production | All <br> Industrial Production |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Nondurable | Durable | Total |  |  |
| 1937 | 105-8 | $113 \cdot 9$ | $108 \cdot 8$ | $105 \cdot 6$ | $108 \cdot 0$ |
| 1943 | $167 \cdot 3$ | $302 \cdot 4$ | 217.3 | 154.7 | $198 \cdot 6$ |
| 1944 | $173 \cdot 3$ | $299 \cdot 4$ | $220 \cdot 3$ | 154.9 | $198 \cdot 8$ |
| 1945 | $169 \cdot 8$ | $229 \cdot 3$ | $191 \cdot 7$ | $153 \cdot 7$ | $176 \cdot 3$ |
| 1946 | $163 \cdot 0$ | $179 \cdot 3$ | 169.0 | $159 \cdot 2$ | 159.2 |
| 1947 | $174 \cdot 2$ | $208 \cdot 4$ | $186 \cdot 8$ | $172 \cdot 5$ | $175 \cdot 5$ |
| 1948 | $179 \cdot 0$ | $214 \cdot 6$ | $192 \cdot 1$ | $170 \cdot 2$ | 181.5 |

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(2)

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

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## THE ECONOMIC POSITION

fuly 31st, 1949.

TTHE improvement in the Sterling Area exchange position has proved to be shortlived. The official return, published early in July, reveals that the gross loss of gold and dollars, which was $£ 93 \mathrm{Mn}$. in the last quarter of 1948 and $£ 82 \mathrm{Mn}$. in the first quarter of 1949 , had grown to $£ 157 \mathrm{Mn}$. for the second quarter. The gross loss of gold for the first half-year was thus $£ 239 \mathrm{Mn}$., as compared with the $£ 195 \mathrm{Mn}$. foretold in the Economic Survey. The net loss (taking credit for receipts under E.R.P. and a further instalment of the Canadian Loan) was $£ 51$ Mn . for the half-year, a net gain of $£ 14 \mathrm{Mn}$. in the first quarter being followed by a net loss of $£ 65 \mathrm{Mn}$. in the second. At the end of June, gold and dollar reserves were down to $£ 407 \mathrm{Mn}$. The deterioration was due partly to reduced U.K. exports (both visible and invisible) to the dollar area, and partly to the smaller quantities and lower prices of commodity exports bought by dollar countries from the rest of the sterling area.

This worsening of the position is largely a separate matter from the long-run problem created by the United States' favourable balance.

When a world-wide inflationary boom is coming to an end, those countries in which it ends first inevitably develop more favourable balances of payments. If the others attempt to adjust the position by further restricting imports, as the sterling area is doing in respect of dollar purchases, they may check the immediate loss of gold reserves, but if nothing further is done their action will tend to raise their costs of production and so increase their long-run difficulties.

A solution of this dilemma requires, in the first place, that the non-dollar world should avoid both an excessive level of effective demand and rising personal incomes. A realignment of exchange rates helps little while inflation is continuing, however necessary and useful it might be if prices and costs, after settling down at their new levels, were to show wide discrepancies between different countries. If the recession in America should grow worse and reduce American demand for imports much farther, there might be no practicable method of maintaining the present very high level of employment elsewhere; the sterling area's reserves are too low to cover a substantial gap for any length of time.

# THE NEW DOLLAR CRISIS. 

By G. S. Dorrance ${ }^{\star}$

The position of British overseas accounts, apparently satisfactory in the last half of 1948 and the first quarter of 1949, has since deteriorated sharply. The gross gold and dollar deficit, which was $£ 76 \mathrm{Mn}$. in the third quarter of 1948 , $£ 93 \mathrm{Mn}$. in the fourth, and $£ 82 \mathrm{Mn}$. in the first quarter of 1949, increased to no less than $£ 157 \mathrm{Mn}$. in the second quarter. Consequently the country's own gold and dollar reserves, which had risen by $£ 20 \mathrm{Mn}$. in the last quarter of 1948 and by $£ 14 \mathrm{Mn}$. in the first quarter of 1949 , fell by $£ 65 \mathrm{Mn}$. in the second quarter, and it became clear that Britain was faced with yet another foreign exchange crisis.

## I.

What are the reasons for this renewed drain ? At the present time, in the absence of more complete information, it is impossible to make an accurate diagnosis of all the reasons for the present difficulties. Certain important points, however, do appear to be evident. The estimates in Table 1 of Britain's overall balance of payments on current account for the first six months of 1949 have been made on the basis of information available at present. It is not pretended that they give an accurate value for all the items, but it is believed that they indicate the order of magnitude of the amounts involved.
TABLE 1.-UNITED KINGDOM BALANCE OF PAY. MENTS ON CURRENT ACCOUNT. (£ Mn.)

|  | $1948{ }^{(1)}$ |  | 1949 |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { Jan.- } \\ & \text { June } \end{aligned}$ | JulyDec. ${ }^{2}$ |  | ine Forecast ${ }^{(6)}$ |
| Total Imports (f.o.b.)... | 896 | 872 | $950{ }^{(4)}$ | 960 |
| Exports and Re-exports | 730 | 820 | $905{ }^{(4)}$ | 910 |
| $\begin{array}{ccc}\text { Balance: } & & \\ \text { Visible } & \ldots & \ldots \\ \text { Invisible } & \ldots & \ldots\end{array}$ | $\begin{array}{r} -166 \\ +16 \end{array}$ | $\begin{aligned} & -52 \\ & +37^{(3)} \end{aligned}$ | -45 $+15^{(5)}$ | -50 +35 |
| Total | $-150$ | $-15^{(3)}$ | $-30$ | $-15$ |

(1) The United Kingdom Balance of Payments 1946 to 1948 (Cmd. 7648.)
${ }^{(2)}$ Provisional.
(3) Excludes $£ 45 \mathrm{Mn}$. receipts from India under settlement (see F. W. Paish and R. C. Tress, "The Budget and Economic Policy." Bulletin, May, 1949, Table 6).
${ }^{(4)}$ From H. O. Debates, July 14, Col. 804.
(5) Estimate in Economic Survey for 1949. (Cmd. 7647, p. 23) less $£ 20 \mathrm{Mn}$. ( $£ 18 \mathrm{Mn}$. for under-estimation of net payments to dollar area.)
${ }^{(6)}$ Economic Survey for 1949.

[^32]From these estimates it appears likely that the overall balance in the first half of 1949 was only slightly worse than the deficit of $£ 15 \mathrm{Mn}$. forecast in the Economic Survey for 1949, and that the failure to achieve the forecast is more than accounted for by the disappointing level of " invisible" receipts. Part of this shortfall in " invisibles" may perhaps be accounted for by persistent devaluation rumours, which may have led to a decline in the speed of receiving payments and to an increase in the alacrity with which foreigners collected their receipts from the United Kingdom. If this has happened, then some offsetting increase in these items may perhaps be expected as soon as conditions become more " stable."

While even these aggregate figures give no cause for complacency, the true situation is worse than they reveal, for they mask the sharp decline in exports to dollar countries which has occurred in recent months, and do not indicate the continued seriousness of the sterling area's " hard currency " problem. Table 2 shows that during the first half of 1949 the United Kingdom authorities had to arrange for the financing on behalf of the whole sterling area of a net gold and dollar expenditure of $£ 239 \mathrm{Mn}$, as compared with the estimate of $£ 195 \mathrm{Mn}$. in the Economic Survey. How can this unexpected increase in the drain on gold and dollar reserves be explained ?

TABLE 2.
TOTAL STERLING AREA GOLD AND DOLLAR DEFICIT ${ }^{(1)}$ £Mn.

|  | Decrease in Gold and Dollar Holdings | Drawing on Canadian Credit | Drawing on International Monetary Fund | Receipts under E.R.P. | Total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| $\begin{aligned} & \text { 1948- } \\ & \text { July-Dec. } \end{aligned}$ | 16 | - | 6 | 147 | 169 |
| Jan.-Mar. <br> Apr.-June | $\begin{array}{r} -14 \\ 65 \end{array}$ | $\begin{aligned} & 7 \\ & 7 \end{aligned}$ | 8 | $\begin{aligned} & 81 \\ & 85 \end{aligned}$ | $\begin{array}{r} 82 \\ 157 \end{array}$ |
| Totals : <br> Jan.-June | 51 | 14 | 8 | 166 | 239 |
| July-June | 67 | 14 | 14 | 313 | 408 |

(1) Prior to Maroh 31st, 1949-Cmd. 7702.

After March 31st, $1949-$ H.C. Debates, July 6th, 1949, col. 2160.
A large part of the increase seems to have been due to the decreased dollar earnings of the United Kingdom itself. In Table 3 an attempt is made to separate the United Kingdom's overall balance of payments account into its separate currency
components. This indicates that the Economic Survey's underestimate for Britain's deficit with the "dollar area" was due to failure to achieve the export targets and to unexpectedly large net invisible payments.

TABLE 3.
U.K. CURRENT ACCOUNT: BY AREAS £Mn.

|  | 1948 <br> year | $\begin{gathered} 1949 \\ \text { Jan.-June } \end{gathered}$ |  |
| :---: | :---: | :---: | :---: |
|  | Actual ${ }^{(1)}$ | Estimated Result | Programme |
| Dollar Area : |  |  |  |
| Imports (f.o.b.) ... | . | $207{ }^{(3)}$ | $207{ }^{(3)}$ |
| Exports and re-exports |  | $88^{(3)}$ | $100^{(3)}$ |
| Balance of Trade | . | -119 | -107 |
| Invisibles (net) ... ... | . | -41 | $-23^{(3)}$ |
| Balance | -310 | -160 | $-130$ |
| Sterling Area :Imports (f.o.b.) ... |  |  |  |
|  | 660 | $395{ }^{(4)}$ | $360{ }^{(5)}$ |
| Exports and re-exports | 742 | $465{ }^{(4)}$ | $435{ }^{(5)}$ |
| Balance of Trade | +82 | $+70$ | $+75$ |
| Invisibles (net) ... ... | $+98{ }^{(2)}$ | $+55$ | $+55^{(5)}$ |
| Balance | $+180^{(2)}$ | $+125$ | $+130$ |
| O.E.E.C. Countries : |  |  |  |
| Imports (f.o.b.) ... ... | 323 | $215{ }^{(4)}$ | $202{ }^{(5)}$ |
| Exports and re-exports | 380 | $215{ }^{(4)}$ | $220{ }^{(5)}$ |
| Balance of Trade | +57 | - | $+18$ |
| Invisibles (net) ... | +23 | $+17$ | $+17^{(5)}$ |
| Balance | $+80$ | +17 | +35 |
| Other Countries : |  |  |  |
|  |  | $133{ }^{(6)}$ | $191{ }^{(6)}$ |
| Exports and re-exports |  | $137^{(6)}$ | $155{ }^{(6)}$ |
| Balance of Trade |  | $+4$ | -36 |
| Invisibles (net) ... |  | $-16^{(6)}$ | $-14^{(6)}$ |
| Balance | -115 | -12 | -50 |
| Total : |  |  |  |
| Imports (f.o.b.)... | 1768 | $950{ }^{(7)}$ | $960{ }^{(5)}$ |
| Exports and re-exports | 1550 | $905^{(7)}$ | $910^{(5)}$ |
| Balance of Trade Invisibles (net) ... | $-218$ | $\begin{aligned} & -45 \\ & +15(7) \end{aligned}$ | $-50$ |
|  | $+53^{(2)}$ | $+15^{(7)}$ | $+35^{(5)}$ |
| Balance | $-165^{(2)}$ | $-30$ | -15 |

Not available.
(1) Cmd. 7648
(1) Adjusted for $£ 45 \mathrm{Mn}$. on Indian account (see Table I, footnote 3).
${ }^{(3)}$ H. of C. Debates, July 14th, col. 103-4.
(4) Estimated from Accounts of Trade and Navigation.
${ }^{(5)}$ Cmd. $7647 . \quad$ (6) By difference. (7) Table 1.
It also seems likely that imports from the sterling area in the first six months of 1949 were above programme by about $£ 35 \mathrm{Mn}$. The entire increase in Britain's imports ${ }^{\star}$, from $£ 1,770 \mathrm{Mn}$. in 1948 to an annual rate of $£ 1,900 \mathrm{Mn}$. in the first half of 1949, is accounted for by the increase in the value of imports from the sterling area (from $£ 660 \mathrm{Mn}$. in 1948 to an annual rate of nearly $£ 800 \mathrm{Mn}$. in the first half of 1949).

[^33]An estimate of the United Kingdom's foreign capital account for the first half of 1949 is made in Table 4 (the basis for arriving at the sterling area's net balance of capital transactions is shown in Table 5).

On the basis of these calculations it is not strictly fair to refer to the present difficulties as being primarily a "sterling-area" crisis. The United Kingdom itself appears to have had an overall balance of payments deficit of about $£ 30 \mathrm{Mn}$. and a " dollar-area " deficit of $£ 160 \mathrm{Mn}$. in the first half of 1949, though if the E.R.P. grants received are included as receipts by the United Kingdom, then these deficits are converted into surpluses of about $£ 135 \mathrm{Mn}$. and $£ 5 \mathrm{Mn}$.

TABLE 4. UNITED KINGDOM BALANCE OF PAYMENTS ON CAPITAL ACCOUNT, £Mn.

|  | $\begin{aligned} & 1948 \\ & \text { Year } \end{aligned}$ | Jan.-June, 1949 |  |
| :---: | :---: | :---: | :---: |
|  | Actual ${ }^{(1)}$ | Estimate | Forecast |
| Gold and Dollar Deficit : <br> U.K. Deficit with Dollar Area | 311 | $160^{(4)}$ | 130 |
|  |  |  |  |
| Rest of Sterling Area Deficit with Dollar Area | 26 | $37^{(4)}$ | 15 |
| Net Sterling Area Gold and Dollar Payments to other Countries | 86 | $42^{(4)}$ | 50 |
| Total Net Gold and Dollar Deficit | 423 | $239^{(5)}$ | 195 |
| Direct Capital Transactions : <br> Repayment of U.S. and Canadian Loans <br> Sale and Redemption of Overseas Securities <br> Other Capital Account with non-Sterling area <br> Other Capital Account with Sterling area ... | -25 | $-7^{(6)}$ |  |
|  |  |  |  |
|  | $180^{(2)}$ | $7{ }^{(7)}$ |  |
|  | -49 | $-31^{(8)}$ |  |
|  | $-153^{(3)}$ | $-42^{(9)}$ |  |
| Net Direct Capital Payments | -47 | -73 |  |
| Change in Sterling Balances : <br> Change in Sterling Area owned balance <br> Change in other balances | $\begin{array}{r} +35 \\ -246 \end{array}$ | $-115^{(10)}$$-211^{(11)}$ | $-180$ |
|  |  |  |  |
|  |  |  |  |
| Net Decline in Sterling balances | -211 | $-136^{(12)}$ |  |
| Net Overseas Disinvestment ... | $165^{(3)}$ | $30^{(13)}$ | 15 |

(1) Cmd. 7648 .
(2) Includes $£ 150 \mathrm{Mn}$. paid to Argentina.
${ }^{(3)}$ Adjusted for $£ 45 \mathrm{Mn}$. received from India (see footnote 5, Table 1).
(4) H. of C. Debates, July 14th.
(5) Table 2.
${ }^{(6)}$ Redemption of External Debt, from Exchequer Returns, ( $£ 57 \mathrm{Mn}$.), less Repayment of South African Loan( $£ 50 \mathrm{Mn}$.).
(7) Owing to the nature of repayment provisions of North American Loans, a major portion of the preceding item consists of receipts arising under this head. The net capital receipts not allocated to retirement of R.F.C. loan are assumed to be equal to the amount of such retirements met out of current income.
${ }^{(8)}$ Net O.E.E.C. Drawing rights utilised after Jan. 1st ( $£ 47 \mathrm{Mn}$.), less remaining advance payment to Argentina assumed to be repaid in 1949 ( $£ 16 \mathrm{Mn}$.).
(9) Repayment of South African Loan ( $£ 50 \mathrm{Mn}$.), less Australian Gift (£8 Mn.).
(10) Table 5 .
(11) By difference. It is automatically underestimated by the amount of the overestimate in decline in sterling balances (i.e., particularly by underestimation in volume of (1) capital payments to sterling area).
(12) By difference.

[^34]However, the overall deficit of the rest of the sterling area appears to have been quite large in comparison with the United Kingdom's ( $£ 165$ $£ 170 \mathrm{Mn}$. on current account, as estimated in Table 5). In addition, its gold and "hard currency" deficit seems to have increased markedly within the past year.* The major sterling area exports to the United States are raw materials and semi-manufactured products. These have been the products most severely affected by the decline in American inventory purchases. $\dagger$ The effect of United States developments have moreover probably affected sterling area exports as much in terms of prices as in volume.

TABLE 5.
ESTIMATED CHANGE IN STERLING AREA-OWNED STERLING BALANCES.

Jan.-June, 1948.

| Jan.-June, 1948. |  |  |  |  |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :---: | :---: | :---: |

[^35]
## II.

The Chancellor of the Exchequer in his recent statement on the balance of payments position indicated that the United Kingdom would take immediate action by reducing the dollar import programme by $£ 100 \mathrm{Mn}$. per year. The nature of the E.R.P. programme places a definite limitation on the degree of austerity which it is useful for the United Kingdom to undertake. If it is assumed that this country is committed to the Canadian wheat contract (which

[^36]can no longer be financed by "off shore" purchases) then it becomes futile to reduce our imports from dollar markets below a figure equal to Marshall Aid plus Canadian wheat (and flour) purchases under that contract. In the first six months of 1949 these two items totalled a little over $£ 235 \mathrm{Mn}$. This amount is larger than the United Kingdom's estimated imports from the dollar area by about $£ 25 \mathrm{Mn}$. The excess is chiefly represented by "off shore" purchases from other countries. However, it is most likely that it will become more difficult to get approval for such purchases from E.C.A. in future. The only other immediate alternative would be to attempt to obtain gold settlements from the countries with whom we have balance of payments surpluses. The need for the Intra-European Payments Agreement indicates how unlikely it is that we could get such assistance from O.E.E.C., and it is estimated that with other countries we have a small deficit. It is true that the United Kingdom could achieve overall balance in its accounts by restricting imports from the sterling area; but, unless this were accompanied by an extremely rigid control over the release of sterling balances, it would not effect the "dollar drain".

It may therefore be concluded that drastic steps must be taken by the rest of the sterling area to bring its accounts more closely into balance. Particularly, it seems unavoidable, even if unfortunate, that there must be further cuts in dollar imports by the other members of the sterling area to reduce their net dollar deficit from its current magnitude to a level closer to that for the last half of 1948 ( $£ 9 \mathrm{Mn}$.).

However, it is only fair to point out that the persistent surplus of the United States on its balance of payments continues to provide a serious problem not only for that country but also for the rest of the world. During the first six months of 1949 the United States balance of payments surplus is estimated at $\$ 3,400 \mathrm{Mn}$., or $\$ 700 \mathrm{Mn}$. more than it had been in the preceding half year ${ }^{\star}$. These developments have provided a keen disappointment to those people, probably including most of the authorities in the sterling area, who had placed some, at least, of their hopes on earlier indications that the world dollar shortage might be easing. $\dagger$

## III.

For a long term point of view, perhaps the most significant problem indicated by the

[^37]calculations made here is that the United Kingdom's overall balance of payments deficit persists. The United Kingdom has declared that it plans to achieve an overall balance of payments surplus of $£ 130 \mathrm{Mn}$. on current account in the twelve months July, 1952-June, 1953*. Such an achievement is essential if the country is to start making repayment of its liabilities, without further assistance from overseas. The deficit for the first half of 1949 demonstrates the small amount of progress which has been made toward the attainment of this target.

Yet in the next few years the problem will, if anything, be more difficult. Recently the overall balance of payments problem has been eased by Britain's bulk purchasing contracts and the restrictions on dollar expenditure which have existed throughout the world. The Economic Commission for Europe has estimated that the United Kingdom was able to obtain its imports during 1948 at a price level equal to only $89 \%$ of the comparable prices existing in the United States. $\dagger$ But with the recent changes in world prices it appears possible that the benefits of this policy will not be so marked in future. In any event, while these programmes may affect the overall position of this country, they tend to exert their greatest direct influence in reducing our expenditure in the sterling area. As the United Kingdom's external resources must be regarded as reserves for the entire area, the effect of such agreements exerts but little effect on the overall position.

It is possible that the recent worsening of Britain's external position may partly be explained by the change in the internal monetary situation. It may be no more than a coincidence that the balance of payments position improved in the latter part of 1948 following a strengthening of disinflationary pressures. It may also be no more than a coincidence that the position deteriorated most markedly in the second quarter of 1949 following a decrease in the strength of these pressures. $\ddagger$ However this may be, there is no doubt that the effect of any disinflationary measures taken here would be to reduce the demand for both foreign and domestic resources, and thus lead to some reduction of payments§ and make the fulfilment of export orders easier.

In the field of "external " approaches to the problem of the United Kingdom's accounts, the

[^38]capital sector should be causing concern at the present time. On the basis of the long-term aims already referred to, it is hoped that by 1952-3 the United Kingdom will be in a position to undertake net capital payments totalling $£ 130 \mathrm{Mn}$. per year, of which $£ 25 \mathrm{Mn}$. will be amortisation of Western Hemisphere debts and $£_{5} \mathrm{Mn}$. similar payments to the sterling area. Yet in the first half of the current year expenditure on this account appears to have been of the order of $£_{2} 210 \mathrm{Mn}$., as against $£ 258 \mathrm{Mn}$. for the whole of 1948. Of this year's total, $£ 150 \mathrm{Mn}$. is probably accounted for by repayment of debt to the sterling area ( $£ 118 \mathrm{Mn}$. in 1948). It is true that under the present arrangements such repayments result automatically from the overall balance of payments position of the rest of the sterling area; but this does not alter the fact that such a situation involves a drain on the resources of the United Kingdom.

It is difficult to arrive at a precise definition of the term "unrequited" exports. At the present time there are at least three components entering into this drain. The first is the United Kingdom's current account surplus with the sterling area, which is financed by withdrawals from sterling balances and thus produces no resources in return. The second arises from similar transactions with "other" countries. The third is the amount of their drawing rights which O.E.E.C. countries find that they do not require to use because they are receiving sterling payments from other members of the sterling area. This involves us in a loss of the conditional aid associated with these drawings. The net decline in sterling area owned balances is estimated in Table 4 at $£ 115 \mathrm{Mn}$. The similar loss on account of transactions with "other" countries was probably quite small. The amount of I.E.P.S. drawing rights on the United Kingdom not utilised because of offsetting receipts from the rest of the sterling area was $£_{20} \mathrm{Mn}$. Unrequited exports under these three headings would therefore total at least $£ 135 \mathrm{Mn}$., and may have been appreciably more. If the repayment of the South African loan were considered to be analogous to a reduction in sterling balances, the minimum figure for "unrequited exports" would be increased to $£ 185 \mathrm{Mn}$.

One can argue about the significance of this figure. On the one hand it is said with force that the entire capital export represents a drain on British resources; that some part at least of these unrequited exports are represented by goods which might be sold in hard currency markets ; that a shift from "unrequited" to "home
market" sales would produce a lessening of inflationary pressures and have a beneficial effect on wage claims, cost structures and our capacity to export. On the other hand it is argued that some of these capital payments are financing developments necessary to a long-term solution of our difficulties; that, if these exports were not made, there would be increased dollar purchases; that export trades are only to be built up slowly and that we are now investing in the development of trades which will be necessary when new soft currency sources of supply become available in one or two years' time. The least that can be said is that the present level of capital export by the United Kingdom warrants serious attention.

There is another aspect of the same problem. The sterling area countries collectively were running balance of payments deficits which were in excess of $£ 250 \mathrm{Mn}$. in 1947, $£ 200 \mathrm{Mn}$. in $1948^{\star}$ and (probably) $£ 170 \mathrm{Mn}$. in the first half of $1949 \dagger$. It is not suggested that these countries should be required to return to the 1946 position, when they appear to have had an overall surplus of almost $£ 100 \mathrm{Mn} \ddagger$ But some steps to reduce this source of drain on the gold and dollar reserves "appear to be essential. The eradication of "transferable sterling" abuses may meet part of this difficulty. However, direct action both in the industries concerned and in the general economic position of these countries will have to be taken. Only by such means can foreign payments be reduced and export incomes increased. In this connection one must welcome the deflationary action which the new Indian government appears to have been able to undertake.§

## IV.

It is not entirely fair to limit all attention to the correction of the sterling area's problems by the area itself. In part its difficulties arise out of the long-term dollar shortage. This deficiency is not a new one or a temporary phenomenon which can easily be overcome by Marshall Aid tapering off to zero in 1953. In every year of the inter-war period, except three, the United States had a surplus on current account. Between 1919 and 1939 these surpluses totalled $\$ 14,500 \mathrm{Mn}$. Prior to 1934 this shortage was chiefly offset by United States foreign lending which, on balance, totalled $\$ 8,000 \mathrm{Mn}$., and, after 1933, by an inflow of $\$ 10,000 \mathrm{Mn}$. of

[^39]gold.^ At present, United States investors do not appear ready to make sufficient loans to ensure a net outflow of this magnitude and the sterling area's total gold and dollar holdings amount to less than the gold movement into the United States in 1938 and 1939. Undoubtedly the great magnitude of the Marshall Aid required arises in part from short-run difficulties; but there is also the hard core of the long-term dollar shortage at present being financed by E.C.A. It may be argued that this problem is of manageable proportions. The deficit of the sterling area, including the U.K., with the dollar area during the first six months of 1949, represented only about $0.7 \%$ of the present national income of the U.S.A. $\dagger$ If, therefore, the United States could increase its expenditure on imports from the sterling area by less than $1 \%$ of its national income, our particular problem would be solved ; while if it could increase its total expenditure on imports of goods and services from $4 \frac{1}{2} \%$ to $7 \frac{1}{2} \%$ of its national income, the whole world's dollar difficulties would be at an end. $\ddagger$ Surely if this problem is to be tackled it is not unfair to expect some assistance from United States internal policies.

## V.

A general conclusion can therefore be reached that the structure of the external financial arrangements of both the United Kingdom and the sterling area warrant a serious review at the present time. Unfortunately there appears to be no alternative to the imposition of new restrictions on trade and consumption in the short run. It can only be " the mixture as before, only more of it." Also it may be that the United Kingdom requires a slightly smaller dose than the rest of the sterling area. In the longer run the problem of internal costs and prices must be tackled. The most direct attack on these difficulties will probably have to be made by the United Kingdom. Here it would be most unwise to ignore the relation between internal financial policies and their external repercussions. However, both in the long run and in the short run, assistance of a fundamental nature should reasonably be expected from the dollar area if the sterling area is to be able to putits own house in order.

[^40]
# THE U.S.A. IN RECESSION. 

By M. W. Reder, Stanford University.

fuly 5th, 1949.

## I. THE FIRST HALF OF 1949.

The first half of 1949 experienced the first clearly marked general business recession in more than a decade. The precise date of the turning point, never easy to determine, appears to have antedated the new year. Many important series began to decline in late autumn; prominent among these were wholesale (non-farm and food) prices; industrial production ; new orders from manufacturing firms; common stock prices and bank loans to business. Almost all standard indices of business activity that did not decline before January 1, started downhill soon after and there is no longer any debate that a contraction is in process. Argument now centres about the gravity of the recession and what can-or should -be done about it.

## Production and Employment.

The most carefully watched-and fearedphenomenon of the past three months has been the re-appearance of unemployment. Preliminary figures for June place the number of unemployed at 3.8 Mn . as compared with 2.2 Mn . one year before. In some labour quarters it is alleged that the official figures understate the actual numbers of unemployed. In addition to those counted as unemployed, there is a substantial number of partially unemployed estimated at about 4 Mn .

The increase in unemployment from May to June of about half a million persons was due principally to the influx of job seekers from schools and colleges. Unemployment is apparently distributed unevenly throughout the country, being heaviest in the New England manufacturing states, in California, which has a steady stream of (net) immigration, and in South Carolina. The general concern, if not downright alarm, about unemployment results mainly from fears of the future rather than distress at the present situation. One interesting indication of the change in workers' attitudes as a result of the increase in unemployment is the sharp decline in the rate of "quits" in manufacturing. In the first three months of 1948, this rate averaged 2.6 per month (per 100 employees) ; in the corresponding period of this year it was $1.5-\mathrm{a}$ decline of over $40 \%$. In the same period the accession rate (per 100 employees) fell from an average of 4.3 to 3.0 , while the lay-off ratio rose from an average of 1.4 to 2.5 .

On the side of employment, the numbers work ${ }^{-}$ ing at non-agricultural pursuits declined steadily from December through May, although rising slightly in June. From March onward the number employed (in non-agricultural industries) has been less than the number employed in the corresponding month of 1948. However, the increase in agricultural employment (compared with the corresponding month of last year) caused total civilian employment to be higher this year than last in each of the first five months except April.

Industrial production as a whole began to decline in December and has fallen ever since. The May index stood at 174 , about $11 \%$ below the peak of last November. Output of durables began to decline in January and by May stood $11 \%$ below its December level ; non-durables began their decline in November and, except for a minor rise in January, declined through May when their level was $11 \%$ below that of October; minerals started to fall in November and by March were $16 \%$ below the November peak, but they rallied in April and then sagged slightly in May, being at that time $12 \%$ below the November figure. The most disturbing feature of the production picture is the falling steel output ; since mid-March output has declined almost continuously and is now about $20 \%$ below March level. As steel production is often considered to be an indicator of business activity, its recent behaviour has caused considerable apprehension.

First quarter National Income (exclusive of that from farming, government and rentals) per worker appears to have been about $9 \%$ higher than in the first quarter of 1948. This rise was considerably greater than the increase in prices during the same period and therefore suggests an increase in productivity. This suggestion is reinforced by the slight drop in the average length of the work week. Such an increase was certainly to have been expected in view of the huge expenditures on new equipment during the past two years and the improvement in worker attitude (evidenced by the lower quit rate) consequent upon the easing of the labour market.
Composition of Output, Expenditure and Income.

The Table on p. 90 shows the major categories of expenditure on the national output as well as the principal sources of savings. Gross National Product, personal consumption and

U.S. STATISTICS


DATE8 - Cols. $25,38 \cdot 9$, end of month; cols. 27.9 , monthly average ; cols. $30 \cdot 1$, mid-month; 32, 34, 36, average of Wednesdays; col. 35 , daily average. SEE ALSO FURTHER NOTES ON PAGE 100 OF BULLETIN FOR AUG, 1947
domestic investment (gross) and every (listed) component thereof (except consumption of services) declined from the fourth quarter of last year to the first quarter of this. As compared with the first quarter of 1948, Gross National Product and personal consumption have risen, while domestic investment fell only slightly. However, it is very likely that most or all components of G.N.P. (and hence the total) have declined further in the second quarter, which would put them at greater distance below the corresponding figures for 1948 than those for the opening quarter.

Savings Ratio.-The principal key to the behaviour of G.N.P. and its components is (in this period) the change in the ratio of consumers' saving to consumers' disposable income (savings ratio). This ratio rose from $7 \%$ in 1946 and $5 \%$ in 1947 to $9 \%$ in the final quarter of 1948 and $11 \%$ in the initial quarter of 1949. This movement reflects primarily a sharp increase in inventories held by unincorporated business enterprises ("consumer saving" includes the principal forms of investment by unincorporated enterprises). It also reflects the increased rate of dwelling and other non-corporate construction.

In the first quarter of 1949, consumer credit declined for the first time since 1945. Although the movement represents mainly a seasonal liquidation of charge accounts swollen by

Christmas purchases, it is significant that this is the first post-war year in which this seasonal movement has not been obliterated by inflationary forces. This is the only clear evidence thus far of an increased desire for liquidity by households. Acquisition of liquid assets (i.e. securities, bank balances, etc.) by individuals has not played an important role in increasing the savings ratio.

Corporate net saving also rose sharply in the final quarter of last year as a result of swollen profits. Although profits declined somewhat in the first quarter of this year, they remain $\$ 4,800$ Mn . above their level in the first quarter of 1948. This saving, in good part, financed the inventory accumulation we are now working off. As domestic investment in the opening quarter of 1949 was slightly below that in the corresponding quarter of last year, this increase in net savings may have exercised a deflationary influence. However, it is difficult to be sure of this, as many corporations are much more willing to invest retained earnings than new " outside" funds and therefore if there were less corporate saving there might have been less (domestic) investment.

Inventory Investment.-The obverse side of the increase in the "savings ratio" has been a sharp increase in inventory investment; i.e. unsold goods accumulated in the hands of dealers. In the final quarter of 1948 , investment in inventories jumped by more than $50 \%$ of its

COMPONENTS OF OUTPUT, EXPENDITURE AND INCOME ( $\$ 000 \mathrm{Mn}$.)

|  | Annual Totals |  |  | Quarterly Estimates, Seasonally Adjusted |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1946 | 1947 | 1948 | 1947 |  | 1948 |  |  |  | 1949(est.) |
|  |  |  |  | III | IV | I | II | III | IV | I |
| Personal Consumption : |  |  |  |  |  |  |  |  |  |  |
| Durable Goods ${ }^{\text {Non-Durables }}$... | $16 \cdot 2$ | $21 \cdot 0$ | 22.7 | $21 \cdot 1$ | $22 \cdot 1$ | $21 \cdot 3$ | $22 \cdot 8$ | $23 \cdot 7$ | $22 \cdot 9$ | 21.5 |
| Non-Durables | $87 \cdot 5$ $43 \cdot 6$ | $96 \cdot 5$ $47 \cdot 3$ | 103.6 51.4 | $96 \cdot 8$ $47 \cdot 7$ | $100 \cdot 2$ 48.8 | 101.4 | 103.7 50.8 | $104 \cdot 3$ | $105 \cdot 1$ | 101.4 |
| Total |  |  |  |  |  |  |  |  |  |  |
| Domestic Investment (Gross) : | 147.4* | 164.8 | 177.7 | $165 \cdot 6$ | 171/1 | 172.5 | 177-3 | $180 \cdot 1$ | 181.0 | $176 \cdot 6$ |
| New Construction ... ... | $8 \cdot 9$ | $11 \cdot 7$ | $14 \cdot 6$ | $11 \cdot 6$ | $14 \cdot 0$ | $14 \cdot 3$ | 14.4 | $14 \cdot 8$ | $14 \cdot 7$ | 13.5 |
| Producers' Durables ... | $12 \cdot 8$ | $17 \cdot 8$ | 21.4 | $17 \cdot 6$ | $18 \cdot 9$ | $19 \cdot 8$ | 21.0 | 21.9 | $22 \cdot 7$ | $22 \cdot 0$ |
| Net Growth in Inventory ... | $4 \cdot 8$ | $0 \cdot 6$ | $3 \cdot 8$ | $-3.5$ | $2 \cdot 5$ | 3.9 | $2 \cdot 6$ | 3.5 | $5 \cdot 3$ | $2 \cdot 2$ |
| Total | 26.5 | 30.0* | 39•7* | 25.6* | $35 \cdot 4$ | $38 \cdot 0$ | $38 \cdot 0$ | $40 \cdot 2$ | 42.8* | $37 \cdot 7$ |
| Foreign Investment (Net) Government Purchases of Goods and | $4 \cdot 7$ | 8.9 | 1.5 | $8 \cdot 4$ | $8 \cdot 2$ | $3 \cdot 9$ | $2 \cdot 7$ | $-0 \cdot 3$ | $-0.4$ | 1.5 |
|  | $30 \cdot 8$ | $28 \cdot 0$ | $36 \cdot 0$ | $28 \cdot 3$ | $29 \cdot 0$ | $30 \cdot 5$ | 33.9 | $38 \cdot 2$ | $41 \cdot 5$ | $40 \cdot 1$ |
| Gross National Product | 209 - ${ }^{*}$ | 231-6* | $254 \cdot 9$ | $227 \cdot 9$ | 243.8* | 244•9* | $251 \cdot 9$ | 258.1* | $264 \cdot 9$ | 255.9 |
| Consumers' Disposable Income | $159 \cdot 2$ | $173 \cdot 6$ | 190 | $175 \cdot 0$ | $180 \cdot 9$ | 184-1 | $190 \cdot 2$ | $196 \cdot 2$ | $199 \cdot 4$ | 197.8 |
| Consumers' Saving ... ... | 11.8 | 8.8 | 13 | 9.4 | 9.7 | $12 \cdot 0$ | 12.9 | 16-1 | $18 \cdot 4$ | +21.2 |
| Corporate Net Saving ex Inventory Adjustment | $1 \cdot 2$ | $6 \cdot 1$ | $9 \cdot 3$ | $6 \cdot 0$ | $5 \cdot 9$ | $6 \cdot 0$ | $9 \cdot 7$ | $9 \cdot 2$ | $12 \cdot 5$ |  |
| Depreciation, etc. . | 11.8 | $13 \cdot 3$ | $14 \cdot 4$ | 13.4 | 13.8 | $14 \cdot 0$ | 14-3 | $14 \cdot 6$ | 14.9 | (a) |
| Treasury Cash Surplus | 0.2 | $5 \cdot 7$ | 8.0 | (b) | (b) | (b) | (b) | (b) | (b) | (b) |

[^41]third quarter annual rate. That much of this investment was of the " unintended " variety (i.e. resulted from a rate of sales below anticipations) is evidenced by business behaviour since the latter part of last autumn. The new orders (manufacturing) index turned down in December and continued its decline through April (the last available report). Stocks of inventories continued to accumulate and did not reach their peak until March, which, in view of the fall in new orders, clearly suggests involuntary accumulation.

If we go behind the total figures, the process involved becomes clearer. In the manufacturing industries, inventories of purchased materials began to decline in December-January ; those of goods in process in February-March; and finished goods inventories were still rising in April, although they have probably begun to decline since. This pattern strongly suggests that the fall in manufacturing sales which began in October caused firms to begin reducing raw materials purchases soon after, with the result that inventories began to decline in DecemberJanuary; but production schedules could not be reduced as rapidly, so that inventories of goods in process continued to mount for a month or two longer with the resulting stream of finished goods continuing to pile up before a barricade of buyer resistance for yet an additional two months.

Manufacturing inventories as a whole reached their peak in February, three to four months after the down-turn in sales. In wholesaling, a similar pattern may be observed with sales declining in October, and inventories reaching a high-water mark in February. Retailing, however, had a pattern of its own ; sales began to decline in the last quarter (except for the December Christmas buying) but inventories did not accumulate in large quantities as retailers promptly reduced their forward purchases. To some extent this reduction was due to other causes than reduced sales (e.g. speedier and more certain deliveries reduced the need for larger inventories; the slackening of the rate of price advance diminished the urge for anticipatory buying, etc.). As a result, retail inventories began to decline in December and have (except for the " Easter bulge" in March) continued down.

As a result of the aforementioned adjustment lags in manufacturing and wholesaling, net investment in inventories was $\$ 2,200 \mathrm{Mn}$. in the opening quarter of this year. Although this was almost $60 \%$ below the rate of inventory investment for the preceding quarter, it was almost entirely involuntary and has probably been
followed in the second quarter by net disinvestment (in inventories). It is possible, although by no means certain, that inventory decumulation had reached bottom (seasonal factors aside) by the end of the second quarter. However, no substantial resumption of investment in this type of asset seems in prospect until buyers become convinced that prices will not fall further-a conviction that at present does not exist.

Construction declined slightly from the last quarter of 1948 to the first of 1949, even after allowance is made for seasonal fluctuations, but rose again in the second quarter. In April and May, new construction was running only slightly below the corresponding rates of last year, but its relatively good showing stems mainly from the behaviour of the public sector, where Federal, state and local construction has been averaging almost $\$ 100 \mathrm{Mn}$. (over one-third) more in the first five months of 1949 than of 1948. In part, this is a result of public policy which restricted public construction until the peak rate of private building was passed.

Private construction, which began to decline last August, continued its decline until March, but began to rise thereafter. Part of this increase was due to seasonal factors, but a pronounced increase in housing-starts in April led to an extraseasonal spurt of activity in May. Nevertheless, private housing activity is appreciably below last year's level for the same months. This decline is apparently the result of growing difficulties in selling completed houses. Prices are beginning to decline, particularly among the higher priced dwellings, but as yet have not fallen very far. However, materials prices have fallen and building labour has become more abundant and (probably) more productive, which has led to expectations of lower prices in the future, thereby hampering present sales and construction.

Private non-residential construction has declined only slightly (from January through May) as compared with the same period for last year, although it is well below the rate attained from June through November. Industrial and commercial construction, particularly the former, declined seriously as compared with the first five months of 1948. However, increases in construction for Public Utilities and eleemosynary institutions almost completely offset this decline.

Producers' Durables.-The mild decline in producers' durables between the last quarter of 1948 and the first one of this year has not, apparently, continued any further and second quarter investment in this type of asset will probably run at about the same rate as in the
first quarter. In general, it appears as though investment in plant and equipment (not identical with producers' durables) will be only a little less in the first half of this year than in the same period of 1948. The maintenance of this important component of investment has been a major factor in preventing (thus far) the present business retreat from degenerating into a rout.

Government Purchases.-The slight drop in Government purchases of goods and services in the first quarter of this year (as compared with the final quarter of 1948) is due entirely to a reduction in Federal purchases from $\$ 25,200$ to $\$ 23,500 \mathrm{Mn}$. ; purchases by State and Local governments rose (from $\$ 16,300$ to $\$ 16,700 \mathrm{Mn}$.) As compared with the first quarter of last year this component of Gross National Product has increased by about $20 \%$. The increase in Federal expenditure reflects primarily the following items : European aid under the E.C.A.*; purchases of agricultural commodities under price support programmes ; increased payroll expenditure due to wage increases granted in the middle of last year and, beginning with the final quarter, substantially increased expenditures on armaments which have continued throughout the first half of this year.

Consumption was about $\$ 4,600 \mathrm{Mn}$. (annual rate) less in the first quarter of this year than in the preceding quarter. This was due to a reduction in expenditure both on durable and nondurable goods ; expenditure on services increased slightly. This decrease in expenditure on goods is mirrored in the decline in retail sales. However, although this class of expenditures is below the level of last autumn, it was above that in the first quarter of last year on durables and was the same on non-durables. It also appears from the behaviour of retail sales that, since the sharp drop from December to January, there has been no appreciable decline in consumption expenditure. Some credit for this must be given to the Social Security Funds, whose net payments to the public have run appreciably higher in the first five months of this year than in the corresponding period of last. The operation of the withholding tax system has also served to cushion the effect of a decline in personal income on consumption expenditure.
Prices and Wages.
Prices.-The onset of depression terminated, for the time being at least, the upward movement in prices. At wholesale, the B.L.S. "All Com-

[^42]modities " index had, by May, declined by almost $8 \%$ from its August peak of 210 and was still falling : the May figure was about $5 \%$ below the May 1948 level. Farm products' prices had begun to fall in the last half of 1948 and continued to decline until February, then they moved up slightly (about $2 \%$ ) through May. They appear to have fallen during the last half of June, but the index for that month is not yet available. In any case, the May figure of 226 is less than that for May 1948 or 1947.

Wholesale prices of "Other than Farm or Food " products have also declined since January but only by about $4 \%$. Their typically sluggish behaviour is partly responsible for the inventory situation, as purchasers expect them to fall and will curtail buying until they do.

Living costs are also on the downgrade, but so far the slope is very gentle. By February they had declined only a little over $4 \%$ from their peak of 175 in September. In March and April they rose by one point (less than $1 \%$ ) due mainly to movements in food prices and rents. Food prices are not likely to rise much further and may very well decline. Rents, however, will probably climb further. The rent control bill enacted this spring by Congress is weaker than its predecessor in that it permits many more increases; in particular, ceiling rents may now be raised if the owner is not earning a "fair operating income." The precise meaning of the act is not clear and is in process of interpretation (by successive rulings) by the administrator. However, its general effect is quite clear ; ceilings are rising. In addition to this, an ever greater percentage of the total number of rental units are of new construction and therefore ceiling-free; their increasing weight in the rent index will therefore exert an upward influence upon it. In general, the shortage of rental units at relatively high rents is practically over ; however, there is still an acute shortage at ceiling rents.

The other major components of the living cost index all tend downward (except for services rendered by public utilities). This is particularly true of apparel and house furnishings. Bargain sales to reduce inventories are becoming increasingly frequent and seasonal clearances are a part of the retailing picture for the first time since the war.

Wages.-Average hourly earnings declined by negligible amounts (less than $1 \%$ ) in manufacturing and retail trade from January through April of this year. In other occupations, average hourly earnings actually increased slightly. For the most part, however, these movements
reflected not changes in wage rates, but in payments for overtime.

The important, pattern-making wage agreements in automobiles, steel, coal, etc., will be made in July. But the agreements already reached this year contain provisions for much smaller increases than similar agreements last year; a large number (notably in textiles) have been renewed without change. Although employers are resisting any increases this year, severe pressure is expected from the unions (particularly in automobiles and steel) for a pension plan comparable with that obtained by the coal miners. If negotiations bog down and the strikes now threatened become imminent, the administration may intervene on the side of the unions. However, any increase in wage rates granted will probably be very small, although the pension plans (if obtained) will be of considerable benefit to union members. Militating against the success of union campaigns is the fact that, for the first time since 1941, the employers do not have substantial back-logs of orders and are in a position to sustain a strike.

It is interesting that in the midst of a recession, the issue is one of whether wage rates and fringe benefits are to increase further ; there is, apparently, no thought of a reduction. It may be that we are witnessing the development of the post-war cyclical wage pattern : relatively rapid increases in prosperity and retarded growth or stationariness-but without decline-in depressions. The long-run inflationary implications of such a pattern should not be overlooked.

Weekly earnings, in general, fell throughout the first quarter and, so far as the record is available, they have continued to decline. The drop was about $8 \%$ in bituminous coal-mining, about $4 \%$ in manufacturing, and less elsewhere. The factors primarily responsible for these phenomena were the diminution of premium payments for overtime, and the shortening of the average length of the work week.

Security Prices.-Stock prices began to decline in November and, with occasional interruptions, have moved downward ever since. The May average was about $9 \%$ less than that of last October (the previous peak). The index dropped rather sharply during the third week of May, but rallied in the last two weeks of June, recovering about half of the ground lost since mid-May.

## Money and Finance.

During the first quarter of the year, the Treasury ran its seasonal surplus which amounted to about $\$ 3,200 \mathrm{Mn}$. This was the principal
cause of the $\$ 5,400 \mathrm{Mn}$. decline in public cash holdings (exclusive of time deposits) between December and March. Another contributory factor was a net sale of over $\$ 1,000 \mathrm{Mn}$. of Government securities by the banking system to non-bank holders ; also there was an increase in savings deposits and about a $\$ 1,000 \mathrm{Mn}$. reduction in commercial bank loans. The money supply increased again in April, but it remained over $\$ 4,000 \mathrm{Mn}$. less than in December and $\$ 700 \mathrm{Mn}$. less than in April 1948. The decline in commercial, agricultural and industrial loans that began in November continued through May and, although figures are not yet available, probably through June as well. This decline left these loans (at the weekly reporting member banks) in May about $12 \%$ below the November peak and about 3\% below the level of May, 1948. The decline in these loans reflects in large part the reduction in inventories discussed above.

The Treasury cash surplus of the first three months of this year was followed in April by a $\$ 1,700 \mathrm{Mn}$. deficit. Increased net expenditures on account of Unemployment Compensation Benefits and reduced receipts from income taxes seem likely to have generated continued cash deficits throughout the second quarter (although May and June figures are not yet available). This, of course, has tended to increase the money supply.

From May 1, reserve requirements were lowered by $2 \%$ in New York and Chicago, $1 \%$ elsewhere and $\frac{1}{2} \%$ on time deposits, and in late June the Board announced (in effect) that its open market policies were now intended to effectuate an easy money policy. As indicated above, this last had a strong reaction on the Government bond markets. It is widely believed among financial writers that this announcement is intended to smooth the way for deficit financing in the near future. At present, bank loans appear to be still dropping despite more favourable lending policies adopted by the bankers. Reserve requirements (under the law of last September) automatically returned to their previous legal limits on June 30 . This has created some additional excess reserves.

Twice within the second quarter, the Federal Reserve Board relaxed the terms on instalment buying, with effects that cannot be very accurately determined. However, the increase in consumer credit in April was somewhat greater than the same rise last year which (in view of the general business situation) may indicate that the first of these relaxations (on March 7) did have an effect. In any case, the power of the Federal Reserve

Board to regulate instalment purchases expired on June 30. The result is expected to be a considerable relaxation of credit conditions (despite pleas for caution from banking circles), especially among used car dealers. Competition in credit terms may to some extent serve as a substitute for price reductions.

Corporate profits in the first quarter were (before taxes) about $6 \%$ below their level in the first quarter of last year and were down about $17 \%$ below fourth quarter levels*. Cash dividends (in the opening quarter of 1949) were equal (at seasonally adjusted annual rates) to those paid in the last quarter of 1948 and were about $12 \%$ higher than those paid in the first quarter. In view of this quite satisfactory showing, stock prices are still astonishingly low. Apparently either investors fear a far worse depression than the one experienced so far this year, or they have become extremely averse to risk-bearing.

Apparently the depression has hit small corporations harder than large ones. The Securities and Exchange Commission's sample $\dagger$ of manufacturing corporations with assets of $\$ 10 \mathrm{Mn}$. and over indicates that the profits of these corporations (before and after tax) were about $10 \%$ higher in the first quarter than in the corresponding quarter of 1948, although they were below those earned in the final quarter of last year. (Compare this with the figures for all corporations in the preceding paragraph). And among these large corporations it is those with assets of $\$ 50 \mathrm{Mn}$. or more whose profits rose ; the profits of those with assets between $\$ 10$ and $\$ 50 \mathrm{Mn}$. fell (in the aggregate) between the first quarter of last year and the first one of this. The difficulties of small business are further indicated by the sharp increase in the number of business failures as compared with last year.

## II. PROSPECTS FOR THE SECOND

## HALF OF 1949.

Guessing at business prospects for the next six months has become a major activity for both amateur and professional economists. Unfortunately, forecasting is as hazardous as ever. Despite this I shall venture to express a mild degree of optimism for the next six months.

Investment in plant and equipment in the third quarter appears likely to total about $\$ 4,600 \mathrm{Mn}$. as compared with $\$ 4,800 \mathrm{Mn}$. in the

[^43]third quarter of last year. ${ }^{\star}$ As investment of this type was about $\$ 4,800 \mathrm{Mn}$. in the second quarter, there is little reason to expect its behaviour to become a serious engine of deflation in the present quarter. Possibly the events of the first half of the year will have a delayed effect on long-term investment in the final quarter (a 6-8 months' lag in this area is not unreasonable), but there is no evidence of this as yet. Private construction, though less than last year, shows no sign of further decline, while public construction seems very unlikely to diminish in the next six months. Additional Federal construction as an anti-depression measure is well within the bounds of possibility, although too much cannot be expected from this source before next year. Over the longer period, the new Federal Public Housing Act (which now appears certain of passage), will involve very substantial public investment in low-cost housing for the next few years. However, the programme can hardly begin to have much effect before next spring.

The least encouraging part of the domestic investment picture relates to inventories. They may already have reached the minimum level which current operations require, but this is difficult to determine. In any case, hand to mouth buying is likely to continue until purchasing agents cease to believe that prices are going to be lower on the morrow. When this belief will terminate cannot be predicted, but it is now prevalent, and substantial price reductions will probably have to occur before it ends. But we cannot expect inventory accumulation to proceed at the rate of the past three years, even when the present buyers' strike is over. Depleted stocks, rapidly advancing prices, insecure delivery schedules, etc., are things of the past, and inventory investment hereafter must proceed at a much more sedate pace.

The outlook for net foreign investment is clouded by the unfavourable Congressional reaction to the Anglo-Argentine trade pact. Part of the furore is made by legislators who oppose the whole foreign aid programme on principle and have merely seized this occasion to register their opposition anew. But part of it reflects the honest concern of those who imagined that the programme would make the Europe of 1952 identical (so far as international trade is concerned) with that of 1913. Whatever the justification (or lack of it) for the Congressional attitude, it might result in severely restricted

[^44]appropriations for E.R.P. with serious effects on American exports and domestic activity. The writer's tempered optimism is based on the assumption that this will not happen. But it might happen ; if it does, our present slump will become decidely more severe. Imports, in any case, will probably decline somewhat in the second half of this year.

Planned expenditure on consumer durables at the beginning of this year apparently exceeded planned expenditure for 1948 at the same time last year*. Of course, the effect of falling incomes and the development of a depression psychology may have caused a downward revision of plans (which did not occur last year). However, the behaviour of sales of durable goods in the first four months of 1949 does not suggest the occurrence of such a revision. It would therefore seem not unreasonable to suppose that expenditure on consumer durables would not fall very far (not more than $5 \%$ ) below the levels of the first half of this year. A similar inference from sales of non-durables (in the first four months of the year) would suggest an analogous conclusion for expenditure on them, and on services as well. However, lagged effects may upset this rather optimistic view ; if fears of unemployment should develop a passion for liquid assets, a serious decline might develop. At present, there is no sign of this happening ; however, a small decline in consumption (due to lower income) is to be expected.

Unless there is a sharp, and at present unforeseen, decline in investment in plant and equipment in the fourth quarter, the bottom of the depression should be reached by that time or early in 1950. Government plans to disburse about $\$ 2,000 \mathrm{Mn}$. to veterans early next year may very well spark a recovery, particularly because the propensity to consume such receipts will be high. However, a cautious forecast is a statement surrounded on all sides by "ifs" and this one is not intended to be an exception.

## III. POSTSCRIPT

Fuly 19th, 1949
The President's Mid-year Economic Report, transmitted on July 11, contained a de jure recognition of the present economic decline. However, the report (properly) stressed the relative mildness of the recession (thus far). The opening peroration stressed the elements of strength in the economy at present, as compared with the 1920 's, and was quite clearly an attempt toassure everyone that 1929 could not happen again.

[^45]Policy-wise, the principal feature was the (anticipated) abandonment of last January's plea for a tax increase. In fact, a mild decrease in taxation was suggested ; i.e., the abolition of the tax on the transportation of goods and also the liberalisation of the "loss carryover" provisions of the corporate income tax. It seemed to many, including the writer, that a golden opportunity has been lost to abolish the war-time excises. However, this was not recommended and it seems unlikely that anything will be done in this direction before 1950.

The President made the usual obeisance to a balanced budget and a lowered national debt, but argued that a proper growth rate ( $3 \%$ to $4 \%$ per annum, according to the report) of the national income was the only sound way of attaining these desiderata. Balancing the budget by reducing expenditures at this time would, it is argued, reduce national income and employment. This part of the report is in the best Keynesian tradition, which has not been lost upon the President's opposition, some of whom have been vehemently denouncing that "alien ideology " (i.e. Keynesianism).

Apart from endorsing an easy money policy, nothing new was recommended in the field of money and credit, except that the maximum maturity period for Reconstruction Finance Corporation loans be extended.

By way of action, an attempt is being made to hasten government procurement (within existing programmes) and to canalise it to those areas where unemployment has been heaviest. The public housing programme has been passed (as was foreseen) and it will be acted upon as quickly as possible; however, it is doubtful if it can be very effective before next spring.

Stock prices have continued to rise since midJune. In some quarters the President's report (particularly on taxes) is alleged to have helped this movement along. However, the writer's opinion is that the effect of the report was (in this area) rather negligible.

The steel strike which seemed ominous last week has been temporarily averted, by the U.S. Steel Corporation's "acceptance" of the President's "Fact-Finding Board." However, the employers warn that they will not be bound by the Board's recommendations and so we are not yet beyond danger of a strike in steel. Pressure is now being applied to the automobile manufacturers, with Ford the immediate object of the squeeze-principally for pensions. But the Administration will, no doubt, use all of its influence to avert a major strike this year either in steel or in automobiles.

# INDUSTRIAL PRODUCTION : THE OFFICIAL AND L.C.E.S. INDEX-NUMBERS COMPARED. 

By W. B. Reddaway and Arthur Adams

The publication of a description of the official Interim Index of Industrial Production* makes it possible to compare that index with the one prepared for this Bulletin. The principal object of this article is to compare the results shown by the two series, and to see how far the differences can be explained. The field is an enormous one, and to make the work manageable we have concentrated mainly on the two estimates of the movement between 1946 and 1948; as the official index is on a basis similar to our B index (including changes in work-in-progress) we have confined our attention to that series.

So far as the total index goes, the official one shows a bigger rise between 1946 and 1948 ( $21 \%$ against $18 \%$ ). It would be useful if we could test the influence of the types of production which are within the scope of the official index but excluded by definition from ours (notably finished munitions, repair work and water supply), but in most cases there are no published data from which to judge their movement, and the description of the official index does not even reveal the weight attributed to the most important. It seems unlikely, however, that these can have shown a bigger rise than the rest of the field, and their combined weight is probably under $10 \%$ of the total ; the explanation of the higher official index must therefore be sought elsewhere.

## Group Index-Numbers

Accordingly we rearranged the series used in the London and Cambridge index according to the Orders of the Standard Industrial Classification, as used by the Central Statistical Office, so as to see which groups showed different movements. The results were, on the whole, rather surprising, as the only Orders for which the two index-numbers for 1948 differed by more than 5 points were as follows :- Index for 1948

|  | S.I.C. Order |  |  | C.S.O. |  |  | L.C.E.S. |
| :--- | :--- | :--- | :--- | :--- | :--- | :---: | :---: |
| III. | Non-metalliferous mining m'factures | 143 | 133 |  |  |  |  |
| VI. | Engineering, ships, elect. goods | $\ldots$ | 136 | 130 |  |  |  |
| VII. | Vehicles $\ldots$ | $\ldots$ | $\ldots$ | $\ldots$ | 121 |  |  |
| IX. | Precision instruments | $\ldots$ | $\ldots$ | 128 | 109 |  |  |
| XIII. | Food, drink and tobacco | $\ldots$ | $\ldots$ | 109 | 101 |  |  |

The remarkable thing about this list is not so much the entries which appear on it, as the absence of some of the most difficult Orders, on which really large differences might well have been expected-e.g., Orders VIII (Miscellaneous metal goods), X (Chemicals, etc.), XII (Clothing),

[^46]XVI (Miscellaneous manufacturing) and above all, XVII (Building and contracting). As is explained below, however, the comparatively close agreement of the two index-numbers for the last of these is no more than a coincidence, which might not be repeated for the movement between other periods, and the same may well be true for other Orders.

Of the five cases in the above list it will be seen that the official index gives a higher figure for all except vehicles. In that case some $40 \%$ of the official index relates to production outside the London and Cambridge field-motor repairs, tanks, etc., and military aircraft-so that agreement could only have been accidental. The main reasons for the other divergences seem to be as follows :-

For Order III the official index-numbers for sub-Orders show that the higher C.S.O. figure is due to the building materials sub-section; for the miscellaneous part of this our index relies on an employment series, whereas the official one uses the output of a number of products. A possible explanation of the difference is that in 1946 some of the firms included in the relevant Ministry of Labour category were engaged on making some types of non-aluminium hulls for temporary houses, so that the cessation of this work would reduce the rise in employment ; in so far as this is true our index is definitely too low, since we include the output of hulls in another group. On the other hand the official index makes the worse mistake of leaving them out altogether, possibly because the Standard Industrial Classification does not assign hulls not of steel or aluminium to any particular industry. Clearly they ought to be included somewhere, all the more so because their output has moved so differently from the average ; their exclusion from our index would have raised the 1948 figure for output as a whole by about twothirds of a point-over a fifth of the difference between it and the official estimate.

For Order VI there are so many possible sources of difference that it is really rather remarkable that the figures are so close together. In the first place they are intended to measure rather different things, since the official index includes naval shipbuilding and munitions (which may represent about an eighth of their group). Secondly, we have included here the non-
aluminium house hulls mentioned above, without which our group index would rise to within a point or so of the official one. Thirdly, the official index uses a much more elaborate method of measuring the work done in building merchant ships: this is certainly much more reliable than ours, but as the results and the original data are both unpublished we cannot say what difference it made (if any) to the final figure. Finally, the two index-numbers use different methods of adjusting the value of machinery for changes in price; here again it is impossible to tell what effect the different procedures have, since we are only told that the official price index is " admittedly based on scanty information . . . about changes in wage rates and costs of materials ", and no figures are published. We considered using this method, and rejected it for reasons discussed elsewhere ${ }^{\star}$, but the C.S.O. may have been able to overcome some of the difficulties which deterred us, and we certainly would not claim that our own is necessarily better; the proper conclusion is undoubtedly that some real information about machinery prices should be collected. It is very probable that our figure for the price factor is $10 \%$ or more higher than the official one, which would move the index for output as a whole by more than a full point.

Order IX is a small one for which neither index can claim much reliability. Some of the difference between the figures is probably due to the different treatment of the main industry-scientific instruments, etc. ; this is discussed below as part of the general question of using employment series as indicators for difficult industries.

Order XIII, food, drink and tobacco, is one on which closer agreement might well have been expected; the main trouble, moreover, is in the drink and tobacco section, for which the two 1948 figures are 106 (C.S.O.) and 93 (L.C.E.S.), although the same indicators are used for the two main industries-beer and tobacco-and are given broadly similar weights. The explanation is, however, quite clear, and shows how careful one has to be, even with industries which seem small, if their indicators show very untypical movements.

The trouble is essentially in the spirits industry, including its bottling section. The official index uses one series-potable spirits distilled-to represent the whole of this; we use total spirits distilled (including industrial) to represent the distilling section, and a second series, covering (matured) potable spirits delivered to the home market or exported to represent the

[^47]work of compounding, bottling, etc. It seems clear that the use of two series is more accurate, since it brings in the distillation of industrial spirits (which are well over half the total), and also gets the time factor more nearly right for the blending, bottling, etc. (which accounts for most of the net output). The effect of the different treatment is, however, far greater than one might expect from so small an industry, because the quantity of potable spirits distilled in 1946 was so low. In 1948 it had risen by $116 \%$, whereas the total spirits distilled had risen by only $33 \%$ and the potable spirits "released" only $15 \%$. The use of our (combined) indicators would make the official index for drink and tobacco little higher than ours ; it would also lower the entire index for industrial production by half a point.

## Building and Contracting

It is notoriously difficult to measure the output of the building and contracting industry and the two index-numbers use rather different methods ; in particular the official index uses a highly elaborate method (very fully described in the booklet) to allow for any change in the amount of work in progress on permanent houses. It was decidedly surprising therefore, in view of the very disturbed record of the industry since the war, to find that our much cruder methods came so near to giving the same index for 1948-124, against 122 ; moreover for five test quarters the difference never exceeded 6 points, even though these included the first quarter of 1946.

Further investigation showed, however, that this must be regarded more as a string of coincidences than a proof that there is no need for elaborate techniques. In a sense the indices ought not to agree, since most repair work is excluded by definition from ours. But apart from this, the booklet gives three subsidiary index-numbers (for permanent house construction, temporary house construction and other building work) and the movements of these differed violently from the corresponding L.C.E.S. figures ; furthermore, the official index gives a weight to the erection of temporary houses which seems far too low to be reconciled with the official data on which ours was based, and this naturally made a big difference when this work was declining. Thus the persistent fairly good agreement between the two totals masked large differences beneath the surface, and at any time these might have ceased to neutralise one another. If, however, the building of houses has now got into a more balanced state our simple method should be adequate to measure future movements in that sector, and the weight attached to temporary houses will not affect comparisons
between the present and the future (" twice nowt is still nowt ").

## Weighting

The different weights attached to various individual indicators in the two calculations have doubtless caused some of the differences which are found in the group index-numbers, but this seems to be a much less important matter than the use of different indicators to represent the same industry. ${ }^{*}$ It is, however, almost impossible to review its effect systematically, if only because the official account does not give separate weights for each of their 400 series, but combines them into 96 entries.

So far as the weights attached to the Orders or groups are concerned it is possible to test the effects of applying the different weights to the group index-numbers. The most logical procedure is to test the effects of different weights within the field covered by both index-numbers. We therefore eliminated from the official weights for each Order the amount thought to represent activities not covered by our index, and compared the results with our figures, regrouped by the standard Orders. The two sets of weights did not agree nearly as closely as one might have expected in view of the basically similar method used in arriving at most of them ; they gave, however, almost exactly the same answer for the combined index when applied to the group indices derived from L.C.E.S. data. So far as this period goes, it is a case where moderate differences in weights have a negligible influence.

A second test-less logical, but in some ways more interesting-is to take the L.C.E.S. weights for the standard Orders, and apply them to the official index-numbers, even though these reflect the munitions series, etc., which they contain. The result was again to give almost exactly the same figure as the official index, the difference being only 0.3 points. Thus only a tenth of the difference between the two published figures can be explained by the different weights attributed to the Orders.

## Employment as an Indicator

There is only one important difference of principle in the methods used to compile the two index-numbers, and that is over the use of

[^48]employment as an indicator for "awkward" industries, for which output data are very fragmentary or non-existent, and no good input series is available.

Our reasons for regarding this as the least unsatisfactory way of filling various gaps in the picture have been set out elsewhere. ${ }^{\star}$ The official index on the other hand virtually rejects it on principle, except " to extend the index for part of an industry to cover the whole of it." It is useful to make an analysis of two test cases, which seem to us to provide excellent examples of the dangers set out in the passage mentioned above.

The first relates to the miscellaneous textile industries, for which we used the relevant Ministry of Labour employment series $\dagger$, but for which the official index assumes output to move with the rest of the textile Order. A comparison of 1948 with 1946 yields approximately the following results :-
$\begin{array}{llll}\text { Output of textiles (official index) } & \ldots & \ldots & \ldots \\ \text { up } 26 \% \\ \text { Employment in miscellaneous textiles ... } & \ldots & \ldots \text { up } 6 \% \\ \text { Employment in rest of textile industries } & \ldots & \ldots . \text { up } 17 \%\end{array}$
The implied assumption underlying the official index is thus that output per head in miscellaneous textiles rose by nearly $20 \%$, although the rise for the other textile industries appears, on these figures, to be about $8 \%$. This hardly supports the main argument advanced by the official booklet (paragraph 7) in favour of avoiding employment series, that they render an index unsuitable for studying movements in productivity : the implied assumption about the miscellaneous textiles contributes a significant part of the apparent rise in output per head in the textile Order given by the official figures $\ddagger$.

The second test case-scientific instruments, etc.-is one in which the official index adopts the alternative device of introducing two series to reflect changes in the industry's output, even though they cannot do so at all comprehensively ; the series used are ophthalmic lenses and photographic plates, films, and sensitized paper. In view of the demand for spectacles under the National Health Service the former can hardly be considered a typical item for this industry, whilst

[^49]the latter are not even made by it, but by another (No. 199), for which their output has already been used as indicator. As both series are unpublished it is impossible to say what rise they have shown, but it is probably a good deal larger than that shown by our adjusted employment series.

These two examples are not of course decisive, but they reinforce our original conclusion that if reasonably reliable employment statistics are available for an "awkward" industry it is better to work from them as a basis, rather than use very incomplete output data or assume output to move with a group index. It is quite true that adjustments are needed to deal with
changes in output per head due to holidays, ${ }^{\star}$ strikes, overtime, rising productivity, etc. ; but over the relatively short period for which a monthly index should run the errors due to faulty adjustments for these should not be large, whereas almost anything may happen if the whole output of an industry is assumed to move with that of spectacles. If thought appropriate, the whole adjustment can be made by assuming movements of output per head to be similar to those in some other trades for which both output

* An investigation inspired by the different movements of the two index-numbers in holiday months suggests that our method of adjustment can be somewhat improved.


## INDEX OF INDUSTRIAL PRODUCTION (Excluding Finished Munitions)

Average Weekly rate of production in $1946=100$

| Period |  | OTAL | INDEX |  |  |  |  |  |  |  |  |  |  | Building, Building Materials \& Furniture |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Rate of Production per working week |  | Rate per working day (adjusted for p'lic h'days) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | A | B |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | A | B |  |  | A |  |  |  |  |  |  |  |  | B |  |  |  |  |  |  |
| Weight ... | 1000 | 1011 | ... | .. |  | 77 | 51 | 62 | 27 | 31 | 116 | 118 | 120 | 59 | 105 | 116 | 144 | 51 | 39 | $\ldots$ |
| Av. 1935* | 99 | 98 |  |  | 142 | (123) | 76 | 47 | 108 | (74) | (84) | 94 | (76) | (153) | (138) | 87 | (127) | 100 | $\ldots$ |
| Av. 1946 ... | 100 | 100 | 103 | 103 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | $\ldots$ |
| Av. 1947 ... | 108 | 107 | 112 | 111 | 105 | 107 | 103 | 96 | 119 | 123 | 108 | 100 | 100 | 119 | 110 | 103 | 106 | 115 | $\ldots$ |
| $\begin{gathered} \text { Av. } 1948 \\ 1946 \end{gathered}$ | 120 | 118 | 124 | 122 | 121 | 107 | 113 | 99 | 133 | 152 | 107 | 101 | 116 | 141 | 124 | 111 | 108 | 138 | $\ldots$ |
| Ist Qr. ... | 93 | 94 | 93 | 94 | 97 | 94 | 98 | 97 | 73 | 89 | 90 | 99 | 99 | 74 | 82 | 104 | 93 | 91 |  |
| 2nd Qr. ... | 97 | 98 | 101 | 102 | 98 | 99 | 101 | 102 | 98 | 98 | 96 | 100 | 99 | 91 | 95 | 97 | 95 | 97 | $\ldots$ |
| 3Rd Qr. ... | 99 | 98 | 106 | 105 | 99 | 101 | 96 | 102 | 101 | 97 | 101 | 97 | 99 | 111 | 109 | 91 | 98 | 101 |  |
| ${ }^{4 \mathrm{THH} \text { Qr. }} 1947$ | 111 | 110 | 113 | 112 | 106 | 106 | 105 | 99 | 129 | 115 | 112 | 104 | 103 | 124 | 114 | 107 | 115 | 111 | ... |
| 1st Qr. ... | 98 | 98 | 98 | 98 | 92 | 95 | 94 | 96 | 92 | 107 | 97 | 92 | 90 | 96 | 90 | 109 | 100 | 102 |  |
| 2nd Qr. ... | 109 | 108 | 114 | 113 | 107 | 110 | 106 | 88 | 134 | 120 | 109 | 102 | 101 | 120 | 112 | 99 | 112 | 115 | $\ldots$ |
| 3Rd Qr. ... | 107 | 106 | 114 | 113 | 107 | 111 | 100 | 92 | 123 | 118 | 106 | 102 | 100 | 124 | 115 | 92 | 104 | 114 | $\ldots$ |
| $\begin{gathered} \text { 4TH Qr. } \\ 1948 \end{gathered}$ | 119 | 118 | 122 | 121 | 116 | 113 | 107 | 109 | 128 | 147 | 118 | 103 | 110 | 137 | 122 | 111 | 106 | 128 |  |
| JAN. | 117 | 116 | 117 | 116 | 119 | 112 | 115 |  | 136 | 139 | 120 | 97 | 113 | 129 | 114 | 114 | 109 | 137 | $24 \frac{1}{2}$ |
| FEB. | 123 | 121 | 123 | 121 | 124 | 122 | 118 | 81 | 128 | 154 | 120 | 96 | 119 | 139 | 122 | 117 | 108 | 149 |  |
| MAR. | 1123 | 1121 | 123 | 121 121 | 1117 | 1100 | 112 |  | 125 | 139 | 105 | 95 98 | 111 | 136 | 117 | 1109 | 101 | 137 148 1 | $\stackrel{25}{24}$ |
| MAY | 117 | 115 | 122 | 120 | 118 | 98 | 111 | 105 | 134 | 150 | 104 | 101 | 113 | 144 | 124 | 105 | 106 | 132 | $23 \frac{1}{2}$ |
| JUNE | 123 | 121 | 125 | 123 | 124 | 111 | 117 |  | 144 | 157 | 109 | 105 | 115 | 149 | 129 | 110 | 110 | 143 | 24 |
| JULY | 113 | 111 | 120 | 118 | 114 | 97 | 99 |  | 139 | 143 | 99 | 99 | 114 | 144 | 127 | 97 | 95 | 130 | $24 \frac{1}{2}$ |
| AUG. | 107 | 106 | 121 | 120 | 112 | 94 | 101 | 90 | 100 | 134 | 91 | 100 | 110 | 131 | 116 | 97 | 108 | 119 | 24 |
| SEPT. | 122 | 120 | 125 | 123 | 126 | 110 | 119 |  | 140 | 160 | 104 | 102 | 120 | 147 | 130 | 109 | 111 | 137 | 24 |
| OCT. | 126 | 124 | 126 | 124 | 130 | 113 | 119 |  | 143 | 163 | 109 | 106 | 125 | 147 | 131 | 116 | 114 | 141 |  |
| NEC. | 128 | 119 | 128 | 126 | 1130 | 113 99 | 119 113 | 119 | 143 | 165 | 111 | 108 | 127 | 146 133 | 131 119 | 122 | 1116 | 141 136 | ${ }_{25}^{24}$ |
| 1949 | 122 | 119 | 129 | 126 | 118 | 99 | 113 |  | 133 | 162 | 103 | 103 | 120 | 133 | 119 | 118 | 107 | 136 | 25 |
| JAN. | 124 | 123 | 124 | 123 | 127 | 110 | 119 |  | 162 | 160 | 109 | 98 | 126 | 129 | 117 | 122 | 124 | 143 | $23 \frac{1}{2}$ |
| FEB. | 129 | 127 | 129 | 127 | 131 | 118 | 125 | 96 | 161 | 169 | 109 | 98 | 128 | 138 | 124 | 125 | 130 | 148 | 22 |
| MAR. | 120 | 119 | 130 129 | 127 | 131 | 117 | 125 |  | 164 | 166 | 109 | 101 | 129 | 142 | 127 | 125 | 133 | 144 | 25 |
| MAY | 131 | 129 | 131 | 129 | 120 | 1104 | 116 | 101 | 149 172 | 163 179 | 98 107 | 103 | 120 | 127 | 115 | 112 | 127 | $\xrightarrow[141]{133}$ | ${ }_{24}^{231}$ |
| JUNE | 125 | 123 | 133 | 131 | 134 | 116 | 118 | 101 | 176 | 179 |  | 114 | 126 | 138 | 125 | 1110 | 137 | 141 | ${ }_{24}^{24}$ |

Figures in later months are subject to revision. For further details, and for the months of 1946 and 1947, see "The Measurement of Production Movements " (Carter, Reddaway, and Stone) : Cambridge University Press, 1948, 12/6. In general, the Index is based on the quantity of goods delivered by an industry ('A' series) ; the ' $B$ ' indices use additional series reflecting the changes in work in progress in house and ship building. - The 1935 figures (and especially those in brackets) are subject to iarger error than the rest of the index. On the same basis, the total for the average of 1935-8 is probably about 108 .
$\dagger$ Quarterly figures set against the middle months of the quarters. As a measure of the activity of the industry, more significance should be attached comparisons based on the average of several quarters than to fluctuations from quarter to quarter. No shipbuilding 'A' series is published.
$\ddagger$ Weekdays, counting Saturdays as half. These "normal working days" include public holidays, as follows : 1948-Good Friday and Easter Monday in March, Whit Monday in May, Bank Holiday in August, Christmas holiday in December; 1949-Good Friday and Easter Monday in April, Whit Monday in June.
and employment figures are available ; this is in effect what the official index does for repair work on ships and buildings. To ignore the employment statistics and assume similar movements in output is to say that however much the numbers employed are found to diverge, one will always assume a compensating divergence in output per head.

## Some Conclusions

This investigation suggests that there is no single reason why the official index has risen more than ours, nor even any short list of reasons. A multitude of factors has tended to produce small differences, some one way, some the other, and the actual divergence simply represents their net outcome. If any single items deserve special mention they are perhaps the smaller weight attributed by the official index to the production and erection of temporary houses, and the smaller price rise which it assumes for machinery ; the first of these is of little or no importance for comparisons between periods later than 1947.

The investigation also suggests that neither index can claim to be " clearly superior" to the other, and that there is a real advantage in having two independent calculations-quite apart from the fact that they produce subsidiary indexnumbers for different sectors of the field, and indeed aim at covering a slightly different field.

No index-number can be more than a rough guide to the movement of industrial production, and the existence of a second one, which sometimes shows significantly different results, is a useful warning against unjustified conclusions.

The likelihood of different movements can to some extent be seen from the following rough analysis of the official index :-

About $10 \%$ of the total weight represents activities excluded from ours by definition.

About $50 \%$ is carried by series which we also use, or which are so similar to ours that the difference in results can hardly be significant.

About $10 \%$ is carried by value series which we include, but for which we use a different method of price adjustment.
The remaining $30 \%$ or so covers activities for which we use significantly different methods. Sometimes there is a substantial common element in the data used-e.g., on permanent houses; sometimes they are fundamentally different-e.g., we represent clothing by the yardage of cloth supplied, whilst the official index takes the value of sales reported by a sample of makers-up and deflates it by the index of retail clothing prices. This last example illustrates the scope for differences in results, especially in a period of changing fashions, and the usefulness of independent approaches to problems which can have no " ideal" solution.

## FINANCE

By F. W. Paish

Government Finance.-The Exchequer Returns for the quarter ending June 30th, 1949, do not make very cheerful reading. It is true that total Ordinary Revenue, at $£ 757 \mathrm{Mn}$., is about the same percentage of the year's estimates as the corresponding figure of $£ 795 \mathrm{Mn}$. in the first quarter of 1948/9 was of the actual revenue of the whole of that year ; but this relatively satisfactory result is due entirely to increased Sales of Surplus War Stores, Surplus Receipts from Trading and Miscellaneous Receipts, all of which are expected to be much lower over the whole year. If we exclude these exceptional items, the remaining revenue totals $£ 707 \mathrm{Mn}$., or $19.3 \%$ of the estimates for the whole year, as compared with $£ 760 \mathrm{Mn}$. or $20.6 \%$ of the actual total for $1948 / 9$. The decrease is due entirely to lower receipts from Income Tax, Customs and Excise.

On the expenditure side the results present an even more unsatisfactory appearance. Total expenditure, at $£ 754 \mathrm{Mn}$., is equal to nearly $23 \%$ of the estimates for the whole year, as
compared with $£ 614 \mathrm{Mn}$., or $19 \frac{1}{2} \%$ of actual, at the same date last year. The increase is entirely due to higher Supply expenditure.

No doubt there are explanations which palliate this apparent worsening of the Government's financial position. Part of the exceptionally heavy receipts of income tax at the very end of March last would in normal years have been added to this year's revenue ; while the increase in the cost of the social services did not begin to be felt in last year's accounts until after the end of the first quarter. Nevertheless the impression remains that the fall in the Budget surplus for the year is likely to be greater rather than less than the $£ 361 \mathrm{Mn}$. foreseen in the Estimates.

The budget surplus of only $£ 3 \mathrm{Mn}$. for the quarter, even with the addition of $£ 35 \mathrm{Mn}$. of E.C.A. grants, was quite inadequate to meet the $£ 172 \mathrm{Mn}$. of extra-Budgetary Payments, and, after allowing for Sinking Fund payments, the national debt increased by $£ 136 \mathrm{Mn}$. during the quarter.

TABLE 1.
ORDINARY REVENUE AND EXPENDITURE.
Weekly Average, fMn .

|  |  | Ordinary <br> Revenue Total | Expenditure |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Supply <br> Services | Total |  |
| 1938/9* |  |  | 17.8 | 15.8 | $20 \cdot 2$ | $-2.4$ |
| 1945/6 |  | $62 \cdot 9$ | 95.7 | $104 \cdot 9$ | $-42.0$ |
| 1946/7 |  | $64 \cdot 0$ | $63 \cdot 9$ | $74 \cdot 9$ 60.9 | -10.9 |
| 1947/8 |  | 73.5 | $50 \cdot 7$ | $60 \cdot 9$ | +12.6 |
| 1948/9 |  | $76 \cdot 9$ | 50.5 |  |  |
| 1938/9* | Apr.-June | $10 \cdot 1$ | 12.0 | 18.0 | -7.9 |
|  | July-Sept. | $13 \cdot 3$ | $15 \cdot 3$ | 18.1 | -4.8 |
|  | Oot.-Deo. | 14.0 | 15.7 | $21^{16}$ | -7.6 |
|  | Jan.-Mar. | 34.0 | $20 \cdot 2$ | $23 \cdot 2$ | $+10.8$ |
| 1947/8 | Apr.-June | $64 \cdot 6$ | 38.6 | 47.7 | +16.9 |
|  | July-Sept. | $61 \cdot 4$ | 50.0 | $61 \cdot 5$ | -0.1 |
|  | Oct.-Dec. | $57 \cdot 9$ | $47 \cdot 3$ | 56.0 | $+1 \cdot 9$ |
|  | Jan.-Mar. | 110.4 | $67 \cdot 1$ | 78.7 | $+31 \cdot 7$ |
| 1948/9 | Apr.-June | $61 \cdot 1$ | 38.5 | 47.2 | +13.9 |
|  | July-Sept. | $63 \cdot 2$ | 46.2 | $57 \cdot 1$ | +6.1 |
|  | Oot.-Dec. | $61 \cdot 1$ | $51 \cdot 8$ | $60 \cdot 2$ | $+0.9$ |
|  | Jan.-Mar. | $122 \cdot 6$ | $65 \cdot 1$ | $77 \cdot 4$ | $+45.2$ |
| 1949/50 Apr.-June |  | 58.2 | $49 \cdot 1$ | 58.0 | $+0.2$ |
|  |  | $62 \cdot 2$ | $45 \cdot 8$ | 56.7 | $+5.5$ |
|  | May 1-28 | $67 \cdot 3$ | 49.8 | 56.8 | $+10.5$ |
| June 30 <br> July 1-30 |  | $46 \cdot 8$ | $51 \cdot 4$ | $60 \cdot 1$ | -13.3 |
|  |  | 57.5 | $47 \cdot 7$ | 53.5 | $+4 \cdot 0$ |

* Including expenditure under the Defence Loans Acts, 1937 and 1939.

It should, however, be noticed that, of the extra-budgetary payments, no less than $£ 62 \frac{1}{2} \mathrm{Mn}$. was made at the very end of the quarter as

TABLE 2
EXTRA-BUDGETARY PAYMENTS, 1949. £Mn.

|  | $\begin{aligned} & \text { Apr. } \\ & \text { (30 days) } \end{aligned}$ | $\begin{aligned} & \text { May } \\ & \text { (28 days) } \end{aligned}$ | $\begin{aligned} & \text { June } \\ & \text { (33 days) } \end{aligned}$ | $\begin{aligned} & \text { Total } \\ & \text { (91 days) } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Net E.P.T. Refunds | $0 \cdot 1$ | $1 \cdot 1$ | $1 \cdot 0$ | $2 \cdot 2$ |
| Post-war Credits ... | $1 \cdot 2$ | 1.5 | $1 \cdot 7$ | $4 \cdot 4$ |
| Net War Damage Payments.: |  |  |  |  |
| W.D.C. | $6 \cdot 0$ | $8 \cdot 0$ | $14 \cdot 0$ | 28.0 |
| Bd, of Trade ... | $1 \cdot 0$ | $1 \cdot 0$ |  | $2 \cdot 0$ |
| Public Utilities |  |  | $62 \cdot 5$ | $62 \cdot 5$ |
| Housing ... ... | $19 \cdot 7$ | $15 \cdot 1$ | $18 \cdot 6$ | $53 \cdot 4$ |
| Coal Nationalisation | $1 \cdot 0$ | - | $1 \cdot 0$ | $2 \cdot 0$ |
| Cotton Buying ... | $9 \cdot 5$ | 1.5 | $0 \cdot 5$ | 11.5 |
| Overseas ment $\quad \ldots \quad \ldots$ | $2 \cdot 7$ | 0-2 | $1 \cdot 9$ | $4 \cdot 8$ |
| Cinemas | 1.7 | $0 \cdot 6$ | $0 \cdot 2$ | $2 \cdot 5$ |
| Other | $2 \cdot 7$ | 1.8 | $-5 \cdot 7$ | $-1.2$ |
|  | $45 \cdot 6$ | $30 \cdot 8$ | $95 \cdot 7$ | $172 \cdot 1$ |

payment for war damage to public utilities, and of this it seems likely that some part was used to pay off bank loans.

The repayment of a further $£ 40 \mathrm{Mn}$. of the S. African gold loan during the quarter more than offset the receipt of about a further $£ 10 \mathrm{Mn}$. in E.C.A. loans, and "Other Debt, External" fell by $£ 27 \mathrm{Mn}$. With small savings at a very low level, repayments of other forms of long-term debt exceeded receipts and the total fell by $£ 41$ Mn ., thus necessitating an increase of $£ 177 \mathrm{Mn}$. in short-term debt. $£ 25 \mathrm{Mn}$. of this was covered by an increase in Tax Reserve Certificates,
but T.D.R.'s rose by $£ 108 \mathrm{Mn}$. and Tap Treasury bills by $£ 57 \mathrm{Mn}$.

The rise in tap bills at a time when overseasowned sterling balances in London are believed

TABLE 3.
GOVERNMENT BORROWING, 1949: £Mn.

|  | $\begin{gathered} \text { Apr. } \\ \text { (30 days) } \end{gathered}$ | $\begin{gathered} \text { May } \\ \text { (28 days) } \end{gathered}$ | $\begin{gathered} \text { June } \\ \text { (33 days) } \end{gathered}$ | $\begin{aligned} & \text { Total } \\ & \text { (91 days) } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certs. | 1.0 | -0.6 | -1.9 | $-1.5$ |
| $2 \%$ Def. Bonds ... | $2 \cdot 0$ | 1.5 | 1.7 | $5 \cdot 2$ |
| 3\% Term. Annuities | $-1.7$ | $-4 \cdot 0$ | $-4 \cdot 7$ | $-10.4$ |
| Other Debt: <br> Internal | $-11.2$ | 21.8 | -11.0 | $-0.4$ |
| External | - 11.2 | -4.9 | $-14.0$ | $-26.7$ |
| Repayments | $-3.4$ | -1.9 | $-1.7$ | -7.0 |
| Total Long. and Medium-term borrowing | $-21 \cdot 1$ | $11 \cdot 9$ | $-31 \cdot 6$ | -40.8 |
| Tax Reserve Certs. | 1.0 | $4 \cdot 7$ | $19 \cdot 5$ | $25 \cdot 2$ |
| T.D.R.'s ... ... | $-23.0$ | $27 \cdot 0$ | 104.0 | 108.0 |
| Treas. Bills: Tender | 9-1 | $31 \cdot 5$ | 16.8 | $57 \cdot 4$ |
| W. \& M. Advances Govt. Depts. | $9 \cdot 1$ $49 \cdot 9$ | 31.5 -86.7 | 16.8 23.2 | -13.6 |
| Bank of England |  | - | - |  |
| Short-term Borrowing | $37 \cdot 0$ | $-23.5$ | $163 \cdot 5$ | $177 \cdot 0$ |
| Total Borrowing . | $15 \cdot 9$ | $-11.6$ | 131.9 | $136 \cdot 2$ |

to be falling with increasing rapidity is presumably due to their issue to the Exchange Equalisation Account in payment for the $£ 65 \mathrm{Mn}$. of gold and dollars released during the quarter.

Other Finance.-The upward trend in the Bank of England's note circulation was checked in May, at a level about $£ 30 \mathrm{Mn}$. above that of a year ago, and during June the increase was no more than seasonal. Nevertheless the note reserve at the end of June, at $£ 22 \mathrm{Mn}$., was quite inadequate to meet the holiday demand, which last year raised the circulation by $£ 36 \mathrm{Mn}$. between the end of June and the beginning of August. On July 6th, therefore, the fiduciary issue was raised by $£ 50 \mathrm{Mn}$. to $£ 1,350 \mathrm{Mn}$. This is still $£ 100 \mathrm{Mn}$. less than the 1947 level.

The gross deposits of the clearing banks rose by $£ 210 \mathrm{Mn}$. during the quarter to $£ 6,025 \mathrm{Mn}$. This rise was considerably more than seasonal, and Lloyds Bank's index of gross deposits rose from 259.7 at the end of March to 264.5 at the end of June. A good deal of the rise, however, was due to an increase in balances with other banks and items in transit, and net deposits rose by only $£ 162 \mathrm{Mn}$. to $£ 5,774 \mathrm{Mn}$. This compares with a rise of $£ 120 \mathrm{Mn}$. in net deposits during the same period of 1948 ; but it may be remembered that last year the effects of the rise of $£ 150 \mathrm{Mn}$. in deposits in February as a result of the sale of the Argentine railways began to become apparent only in May, when the first part of the proceeds was distributed to debenture-holders. The effective expansion of credit during the quarter
may therefore have been no greater this year than last.

The main prima facie cause of this year's expansion in net deposits was the rise in Government borrowing, for rises of $£ 187 \mathrm{Mn}$. in T.D.R.'s and $£ 6 \mathrm{Mn}$. in Investments were only very partially offset by a fall of $£ 66 \mathrm{Mn}$. in Call Money plus Discounts. But the rise of $£ 28 \mathrm{Mn}$. in Advances would undoubtedly have been much greater but for large repayments of bank loans by public utilities out of funds provided by the Government. On the whole it is probably true that, seasonal movements apart, the Government budget surplus, together with the amount by which its grants and loans from abroad, plus its net sales of gold and dollars, exceed the grants and loans which it is making and repaying abroad, is still sufficient to cover its own expenditures both on income and capital account. But, without an increase in the overall adverse balance of payments on income account, it is no longer in a position to provide funds for the finance of private capital expenditure either by net repayments of debt or in other ways. This means that, in the absence of adequate business or personal savings, private industry will be obliged to have increasing recourse to the banks in order to finance its plans for capital construction. Unless this tendency is firmly resisted, the result is likely to be a renewed expansion in deposits, leading to a
renewal of inflationary pressure and, in a world where inflation elsewhere is rapidly disappearing, to a further widening of the deficits in both our overall and our dollar balance of payments.

Prices of industrial securities weakened sharply in the second half of May, and their further heavy fall during June was accompanied by a substantial decline in prices of fixed interest securities. These falls may be easily explained by renewed fears about the position of the British balance of payments and losses of gold reserves; but it seems possible that there is also a more fundamental cause. The investment programme for 1949 has been maintained at almost the same level as in 1948, despite the reduction in the estimated budget surplus. There is no evidence that the reduced savings of the public authorities are being made good by increased personal or business savings; indeed, it seems possible that these are also falling. In the absence of renewed credit expansion, which would be most unwise in the face of our balance of payments position, it seems likely that savings available for investment are falling behind the amounts needed to finance the investment programme. This must tend to bring down prices of securities until either savings increase or the rate of investment is reduced, either by inability to raise the necessary capital on acceptable terms, or for other reasons.

## WAGE RATES

By A. L. Bowley



There has been no change that affects the index number since March, 1949. Former numbers have been raised slightly in the Tables owing to more recent information about earnings per shift in mines, which increased again in the first quarter of 1949.

|  | Wage-rate Index Numbers End of Month |  |  | Retail <br> Prices Index Mid-Month |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{array}{r} \mathrm{Bu} \\ \text { General } \end{array}$ | Excluding Coal | Ministry of Labour |  |
| 1947 |  |  |  |  |
| June | 100 | 100 | 100 | 100 |
| 1948 |  |  |  |  |
| June | $107 \cdot 3$ | i06.6 | 106 | 110 |
| July $\quad$.. | $107 \cdot 6$ | 107.0 | 106 | 108 |
| August ... | 107.6 | $107 \cdot 0$ | 106 | 108 |
| September | $107 \cdot 7$ | 107.2 | 106 | 108 |
| October... | $109 \cdot 5$ | $108 \cdot 6$ | 107 | 108 |
| November | $109 \cdot 5$ | $108 \cdot 6$ | 107 | 109 |
| $\begin{array}{r} \text { De } \\ 1949 \end{array}$ | $109 \cdot 5$ | $108 \cdot 6$ | 107 | 109 |
| January... | $109 \cdot 6$ | $108 \cdot 6$ | 108 | 109 |
| February | $109 \cdot 8$ | $108 \cdot 9$ | 108 | 109 |
| March ... | $110 \cdot 5$ | $110 \cdot 0$ | 108 | 109 |
| April ... | 110.5* | $110 \cdot 0$ | 108 | 109 |
| May ... | 110.5 110.5 * | 110.0 110.0 | 108 | 111 |
| June July | $110 \cdot 5 *$ $110 \cdot 5^{*}$ | 110.0 110.0 | 108 | 111 |

# BUILDING AND CIVIL ENGINEERING 

By Ian Bowen

The table shown below gives the official estimates of the Ministry of Works of the output of the Building and Civil Engineering Industries for the years 1946, 1947 and 1948. Of the total of $£ 799 \mathrm{Mn}$. done in 1948, $£ 222 \mathrm{Mn}$. represented the construction of permanent houses and flats and housing site preparation. The repair and maintenance of houses showed a big increase in 1948 over 1947; there was a very substantial proportional increase also in work done on
hospitals, schools and universities. The fourth quarter of the year showed very little falling off in activity as compared with the third quarter. Since the end of 1948, there has been a slight reduction in the total number of male operatives employed in the building and civil engineering industries, but the number engaged on the construction of new houses has remained approximately stable at about 221,000 men.

OUTPUT OF THE BUILDING AND CIVIL ENGINEERING INDUSTRIES.
(£ Mn.)

|  | 1946 <br> Total | $\begin{aligned} & \text { lst } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 2nd } \\ & \text { Qr. } \end{aligned}$ | $\begin{gathered} 1947 \\ \text { 3rd } \\ \text { Qr. } \end{gathered}$ | $\begin{aligned} & \text { 4th } \\ & \text { Qr. } \end{aligned}$ | Total | $\begin{aligned} & \text { lst } \\ & \text { Qr. } \end{aligned}$ | $\begin{gathered} \text { 2nd } \\ \text { Qr. } \end{gathered}$ | $\begin{aligned} & 1948 \\ & \text { 3rd } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 4th } \\ & \text { Qr. } \end{aligned}$ | Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $25 \cdot 5$ | $3 \cdot 0$ | $1 \cdot 9$ | 1.8 | $1 \cdot 6$ | $8 \cdot 3$ | $1 \cdot 1$ | $0 \cdot 8$ | $0 \cdot 4$ | $0 \cdot 1$ | $2 \cdot 4$ |
| 1. Temporary house erection ... <br> 2. Construction of permanent | $25 \cdot 5$ | $3 \cdot 0$ | $1 \cdot 9$ | 1.8 | $1 \cdot 6$ | $8 \cdot 3$ | $1 \cdot 1$ | $0 \cdot 8$ | $0 \cdot 4$ | -1 | $2 \cdot 4$ |
| houses and flats; housing site preparation | $148 \cdot 5$ | $41 \cdot 5$ | $45 \cdot 3$ | $54 \cdot 9$ | $60 \cdot 5$ | $202 \cdot 2$ | $56 \cdot 8$ | $58 \cdot 0$ | $53 \cdot 7$ | $53 \cdot 4$ | $221 \cdot 9$ |
| 3. Repair and maintenance of of houses including conversion | $80 \cdot 3$ | $22 \cdot 2$ | $25 \cdot 7$ | $27 \cdot 6$ | 28.5 | $104 \cdot 0$ | $30 \cdot 4$ | $34 \cdot 8$ | $37 \cdot 1$ | $36 \cdot 6$ | 138.9 |
| 4. War damage repairs to houses | $82 \cdot 7$ | $16 \cdot 2$ | $16 \cdot 6$ | 16.3 | 14.6 | 63.7 | $14 \cdot 0$ | 14.5 | $14 \cdot 6$ | $14 \cdot 0$ | 57.1 |
| II. INDUSTRIAL AND COMMER. MERCIAL WORK : |  |  |  |  |  |  |  |  |  |  |  |
| 5. Factories and industrial premises | $46 \cdot 2$ | $13 \cdot 0$ | $17 \cdot 9$ | $21 \cdot 4$ | $23 \cdot 7$ | $76 \cdot 0$ | $20 \cdot 8$ | $22 \cdot 8$ | $23 \cdot 2$ | $22 \cdot 1$ | $88 \cdot 9$ |
| 6. Storage, warehouses and docks | $3 \cdot 9$ | $1 \cdot 0$ | 1.4 | $1 \cdot 6$ | $1 \cdot 6$ | $5 \cdot 6$ | 1.5 | 1.7 | 1.7 | 1.5 | $6 \cdot 4$ |
| 7. Shops and commercial premises | $15 \cdot 0$ | $5 \cdot 1$ | $5 \cdot 1$ | $5 \cdot 6$ | $5 \cdot 2$ | $21 \cdot 0$ | $4 \cdot 6$ | $6 \cdot 8$ | 7-3 | $7 \cdot 3$ | $26 \cdot 0$ |
| III. OTHER WORK : |  |  |  |  |  |  |  |  |  |  |  |
| 8. Public utilities ... | $20 \cdot 2$ | $3 \cdot 4$ | $5 \cdot 5$ | 6.5 | 7-1 | 22.5 | $6 \cdot 7$ 3.2 | 8.4 | 8.1 | 9•2 | $32 \cdot 4$ |
| 9. Agricultural work ... ... | $7 \cdot 6$ | $1 \cdot 7$ | 1.9 | $2 \cdot 7$ | $3 \cdot 1$ | $9 \cdot 4$ | $3 \cdot 2$ | $4 \cdot 4$ | $5 \cdot 4$ | $4 \cdot 4$ | $17 \cdot 4$ |
| 10. Hospitals, schools, universities | $11 \cdot 1$ | $2 \cdot 7$ | $2 \cdot 7$ | $4 \cdot 1$ | $4 \cdot 4$ | $13 \cdot 9$ | $4 \cdot 7$ | $6 \cdot 0$ | $7 \cdot 1$ | $6 \cdot 9$ | $24 \cdot 7$ |
| 11. Coal-mining and opencast ... | $13 \cdot 0$ | $2 \cdot 1$ | $3 \cdot 2$ | $3 \cdot 7$ | $4 \cdot 0$ | $13 \cdot 0$ | $3 \cdot 7$ | $5 \cdot 2$ | $5 \cdot 7$ | $4 \cdot 4$ | $19 \cdot 0$ |
| 12. Output of firms without operative employees | $15 \cdot 0$ | $4 \cdot 3$ | $5 \cdot 1$ | $5 \cdot 5$ | 5•2 | $20 \cdot 1$ | $5 \cdot 4$ | $5 \cdot 8$ | $5 \cdot 9$ | $5 \cdot 9$ | $23 \cdot 0$ |
| 13. Other work* ... ... | $67 \cdot 0$ | $19 \cdot 3$ | $30 \cdot 7$ | $32 \cdot 4$ | $33 \cdot 1$ | $115 \cdot 5$ | $33 \cdot 5$ | $33 \cdot 3$ | $35 \cdot 5$ | $38 \cdot 7$ | $141 \cdot 0$ |
| TOTAL OUTPUT BLDG. \& C. ENG. INDUSTRIES | $546 \cdot 0$ | $135 \cdot 5$ | $163 \cdot 0$ | $184 \cdot 1$ | $192 \cdot 6$ | 675-2 | $186 \cdot 4$ | $202 \cdot 5$ | 205•7 | 204•5 | $799 \cdot 1$ |

* Other work, e.g., Aviation, Camps, Government Training Centres, Police and Fire Stations, etc.

Source : Ministry of Works.

## WORLD COMMODITY SURVEY

By C. F. Carter

## The Course of Prices

The renewal of the drain on British dollar reserves brings up two questions regarding the future of commodity prices. Firstly, will the dollar earnings of the Sterling Area from the sale of primary products recover ? The fall in earnings of this kind is a major cause of our present difficulties. Secondly, when can we hope for some relief to come from a fall in import prices ?

When, after a long period of high activity, a mild recession begins, it is to be expected that both prices and export quantities of primary products will (in many cases) take a deeper plunge than seems justified by the fall in activity of the consuming industries. The first reason for this is that a period of boom and inflation usually sees a willingness to accept for stock any goods which may conceivably become difficult to get or expensive; so that many firms become over-

## WORLD COMMODITY SURVEY

| Commodity | Season | Unit | Pre-war base | WORLD PRODUCTION |  |  | WORLD CONSUMPTION |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Last season | Last season \% of pre-war | Current season \% of pre-war | $\begin{aligned} & \text { Last } \\ & \text { season } \end{aligned}$ | Last season \% of pre-war | Current season $\%$ of pre-war |
| Wheat... | Begins spring | Mn. bush. of 60 lb . | $\begin{aligned} & \text { Average } \\ & 1935-9 \end{aligned}$ | 6,400 | 107 | n.a. | n.a. | - | - |
| Fats and Oils | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | $\begin{gathered} 19,860 \\ \text { (oil equiv.) } \end{gathered}$ | - 96 | (96 to 100 ) | n.a. | - | - |
| Sugar ... | Begins Sept. | 000 tons | 1937-8 | $\begin{gathered} 27,397 \\ \text { (raw value) } \end{gathered}$ | 94 | 105 | n.a. | - | - |
| Tea ... | Calendar year | Mn. lb. | $\begin{gathered} \text { Average } \\ 1936-8 \end{gathered}$ | $\begin{gathered} 769 \\ \text { (exports) } \end{gathered}$ | 87 | n.a. | 823 <br> (absorption excl. local produce) | 94 | n.a. |
| Coffee ... | Begins July | Mn. bags of 132 lbs . | Av. 1935/6 to $1939 / 40$ | $\begin{gathered} (27 \cdot 0) \\ \text { (exportable) } \end{gathered}$ | (76) | n.a. | $29 \cdot 6$ (in 1948) | n.a. | n.a. |
| Cocoa ... | Begins October | 000 tons | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1938 / 9 \end{aligned}$ | 573 | 81 | 96-100 | 600 | 91 | n.a. |
| Cotton | Begins August | Mn. bales (478 lb. net) | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1939 / 40 \end{aligned}$ | $28 \cdot 7$ | 91 | n.a. | $27 \cdot 8$ | 99 | n.a. |
| Wool (apparel) | Begins July (d) | $\mathrm{Mn} . \mathrm{lb}$. (greasy) | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1938 / 9 \end{aligned}$ | 2,890 | 98 | 99 | $(3,750)$ | 122 | n.a. |
| Jute ... | Begins July | 000 tons | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 1,360 (n) | 80 | (85) | n.a. | - | - |
| Sisal ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 260 (o) | 115 | n.a. | n.a. | - | - |
| Rubber... | Calendar year | 000 tons | Average 1936-9 | $\begin{gathered} \text { 2,050 incl. } 1,520 \\ \text { natural } \end{gathered}$ | 205 | (210) | $\begin{aligned} & 1,900 \text { incl. } 1,420 \\ & \text { natural } \end{aligned}$ | 180 | (180) |
| Copper... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1937-8 \end{gathered}$ | 2,420 (primary) | 113 | (123) | n.a. | - | - |
| Lead ... | Calendar year | 000 tons | 1938 | 1,240 | 75 | (81) | n.a. | - | - |
| Tin ... | Calendar year | 000 tons | $\begin{aligned} & \text { Average } \\ & 1936-8 \end{aligned}$ | 153.5 (tin in concentrates) (f) | 86 | (95) | $140 \cdot 9$ (f) | 81 | (80) |
| Zinc ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934.8 \end{gathered}$ | 1,600 | 120 | (128) | n.a. | - | - |

It will be appreciated that many figures included above are rough estimates only. This applies especially to those in brackets. All tons are long tons of $2,240 \mathrm{lbs}$. n.a. $=$ not available. (a) in hands of principal exporters. (b) apparent supplies, excluding consumption of British wheat on farms. (c) average 1936-9. (d) Some minor producers on other seasons. (e) incomplete. (f) excluding U.S.S.R. Stocks exclude U.S. strategic stock pile. (g) Price ratios are in terms of the currency in which quoted; the corresponding sterling ratios are added, marked (g), where necessary.

## WORLD COMMODITY SURVEY

| WORLD STOCKS |  |  | U.K. CONSUMPTION |  | PRICES |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Amount | $\%$ of pre-war | Last season | $\%$ of pre-war | Date | Representative price | $\begin{gathered} \% \text { of } \\ \text { pre-w } \operatorname{ar}(\mathrm{g}) \end{gathered}$ |
| $\begin{aligned} & \text { July, } \\ & 1948 \end{aligned}$ | 406 (a) | n.a. | 220 (b) | 101 | July 1-13, 1949 | Chicago July futures $\$ 2.00$ per bush. | $\begin{gathered} 208 \\ 249(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | - | - | Apr., 1949 | U.S. Dept. of Labor index (Year $1926=100) \quad 121 \cdot 2$ | $\begin{aligned} & 203 \text { (c) } \\ & 244 \text { (g) } \end{aligned}$ |
| - | n.a. | - | 1,960 (raw value, calendar year 1948) | 86 | June, 1949 | Raws, f.o.b. Cuba $\$ 4.08 \text { per } 100 \mathrm{lb} \text {. }$ | $\begin{gathered} 281 \\ 343(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 397 | 90 | $\begin{gathered} \text { June } 14 / 15 \\ 1949 \end{gathered}$ | Calcutta auction average, with export rights, new season tea $2 / 3 \mathrm{lb} .$ | (230) |
| - | n.a. | - | 0.72 | (185) | July 1-13, $1949$ | New York spot, Brazilian Santos, No. 2 29c.lb. | $\begin{gathered} (320) \\ (375)(\mathrm{g}) \end{gathered}$ |
| - | n.a. | - | 103 (1) | 97 | July 13 1949 | Accra, c.i.f. New York 21c. per lb. (nominal) | $\begin{gathered} (305) \\ (370)(\mathrm{g}) \end{gathered}$ |
| $\begin{gathered} \text { July } 31, \\ 1949 \end{gathered}$ | (15.0) | (85) | (2.0) | (73) | July 1-13, 1949 | New York spot, middling 15 $^{\prime \prime} \quad 33 \cdot 35 \mathrm{c}$. per lb . | $\begin{gathered} 313 \\ 367 \end{gathered}$ |
| $\begin{gathered} \text { June 30, } \\ 1949 \end{gathered}$ | $(2,750)$ | n.a. | 490 clean weight | (115)(p) | June, 1949 | Dominions wool, average clean delivered cost out of London Sales 64's. $=92 \mathrm{~d}$. lb . $48 ' \mathrm{~s} .=32 \mathrm{~d} .1 \mathrm{~b}$. | $\begin{aligned} & 358(\mathrm{k}) \\ & 241(\mathrm{k}) \end{aligned}$ |
| - | n.a. | - | 90 | 52 | July, 1949 | First Marks, c.i.f. London $£ 87$ per ton | 475 |
| - | n.a. | - | n.a. | - | July, 1949 | No. 1, c.i.f. Antwerp, $£ 97$ per ton | 580 (h) |
| $\begin{gathered} \text { Apr. } 30 \\ 1949 \end{gathered}$ | $\begin{gathered} 827 \text { incl. } 700 \\ \text { natural } \end{gathered}$ | 124 | 196 incl. 194 nat. | 176 | July 1-13, 1949 | London R.S.S. spot $10 \frac{5}{8} \mathrm{~d}$. per lb. | 127 |
| $\begin{gathered} \text { Apr. } 30, \\ 1949 \end{gathered}$ | 215 refined (e) | (62) (j) | 356 | 127 | July 14, 1949 | U.S. electro, Connecticut Valley $\quad 17 \cdot 6 \mathrm{c}$. per lb. | $\begin{gathered} 150 \\ 182(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 212 (refined) | (60) | July 13, 1949 | New York 14c. per lb. | $\begin{gathered} 295 \\ 357 \\ (\mathrm{~g}) \end{gathered}$ |
| $\begin{gathered} \text { Mar. 31, } \\ 1949 \end{gathered}$ | $135 \cdot 4$ (f) | (235) | $25 \cdot 2$ | 114 | $\begin{aligned} & \text { July } \\ & 1949 \end{aligned}$ | Refined, New York, 103c. per lb. | $\begin{gathered} 211 \\ 258(\mathrm{~g}) \end{gathered}$ |
| - | n.a. | - | 223 | 106 | $\begin{gathered} \text { July } 13, \\ 1949 \end{gathered}$ | U.S. Prime Western (East St. Louis) 9 c. per lb. | $\begin{gathered} 195 \\ 240(\mathrm{~g}) \end{gathered}$ |

[^50]stocked even in relation to their high activity, and are all the more ready to run down their high-cost stocks when activity falls. When this running down of stocks causes prices to fall, it becomes greatly magnified by the efforts of merchants and users to avoid being caught with high-cost stocks on a falling market; so that the physical size of the stocks held by importers and manufacturers, originally rather high, becomes exceedingly low, and a minor rally (founded upon a recovery of stocks to necessary working levels) becomes likely.

The second reason for the violence of the movement of primary product prices is the difficulty or impossibility of adjusting market supply in any short period, except through the use of some form of buffer stock, which is costly to finance. In effect, however, the American farm price support system provides, in the short-run, a means of holding off the market supplies which would otherwise depress the price. The guaranteeing of a stable income to primary producers is a laudable aim; the British Government supports it, to its own immediate disadvantage, by means of some of its long-term contracts. The trouble is that very little deliberate support can be offered to the prices of the commodities which we sell ; and we can ill afford to buy dear and sell cheap.

Fortunately, a natural price support still exists for some Sterling Area commodities in the technical factors which prevent a rapid increase of output. Among the fibres, jute and sisal must still rank as exceptionally expensive, though jute prices have now receded a little from their peak, and a larger crop is promised for the current season. The excess of wool demand continues; the recession in the U.S. wool textile industry has been substantial, and has hit Argentina and Uruguay severely, but the market for the better types of Dominions wool has been sustained by rising activity in the U.K. and France. 70's merino wool reached a new peak of 115 d . per lb . in January, and then receded to 96 d . in April, recovering to 100 d . in June; while 48 's crossbred reached $41 \frac{1}{2} d$. in January, $32 \frac{1}{2} d$. in April, and $32 d$. in June. But the April prices for the whole range of qualities were above those recorded for the trough of April, 1948, and the June crossbred prices were above those of any month from March to September, 1948. June merino prices were above those ruling in the spring of 1948, but about $8 \%$ below the general run of prices since. But the loss of dollar earnings from wool is much more serious ; U.S. imports of Dominions wool early this year
were running nearly $50 \%$ below the levels of a year before.

Cocoa prices are showing signs of a minor recovery ; but the long-term prospects of cocoa as a dollar earner must be regarded as poor until the swollen-shoot disease is mastered. Rubber has been exceedingly weak, London prices ruling only some $25 \%$ above the pre-war average. The statistical prospects here are ominous. The world rubber budget balances for 1949 on two assumptions-first, that the expansion of European consumption will offset a mild recession in the U.S. ; and second, that the U.S. strategic stockpile absorbs 100,000 tons. The latter assumption may be justified, but the former (though broadly true of the early months of 1949) seems rather optimistic. The evidence suggests that natural rubber is taking its full share of the fall in U.S. consumption-in other words, the proportion of synthetic rubber used may be increasing slightly, despite the fact that natural rubber is now a little cheaper. Some American type manufacturers are advertising their products as superior because of the greater adaptability of synthetic rubber. It looks as though the American public believes them. Natural rubber prices might be sustained if somewhat lower prices diminish production, but it looks as though the loss of dollar earnings will continue.

Tin prices have so far been held fixed despite a prospect of a considerable excess of production. Apparently it is not yet to anyone's interest to break away towards a lower price; but the situation does not make sense, and it is difficult to believe that Malaya can look forward to a continuance of her present dollar earnings. On the other hand, we should now be getting some relief in our dollar import bill for copper and zinc. The American non-ferrous metals market, having run down its stocks, is now having a minor rally. At the trough, copper had fallen by about $35 \%$ of its March 1st price, lead by $45 \%$ and zinc by nearly $50 \%$. The interim programme of dollar import cuts, announced on July 14th, proposes a reduction of $25 \%$ in expenditure on non-ferrous metals, and it is reasonable to hope that this will mostly come from lower prices.

The cuts in timber and in paper and pulp are difficult to assess without more information about alternative sources. It is possible that the reduction of 180,000 tons in sugar consumption may lead to a weakening of the price, though we seem to have bought a substantial part of our requirements of dollar sugar already. The price of Cuban sugar still oscillates round $\$ 4.00$
per 100 lb ., though the statistical position would seem to justify a higher price.

But there remain the large sections of British dollar expenditure where neither quantities nor prices are easily affected. The International Wheat Agreement is being brought into action, but we are committed to buying wheat from Canada at $\$ 2$, or 20 c . above the prescribed maximum price. The loss in dollars is of course far less than our gains in the days of three-dollar wheat, but that is little comfort in our present crisis. American cotton prices are securely pegged around 33 c ., and the only hopeful feature is that, in an easier market, it may be technically possible to substitute other growths. This subject is briefly reviewed below.

## Cotton

The latest estimates for the 1948/9 season are summarized below :-


* Bales of 478 lb . net; U.S. in running bales. (Source: International Cotton Advisory Committee)
Just before the war, stocks were about 24 Mn . bales, and they rose to nearly 29 Mn . bales in 1945. Low production and high consumption brought them down to $14 \cdot 1 \mathrm{Mn}$. bales at August, 1948; but during the past year production has recovered substantially, while U.S. consumption has declined by about $13 \%$. This has been offset to some extent by rises elsewhere, but world consumption is expected to be about 1 Mn . bales less than in 1947/8, and stocks at August 1st should stand at about 15 Mn . bales. The U.S. price has sagged gently from 37 c . in April-June, 1948, to about 33c. (for middling $\frac{15}{16}{ }^{\prime \prime}$, average of 10 spot markets); its future course depends on Congressional decisions about agricultural price supports, but in a free market a fall would be certain. Sao Paulo prices (for type 5) reached a peak of $35 \frac{1}{2} c$. in February, 1949, but have since sagged to 32 c . The poor crop in India has resulted in restrictions on exports, and Bombay prices are nominal. On the other hand, the good Egyptian crop, with a prospect of better to come this year, has depressed Alexandrian prices. The ratio of the dollar price of Karnak Good in Alexandria to the
U.S. middling $\frac{15}{16}$ " price was $102 \%$ for the season 1946/7, $246 \%$ in April and May, 1948, $255 \%$ in July, 1948, and $182 \%$ in June, 1949. It is reported that Egypt has bartered substantial quantities of cotton for other primary products, from India and Eastern Europe.

The U.K. has recently drawn more cotton from Brazil and Pakistan, it has a prior claim on the Sudanese crop, and at the lower prices now ruling it can perhaps increase purchases in Egypt. But Indian supplies will be very short for some time ; and (especially bearing in mind the technical limitations to substitution of growths) a cut in purchases of U.S. cotton might cause serious disorganisation. Rayon output is rising steadily, and will help to maintain activity in the weaving industry.

## Hard Fibres

The following figures bring up to date those given in the Bulletin for February, 1948 :-


Compared with 1934-8, British East Africa provides a larger share of sisal production, second place being taken by Haiti, followed by Brazil, Mozambique and Angola. Indonesian production, which was one-third of the total before the war, is still negligible. The production of abaca was almost confined to the Philippines in 1934-8, but one-fifth is now produced elsewhere (mainly in Central America). Philippine output was still only two-fifths of pre-war in 1948. Henequaen is mainly a Mexican fibre, with a small output in Cuba.

## ANNUAL STATISTICS.

May, 1949, Bulletin, p. 68.-In some copies the 1938 figures for items 11, 12, 36, 37 of the Annual Table were obliterated by punch holes. These were respectively : $1,527,120,1.9,1.07$.

## NOTE TO TABLE, p. 112, COLUMNS 94-7.

New series-ages extended to include males over 65 and females over 60 ; part-time women counted as 1 instead of $\frac{1}{2}$ and private indoor domestics now included. Col. 96-civil defence group was excluded from old series. Col. 97-now includes employers and self-employed; previously included only insured persons and half the part-time women. Covers groups III-XVI of the Standard Industrial Classification.

For full description of old series see Bulletin, Feb., 1949, p. 30 .

FINANCE


PRICES，WAGES \＆UNEMPLOYMENT

| Monthly Averages or Months． | RETAIL PRICES． |  |  |  | WHOLESALE PRICES． |  |  |  | PRICES TO FARMERS． |  |  |  | UNEMPLOYMENT＊ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { H. } \\ & \text { OH } \end{aligned}$ | ס्ठ் |  |  | Board of Trade Index Nos． |  |  | Statist． Index．$\begin{aligned} & \text { 隠 } \\ & \text { 哥 } \\ & \text { 品 } \end{aligned}$ | $\begin{aligned} & \text { id } \\ & 8 \\ & 8 \\ & 8 \\ & \frac{3}{3} \end{aligned}$ | $\begin{aligned} & \text { 音 } \\ & \text { H } \end{aligned}$ |  |  |  | Percentage of Insured Industrial Population Unemployed． |  |  |
|  |  |  |  |  |  | हैं － 응 oin |  |  |  |  |  |  |  |  | $\begin{aligned} & \dot{\text { B }} \\ & \text { E } \end{aligned}$ |  |
|  | \％of 1938. |  |  |  | \％of 1938. |  |  |  | \％of 1938. |  |  | $\begin{aligned} & \% \text { of } \\ & 1938 \end{aligned}$ | 000＇s | \％ | \％ | \％ |
| 1913 ．．． | $\begin{aligned} & 21 \\ & 64 \S \end{aligned}$ | $\begin{aligned} & 22 \\ & 71 \S \end{aligned}$ | 23 | 24 | $\begin{aligned} & 25 \\ & 82 \cdot 5 \end{aligned}$ | $\begin{aligned} & 26 \\ & 81 \cdot 1 \end{aligned}$ | 27 | $\begin{gathered} 28 \\ 95 \end{gathered}$ | 29 | 30 | 31 | $\begin{aligned} & 32 \\ & (50) \end{aligned}$ | 33 | 34 | 35 | 36 |
| 1919 ．．． | 138 | 156 |  |  | 253.7 | $220 \cdot 8$ | － | 233 277 | $\cdots$ |  |  | $(105)$ $(125)$ |  | ． |  |  |
| 1920 ．．． | 160 145 | 182 | 107 110 | ． | $253 \cdot 7$ $162 \cdot 2$ | $220 \cdot 8$ $169 \cdot 6$ |  | 161 | $\bigcirc$ |  |  | （137） |  | ． |  |  |
| 1922 … | 117 | 125 | 109 | ． | 131.1 | $134 \cdot 0$ |  | 138 |  |  |  | （105） | 1191 | $11 \cdot 6$ | $6 \cdot 4$ | $14 \cdot 3$ |
| 1923 | 111 | 120 | 102 99 | $\cdots$ | $131 \cdot 1$ 137.1 | 125.5 134.9 |  | 153 |  |  |  | ${ }_{96}$ | 1067 | $10 \cdot 2$ | $8 \cdot 6$ | $12 \cdot 4$ |
| 1924 | 112 | 122 | 99 |  | $131 \cdot 3$ | $135 \cdot 1$ |  | 149 |  |  |  | 96 | 1171 | $11 \cdot 0$ | 16.5 | $15 \cdot 2$ |
| 1926 ．． | 110 | 117 | 99 | $\cdots$ | $122 \cdot 2$ | $125 \cdot 6$ |  | 137 |  |  |  | 96 | 1326 | $12 \cdot 3$ | 18.0 | $16 \cdot 4$ |
| 1927 | 107 | 114 | 99 | ． | 116.9 | 123.4 |  | 134 |  |  |  | ${ }_{96}^{96}$ | 1030 | $9 \cdot 6$ 10.7 | 19.5 23.0 | $10 \cdot 6$ 11.7 |
| 1928 | 106 | 112 | 100 | ． | $115 \cdot 8$ | $123 \cdot 6$ |  | 130 |  |  |  | 96 | 1150 | $10 \cdot 7$ | $23 \cdot 0$ | $11 \cdot 7$ |
| 1929 | 105 | 110 | 100 |  | $112 \cdot 6$ | 118.0 |  | 123 |  |  |  | 95 | 1142 | $10 \cdot 3$ | $19 \cdot 3$ | $12 \cdot 1$ |
| 1930 ．．． | 101 | 103 | 100 | ． | $98 \cdot 6$ | $102 \cdot 7$ | $107 \cdot 7$ | 101 | 122 | 99 | 97 | 94 | 1841 | $15 \cdot 8$ | $25 \cdot 9$ | 18.5 |
| 1931 | 95 | 93 | 103 |  | $86 \cdot 2$ | $90 \cdot 9$ $90 \cdot 1$ | $82 \cdot 5$ | 85 | 101 | 81 | 93 83 | 93 | 2532 | $21 \cdot 1$ 21.9 | $32 \cdot 4$ $36 \cdot 5$ | 26.6 27.7 |
| 1932 | 92 | 90 | 112 | $\cdots$ | $84 \cdot 4$ | $80 \cdot 1$ | $76 \cdot 1$ $86 \cdot 3$ | 83 | 88 | 82 | 88 | 90 | 2391 | $21 \cdot 9$ 19.8 | $3 \cdot 3 \cdot 6$ | 26.1 |
| 1933 | 90 | 85 | 104 | $\cdots$ | 84.5 86.9 | $85 \cdot 2$ 87.3 | $86 \cdot 3$ 94.7 | 88 | 91 | 99 | 85 | 90 | 2021 | 16.6 | $32 \cdot 3$ | $23 \cdot 1$ |
| 1934 … | 90 | 87 | 101 | $\cdots$ | $87 \cdot 7$ | $89 \cdot 2$ | $95 \cdot 0$ | 93 | 89 | 98 | 85 | 91 | 1880 | $15 \cdot 3$ | $31 \cdot 2$ | $21 \cdot 3$ |
| 1936 | 94 | 92 | 100 |  | $93 \cdot 0$ | $94 \cdot 2$ | 106.5 | 98 | 92 | 99 | 87 | 93 | 1612 | $13 \cdot 0$ | $29 \cdot 4$ | 18.7 |
| 1937 | 99 | 99 | 100 |  | $107 \cdot 2$ | 105－1 | $132 \cdot 4$ | 114 | 101 | 111 | 94 | 97 | 1349 | 9.7 | $20 \cdot 7$ | $14 \cdot 0$ |
| 1938 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1649 | 11.5 | $22 \cdot 2$ | 14.5 |
| 1939 | 102 | 102 | 107 | 102 | 101.4 | $100 \cdot 0$ | $107 \cdot 4$ | 118 | 101 | 112 | 101 | 101 | 1408 | $9 \cdot 6$ | $17 \cdot 8$ | $12 \cdot 6$ |
| 1940 | 119 | 116 | 141 | 126 | $134 \cdot 6$ | 136.4 | $158 \cdot 6$ | 148 | 139 | 161 | 136 | 112 | 850 | 6.4 | $12 \cdot 4$ | 7.5 |
| 1941 ．．． | 130 | 123 | 160 | 155 | $150 \cdot 5$ | $150 \cdot 2$ | 179.5 | 162 | 147 | 202 | 161 | 122 | 260 | $2 \cdot 3$ | $5 \cdot 8$ | $3 \cdot 5$ |
| 1942 ．．． | 139 | 125 | 197 | 173 | 157－1 | $161 \cdot 1$ | 181.8 | 168 | 159 | 251 | 179 | 131 | 100 | $1 \cdot 0$ | $2 \cdot 2$ | 1.5 |
| 1943 ．．． | 143 | 125 | 225 | 171 | $160 \cdot 4$ | $164 \cdot 4$ | $187 \cdot 2$ | 176 | 160 | 236 | 172 | 138 | 69 | $\cdot 7$ | 1.8 | $1 \cdot 2$ |
| 1944 ．．． | 146 | 125 | 237 | 175 | $163 \cdot 7$ | $162 \cdot 4$ | 198.3 | 187 | 162 | 239 | 189 | 146 | 64 | － 6 | $1 \cdot 8$ | $1 \cdot 3$ |
| 1945 | 148 | 127 | 235 | 176 | $166 \cdot 7$ | $162 \cdot 5$ | $202 \cdot 2$ | 191 | 161 | 238 | 194 | 154 | 140 | $1 \cdot 2$ | $4 \cdot 3$ | $2 \cdot 1$ |
| 1946 | 150 | 129 | 241 | 175 | $172 \cdot 7$ | $162 \cdot 6$ | $206 \cdot 4$ | 230 | 184 | 230 | 209 | 167 | 363 | $2 \cdot 4$ | $9 \cdot 3$ | $4 \cdot 8$ |
| 1947 | 160 | 137 | 274 | 182 | $189 \cdot 1$ | $169 \cdot 2$ | $246 \cdot 1$ | 291 | 218 | 237 | 225 | 175 | 468 | $3 \cdot 0$ | $6 \cdot 8$ |  |
| 1948 | 173 | 149 | 311 | 196 | $216 \cdot 2$ | $185 \cdot 8$ | $322 \cdot 3$ | 341 | 237 | 280 | 239 | 188 | （310） | 1.7 | （5．5） | （3．5） |
| $\begin{gathered} 1947 \\ \text { APR. ... } \end{gathered}$ |  | ． | ． | ． | 184.5 | 168.0 | 231.4 | 283 | 214 | 225 | 194 | 171 $\frac{1}{2}$ | 427 | $3 \cdot 0$ | $7 \cdot 5$ | $4 \cdot 5$ |
| MAY ．．． |  |  |  |  | 186.4 | $169 \cdot 3$ | $232 \cdot 0$ | 285 | 216 | 225 | 159 | $173 \frac{3}{4}$ | 332 | $2 \cdot 0$ | $6 \cdot 5$ | $4 \cdot 0$ |
| JUNE．．． | 161 | 138 | 285 | 180 | $187 \cdot 2$ | $170 \cdot 4$ | $235 \cdot 3$ | 283 | 212 | 224 | 158 | $174 \frac{1}{4}$ | 272 | $2 \cdot 0$ | $6 \cdot 0$ | $3 \cdot 5$ |
| JULY ．．． | 162 | 140 | 285 | 183 | $190 \cdot 6$ | $172 \cdot 7$ | 253.0 | 290 | 209 | 223 | 169 | $175 \frac{3}{4}$ | 256 | 1.5 | $5 \cdot 5$ | $3 \cdot 5$ |
| AUG．．．． | 161 | 137 | 285 | 183 | 191.2 | $171 \cdot 6$ | $255 \cdot 6$ | 292 | 216 | 243 | 192 | $175 \frac{3}{6}$ | 250 | 1.5 | $5 \cdot 5$ | $3 \cdot 5$ |
| SEPT．．．． | 162 | 137 | 285 | 185 | $192 \cdot 5$ | $169 \cdot 2$ | $258 \cdot 9$ | 298 | 234 | 249 | 228 | 177 | 240 | $1 \cdot 5$ | $5 \cdot 0$ | $3 \cdot 0$ |
| OCT．．．． | 162 | 139 | 285 | 185 | 196.6 | $171 \cdot 8$ | $265 \cdot 1$ | 309 | 228 | 253 | 265 | $177 \frac{1}{4}$ | 259 | 1.5 | $5 \cdot 0$ | $3 \cdot 0$ |
| NOV．．．． | 167 | 142 | 296 | 187 | $199 \cdot 9$ | $175 \cdot 4$ | $273 \cdot 1$ | 316 | 227 | 257 | 296 | $181 \frac{3}{4}$ | 268 | 1.5 | $5 \cdot 5$ | $3 \cdot 0$ |
| $\begin{aligned} & \text { DEC. } \\ & 1948 \end{aligned}$ | 167 | 143 | 297 | 189 | $200 \cdot 6$ | 176.4 | $275 \cdot 3$ | 325 | 231 | 260 | 303 | 181 | 277 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JAN．．．． | 168 | 143 | 297 | 191 | 209－2 | $178 \cdot 8$ | $312 \cdot 0$ | 332 | 236 | 266 | 299 | 183！ | 318 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| FEB．．．． | 171 | 149 | 297 | 192 | $213 \cdot 7$ | 185.9 | $316 \cdot 5$ | 334 | 240 | 268 | 290 | $185 \frac{1}{4}$ | 315 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| MAR．．．． | 172 | 150 | 297 | 193 | $214 \cdot 2$ | $185 \cdot 5$ | $315 \cdot 9$ | 337 | 243 | 270 | 266 | $186 \frac{1}{2}$ | 299 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| APR．．．． | 174 | 151 | 316 | 192 | $216 \cdot 2$ | $187 \cdot 1$ | $319 \cdot 6$ | 338 | 245 | 272 | 220 | 187 | 301 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| MAY ．${ }^{\text {a }}$ | 174 | 150 | 316 | 194 | $217 \cdot 3$ | $187 \cdot 3$ | 324.9 | 344 | 248 | 272 | 179 | 187 | 290 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JUNE ．．． | 177 | 157 | 316 | 195 | $219 \cdot 0$ | $189 \cdot 3$ | $327 \cdot 4$ | 347 | 246 | 271 | 179 | 1871 | $274 \ddagger$ | 1.5 | $5 \cdot 5$ | $3 \cdot 0$ |
| JULY ．．． | 174 | 149 | 316 | 196 | 218.7 | 188.9 | $327 \cdot 1$ | 344 | 244 | 271 | 190 | $188 \pm$ | 282 | （1．5） | （5．5） | （3．5） |
| AUG．．．． | 174 | 148 | 316 | 198 | 217.9 | 187.9 | $324 \cdot 3$ | 342 | 240 | 279 | 211 | $188 \downarrow$ | 299 | （1．5） |  |  |
| SEPT．．．． | 174 | 148 | 316 | 200 | 216.9 | 185.8 | 321.5 | 339 | 235 | 281 | 225 | $188 \frac{1}{2}$ | 294 | （1．5） |  |  |
| NOV．．．． | 175 | 148 | 316 316 | 201 | 216.7 217.4 | 184.8 | $322 \cdot 5$ 324.4 | 344 346 | 232 | 285 | 261 292 | $191 \ddagger$ | 314 | （1．5） |  |  |
| $\begin{aligned} & \text { DEC. } \\ & 1949 \end{aligned}$ | 175 | 149 | 316 | 202 | $217 \cdot 7$ | 183.0 | 331.4 | 350 | 237 | 285 | 302 | 1915 | 327 | （1．5） |  |  |
| JAN．．．． | 175 | 149 | 316 | 203 | 218.2 | 183.1 | 331.0 | 352 | 242 | 283 | 298 | 191 $\frac{1}{2}$ | 376 | （2．0） |  |  |
| FEB．．．${ }_{\text {MAR．}}$ | 176 176 | 150 | 316 316 | 204 | 218.0 217.4 | 183.0 | 329.2 | 350 | 246 | 282 | 288 | 192 | 360 | 1.8 | $4 \cdot 4$ | $3 \cdot 2$ |
| APR．． | 176 | 150 | 316 306 | 205 | 223.5 | 182.5 | 326.8 | 347 | 259 | 283 | 266 | 193 | 340 | $1 \cdot 7$ | $4 \cdot 2$ | $3 \cdot 2$ |
| MAY ．．． | 178 | 158 | 306 | 205 | 228.1 | 1919．0 | $323 \cdot 7$ 322.2 | 343 337 | 272 274 | 283 | 242 185 | 193 193 | 325 304 | 1.6 1.5 | $4 \cdot 0$ $3 \cdot 9$ | $3 \cdot 1$ $2 \cdot 9$ |
| JuNE．．． | 179 | 159 | 306 | 205 | $228 \cdot 6$ | 207.5 | 318.9 | 330 | 269 | 285 | 184 | 193｜｜ | 264 | $1 \cdot 3$ | $3 \cdot 6$ | 2.5 |
| JULY |  |  |  |  |  |  |  |  |  |  |  | 193｜｜ |  |  |  |  |
| Sourcers．$-21-22$ before 1938 ：Ministry of Labour Cost of Living index． <br> 23 before 1938：LCES calculation based on private sources． <br> 25－27－Board of Trade． <br> 21－24－1938－June， 1947 ：LCES calculations based on National <br> Income White Papers． <br> 29－31－＂Ministry of Agriculture． <br> 21－24 since June， 1947 ：based on Interim Index of Retail Prices <br> 32 －Prof．Bowley＇s Index，calcul <br> （Ministry of Labour）． <br> Figures in Cols．21－4， $32-6$ relate to mid－month；Cols．25－7，29－31，average for month；Col． 28 －end of month．＊Cols． $33-6$ r as unemployed（excluding certain disabled）from July，1948，when the National Insurance Act came in force，but pren not insured under the current Unemployment Insurance Acts．$\dagger$ Also 503,000 and 24,000 stood off but not regist respectively．$\ddagger$ Or 286,000 including uninsured unemployed to correspond with later flgures．§ July 1914 ．I｜Provis For other notes on this table see Bulletin，February，1949，p． 28 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

PRODUCTION \＆RAILWAY TRAFFIC

| Annual Totals or Annua Rates． | COAL． |  |  |  | POWER． |  | IRON AND STEEL． |  |  | TEXTILES． |  | MOT－ <br> ORS <br>  <br> Z． <br> aid <br> a <br> gith | SHIPS． |  |  | RAILWAY TRAFFIC． （Great Britain） |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Output． |  |  | $\begin{gathered} \text { 品 } \\ \text { 品慁 } \\ 0 \end{gathered}$ |  |  | Production． |  |  |  |  |  |  |  |  |  | Tonnage Originating． |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { 䮍 } \\ & \text { 品 } \end{aligned}$ | $\begin{aligned} & \text { og } \\ & 0 \\ & 0 \\ & \text { 品 } \\ & \text { of } \end{aligned}$ |
|  | Mn．Tons． |  |  |  | 10 Mn .10 Mn.Th＇ms KWH． |  | Ten thous．Tons． |  |  |  |  | $\begin{aligned} & \overline{\mathrm{No}} \\ & 000^{\prime} \mathrm{s} \end{aligned}$ | Gross Tonnage．000 Tons． |  | $\begin{aligned} & \text { No. } \\ & \text { 000's. } \end{aligned}$ | £ Mn． | Mn．Tons， |  |  |
| 1913 | $\begin{array}{r} 37 \\ 287 \end{array}$ | 38 | 39 | 40 193 | $\begin{aligned} & 41 \\ & 110 \end{aligned}$ | 42 | $\begin{gathered} 43 \\ 1026 \end{gathered}$ | $\begin{aligned} & 44 \\ & 766 \end{aligned}$ | 45 | $\begin{gathered} 46 \\ 1920 \end{gathered}$ | $47$ (7) | $48$ | $\begin{aligned} & 49 \\ & 1866 \end{aligned}$ | $\begin{array}{l\|l} 50 \\ 1932 \end{array}$ | 51 | $52$ | 53 | 54 | 55 |
| 1919 | 230 | － |  | 183 | 122 |  | 740 | 789 |  |  |  |  | 2403 | 1620 |  |  |  |  | 180 |
| 1920 | 230 |  |  | 191 | 128 | 427 | 803 | 907 | $\ddot{674}$ | 1510 |  |  | 2397 | ${ }_{2056}$ |  | ${ }_{236}^{176}$ |  |  | 181 |
| 1921 | 163 250 |  |  | 127 168 | $\underline{125}$ | 389 | 262 490 | 370 | ．． | 970 |  |  | 569 | 1538 |  | 215 |  |  | 128 |
| 1923 | 276 |  |  | 178 | 128 | 454 529 | 744 | 588 <br> 848 | $\because$ | 1370 1225 | （15） | 73 95 | 404 953 | 1031 646 |  | 217 |  |  | 200 |
| 1924 | 267 |  |  | 188 | 139 | 602 | 731 | 820 | $\because$ | 1225 | （24） | $\begin{array}{r}95 \\ 147 \\ \hline\end{array}$ | 953 1050 | 646 1440 | 144 | ${ }_{202}^{204}$ |  |  | 222 |
| 1925 | 243 |  |  | 176 | 143 | 662 | 626 | 739 | $\ldots$ | 1490 | （26） | 167 | 814 | 1085 | 184 | 198 |  |  | 209 194 |
| 1926 | 126 |  |  | 98 | 148 | 699 | 246 | 360 |  | 1300 | 25 | 198 | 582 | 640 | 235 | 170 |  |  | 115 |
| 1927 | 251 |  |  | 183 | 149 | 823 | 729 | 910 | 756 |  | 39 | 212 | 1764 | 1226 | 262 | 201 |  |  | 196 |
| 1928 | 237 | － |  | 170 | 150 | 907 | 661 | 852 | 712 |  | 50 | 212 | 1297 | 1446 | 189 | 185 | 57 | 62 | 187 |
| 1929 | 258 |  |  | 181 | 155 | 1029 | 759 | 964 | 757 |  | 52 | 239 | 1649 | 1523 | 220 | 186 | 58 | 65 | 207 |
| 1930 | 244 |  |  | 174 | 153 | 1091 | ${ }^{619}$ | 733 | 606 | 960 | 47 | 237 | 950 | 1479 | 197 | 176 | 53 | 58 | 193 |
| 1931 | 219 209 |  |  | 162 | 153 | 1141 | 377 | 520 | 463 | 970 | 53 | 226 | 200 | 502 | 215 | 162 | 48 | 47 | 174 |
| 1933 | 207 |  |  | 154 | 150 | 1 | 357 <br> 414 | 526 | 437 | 1055 | 70 | 233 | 72 | 188 | 219 | 148 | 43 | 40 | 167 |
| 1934 | 221 |  |  | 168 | 152 | 1546 | 597 | 885 | 635 | 1120 | 80 | 286 | 242 | 133 | 294 | 148 | 43 | 43 | 165 |
| 1935 | 222 |  | $\cdots$ | 171 | 155 | 1757 | 642 | 986 | 701 | 1118 | 107．8 | 404 | 683 | 499 | 351 | 156 | 45 | 51 | 174 |
| 1936 | 228 |  |  | 182 | 161 | 2022 | 772 | 1178 | 844 | 1196 | $112 \cdot 1$ | 461 | 1081 | 856 | 370 | 162 | 48 | 55 | 178 |
| 1937 | 240 | － | $\cdots$ | 188 | 165 | 2296 | 849 | 1298 | 952 | 1234 | 114．9 | 508 | 1057 | 821 | 360 | 170 | 50 | 59 | 188 |
| 1938 | 227 | － | ． | 181 | 166 | 2437 | 676 | 1040 | 742 | 952 | 102．2 | $\frac{(445)}{}$ | 505 | 1030 | 359 | 163 | 46 | 47 | 173 |
| 1939 | $231 \cdot 3$ |  | 14.5 | 185 | 165 | 2641 | 798 | 1322 | （990） | 1092 | 111.0 |  | 1011 | 630 | 221 | 172 | 52 | 51 | 185 |
| 1940 | $224 \cdot 3$ |  | 17.3 | 196 | 158 | 2878 | 820 | 1298 | （1030） | 1191 | $110 \cdot 7$ | （134） | 1062 | 843 | 57 | 205 | 59 | 58 | 177 |
| 1941 | $206 \cdot 3$ |  | 18.7 | 197 | 172 | 3236 | 739 | 1231 | 1015 | 821 | $79 \cdot 4$ | 145 | 1235 | 1193 | 15 | 244 | 62 | 62 | 163 |
| 1942 | $203 \cdot 6$ | $1 \cdot 3$ | 18.6 | 197 | 181 | 3565 | 773 | 1294 | 1065 | 733 | $73 \cdot 0$ | 160 | 1287 | 1284 | 13 | 285 | 71 | 61 | 163 |
| 1943 | $194 \cdot 5$ | $4 \cdot 4$ | $17 \cdot 7$ | 190 | 184 | 3695 | 719 | 1303 | 1030 | 712 | 71.2 | 149 | 1049 | 1146 |  | 316 | 82 | 62 | 157 |
| 1944 | 184．1 | $8 \cdot 6$ | 16.0 | 188 | 195 | 3835 | 674 | 1214 | 1000 | 665 | 76.8 | 133 | 959 | 932 | 8 | 327 | 87 | 55 | 151 |
| 1945 | $174 \cdot 7$ | $8 \cdot 1$ | $12 \cdot 3$ | 180 | 203 | 3728 | 711 | 1182 | 890 | 597 | $85 \cdot 1$ | 139 | 1256 | 898 | 6 | 320 | 73 | 50 | 143 |
| 1946 | 181.2 | 8.8 | $8 \cdot 3$ | 186 | 225 | 4125 | 776 | 1270 | 1000 | 662 | 107．6 | 365 | 1386 | 1133 | 55 | 302 | 61 | 53 | 148 |
| 1947 | $187 \cdot 2$ | 10．2 | 16.4 | 185 | 232 | 4262 | 778 | 1272 | 1010 | 662 | 118.8 | 442 | 1187 | 1202 | 140 | 299 | 55 | 52 | 150 |
| 1948 | 197 § | 11.7 | 14.4 | 193 | 242 | 4654 | 928 | 1488 | 1100 | 795 | 148.0 | 499 | 1180 | 1172 | 217 | 334 | 54 | 58 | 162 |
| 1947 APR． |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| APR．．．． | 182.2 | $9 \cdot 5$ | $6 \cdot 1$ | 183 | 229 | 4120 | 724 | 1229 | 1040 | 675 | 115.8 | 476 |  |  | ¢ 116 | 287 | 55 | 47 | 148 |
| MAY ．．． | 187.0 | $11 \cdot 1$ | 8.0 | 182 | 215 | 3640 | 738 | 1268 | 1030 | 707 | $120 \cdot 1$ | 545 | 1095 | 975 | 138 | 294 | 59 | 56 | 159 |
| JUNE ．．． | 189.2 | 11.8 | $10 \cdot 6$ | 167 | 193 | 3460 | 750 | 1321 | 1110 | 655 | 122.0 | 460 |  |  | 149 | 307 321 | 54 <br> 55 | 55 55 | 149 |
| JULY ．．． | 162.4 | 11.5 | 12.8 | 164 | 192 | 3370 | 746 | 1101 | 955 | 676 | 123.9 | 481 |  |  | ［ 143 | 332 | 50 | 49 | 124 |
| AUG．．．． | 164.0 | $10 \cdot 4$ | $12 \cdot 1$ | 152 | 184 | 3260 | 766 | 1218 | 930 | 657 | 94.5 | 412 | 1095 | 1200 | $\{138$ | 329 | 57 | 56 | 146 |
| SEPT．．．． | $185 \cdot 4$ | 11.9 | 14.9 | 170 | 200 | 3830 | 780 | 1384 | 1060 | 675 | 131.8 | 476 |  |  | \} 170 | 309 | 59 | 53 | 151 |
| OCT． | 196.8 | $12 \cdot 9$ | 16.4 | 183 | 220 | 4380 | 835 | 1432 | 1080 | 751 | $142 \cdot 2$ | 526 |  |  | \} 177 | 337 | 60 | 58 | 157 |
| NOV．．．． | 210.8 | $11 \cdot 0$ | 17.0 | 200 | 245 | 4850 | 863 | 1417 | 1095 | 772 | 136.5 | 486 |  | 1550 | $\{195$ | 324 | 58 | 58 | 165 |
| $\begin{gathered} \text { DEC. } \\ 1948 \end{gathered}$ | $187 \cdot 6$ | 10•1 | 16.4 | 211 | 272 | 5220 | 856 | $126 t$ | 1010 | 703 | $131 \cdot 1$ | 425 |  |  | $\{203$ | 320 | 53 | 53 | 146 |
| JAN． | 206.8 | 7.7 | 15.2 | 210 | 267 | 5350 | 873 | 1459 | 1080 | 761 | 144.1 | 507 |  |  | $\left\{\begin{array}{l}176\end{array}\right.$ | 308 | 54 | 54 | 153 |
| FEB．．．． | $204 \cdot 2$ | $9 \cdot 7$ | $14 \cdot 1$ | 220 | 276 | 5320 | 917 | 1505 | 1140 | 812 | $145 \cdot 1$ | 460 | 855 |  | 205 | 310 | 56 | 57 | 163 |
| MAR．．．． | 191.0 | $12 \cdot 8$ | 13.1 | 202 | 251 | 4660 | 930 | 1512 | 1125 | 774 | 139.8 | 495 |  | （935） | 230 | 324 | 57 | 58 | 165 |
| APR． | $204 \cdot 2$ | 17.3 | 13.1 | 197 | 238 | 4560 | 943 | 1528 | 1150 | 807 | 150.8 | 494 |  |  | 223 | 332 | 51 | 55 | 151 |
| MAY | 190.8 | 14.0 | 13.3 | 180 | 221 | 4100 | 955 | 1522 | 1060 | 773 | 136.3 | 511 | 1505 | 1210 | 235 | 334 | 54 | 60 | 164 |
| JUNE | 205.0 | 13. | 14.6 | 180 | 216 | 4120 | 942 | 1544 | 1140 | 800 | $154 \cdot 0$ | 560 |  | （1100） | 239 | 330 | 50 | 57 | 158 |
| JULY | 171.0 | $12 \cdot 9$ | 15.3 | 166 | 203 | 3820 | 891 | 1208 | 945 | 783 | $140 \cdot 6$ | 536 |  |  | ［ 220 | 368 | 45 | 52 | 164 132 |
| AUG．．．． | 173.0 | $10 \cdot 2$ | 15.0 | 164 | 203 | 3880 | 905 | 1412 | 935 | 741 | $125 \cdot 4$ | 356 | ¢ 945 | 1080 | \｛ 188 | 356 | 53 | 56 | 159 |
| SEPT．．．． | $200 \cdot 4$ | 12.0 | 16.0 | 180 | 219 | 4330 | 941 | 1544 | 1160 | 787 | 159.0 | 541 |  | （1080） | 229 | 341 | 56 | 59 | 166 |
| OCT．．．． | 208.7 | 12.0 | 16.5 | 193 | 240 | 4730 | 952 | 1545 | 1135 | 853 | $158 \cdot 4$ | 545 |  |  | 227 | 328 | 58 | 64 | 173 |
| NOV．．．． | 213.5 | 10.0 | 16.2 | 210 | 265 | 5330 | 964 | 1576 | 1160 | 858 | 166.0 | 536 | 1400 | 1655 | 213 | 317 | 58 | 64 | 175 |
| $\begin{aligned} & \text { DEC. } \\ & 1949 \end{aligned}$ | 197．5 | 8.7 | $14 \cdot 6$ | 212 | 281 | 5530 | 915 | 1468 | 1100 | 779 | 153.0 | 478 |  | ［（1720） | 209 | 324 | 55 | 60 | 173 |
| JAN．．．． | 206.5 | $8 \cdot 8$ | $12 \cdot 6$ | 220 | 289 | 5600 | 926 | 1500 | 1140 | 823 | 1620 | 576 |  |  | ［ 183 | 294 | 57 | 61 | 164 |
| FEB．． | $213 \cdot 4$ | 11.4 | 11.7 | 222 | 288 | 5530 | 942 | 1618 | 1215 | 844 | 1690 | 591 | 1110 | 1070 | 204 | 305 | 59 | 62 | 172 |
| MAR． | 213.5 | $12 \cdot 3$ | 10.8 | 219 | 284 | 5485 | 930 | 1627 | 1230 | 832 | 1830 | 609 |  | （1260） | $\left\{\begin{array}{l}222 \\ 22\end{array}\right.$ | 308 | 58 | 61 | 172 |
| APR．． | 193.7 | 12.6 | 10.5 | 194 | 243 | 4590 | 929 | 1585 | 1120 | 775 | 1605 | 566 |  |  | 174 | 320 | 53 | 58 | 158 |
| MAY ．．． | 206.3 | $15 \cdot 3$ | 11.2 | 191 | 236 | 4530 | 970 | 1641 | 1215 | 878 | 1730 | 640 | 1155 | 1435 | 195 | ${ }_{32}^{322}$ | 58 | ${ }_{61}^{61}$ | 168 |
| JUNE ．． | 198.8 | 14.1 | 12.8 | 176 | 217 | 4130 | 966 | 1565 |  |  | 1665 | 629 |  | （1360） | 192 | 338 | 54 | 60 | 163 |
| JULY ．．． |  |  |  |  |  |  | 932 | 1270 |  |  |  |  |  |  |  | 356 |  |  |  |
| $\begin{array}{r} \text { SOUROES : }-37-42 \\ 43-45 \\ 46-47 \\ 48 \end{array}$ |  |  | British Iron and Steel Federation． Board of Trade． Ministry of Supply． |  |  |  |  | 49－50 Lloyds Register of Shipping． <br> 51 Health Departments． <br> 52－55 British Transport Commission． |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ＊Ships of 100 tons and over ；quarterly return．From the beginning of 1948 figures of ships completed given in brackets in Col． 50. <br> $\dagger$ Great Britain only，excluding aluminium houses．In addition， 157,000 temporary houses were completed in 1945－48．Before 1940，years ending <br> $\dagger 3$ months after calendar year ；1940－45 includes Scottlsh figures for calendar years；after 1945，calendar years．§ Provisional <br> $\ddagger$ Receipts from Railways Executive of British Transport Commission from revenue－earning traffic．For other notes see Bulletin Feb， 1949 p． 28. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

EXTERNAL TRADE


SOURCE : Board of Trade throughout
Board of Trade Journal and Accounts of Trade.)
$\ldots$ Not available. $\quad(\quad)=$ Approx. only. $\quad 56-62$ and 66-73 exclude most munitions from 1940-5. 63-65 include munitions.
*Change of classification in 1919. Italics show 1913 classification. § Eire exoluded from U.K. from April, 1923
$\dagger$ The quarterly movements are interpolated for each year from the B/T import and export current price series.
For other notes on this table, see Bulletin, February, 1949, p. 29.

FINANCE


## POPULATION \＆EMPLOYMENT

|  | U．K． |  | POPULATION，GREAT BRITAIN |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Total |  | Working |  | Employed |  |
|  |  | ө78y प7вәव | － |  | － |  |  | $\begin{aligned} & \text { In Manufacturing } \\ & \text { Industry } \end{aligned}$ |
|  | per an |  |  | ar | d End | －qua | Es Esti |  |
|  |  |  | $\mathrm{Mn} \text {. }$ | Mn． | Mn ． | Mn． | $\mathrm{Mn} \text {. }$ | Mn. |
|  | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 |
| 1935 ．．． | $15 \cdot 2$ | $12 \cdot 0$ | $21 \cdot 9$ | $23 \cdot 7$ |  |  |  |  |
| 1936 ．．． | $15 \cdot 3$ | $12 \cdot 3$ | $22 \cdot 0$ | $23 \cdot 8$ |  |  |  |  |
| 1937 | $15 \cdot 3$ | $12 \cdot 6$ | $22 \cdot 1$ | $23 \cdot 9$ |  |  |  |  |
| 1938 | 15.5 | 11.8 | $22 \cdot 2$ | $24 \cdot 0$ |  |  |  |  |
| 1939 | $15 \cdot 3$ | $12 \cdot 2$ | $22 \cdot 3$ | $24 \cdot 1$ | $14 \cdot 66$ | 5．09 | $17 \cdot 92$ | $6 \cdot 82$ |
| 1940 | $14 \cdot 9$ | 14.0 | $22 \cdot 6$ | $24 \cdot 3$ |  |  |  |  |
| 1941 | $14 \cdot 6$ | 13.0 | $22 \cdot 6$ | $24 \cdot 3$ | $15 \cdot 22$ | $6 \cdot 11$ | $17 \cdot 37$ | $7 \cdot 40$ |
| 1942 ． | 16.0 | 11.6 | $22 \cdot 7$ | $24 \cdot 4$ | $15 \cdot 14$ | 6.91 | 17.49 | 7.75 |
| 1943 ．． | 16.6 | 12.0 | $22 \cdot 8$ | 24.5 | 15.03 | $7 \cdot 25$ | $17 \cdot 12$ | $7 \cdot 75$ |
| 1944 | 17.8 | 11.7 | 23.0 | 24.7 | 14.90 | $7 \cdot 11$ | 16.68 | $7 \cdot 43$ |
| 1945 | $16 \cdot 3$ | 11.5 | 23.0 | $24 \cdot 8$ | 14.88 | $6 \cdot 77$ | 16.29 | 6.82 |
| 1946 | $19 \cdot 4$ | 11.7 | $23 \cdot 1$ | $24 \cdot 7$ | 14.64 | 5.89 | $17 \cdot 33$ | 6.59 |
| 1947 | 20.8 | $12 \cdot 1$ | $23 \cdot 3$ | $24 \cdot 9$ | $14 \cdot 62$ | $5 \cdot 74$ | 18.56 | $7 \cdot 10$ |
| 1948 | $18 \cdot 1$ | $10 \cdot 9$ | $23 \cdot 6$ | $25 \cdot 1$ | －114．56 | ¢5．73 | ¢18．97 | － 7.25 |
| $1947-$ | 22.7 | 16.9 |  |  |  | 5.48 | 18.21 | 7.03 |
| 1st Qr． | $22 \cdot 7$ $22 \cdot 1$ | 16.9 11.1 | $23 \cdot 3$ | $24 \cdot 9$ | $14 \cdot 62$ 14.62 | 5.48 5.74 | 18.56 | $7 \cdot 10$ |
| 3rd Qr． | $20 \cdot 3$ | $9 \cdot 2$ |  |  | 14.62 | $5 \cdot 74$ | 18.68 | $7 \cdot 15$ |
| 4th Qr． | $18 \cdot 2$ | $11 \cdot 3$ | $23 \cdot 4$ | $25 \cdot 0$ | $14 \cdot 67$ | $5 \cdot 76$ | 18.80 | $7 \cdot 25$ |
| 1948－ 1 － | 18.9 | $12 \cdot 4$ |  |  | $14 \cdot 64$ | 5．73 | 18.85 | $7 \cdot 27$ |
| 2nd Qr． | $19 \cdot 1$ | $10 \cdot 3$ | 23.6 | $25 \cdot 1$ | §16．06 | $7 \cdot 09$ | 21.93 | $8 \cdot 11$ |
| 3 rd Qr． | 17.9 | $9 \cdot 5$ |  |  | 16.09 | $7 \cdot 12$ | 22.05 | $8 \cdot 17$ |
| 4th Qr． | 16.8 | 11.6 | $23 \cdot 7$ | $25 \cdot 2$ | 16.07 | $7 \cdot 12$ | 22.01 | $8 \cdot 20$ |
| 1949－\％ | $17 \cdot 4$ | 14.8 |  |  | 16.05 | $7 \cdot 11$ | 22.01 | $8 \cdot 22$ |

PRODUCTION，CONSUMPTION，ETC．

|  | Softwood Supplies |  | Textile <br> Fabrics <br> Woven |  | Retall Sales（New Series）$\ddagger$ （Value） |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { B } \\ & \text { +0 } \\ & 0 \end{aligned}$ |  | Э़ ¢ | \％ | 吕 ¢ O |  |  |  |
|  | Thou Stan | sand | $\begin{aligned} & \mathrm{Ann} . \\ & \mathrm{Mn} . \end{aligned}$ | Rates yds. |  | lex | $\begin{aligned} & \text { mbers } \\ & 1947 \end{aligned}$ | I | \% of | $\begin{gathered} \hline \text { Ann. } \\ \text { rate } \\ \text { c10 } 10 \mathrm{Mn} \end{gathered}$ |
|  | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 88 |
| 1937 ．．． | 2530 | ． | 3640 | 284 | 63 | 65 | 63 | 53 |  |  |
| 1938 ．．． | 1860 |  |  |  | 65 | 68 | 64 | 51 |  | 429 |
| 1939 | 1596 |  | ． |  | 66 | 71 | 65 | 49 | ． | 442 |
| 1940 | 871 | 698 |  |  | 69 | 73 | 71 | 47 |  | 465 |
| 1941 ．．． | 855 | 467 | 2150 |  | 67 | 72 | 65 | 43 |  | 491 |
| 1942 ．． | 758 | 347 | 1772 |  | 68 | 4 | 67 | 42 |  | 520 |
| 1943 | 679 | 510 | 1793 | 236 | 67 | 6 | 59 | 38 | 79 | 528 |
| 1944 | 858 | 372 | 1648 | 194 | 71 | 9 | 68 | 37 | 80 | 554 |
| 1945 | 921 | 445 | 1539 | 193 | 76 | 83 | 73 | 49 | 79 | 600 |
| 1946 | 1082 | 215 | 1626 | 223 | 88 | 91 | 88 | 79 | 93 | 675 |
| 1947 ．．． | 979 | 615 | 1622 | 232 | 100 | 100 | 100 | 100 | 100 | 745 |
| 1948 ．．． | 1111 | 466 | 1900 | 268 | 114 | 112 | 123 | 107 | 105 | 800 |
| 1947－ |  |  |  |  |  |  |  |  |  |  |
| 1st Qr． | 892 | 117 | 1360 | 201 | 89 | 93 | 82 | 82 | 106 | 671 |
| 2nd Qr． | 924 | 146 | 1700 | 228 | 98 | 98 | 104 | 95 | 101 | 732 |
| 3 rd Qr． | 1049 | 422 | 1590 | 239 | 98 | 102 | 92 | 110 | 103 | 768 |
| 4th Qr． | 1049 | 615 | 1840 | 258 | 114 | 107 | 123 | 123 | 89 | 798 |
| 1948－ |  |  |  |  |  |  |  |  |  |  |
| 1st Qr． | 1086 | 523 | 1850 | 263 | 102 | 105 | 99 | 101 | 106 | 754 |
| 2nd Qr． | 1074 | 412 | 1940 | 259 | 112 | 109 | 121 | 103 | 100 | 795 |
| 3rd Qr． | 1120 | 451 | 1790 | 261 | 112 | 112 | 121 | 101 | 113 | 810 |
| 4th Qr． | 1149 | 466 | 2000 | 283 | 128 | 119 | 149 | 124 | 100 | 833 |
| $\begin{aligned} & 1949- \\ & \text { 1st } \mathrm{Qr} . \end{aligned}$ | 1256 | 325 | 2030 | 291 | 112 | 113 | 119 | 102 |  | 772 |

INDUSTRIAL EARNINGS \＆HOURS

| Last pay． week of months | Earnings per week |  |  | Hoursper week |  |  | HourlyEarnings |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | ₹ | 发 | g d 0 | そ | 䳸 | g dig 1 |
|  | s．d．per week |  |  | Hours |  |  | Index Nos． \％of Oct．， 1938 |  |  |
|  | 98 | 99 | 100 | 101 | 102 | 103 | 104 | 105 | 106 |
| 1935 Oct． | 48／11 | 64／6 | 31／3 | $47 \cdot 8$ 46.5 |  |  | 88 100 |  |  |
| 1938 Oct． | $53 / 3$ $69 / 2$ | $69 /-$ 89 | $32 / 6$ $38 / 11$ | $46 \cdot 5$ | 47.7 | $43 \cdot 5$ | 100 | 100 | 100 |
| 1940 July | $69 / 2$ $75 / 10$ | 89／－ | $38 / 11$ $43 / 11$ | ．． | ．． | $\cdots$ | $\cdots$ | $\cdots$ | ．． |
| 1942 Ja | 77／9 | 102／－ | 47／6 |  |  |  | $\ldots$ | $\cdots$ |  |
|  | 85／2 | 111／5 | 54／2 |  |  |  | $\ldots$ | $\cdots$ |  |
| 1943 J | $\begin{aligned} & 87 / 11 \\ & 93 / 7 \end{aligned}$ | $\begin{aligned} & 113 / 9 \\ & 121 / 3 \end{aligned}$ | $\begin{aligned} & 58 / 6 \\ & 62 / 2 \end{aligned}$ | $50 \cdot 0$ | 52．9 | 45．9 | 163 | 158 | 181 |
| 1944 J | 95／7 | 123／8 | 63／9 | $49 \cdot 2$ | 52.0 | $45 \cdot 2$ | 170 | 164 | 189 |
|  | 96／8 | 124／4 | 64／3 | $48 \cdot 6$ | $51 \cdot 2$ | $44 \cdot 6$ | 174 | 168 | 193 |
| 1945 J |  | 119／3 | 63／2 | 47.0 | 49.4 | 43－1 | 174 | 167 | 196 |
|  | 96／1 | 121／4 | 63／2 | 47.4 | 49.7 | $43 \cdot 3$ | 177 | 169 | 195 |
| 1946 J | 92／7 | 114／1 | 59／10 | $45 \cdot 8$ | $47 \cdot 4$ | $42 \cdot 3$ | 177 | 166 | 189 |
|  | 101／－ | 120／9 | 65／3 | $46 \cdot 2$ | $47 \cdot 6$ | $42 \cdot 6$ | 191 | 175 | 205 |
| 1947 A |  |  |  |  | 46.3 | 41.5 | 201 | 184 | 217 |
|  | 108／2 | 128／1 | 69／7 | $45 \cdot 2$ | $46 \cdot 6$ | 41.5 | 209 | 190 | 224 |
| 1948 Apr． |  |  |  |  | $46 \cdot 5$ | 41.6 | 220 | 199 | 234 |
|  | 117／4 | 137／11 | 74／6 | $45 \cdot 3$ | 46.7 | 41.6 | 226 | 204 | 240 |

SOURCES ：74．75 Bank of England．77．78 L．C．E．S．calculations from＂Economist＂data．76， 79 L．C．E．S．calculations． 80.88 Board of Trade． ＊Years ending 3 months after calendar year．$\ldots=$ Not available．† Imports only，prior to 1940 ．$\ddagger$ New index numbers of weekly sales．Ses $B . / T$ ．Journal，16／7／49，p．107．${ }^{\dagger \dagger}$（77）relates（approx．）to date of earning profits（78）to date of declaring dividends． figures of new series see 1948，2nd Qr．below．§New series，see footnote on p． 10

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

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## THE ECONOMIC POSITION

October 31st, 1949.
All other events of the past quarter have been overshadowed by the heavy drain on the United Kingdom's final reserves of gold and dollars, leading ultimately to the devaluation of sterling in terms of the dollar currencies and consequential adjustments of other currencies. From the long-term point of view the change in the relative values of North American and other currencies will provide a necessary stimulus to dollar exports and may mark an important turning-point in the adjustment of the Sterling Area and European economies to the conditions of the post-war world. But these long-term advantages can be secured only if the short-term difficulties can be surmounted. These are likely to arise from two sources. First, the stimulus to dollar exports will take time to show its full effects, especially as there will be an increased demand for British goods in other markets to replace goods previously bought from America;
dollar earnings in the next twelve months may well be lower rather than higher than in the recent past. These problems are analysed in an Article in this Bulletin, and the conclusion is reached that the problem of covering our dollar deficit in 1950, taking account of outside aids, may prove just, but only just, manageable. Secondly, the effects of devaluation are to raise the price of dollar imports, to increase the volume of exports, and to diminish correspondingly the flow of goods and services available for use at home. The inflationary pressures, recognized as overstrong already, have been made potentially more dangerous, and the advantages of devaluation will be lost if sterling costs and prices are significantly raised. At the time of writing the position still remains obscure in important respects. The Government's proposals are in the right direction and further instalments are promised ; but, as they stand, they are unduly limited and likely to be dangerously slow in coming into effect.

# THE ECONOMICS OF 1950 

By C. F. Carter and R. C. Tress

The economics of 1950 will be dominated by two great uncertainties: the effects of the devaluation of sterling, and the effects of the General Election on British policies. A third uncertainty lurks in the shadows, the possibility of a slump in the United States. In such times, a wise prophet keeps silent. Unfortunately, however, so much in contemporary debate turns on matters of degree and quantity that some attempt at estimation is unavoidable. This article is one such attempt.

## I. The Effects of Devaluation

Disequilibrium in the United Kingdom balance of payments is a problem which has been building up since well before the war, and which partly represents a long-term change in Britain's role in the world economy. As such, it calls for long-term adjustments. The war, however, has widened the range of maladjustment and at the same time cut down the assets which might have been drawn upon to cover the gap while adjustment was proceeding. Excess demand in the home market has hardened the internal industrial structure against adaptation towards exports. The fact that London continues to act as banker for the sterling area has increased the rate at which reserves have been dissipated. As a result of all these factors, gold and dollar reserves have come near to being exhausted (for the latest figures, see pp. 132-4 below). Short-term expedients, while they can only be partial substitutes for long-term correctives, have now become essential. The decision to cut dollar imports regardless of the quantities and prices of alternative supplies, and the decision (announced on September 18th) to devalue sterling are both in the nature of short-term reactions to the adverse turn of events, though the latter has, of course, great long-term significance.

Both these, it may be further noted, are decisions in which the whole of the Sterling Area is involved. How serious is the dollar gap which, on policies as they now stand, the United Kingdom and the Sterling Area generally will be contemplating in the next twelve months ? Import and export prospects alike need reassessing.

Devaluation raises the sterling price of dollar imports, but not, of course, the dollar price; in fact, the partial devaluation of the Canadian
dollar means that, for the present, imports from Canada will cost us fewer U.S. dollars than formerly. If, therefore, the $25 \%$ cut in dollar imports by the whole Sterling Area were fully carried out and there were no changes in import prices beyond those directly due to devaluation, the U.S. dollar cost of dollar imports would now be reduced by about $27 \frac{1}{2} \%$; the sterling cost, in other words, would have risen by some $4 \frac{1}{2} \%$. How far can we rely upon these figures ? In the case of the United Kingdom, where imports are rigidly controlled, the new import programme has already been drafted, though it remains subject to revision in the light of movements in relative prices. In the case of the rest of the Sterling Area, import controls are, in important cases, less effective, and, while admitting the influence of higher prices in checking dollar imports and encouraging the use of substitutes, we may well be sceptical of the promised economies being fully forthcoming. Prices of imports from the Dollar Area have remained fairly stable recently and, despite the fact that the Chancellor of the Exchequer is obviously hoping for some fall in import prices to reduce the effect of devaluation upon the cost of living, there seems little reason for relying on such a change, especially if we are hoping at the same time that activity in the United States will continue to be high.

In the case of exports, this assumption is almost essential for there to be any reasonable hope for the coming year; though one cannot escape the possibility that, before the next twelve months are out, there may be a renewal of recession in the United States. Even without that, however, the prospective demand for British exports in dollar markets, and to some extent their supply, are difficult to forecast.

What would have happened had there been no devaluation and had the United States economy continued to be buoyant ? There is little evidence that there would have been any general decline in the competitive position of the United Kingdom vis-à-vis other soft currency countries. Some markets would have been lost to a resurgent Germany and Japan and direct exports to the United States might well not have risen. An improvement in U.K. exports to Canada would have been a possibility and the rest of the Sterling Area would have gained by a recovery of commodity prices in the United States from their
mid-1949 levels ; but altogether the dollar receipts from exports would not have shown much of a rise.

How, then, may devaluation have affected matters ? Within so short a time, since September, data which might help to the forming of a judgment do not exist, so that an assessment of the situation is difficult. It would, however, be hard to justify any great optimism.

The countries which have made either a full ( $30 \frac{1}{2} \%$ ) or a partial devaluation of their currencies in terms of U.S. dollars following on the action of the United Kingdom are included in a table of exchange rates on p. 134. All the Sterling Area countries except Pakistan have followed the United Kingdom's lead; there are definite advantages to Pakistan in staying out, if she can manage to do so. The devaluation of the Canadian dollar in terms of the U.S. dollar is, as already noted, helpful to our reserves and to our internal price level, and it does not lessen the advantage sterling devaluation has given us over American competitors in the Canadian market. Movements in the Argentine peso rates have to be related specifically to the Argentine meat prices and to any renegotiation of the contract. But the most important feature of the changes which have taken place is the extent of devaluation among the countries of Western Europe, which, while being the United Kingdom's associates in O.E.E.C., are nevertheless her strongest competitors. Switzerland has made no reduction, France, Belgium, Italy, Portugal and Western Germany have made partial devaluations, and the rest have devalued by the full $30 \frac{1}{2} \%$.

Thus, the competitive advantages given to the United Kingdom and to the rest of the Sterling Area by devaluation are limited. At the same time, not only in the Western Hemisphere, but in the whole world, sterling goods will have been reduced in price relative to American goods, and thus the demand on British industries to export to non-dollar countries will have been sharply increased. What are the chances of devaluation leading to a greater volume of dollars ? For British exporters, able to turn the dollars they earn into sterling at a higher rate than formerly, the profitability of the American market against others will, of course, have been greatly enhanced, and it must be hoped that this prospect rather than that of easy nondollar markets will dominate their choice for expanding activity-except, indeed, where exports to the "soft" markets would genuinely avert an equivalent dollar expenditure. A $30 \frac{1}{2} \%$ devaluation obviously makes possible very large reductions in our dollar export prices. If they
were cut by the full amount, however, we should need to increase dollar exports by $44 \%$ simply to get as many dollars as before, while a reduction of $20-25 \%$ would require us to sell at least onethird more than previously before we began to profit from the change. These may appear to be unrealistic illustrations, and doubtless, in many markets where supplies are restricted, no reductions at all will be needed. But we are referring here to British prices on the American seaboard. Price reductions at the consumer end, after internal costs and charges have been added, will not appear so big, and it is the consumer end which matters. Since the point of lowering prices is to tap an elastic demand, big reductions may be needed to evoke response.

It thus would be wrong to be over sanguine as to the amount of the advantage which devaluation may have given us. But for the expectations of it and the consequent flight from the pound, the wisdom of devaluing sterling would have been open to dispute. The hope, nevertheless, is that demand will respond adequately to lower dollar prices for British goods.

One needs here to distinguish clearly between the United States and the Canadian markets. In the case of the United States, many of the present lines go to specialist markets where the demand is not very elastic and, apart from textiles and possibly pottery, the main hope for expansion must lie in the development of new markets or of new lines. This is a matter for speculation upon which the Board of Trade is no doubt greatly exercised, but for the layman it is easier to make a wishful generalisation than to think of many concrete instances. Moreover, across the track of many apparently good starters lies the large obstacle of the American tariff.

In the case of the Canadian market, prospects are better. Canada has devalued her dollar by $10 \%$, making imports from the U.S. more costly, and this fact, coupled with the devaluation of sterling, makes the long-term opportunities for capturing the Canadian market for manufactures considerable, notably in the case of engineering products. In the short view also, prospects are good, but orders placed in the United States will have to be worked off first ; there is no suggestion of U.S. dollars being rationed in Canada, at least as long as we are able to pay in U.S. dollars for Canadian wheat.

One further, though maybe only a short-term, advantage from devaluation lies in a possible expansion of the dollar markets for primary commodities from the rest of the Sterling Area, particularly with Canada's commitment, and the
less definite undertaking of the United States, to expand their stock-piling of natural rubber and tin. These markets, however, are especially dependent upon the level of activity in the United States.

To sum up: devaluation has provided a psychological fillip to possible exporters and a new receptivity on the part of dollar purchasers, but these are transient effects and the advantages will need to be seized quickly if they are to be made at all permanent.

All this assumes that there will be no United States recession. From the data so far available, however, it is too early as yet to say that the United States " adjustment" has finally halted. Sales in the United States fell more rapidly than output earlier in the year, and their recovery has subsequently been the greater. But this reaction may be as exaggerated as the initial downturn ; the general trend has yet to reveal itself and it may be downwards. The probability of a fresh decline developing in 1949 is now, of course, remote, but it would be unwise to look as far as twelve months ahead with the same degree of confidence, especially if the successful passage of the last danger point breeds over-confidence on the part of business or administration regarding the next.

If a new recession should befall, it would have a direct effect on the dollar earnings of the Sterling Area in the United States itself : a sharp fall in commodity prices and hence in the dollar earnings of the rest of the Sterling Area would be one immediate result. In addition, serious damage would be suffered from the indirect effects of a heavy fall in incomes and prices in S. America, the Caribbean and Canada. No doubt the arguments in favour of the United States enlarging her foreign aid and overseas investment would be strongly pressed. But there can be no confidence that Congress would accept them, and a revival of American protectionist sentiment in such circumstances has already cast some shadows before.

## II. The Size of the Dollar Gap

Leaving aside the possibility of a renewed U.S. depression, as we must do at this stage, what might the other influences upon the dollar position of the Sterling Area amount to ? At the moment, apart from the aggregate figure of dollar imports by the United Kingdom for the period mid-1949 to mid-1950, official programmes are not publicly available, and any attempt at estimation must draw mainly upon the sparse amount of past data, The third
quarter of 1949 , even if we had sufficient information regarding it, would be a most untrustworthy guide. In that period, British imports, for example, were seasonally large while export payments lagged and new orders were held up against rumours of devaluation. Thus, though unsatisfactory, it is nevertheless probably wiser to refer to periods earlier than this. To avoid confusion, figures throughout this section will be quoted in U.S. dollars.

Taking into account the $25 \%$ cut in dollar imports officially promised, and the fact that, for the time being, imports from Canada will cost $10 \%$ fewer U.S. dollars (a saving of approximately $\$ 30 \mathrm{Mn}$.), we are left, for the end of the period, with an annual rate of imports from the dollar area of SU.S. $1,200 \mathrm{Mn}$., the figure officially quoted ; and if this objective is adhered to, aggregate expenditure in the next twelve months should not be much above that-at most, say, $\$ 1,250 \mathrm{Mn}$.*. Against this, but for devaluation, we might have set an annual export rate of not more than $\$ 700 \mathrm{Mn}$., probably a little less, leaving a trade deficit of some $\$ 550 \mathrm{Mn}$. Thus, the immediate effect of devaluation, if the dollar prices of all our exports were reduced by a full $30 \frac{1}{2} \%$ and there were no increase in demand, would be to reduce the United Kingdom's dollar receipts to about $\$ 475 \mathrm{Mn}$., and to raise the United Kingdom's adverse trade balance with the dollar area to $\$ 775 \mathrm{Mn}$.

Obviously, such a reduction of dollar prices will not happen or be required to happen for all goods, and where dollar prices are lowered there will be some expansion of demand. The priceelasticities of demand for individual products (and it is of these rather than any single composite elasticity that one must think) are most uncertain. We are beginning to reap the benefit from the capital which, in various forms, has been sunk into advancing our sales in the United States and, even though our costs may rise in the future, we are likely to have greater restraint in this respect than many of our competitors (though not of the United States itself). For the short space of the next twelve months, however, we would do well to be modest in our expectations. British salesmen will be feeling their way for a good part of the time in respect both of price reductions and new markets to be attacked. The net result for the immediate period, there-

[^51]fore, is as likely to be a small loss over our pre-devaluation earnings as it is to be a small gain.

The case of Canada is different: we shall be competing less with home producers than with American exporters. Thus, while in this case also it is easy to be over-optimistic, it is not an unreasonable expectation that, by the end of the year, we should be earning up to SC .100 Mn . extra. A detailed examination of Canadian imports, however, reveals a large range of items where it will be very difficult to displace U.S. goods. After allowing for the decline, in terms of U.S. dollars, of all receipts from Canada and also for the time it will take to build up to this rate over the year, we might perhaps reckon on an additional SU.S. $20-40 \mathrm{Mn}$. from Canadian sources for the immediate period ahead.

On this assessment-which, of course, is little more than guesswork,-the United Kingdom might, following devaluation, slightly improve her dollar earnings next year ; a deficit of some $\$ 500-550 \mathrm{Mn}$. in our balance of trade would remain.

The other items accounting for the dollar drain are less easy to forecast ; indeed, it is less easy to say what are the facts of the past. The annual rate of the United Kingdom's net adverse balance with the Dollar Area on invisibles is shown in official statistics to have been $\$ 160-190 \mathrm{Mn}$. over the last twelve months. Petroleum and shipping, which are important negative elements in these figures, provided the subject for one of the ten points of the Washington discussions in September, but the conclusions were not precise. Nothing was said about shipping beyond noting its importance in the Sterling Area's balance of payments. In the case of oil (whose significance as a source of dollar outflow has never been quite adequately explained), it was agreed to appoint representatives to provide the facts for further discussion. But on neither subject was there a firm enough assurance of relief to warrant writing down expenditure at this stage. There is room for some optimism regarding an enlarged tourist traffic, but, all things considered, the continuation of a drain at the same rate as in the recent past (say $\$ 175 \mathrm{Mn}$.) would seem a reasonable, if conservative, assumption.

Likewise, for the dollar expenditure of the whole Sterling Area in third countries, an initial assumption of " no change" ( $\$ 350 \mathrm{Mn}$.) is not unreasonable. If the dollar cost of trade with Belgium, Switzerland and Western Germany is likely to decline, the drain of dollars to South America, and possibly also to the Middle East, is increasing.

Any sizeable immediate gain from devaluation would seem, therefore, to depend upon the rest of the Sterling Area increasing the amount of its direct dollar trade. The dollar deficit of these countries in the first half of this year-taking into account invisible items and gold production-was about $\$ 350 \mathrm{Mn}$. per annum, but in 1948 it was only about $\$ 100 \mathrm{Mn}$. The exports by the rest of the Sterling Area to the United States and Canada were some $\$ 1,300 \mathrm{Mn}$. in 1948 ; but in 1949 they have fallen in both price and quantity, and present indications are that devaluation will produce a further fall in dollar price by around $10 \%$ on the average (several items, including gold, not falling at all). The price elasticity of demand for this group of exportsmainly primary commodities-is not large, and it seems doubtful whether, in quantities, we can hope to recover more than the ground lost in 1949. We are left, therefore, with a decline in dollar prices below the average 1948 level which may be conjectured to be something over $20 \%$, so that as compared with that year we seem likely to lose, in value, $\$ 250-300 \mathrm{Mn}$. But, on the other hand, the $25 \%$ cut in imports should save $\$ 400 \mathrm{Mn}$. in time-say $\$ 300 \mathrm{Mn}$. in the next year, to allow for partial fulfilment. Even without allowing for any extra gold production called forth by the higher sterling price, therefore, it is reasonable to hope that the dollar deficit of the rest of the Sterling Area will be limited to the 1948 level, or even a little below-the decline in the value of imports offsetting the decline in exports. Since we do not know the rate of imports on which the $25 \%$ cut is based, this calculation is especially liable to error.

Nevertheless we can now obtain a rough estimate of the total gold and dollar drain on the Sterling Area reserves-bringing in as a final item the dollar capital outflow of the United Kingdom of up to $\$ 100 \mathrm{Mn}$. The accounts can be
summarized thus :-

| United Kingdom : |  |  |  |
| :---: | :---: | :---: | :---: |
| visible dollar deficit |  | say, | 500.550 |
| invisible dollar deficit |  |  | 175 |
| dollar capital outflow |  |  | 100 |
| Rest of Sterling Area : |  |  |  |
| visible and invisible dollar deficit after allowing |  |  |  |
| for gold production |  |  | 100 |
| Whole Sterling Area : |  |  |  |
| gold and dollar deficit | th third countries |  | 350 |

1,225-1,275
Against this deficit of about $\$ 1,250 \mathrm{Mn}$. we may presumably set $\$ 900 \mathrm{Mn}$. of Marshall Aid, and a conjectural $\$ 80 \mathrm{Mn}$. for colonial development from the International Bank. Additional commodity stockpiling by the United States and Canada might yield $\$ 70 \mathrm{Mn}$. Thus the residual
dollar gap would be $\$ 200 \mathrm{Mn}$., against a gold and dollar stock remaining at the end of September of $\$ 1,415 \mathrm{Mn}$. The United Kingdom's drawing rights on the International Monetary Fund are in voluntary suspense, in view of Marshall Aid, but the rest of the Sterling Area, which is not an E.R.P. beneficiary, has drawing rights of $\$ 175 \mathrm{Mn}$. a year. This sum, provided it were added to the savings from import cuts and not made an alternative to them, would be nearly enough to bridge the gap. Even without the use of this source, however, the gap is " manageable" at least in a short-sighted sense.

The facts of which we must continually be reminding ourselves in 1950, however, is that this manageability of the dollar gap is attainable only because of Marshall Aid and of an almost intolerable restriction of imports, and that it is conditional on the recovered confidence in sterling being maintained. Immediately, the gap is covered ; for future years, hope must largely rest in the long-run increase of British dollar exports and in the displacement of dollar imports both at home and abroad. If devaluation of the pound is to prove not a hasty expedient but the first step towards a new stability, it will be because it makes possible these changes-and because, in our policies, internal as well as external, we plainly set out to exploit it in that way.

## III. Prospects at Home

When we turn to estimate the prospects for 1950 in the home economy, we are faced by an exceedingly complex problem. We have to deal, not with a mechanistic economic model, but with problems of psychology and of the interplay of classes. Furthermore, the situation seems to have two faces. One set of observers fix their attention on the achievements of the British economy-the high level of exports, the rises in production and in productivity-and observe that the deficits still to be covered are very small compared with our total income, and that there seems to be no necessity for an actual fall in the standard of living. To those who see this optimistic face, the need is only for slight modifications of policy, well within the bounds of political possibility. To others, the heavy shadow of inflation is the dominating feature, and, as they look at it, it seems almost certain that only heroic measures can avoid the loss of all the advantages made possible by devaluation. Those who look on this face of the situation press strongly that such measures be taken urgently; but since it is not easy to imagine large changes, of policy in an election year-and since, in any case
democratic politicians are severely circumscribed in the policies they can adopt-they can see little in 1950 but a regrettable certainty of renewed crisis.

It will be seen that our own conclusions are intermediate. The situation in 1950, we believe, will be dangerous, requiring the utmost care and vigilance in its treatment, but it can be controlled by measures which lie within the political competence of either major party. It would be foolish to rely on the violent application of particular policies; the situation requires the simultaneous use of many measures, none of them to excess. If our suggestions for policy seem to be framed with a narrow regard for political possibilities, it is because, now that the character of the crisis has penetrated our national understanding, the disputes remaining are largely on matters of quantity and degree. A policy fully and certainly adequate in theory might in practice fail to command the co-operation necessary for its execution. We hope that what we propose is both possible and just adequate-indeed, that a genuine and firm recovery may at last be round the corner. But this belief is overshadowed by one proviso, which we shall not consider in detail but which overhangs all our discussion. If there is a severe recession in the United States, we see little chance of avoiding considerable unemployment and social unrest in Britain.

The two views outlined above can be simply stated. The optimists observe that recently, the annual increase in the national income (at 1948 prices) due to rising productivity cannot have been much less than $£ 300 \mathrm{Mn}$. Now, towards the end of 1948 and in early 1949 the United Kingdom achieved an overall balance in its overseas accounts - in other words, our borrowings from the dollar area were equalled by our lendings, or repayments of debt, to the rest of the world ; and there was probably also an approximate balance between internal demand and supply. The Government now hopes, by devaluation, to reduce our dollar deficit below the late 1948 levels, and this involves a diversion of goods and services into exports to the dollar area. But it is not likely that this diversion will be at the expense of exports to the rest of the world. These are likely to increase, for three reasons. Firstly, we shall now be more effective competitors with the United States in those markets where the choice between dollar and sterling purchases can genuinely be made. Secondly, the cut in dollar imports implies an increase in non-dollar imports, and thus an increase in the supply of sterling to the non-
dollar world. Thirdly, this supply is swollen by the extravagant increases in the rate of release of sterling balances to which, for the time being, we are committed.

Therefore-always assuming that there is no world slump-we ought to look forward to the occurrence of a net overall surplus in our overseas trading for 1950. What is the maximum call on resources required to produce this surplus? The most optimistic estimate of the expansion in the volume of dollar exports in the first year could surely not exceed $£ 100 \mathrm{Mn}$. (at 1948 prices) over the 1948 maximum, for it takes time to win new markets. ${ }^{(1)}$ The expansion of nondollar exports is conjectural, but anything above $£ 100 \mathrm{Mn}$. would imply a quite unreasonable rate of repayment of overseas debt. The total of $£ 200 \mathrm{Mn}$. is more than balanced by the expected rise of production.

Now, to suppose that we can meet the requirements of 1950 's additional trading without diverting a significant amount from the stream of consumption, Government expenditure and capital formation gives too optimistic a view. The increases in production are conjectural-a few large strikes or a widespread go-slow movement could wipe them out. In any case, the extra production will not consist of just the goods needed for export. There will be severe pressure on particular trades (such as motors) while others (such as ship repairing) may be short of work. Further, it is no easy matter of fiscal policy to divert the whole of marginal real income to purposes other than its consumption by those responsible for producing it. Nor must we forget that we are setting out, not from the equilibrium of 1948, but from the renewed inflation of 1949, and this also has to be offset. Nevertheless, looking at real income, it is salutary to recall that our trade problem is concerned with amounts large indeed in relation to our reserves but small in relation to our production. The export drive will continue to create some exceptional shortages, but by and large it should compel no drastic fall in the standard of living. A constant flow of real consumption would imply a slight fall in standards, owing to the rising population, but this would be hardly large enough to be noticeable in one year. These facts seem to us to give considerable hope for our economy, and they have been forgotten in some of the alarmist reports of recent months.

[^52]Immediately, however, there are certainly some serious dangers. The impact of devaluation on the ordinary consumer comes primarily from higher prices, and the "cost of living question " is likely to take first place in the mind of the electorate in 1950. Prospects for world commodity prices and for the internal prices in this country are discussed in other articles in this Bulletin, on pages 137 and 126 respectively. Even assuming no appreciable fall in dollar prices-and the American support programmes make it hazardous to rely on such a fall in the next twelve months-the direct effect on the cost of living of devaluation relative to the U.S. and Canadian dollars, the Swiss, Belgian and French francs, the Pakistan rupee, and other currencies may be quite small: $3 \%$, or $4 \%$ if the Argentine meat prices have to be raised. But this is by no means the end of the story. There has been a rise in the price of materials, such as rubber, copper, tin and wool, which come substantially from sterling sources. It may not be possible to maintain all these increases, but if they are symptomatic of a diversion of sterling commodities to dollar markets they will clearly have to be borne. Furthermore, it is well-nigh impossible (as long as present employment levels continue) to prevent a further accretion of price, in the shape of conventional dealing margins, as the dearer materials pass through the production process.

If, therefore, the results of devaluation on prices were left to work themselves out without further disturbance and without counterbalancing reductions, the price level of consumer goods in nine or twelve months' time might be as much as $7 \%$ or $8 \%$ above present levels. The process would be slow-it usually takes many months for raw materials to cross the sea and for the resulting goods to be manufactured and distributed; but by the middle of 1950 the extent of the rise would be obvious. There is indeed one offsetting factor to be remembered; we are so far assuming no wage increases, and in that case the annual rise in productivity might, after allowing for the increase in population, permit a price fall of the order of $2 \%$. But it is not at all certain that, in an inflationary situation, the gain would in fact reach the consumer in this form. The existence of piece-rates ensures that some part of it would be cancelled out by higher earnings, and the rest might well disappear into profits.

We conclude, therefore, that 1950 may see a rise of prices, above mid-1949 levels, of $5 \%$ to $8 \%$-the lower figure being likely only if some
form of deflationary brake is applied, while higher figures, $10 \%$ or more, are by no means inconceivable. ${ }^{(1)}$ This is a serious conclusion; for while it is conceivable that organised labour might tolerate a cut of $2 \%$ or $3 \%$ in real wages without excessive unrest, a cut of $5-8 \%$ would almost certainly produce strong repercussions. Any wage increases due to higher productivity would be unevenly spread; and the burden of higher prices would fall with full weight on the pensioner, the widow, the sick and the disabled. In such a situation we should rapidly find that the problem was not one of preventing any increases in personal incomes, but of deciding who should receive such increases and how they should be minimised.

This is the danger, and in the view of the pessimists it is bound to result in renewed crisis within the next year. We have seen wage increases of over $5 \%$ even in years when the cost of living was nominally stabilised. A new round of wage increases would stimulate further price rises, which, in an economy remaining very fully employed, would tend to be of a similar percentage size to the wage increases. As 1951 was reached, $5 \%$ or $8 \%$ would move on towards $15 \%$ or even $20 \%$. We might slow down the process, and thus maintain or even increase our competitive advantage vis-a-vis other countries less able to control the inflation they have let loose, but we should steadily lose the advantage we have gained in the dollar export markets.

Devaluation under full employment is a much riskier experiment than devaluation during a slump. In a slump there is some chance that the pressure of unemployment will prevent wage demands, and that the low demand for imports will so depress their price as in effect to shift the burden of devaluation on to the primary producers. At present high levels of employment, and with imports already severely restricted, this way of deadening the effect is not available. If we are right in expecting a substantial rise in prices in 1950, then (if full employment continues) it would seem impossible to avoid some degree of wage inflation ; how much depends on the policies adopted by labour and capital, and thus in part on the result of the General Election. But whatever Government is returned will have urgently to give its attention to means of limiting the rise in prices and wages, and thus of preventing an inflationary spiral.

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## IV. The Problem Summarized

The decision to devalue the pound brings out into the open three problems. Firstly, by turning the terms of trade against us, it leads directly to a reduction in real income. More of our production has to be earmarked for export. Secondly, if devaluation is effective in reducing our dollar deficit, it will in effect involve an increase in our overseas balance, and this "overseas investment," even if it takes the form of a repayment of sterling debt, must be matched by saving. Thirdly, the price rises created by devaluation tend to involve a redistribution of income away from labour, and therefore they encourage the already existing tendency for wages and prices to chase each other. We may summarize these as the Terms of Trade problem, the Savings problem, and the Redistribution problem respectively.

If we ignore the Savings problem (which is the crucial one from the point of view of policy) and fail to divert the income created by rising productivity towards exports, then the needs of export will be met only by driving up prices at home-that is, by an enforced cut of real incomes; and this cut will itself stimulate further price rises, because it will give rise to further wage demands. It is therefore very important that we should either increase the flow of saving or diminish the demands made by the rest of the economy on the existing flow. A redistribution of income in favour of profits itself tends to increase saving, for, as long as dividend limitation continues, the extra profits will remain undistributed or go in extra taxes to swell the Budget surplus. But on the other hand, the rise of prices tends to encourage dissaving, or a lower rate of saving, by private individuals; for it is natural that anyone with accumulated savings in a liquid form, not clearly earmarked for some longer-term purpose, should be tempted to draw on them to maintain their standard of living or to buy durable goods ahead of requirements. We cannot therefore rely on any considerable net increase in " voluntary " saving by businesses and individuals taken together. It would seem therefore that the solution of the Savings problem must lie largely in making a greater volume of savings available through the Budget or else in reducing the need for them.
This means disinflation ; but before discussing possible policies, it is important to decide how far disinflation should be allowed to go. Obviously, the excess of purchasing power which has grown up since late 1948 should be eliminated.
But ought we to go beyond that ? Some
commentators would wish to go some way beyond that point, and are prepared to tolerate a modest increase in unemployment as the unavoidable accompaniment of their policy. To pursue " disinflation" thus far, it is contended, would not only prevent a new inflationary price rise ; it would also increase the flow of wealth by giving both management and labour new incen-tives-for the one, the incentive to avoid financial losses, and for the other, the incentive to make sure of a continued job. It would restore elasticity to the economy, and, by attempting less, we might in the end achieve more.

On the other hand, the labour movement reacts very strongly against any mention of possible unemployment. There is need for clear thinking here. On the one hand, present levels of unemployment are possible only in a prosperous and static community ; since we are bound to have considerable changes between industries in the next few years, we ought to expect transitional or " change of job " unemployment to rise-bringing the total to perhaps 500,000 . We do not wish to imply that unemployment necessarily increases industrial mobility, but that the necessary changes between industries will (whether we want it or not) be accompanied by some unemployment. The economy cannot remain petrified in its present state, and no political party ought to promise to maintain " present levels of employment." But on the other hand, unemployment of more than a million, though it might be effective in disciplining the British employer and worker, would of itself involve, not only a direct loss of production, but intolerable social injustice and suffering.

At this point, compromise might suggest an intermediate level, say 750,000 , to which the economy might move to advantage. But, whatever the long-term case for this may be, the short-term results would be, we suggest, of quite a different character. It would probably take several months for this intermediate level to be reached and the short-term results of low but rising unemployment (and even of the necessary increase in transitional unemployment) could be very damaging. Productivity would fall, as the volume of work was "spread over" as many men as possible; union strike funds, unused for many years, might be brought into play; while, since the pre-condition of such unemployment is a fall in business sales, industry might well unite with labour, as has happened in the past, in bringing pressure on the Government to ease taxation and reverse the trend. Moreover, even if this estimate of the results
is disputed, it would still be realistic to see how far we might get whilst avoiding such a step. We do not believe that any political party is likely, in the year 1950, deliberately to pursue a policy of deflation to the extent which would produce such unemployment. A tentative deflation, creating some transitional unemployment while trying all the while to minimise it, is the strongest policy one can reasonably expect.

It is necessary to point out again that it is by no means certain that full employment will, in fact, be maintained throughout 1950. We are not, and cannot at present be, isolated from the immense economic bulk of the United States. A sudden slump there, by its repercussions on our other markets as well as its effect on direct dollar trade, would have a marked and rapid effect on our exports, and our means of internal adjustment are not so speedy, accurate and powerful that we could maintain full employment in such conditions. This vulnerability is a fundamental weakness at the present time.

## V. Possible Policies

A policy which, as we see it, would have best chance of success at this time would contain two parts. It would neutralize the recent development of, and threatened growth in, inflation by measures such as the reduction of internal calls on the flow of new savings, but without creating large unemployment. It would minimise the incentives to wage inflation, not only by direct discouragement of price rises or wage increases, but by limiting the redistribution of income in favour of profits, while still leaving exceptional inducements to export.

The first statements of Government policy following devaluation related to the second of these two requirements. The Government's policy for the discouragement of wage inflation consists of three elements. Part of the reaction is to deny that the situation exists-to " expect" very moderate limits to the rise in prices, in the hope that wage demands will thereby be averted. We may, of course, have good luck in the shape of lower import prices-though it is not easy to see how the fall can be great unless there is a U.S. slump, which would bring its own problems.

The second line of defence is to discourage all increases in personal incomes except to a very limited class of workers suffering hardship, to urge that any increases granted should not be passed on to higher paid workers through the operation of customary differentials and, as a counterpart to this treatment of wages, to increase further the tax on distributed profits. The wage section of this policy is very difficult
to apply, for the complex rate-structure of British industry has already been severely compressed (see p. 129 below); the margin, in real terms, between unskilled and skilled workers is less than in 1939, and is probably smaller than efficiency demands. The effect of the increased profits tax is somewhat similar. Only rough and ready in achieving its purpose, it will add a fresh deterrent to the smaller business, whose exporting capabilities we perhaps need most to exploit at the moment. Furthermore, it is really a tax on business saving, for, though calculated on distributed profits, it will doubtless be paid out of undistributed profits. If this is true, it will have no direct deflationary effect.

The third element, now admitting higher import costs, is to insist on the rise being absorbed by processers and distributors before goods reach the final consumer. This is liable to prove a bad policy, since, in many instances, it will involve a failure to provide for the replacement of capital. Its effect, if it succeeded, would be to cut home distributors' profits. This, in itself, would do no harm to the export drive, and it might even stimulate some increase in efficiency. In practice, however, the only likely advantage of this policy is that it may prevent some of the additions to prices and to distributors' profits arising from the use of conventional percentage mark-ups in a rising market. But the rudimentary machinery of price control is hardly effective enough to enforce any strong policy; action in this field may help a little, but cannot be effective by itself.

A possible fourth way of preventing wage inflation, namely an increase in subsidies, has been rejected by the Government. Since one of our main problems is to prevent the magnification of an initially small price rise, an increase of subsidies might seem by far the most obvious and effective measure. But it has to be rejected because the British tax system is already overburdened, and an increase in subsidies not matched by higher taxes would add to inflation.

The Government's policy with regard to wage-inflation, though it includes some irrelevancies, may be accounted a fair beginning with a most intractable problem. Given resolution, and success in other policies, it may work. What action, then, might the Government take on the side of demand, to restrain or offset some of the inflationary forces and to diminish the attractiveness of the home market relative to export ?

The first possibility in the catalogue is the withdrawal of purchasing power through increased
taxation. This, as we suggested above, will not be effectively achieved by the increase in the tax on distributed profits. It is true that the inflationary effect of all wage and profit increases, especially the latter, will be substantially offset by the taxes levied on them. But if we look for some considerable new deflationary force from extra taxation, the answer must surely be that taxation is already too high and further increases would be very damaging to productivity.

There is, however, one financial effect of devaluation which may seem helpful. Marshall Aid is fixed in dollars, and the sterling counterpart funds controlled by the British Government will therefore be some $£ 80 \mathrm{Mn}$. higher than expected, which would appear to be a form of compulsory levy, and therefore deflationary. This, however, is a confusing way of looking at things. All the rises in import prices are "deflationary " (whether or not they lead to increases in counterpart funds) in that they lessen purchasing power available for other uses. We must not count the effect of the extra counterpart funds twice; and on the other hand we must not, in focussing attention on the inflationary reactions of price rises on wages, forget that, acting on a constant total of incomes, their effect is to lessen the total quantity of goods and services demanded.

The second main possibility is of retrenchment in Government expenditure. This has given rise to some wildly exaggerated hopes and demands, and we must therefore examine it with care. Let us look at the main heads of expenditure, and the Government's proposals with regard to them.
(i) The National Debt Interest. We are at present servicing the National Debt at an exceptionally cheap rate, owing to the large size of the short-term debt and our ability to maintain a low short-term rate of interest, despite increases in the long-term rate. The time may come when we shall be unable to isolate the short-term market in this way. The cost of the National Debt, therefore, is much more likely to rise than to fall; and some fairly significant medium-term maturities have to be met in the next two years.
(ii) Defence. The proposed cut of $£ 30 \mathrm{Mn}$. in defence expenditure appears merely to offset some part of supplementary estimates which will be required. It is very much to be hoped that an early statement of defence policy will reveal the possibility of making further substantial savings-say of $£ 50 \mathrm{Mn}$. or more-even in the face of rising costs at home and overseas.
(iii) Cash social security payments. Here
savings might conceivably be of two kinds-a general reduction of benefits, or an exclusion of certain kinds of need from the scope of the allowances. It will be extremely difficult to resist the pressure to increase benefits, if the cost of living rises substantially. As for changes in scope, in the field of National Insurance there is virtually an obligation on the State to provide stated benefits in exchange for stated contributions; it would be very difficult indeed to alter this obligation. It would no doubt be possible to apply more stringent tests of means for National Assistance, but having regard to the present scales of assistance, it would not be tolerable to save very much from this source. (The administrative expenses in connection with social security payments do not seem excessively high.)
(iv) The National Health Service. The new 1s. charge for prescriptions has established a principle of charging for items of service, but it would not be easy to extend it in any way which would yield much revenue or eliminate much expenditure without injustice. The frightening thing about National Health Service costs is the burden of hospital services and the proliferation of specialist departments; but there is no short-term cure for this problem, which is present in many countries. It will be difficult enough to prevent further increases in the Health Service estimates, especially as there is an outstanding "wage claim" by the doctors.
(v) Education. The number of children at school is rising towards its maximum, with the intake of the first big postwar age groups. It will be difficult to keep educational costs down. It seems, however, rather unfortunate that the principal saving in this field, that on school meals, will bear hardly on those with large families.
(vi) Subsidies. Prima facie, a substantial reduction in subsidies would be a very ill-timed measure when further wage inflation is incipient ; it might loose an inflationary flood which would overwhelm its own deflationary effect. It might be possible to reduce subsidies, reduce indirect taxation, and increase family allowances and social security payments, all at the same time ; but any such joint operation, if it achieved a substantial saving, would still have a very noticeable effect on the retail prices index and thus on wage demands. The minor changes proposed by the Government may in themselves prove dangerous, for their delayed action will become noticeable just at the most critical period, when the devaluation price rises have worked their way through the productive system.
(vii) General administrative costs, controls and services. It is here that many commentators see opportunities for sweeping economies. Unfortunately, a careful examination of the Government accounts shows that these sections of expenditure are by no means as large as is commonly supposed. For instance, the direct administrative services of the Ministries of Food, Agriculture, Labour, Fuel and Power and Transport, and of the Board of Trade, cost together less than $£ 60 \mathrm{Mn}$. Certainly the most stringent economies should be instituted, in the face of rising costs ; but it is unlikely that the saving will be much more than $£ 25 \mathrm{Mn}$. It is not easy to deduce what the Government actually hopes to save in administration, but it appears to have made a good first attempt.
(viii) Capital expenditure (Government buildings, roads, overseas development, etc.). Here the cuts proposed could probably be extended, but it will be simpler to look at them as part of the capital programme as a whole.

In addition, there are a host of minor economies which are being, or could be, made in miscellaneous services. It is not easy to disentangle just what the October 24th proposals amount to ; of the "savings " of $£ 120 \mathrm{Mn}$. in Government current expenditure (including defence) an unknown, but substantial, partare savings, not on the original estimates, but on increased estimates which would otherwise have been presented. 1950 would in any case see certain automatic rises in Government expenditure, and there will be a loss of $£ 30 \mathrm{Mn}$. tax revenue in 1950/51 from the delayed effect of the 1949 Budget. Since there is an inevitable slowness in bringing economy measures into effect, it looks as though the 1949/50 Budget will almost certainly show less than the anticipated surplus, while, at the 1950/51 Budget or before, the country will have to face further cuts.

What might these further measures be ? Perhaps $£ 50 \mathrm{Mn}$. could be saved on defence, and $£ 10 \mathrm{Mn}$. by further administrative economies. One of the difficulties in pruning Government expenditure is that whilst one may soundly argue for the painless cutting back at the margins of numerous services, neither the system of financial control nor the technique of administration really work in that fashion. Not to start particular services or to halt certain services which have been started (not whole services, of course, but plainly definable elements) is really the only way of getting effective economies. This fact is important in judging the present list of Government proposals; where the decisions which have
been taken are of this type we can be confident that, provided the Government itself adheres to them, they will be brought about ; in other cases, unless at an early stage precision can be and is given to them, we may well fear that they will be found, through nobody's fault in particular, just not to have happened.

Beyond the possible savings on defence and administration the only field for economy is the social services, and this implies a reduction of the real income offered by these services-by action such as the reduction of subsidies or the imposition of a means test for the National Health Service. It is possible to argue theoretically that we have moved too fast towards the Welfare State, and should now retreat a step. But it is quite another matter to suppose that, in a situation demanding restraint by labour, it is possible to maintain that restraint while the social services are cut.

We therefore turn to consider the third possible means of asserting a deflationary pressure -the cutting of capital expenditure. There are fewer political restrictions against this, but it must not be supposed that it is practically an easy matter. The last attempt to cut building produced, not a transfer of resources to other industries, but a large leakage into property repairs. It will be interesting to see whether control is any more effective on this occasion. It would be possible to relieve the pressure on the engineering industries by reducing the rate of industrial replacement and re-equipment, but this has been rightly, if inelegantly, described as "cutting our long-term throat"; our future increase in productivity depends on a high rate of re-equipment.

Nevertheless, an attempt must certainly be made to carry out and extend the planned reductions or delays in that part of the capital programme which the Government is able to control, and to encourage more ingenuity in devising make-shifts. The policy of paring capital expenditure would be greatly assisted if there were a further rise in the long-term rate of interest, and it is at least possible that this might also revive the rate of personal saving. The belief that cheap money is always desirable has no economic foundation, and it is most unwise to forgo the additional possibilities of control presented by the rate of interest.

The proposed capital cuts, of $£ 140 \mathrm{Mn}$. below the current rate, seem to be fairly enough distributed, but one might reasonably have hoped for a slowing down of investment in the colonies and other overseas territories. Our difficulties
in financing capital investment are not going to disappear quickly, and the priority given to the re-equipment of essential industries must remain. One wonders, therefore, whether the Government ought not to look again at the simplification of building standards for houses, schools, offices and factories-where possible, by the omission of items which could be added later. It is high time, too, for the whole subject of house rents and subsidies, and house prices, to be brought under review, for we are certainly not making the best possible use of the existing housing accommodation of the country, and we are tolerating very large inequalities and injustices. But it is too much to expect this thorny question to be answered just now.

Finally, the inflationary pressure could be considerably relieved if we could reduce the rate of repayment of sterling debt ; that is to say, if releases from sterling balances could be on a more moderate scale. This is a matter on which a full policy statement is long overdue; the political difficulties involved are appreciated, but it is to the ultimate advantage of holders of sterling balances to prevent their depreciation in real terms by helping to relieve the inflationary pressure on the United Kingdom economy, and the Sterling Area's gold and dollar reserves have fallen too low now for such facts not to be appreciated. On the other hand, some of the larger releases have already been decided, so it will not be wise to count on much relief in the coming year. Another facet of the same problem is the rate of capital investment in the Dominions. The country cannot afford an uncontrolled outflow of capital. The only simple way of control here also is to allow the rate of interest to rise.

It is impossible at present to give any precise figures, but we would sum up the changes in the balance of savings and investment, as compared with the "equilibrium" of late 1948, in the following rough form: the flow of private saving is assumed unchanged.

[^54]This table assumes, in effect, that 1949's increase of production has been absorbed in higher consumption, and that the failure of the budget surplus to reach estimate, together with any volume increase over 1948 in the flow of capital formation, has created a new inflationary pressure, requiring economies of $£ 150 \mathrm{Mn}$. to offset it. The figures are so rough that we cannot take proper account of price changes, but we believe that they are broadly correct in suggesting that the Government's programme is, even by its own limited objective, somewhat, but not gravely, inadequate. If the action already taken were moderately extended, and backed by a higher rate of interest and by evidence of Government determination, we might, in 1950, achieve a precarious balance without excessive encouragement to price and wage increases, and without more than reasonable transitional unemployment. This will not of itself stop the wage inflation, which has gone on continuously since 1939, but it might hold it within reasonable bounds.

## VI. Conclusion

Our appraisal of the dollar position of this country and of the Sterling Area is, perhaps, more optimistic than many who have given thought to it would allow. There are very large uncertainties here, and no-one would wish to prophesy with any confidence. We would point out, however, that our conclusion is not dependent upon any extravagant expectations regarding export prospects, but rather the contrary. We should expect dollar exports to be rising during the next twelve months, so that the ultimate level might be significantly higher than the amount we have taken credit for in the immediate period ahead. Given a firm hold on capital exports and the absence of a United States slump, the dollar position in the next year would appear, on our reckoning, to be just manageable. It cannot be too frequently stated, however : first, that, as long as our reserves remain in such a low
state, even if we draw upon them no further, they are quite inadequate to secure us against any large decline in United States activity ; and secondly, that any present precarious balance is only ours because of Marshall Aid, the closing date for which draws frighteningly near.

It is these facts which make decisions on the home front so important. We have not been blind to the difficulties facing the Government here, and are disposed to recognize more than many the importance of the fact that, in the latest decisions announced, psychological fences have been broken down and sacred cows have been slaughtered. Two questions must, however, be asked. The Government has set itself the limited objective of removing the excess of demand over what is required to maintain the existing high level of employment. First, then, will the measures proposed achieve that ? The right kind of decision has been taken ; the direction is sound. But some of the new decisions will be dangerously slow in yielding their effects; and the nature of some others is such that, with the best of good will, confidence in their successful outcome cannot be rated high. Within the assumptions of the present policies, more needs to be done and can be done, as we have tried to show. But there is a second question : is the Government's objective a sufficient one ? Here there is room for disagreement between those who would seek to raise the amount of flexibility in the economic system and those who are firmly set against greater unemployment even as the accompaniment of this worthy purpose. In some degree, however, this dispute can be bypassed. As Marshall Aid runs out, new economies will be necessary unless we simultaneously cut down our overseas investment : it would be putting too heavy a trust in increased productivity to expect it to fill more than a part of the gap. Seeing that there are such long lags between Cabinet decision and the result, there is no danger of any restrictive policy being overdone.

# PRICES AND DEVALUATION 

By R．G．D．Allen

The general course of prices during the six months before devaluation of sterling is shown in Tables 1 and 2．Import prices were falling－ and falling generally，for foodstuffs as well as for industrial materials and products．Export prices were firm and there were some increases in the period．As a result，the terms of trade were considerably more favourable in September than at the worst point reached early in the year．

TABLE 1.
WHOLESALE PRICE INDEX NUMBERS （Average $1938=100$ ．）

|  | $\begin{aligned} & 1948 \\ & \text { Aver. } \end{aligned}$ | 1949 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Mar． | June | July | Aug． | Sept． |
| Average values of ： |  |  |  |  |  |  |
| Total Imports．．． | 289 | $300 \frac{1}{2}$ | 293 | 288 | 285 | 283 |
| U．K．Exports ．．． | 247 | 252 | 254 | 254 | $256 \frac{1}{2}$ | 254 |
| Terms of Trade ．．． | 117 | 119 | 115 | 113 | $111{ }^{2}$ | 111 |
| Wholesale Prices ： |  |  |  |  |  |  |
| B．Trade Index | 216 | 217 | 2281 | 226 | 225 | 226⿺𠃊⿳亠丷厂犬 |
| Food Products Industrial | 177 | 171 | 191 | 191 | 195 | $195{ }^{2}$ |
| Materials | 301 | 314 | 306 | 301 | 302 | 310 |

Index numbers of average values are extrapolated into 1949 by means of monthly index numbers of import and export prices ；terms of trade is ratio of index numbers of average values（total imports to U．K．exports）．
Index numbers of wholesale prices of food products and industrial materials are derived by re－combining and re－ weighting certain series selected from the Board of Trade index （see Economic Journal，June，1949）．

Domestic prices，both at wholesale and at retail，were disturbed by two sets of adjustments made in April and May following the policy to limit government trading losses and subsidies． Iron and steel prices were raised and there were increases in the prices of meat，butter，margarine and cheese．The effect on the Board of Trade＇s index of wholesale prices can be estimated as about $2 \%$ for the rises in iron and steel prices and at least $4 \%$ for those in food prices．The March figure of $217 \%$ of 1938 should therefore

TABLE 2
ESTIMATED INDEX OF RETAIL PRICES FOR WORKING CLASS FAMILIES（Average $1938=100$ ）．

be raised to something over 230 to allow for these adjustments and to compare with subsequent months．When this is done，it is apparent that there was a general downward trend in wholesale prices，the fall being of the order of $3 \%$ in the six months before devaluation．

In the retail price index，the adjustments in food prices in April and May to limit the over－all amount of subsidies caused the food component to jump from $149 \%$ of 1938 in March to 159 in June．The index of all retail prices increased from 176 to 179 （avg． $1938=100$ ）as a result of these adjustments（and of the Budget changes in the prices of beer and matches）．Otherwise retail prices remained almost unchanged during the six－month period before devaluation．What changes took place（e．g．certain increases in the charges for gas）were scattered and with little effect on the retail price index．

The picture is completely changed by the devaluation of sterling in September and it will be several months before anything like the full effects can be seen in price index numbers．All that can be estimated with any accuracy now is the direct effect on price levels of changes in the sterling price of imports from countries which have not devalued（or devalued less than sterling）． This is a rather academic calculation，for the indirect effects of devaluation are likely to be as important－indeed more important－than the direct effect．But it is a useful calculation since it shows that part of the price change which can be estimated in advance，limiting the guess－work to the effect of the broader and less direct factors affecting prices．

Specifically，the computations of the direct effect of devaluation which follow are based on a series of assumptions．It is assumed ：－（1）That f．o．b prices of all imported commodities remain unchanged in the currencies of the exporting countries；（2）that charges for freight and insurance（in sterling）are increased in proportion to the increases in the general level of all import prices（in sterling），i．e．，by less than the full extent of sterling devaluation；（3）that the composition of imports from various sources remains unchanged and（if the retail price index is in question）that the volume of imports entering into consumption increases in proportion to the volume of consumption；（4）that the domestic elements in all sterling prices remain unchanged，e．g．，the prices of goods and services with no import content，margins for manufac－
turing and distribution, subsidies and indirect taxes on specific items all remain fixed in amount TABLE 3.
U.K. IMPORTS BY SOURCE.

|  | 1948 |  | $\begin{gathered} 1949 \\ \text { 1st } \\ \text { Helf } \end{gathered}$ | Sterling price increase (\%) |
| :---: | :---: | :---: | :---: | :---: |
|  | 1st Half | 2nd <br> Half |  |  |
| Total Imports (£Mn., c.i.f.) | 1026 | 1054 | 1120 |  |
| \% from sources : |  |  |  |  |
| (1) Currencies not devalued | $21 \cdot 2$ | $22 \cdot 1$ | $21 \cdot 6$ | 44 |
| (2) Currencies with multiple exchange rates ... |  |  |  |  |
| Argentina, eto. | $5 \cdot 9$ | 6.6 | 3.8 2.0 | $\}$ Up to 44 |
| Spain and Colonies | $1 \cdot 7$ $1 \cdot 3$ | 1.4 | $2 \cdot 0$ 0.4 | $\} \begin{aligned} & \text { (say } \\ & 25)\end{aligned}$ |
| Russia, etc. <br> (3) Currencies devalued less than $30 \%$ : | $1 \cdot 3$ | $1 \cdot 7$ | $0 \cdot 4$ |  |
| Canada and Newfoundland | 11.4 | $10 \cdot 0$ | $8 \cdot 7$ | 31 |
| Italy ... | $1 \cdot 1$ | $1 \cdot 9$ | $1 \cdot 4$ | 30 |
| Belgium, etc. | $2 \cdot 5$ | $2 \cdot 2$ | $2 \cdot 5$ | 25. |
| Portugal and Colonies ... | $0 \cdot 6$ | $0 \cdot 3$ | $0 \cdot 3$ | 25 |
| Germany | $1 \cdot 4$ | $1 \cdot 4$ | $1 \cdot 6$ | 13 |
| France and Colonies | $3 \cdot 3$ | $3 \cdot 3$ | $4 \cdot 9$ | 12 |
| (4) Currencies devalued with sterling ... ... | $49 \cdot 6$ | $49 \cdot 1$ | $52 \cdot 8$ | Nil |

Group (1) includes Czechoslovakia, Hungary, Poland, Yugoslavia, Bahrein, Iran, Saudi-Arabia, Pakistan. In group (2), Uruguay and Paraguay are included with Argentina; Bulgaria and Rumania with Russia. Morocco and Siam are included in group (3) and added to the figures for France and Colonies.

With these assumptions, the simplest calculation is the effect of devaluation on the level of import prices. Table 3 shows the source of U.K. imports over a period of eighteen months, the classification being by the extent (as far as known) of devaluation in the countries of origin. The table indicates that there has been an increase in the proportion of imports drawn from the " softer" sources - the sterling area, countries which have devalued with sterling, France and French colonies. Imports from Canada and Argentina have declined relatively, though imports from the group consisting of the U.S. and other countries which have not devalued remain at about the same proportion of the total. Using assumptions (1) and (2), we can apply the sterling price increases of the last column of Table 3 to the c.i.f. valuations of imports in other columns. (In the case of the group of countries with multiple exchange rates, we make the arbitrary assumption that the average sterling price increase is $25 \%$ ). The result of the calculation is that the general level of import prices increases as a direct result of devaluation by $16.8 \%$ with imports distributed as in the first half of 1948 , by $17 \cdot 0 \%$ for the distribution of the second half of 1948 and by $15 \cdot 7 \%$ for that of the first half of 1949. On the assumption (3), i.e., with the mid-1949 distribution of imports remaining unchanged, the rise in average import
prices resulting directly from devaluation can be put at a little over $15 \%$.

Turning now to a calculation of the direct effect of devaluation on retail prices, we need an estimate of the import content of consumers' expenditure (i.e., the expenditure used in any specific index number of retail prices) at mid1949. Take first the index of retail prices derived from the total expenditure of all consumers in the White Papers on National Income and Expenditure. Only a very rough calculation is offered here. The import content of total consumers' expenditure can be put roundly at $20 \%$ at mid-1949. If we take the rise in prices of imports entering into consumption at the same figure of $15 \%$ as found for all imports, then the direct result of devaluation will be to increase the retail price index of the White Paper by approximately $3 \%$. In 1948, the index stood at $180 \%$ of 1938. It can be estimated at 185 for mid-1949 and the direct result of devaluation is to raise the figure to just over 190.

This calculation is not refined here since it is more important to estimate the effect on the Ministry of Labour index of retail prices for working class families. This index comprises a particular set of prices of items bought by working class families and the weights are based on the consumption of these items in 1937-8. The effect of devaluation may be different for working class families from that for all consumers and for the particular items in the index from that for all items. But it is most important to reckon the direct effect on this particular index.

The method in the following calculation is to estimate the import content of the price of each item at June, 1949. This content is the proportion of c.i.f. value of the import component per unit to the retail price of the item. The latter allows for subsidies and indirect taxes. (It is quite possible, for a heavily subsidised item, that the import content is over $100 \%$ ). The import contents of the various items are aggregated by applying them to the weights of the retail price index. The weights must be those appropriate when June, 1949 is taken as the date at which the index is 100 , i.e., they are the proportions of 1937-8 consumption valued at the prices of June, 1949.^ The results are shown in Table 4.

It appears that the import content of total working class cost of living (as represented by the Ministry of Labour index) is nearly $22 \%$, while the import content of the food group alone

[^55]TABLE 4.
IMPORT CONTENT OF RETAIL PRICE INDEX (June, 1949).

|  | Food | Other Items | $\begin{aligned} & \text { All } \\ & \text { Items } \end{aligned}$ | Sterling price increas (\%) |
| :---: | :---: | :---: | :---: | :---: |
| Weight ... ... | $361 \frac{1}{2}$ | $638 \frac{1}{2}$ | 1000 |  |
| Total Import Content (\%) | $42 \cdot 4$ | 10.0 . | 21.7 |  |
| (1) Currencies net devalued | $4 \cdot 4$ | $4 \cdot 2$ | $4 \cdot 3$ | 44 |
| (2) Currencies with multiple exchange rates : |  |  |  |  |
| Argentina, etc. Spain and Colonies | $\begin{aligned} & 2 \cdot 7 \\ & 0 \cdot 6 \end{aligned}$ | 0.4 | $\begin{aligned} & 1 \cdot 2 \\ & 0 \cdot 2 \end{aligned}$ | $\text { U Up to } 44$ |
| (3) Currencies devalued |  |  |  |  |
| Canada and New. foundland | $8 \cdot 0$ | $0 \cdot 5$ | $3 \cdot 2$ | 31 |
| Italy ... | * | $0 \cdot 1$ | $0 \cdot 1$ | 30 |
| Belgium, etc. |  | $0 \cdot 1$ | $0 \cdot 1$ | $25 \frac{1}{2}$ |
| Germany ... ... | * | $0 \cdot 1$ | * | 13 |
| France and Colonies | * | $0 \cdot 3$ | $0 \cdot 2$ | 12 |
| (4) Currencies devalued with sterling ... | 26.7 | $4 \cdot 3$ | $12 \cdot 4$ | Nil |

The weights of different items represent consumption in 1937-38 (as used as the basis of index) valued at prices of June, 1949. For classification of sources of imports, see notes to Table 3. * Less than $0.05 \%$.
is over $40 \%$. The "dollar" content, comprising imports from the U.S., other countries with un-devalued currencies, Canada and Newfoundland, is only $7 \frac{1}{2} \%$ for the whole cost of living and little more than $12 \%$ for food alone. $\dagger$ Imports from countries with multiple exchange rates also contribute significantly to the import content of food.

On the assumption (1) to (4) above, we apply the sterling price increases of the last column of Table 4 to the import content of the other columns. The resulting increase in the index of retail prices is: Food, $5 \cdot 2 \%$, Other Items, $2 \cdot 2 \%$, All Items, 3.3\%.

Hence the direct effect of devaluation on the index is :-

|  | Avg. $1938=100$ | June, $1947=100$ |  |  |
| :--- | :---: | :---: | :---: | :---: |
|  | Food | All Items | Food | All Items |
| Before devaluation... | 161 | 180 | 117 | 112 |
| Allowing for direct <br> effect of devaluation | 169 | 186 | 123 | $115 \frac{1}{2}$ |

In this calculation an increase of $25 \%$ is taken in the sterling prices of Argentine meat, Spanish oranges, etc., the best guess which can be made at the present time. If there were no change in these sterling prices, the index for all items would increase by only $3.0 \%$; while, if the sterling prices rose by the full extent ( $44 \%$ ) of devaluation, the index would increase by as much as $3 \cdot 6 \%$. Corresponding limits for the increase in the food index alone are $4 \cdot 4 \%$ and $5 \cdot 9 \%$.
$\dagger$ Cf. Statement by the Chancellor of the Exchequer, House of Commons, 27th September, 1949.

These price increases are quite modest. We must remember, however, exactly what they mean. The only changes assumed, apart from some rise in freights, are those in the sterling price of imports from countries which have not devalued, or which have devalued less than the pound. No other changes at all are assumed to take place-no changes in the prices of imports in the currencies of the exporting countries, no changes in domestic margins, subsidies or indirect taxes. The calculations we have made are only a beginning, a base from which we can set out in forecasting actual changes in import prices or retail prices. But we can only proceed by guess-work.

There are some factors which we might expect to keep down the rise in import and retail prices. The prices of some of our imports may fall in the currencies of the countries of origin. A further switching of imports away from " dollar " sources is certain.* There may be some cuts imposed on manufacturing, wholesale and retail margins, as proposed for utility clothing and furnishings. Even if the policy of limiting subsidies is adhered to, there is always the possibility of reductions in some indirect taxes.

It is evident, however, that the factors operating the other way are likely to predominate. Already, the prices of many imported commodities are being raised in terms of the currencies of the exporting countries, e.g., non-ferrous metals, cotton and wool, rubber. The level of import prices must be expected to rise by more than the $15 \%$ calculated above. The subsidy element in food prices may be reduced, and retail prices of food-stuffs increased, e.g., if consumption is allowed to increase while the total amount of food subsidies is kept constant or decreased. Above all, domestic costs and the domestic sterling element in retail prices will inevitably rise if inflationary conditions persist.

It is difficult to guess how much effect-and how soon-these indirect influences will have on retail prices. Even the direct effects of devaluation will take some months to work out if the Chancellor's warnings are heeded; the other effects will take even longer. We must expect a rise in the retail price index of at least $3 \%$ by the end of the year, and perhaps $5 \%$ or more by next spring. We must also expect a rising tendency for some considerable time thereafter.

[^56]
# WAGE RATES AND EARNINGS 

By A. L. Bowley

Since the increments on engineering and shipbuilding wages in October, 1948, the only changes that affect our index-number have been increases for builders in February, for cotton operatives in March and for woollen in August. As a result the index has risen $2 \%$ in twelve months. The monthly estimates in the Ministry of Labour Gazette show that the wage-rates of 7 Mn . persons increased on the average about 3s. weekly; this spread over the whole wageearning population indicates an average rise of 1 or $2 \%$, as does the Ministry of Labour's wage-rate index. Our index-number is based on the movements in a limited group of industries, selected as being typical of different grades of labour ; changes in minor industries are not included, on the assumption that on the whole their wages move in the same proportion as in the aggregate of the selected industries. Apart from slight variations in date the index has during twenty-five years moved very closely with that based on more complete information.

$\dagger$ The main entry for coal is based on the average earnings per shift, which have increased more rapidly than any recorded change in piece-rates. The alternative is on the assumption that the only changes since May, 1947, are those connected with a bonus on attendance for five shifts worked in a week, in May, 1947, and an increase in minimum wages in November, 1947. See Bulletins Nov., 1947, p. 112, Aug., 1948, p. 94 and Nov., 1948, pp. 133-4.

Average earnings per shift in coal mines, after increasing, by varying amounts, in nearly every quarter since 1938, show only a negligible change ( 34 s .1 .2 d . to 34 s .1 .4 d .) from the first to the second quarter this year.

In the Report of the Conciliation Board on railway wages there is a great deal of information on the wages and earnings of different grades both before and after the War. In particular the figures illustrate the effect in this industry of flat increases, and of the fixing of any minimum wage, on the relative differences between the wages for different occupations, and the possible loss of incentive for qualifying for superior grades.

In September, 1939, wages ranged from 45 s . to 90 s., in February, 1948, from 92s. 6d. to 138 s . The increments were much nearer to flat rates than to proportionality to wages, though there was a good deal of variation and regrading.

Illustrative figures, including the minimum and maximum rates at both dates, are as follows:-


If a minimum rate were fixed at 100 s . instead of 92 s .6 d . (col. 2 above), the lowest rate would be $72 \%$ of the highest, and if there were no other change the existing differentials in the numerous occupations now rated at between 92s. 6d. and 100s. would be nullified.

|  | Wage-rate Index Numbers <br> End of Month |  |  | Retail <br> Prices Index <br> Mid-Month |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { Bul } \\ \text { General } \end{gathered}$ | etin Excluding Coal | Ministry of Labour |  |
| $\begin{aligned} & 1947 \\ & \text { June } \end{aligned}$ | 100 | 100 | 100 | 100 |
| 1948 |  |  |  |  |
| June | 107.3 | $106 \cdot 6$ | 106 | 110 |
| October ... | $109 \cdot 5$ | $108 \cdot 6$ | 107 | 108 |
| 1949 |  |  |  |  |
| January ... | $109 \cdot 6$ $109 \cdot 8$ | $108 \cdot 6$ $108 \cdot 9$ | 108 108 | 109 109 |
| February | $109 \cdot 8$ $110 \cdot 5$ | $108 \cdot 9$ $109 \cdot 6$ | 108 | 109 109 |
| April ... | $110 \cdot 5$ | $109 \cdot 6$ | 108 | 109 |
| May ... | 110.5 | $109 \cdot 6$ | 108 | 111 |
| June | $110 \cdot 5$ | $109 \cdot 6$ | 109 | 111 |
| July ... | $110 \cdot 5$ * | 109.6* | 109 | 111 |
| August ... | 110.8* | 110.0* | 109 | 111 |
| September October ... | 110.8 110.8 | $110 \cdot 0^{*}$ $110 \cdot 0^{*}$ | 109 | 112 |

The problem of the effect of flat-rate increases on differentials is not new. It was manifest during and after the First World War. For example, the percentage of the London bricklayer's labourer's wage to the bricklayer's wage was $69 \frac{1}{2}$ in 1914, 89 in 1920, 75 from 1924 to 1938, and 80 approximately from July, 1945 to February, 1949. In this last $3 \frac{1}{2}$ year period, the proportion was preserved, the bricklayer obtaining an increase of 8 d . an hour, his labourer $6 \frac{1}{2} \mathrm{~d}$. In October the builder's labourers' wages were raised $\frac{1}{2} \mathrm{~d}$. as regulated by the retail price index; the question whether artisans should also receive $\frac{1}{2} d$. was under consideration in November.
Earnings
The Ministry of Labour's half-yearly report shows :-

PRINCIPAL INDUSTRIES : All workers.

|  |  | Apr. <br> 1947 | Oct. <br> 1947 | Apr. <br> 1948 | Oct. <br> 1948 | Apr. <br> 1949 |
| :--- | :--- | :---: | :---: | :---: | :---: | :---: |
| Av. earnings <br> Av. wage-rates | $\ldots$ | 100 <br> 100 | $104 \frac{1}{2}$ <br> $100 \frac{1}{2}$ | 110 <br> $104 \frac{1}{2}$ | 113 <br> $107 \frac{1}{2}$ | 115 <br> 108 |

The increases above October, 1938 in total earnings of all persons is stated as $120 \%$ in October, 1948 and $124 \%$ in April, 1949.

Owing to reclassification, comparable figures for separate industries are available only from October, 1948. The small change in the average from October to April is a balance between increases in the majority of industries, usually of small amounts, and a number of decreases, of which the most important are in shipbuilding and repairing, motor and aircraft repairs, and wireless apparatus.

Railways, agriculture and coal-mining are excluded from the account.

For Railway employees statistics of earnings, compared with wages, are given in Appendix 8 of the Conciliation Board referred to above. Average earnings exceed average wages for every
occupation included. The excesses differ considerably among the groups, both in 1939 and in 1949. On the whole the percentage excess is much greater at the later date, possibly because of the reduction in normal weekly hours.

The following Table summarizes the recent results :-

PRINCIPAL INDUSTRIES.

|  | $\begin{aligned} & \mathrm{Apr} \\ & 1947 \end{aligned}$ | $\begin{aligned} & \text { Oct. } \\ & 1947 \end{aligned}$ | $\begin{aligned} & \text { Apr. } \\ & 1948 \end{aligned}$ | Oct. 1948 | $\begin{aligned} & \text { Apr. } \\ & 1949 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Av. weekly earnings : |  |  |  |  |  |
| Men |  | shilli | ngs per | week |  |
| Women | 123.4 | 128.1 | 134.0 | 137.9 | $139 \cdot 9$ |
| Youths $\quad .$. | $47 \cdot 3$ | $69 \cdot 6$ $51 \cdot 8$ | $72 \cdot 9$ $57 \cdot 2$ | 74.5 | $77 \cdot 2$ |
| Girls | $40 \cdot 2$ | $43 \cdot 7$ | $48 \cdot 3$ | $49 \cdot 4$ | 58.5 50.2 |
| Av. hourly earnings : |  | pen | ce per h | our |  |
| Men ... | $32 \cdot 0$ | 33.0 | $34 \cdot 6$ | $35 \cdot 4$ | 36.0 |
| Women | 19.5 | $20 \cdot 1$ | 21.0 | 21.5 | $22 \cdot 2$ |
| Youths | 13.0 | $14 \cdot 1$ | $15 \cdot 6$ | 16.0 | 16.0 |
| Girls | 11.5 | 12.5 | 13.7 | 14.0 | $14 \cdot 2$ |
|  | $\begin{aligned} & \text { Oct. } \\ & 1938 \end{aligned}$ | $\begin{aligned} & \text { Oct. } \\ & 1947 \end{aligned}$ | $\begin{aligned} & \text { Apr. } \\ & 1948 \end{aligned}$ | $\begin{aligned} & \text { Oct. } \\ & 1948 \end{aligned}$ | $\begin{aligned} & \text { Apr. } \\ & 1949 \end{aligned}$ |
| Av. weekly hours Men ... | 47.7 | $46 \cdot 6$ | $46 \cdot 5$ | $46 \cdot 7$ | $46 \cdot 6$ |

RAILWAYS.-All conciliation grades. Male and female.

|  |  |  | $\begin{aligned} & 1939 \\ & \text { s. d. } \end{aligned}$ | $\begin{aligned} & 1949 \\ & \text { s. d. } \end{aligned}$ | $\begin{gathered} \text { Increase* } \\ \% \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Av. Wages |  |  | 587 |  |  |
| Av. Earnings | ... |  | 676 | 1345 | 99 |
| \% excess ... | $\ldots$ | $\ldots$ | 15 | 135 |  |

[^57]
# THE INDEX OF INDUSTRIAL PRODUCTION 

(on behalf of the Group of the Department of Applied Economics, Cambridge, responsible for the Index of Production.)

As the Index of Production has now run for $3 \frac{1}{2}$ years, and for more than two full years since the disturbance of the fuel crisis, it has seemed to us appropriate to investigate more fully its "seasonal" movement-due to holidays and other causes. We need to be able to analyse this movement for two purposes. First, some of the constituent series of the index, such as the quarterly production and the employment series,
require to be adjusted to introduce into them month-to-month movements due to holidays or productivity changes. Secondly, our " working day " index is obtained by eliminating the estimated movements due solely to holidays.

Our investigations confirm our previous impression (Bulletin, November, 1948) that the British economy achieves most of its gains in productivity per working day in the autumn.

We now estimate the year-to-year change in output per head, since 1947, in the industries covered by our total index as $3 \frac{1}{2}-4 \%$; for making adjustments we have adopted an estimate of $3 \cdot 6 \%$. But apparently output per working day is almost stagnant from December to August, and most of its increases are achieved from August to December, especially from September to November.

Upon this step-like movement of output per working day are superimposed shorter-term
movements due to special causes : there is, for instance, the well-marked January drop, believed to be due not only to bad weather and sickness but also to the use of this season for plant overhauls. There are other movements which are random, or special to the circumstances of a particular year ; and finally, there are the holiday effects. The holiday and productivity movements have been newly estimated by analysing a large set of monthly production series which are " normal," in the sense that they are fully

## INDEX OF INDUSTRIAL PRODUCTION (Excluding Finished Munitions) Average Weekly rate of production in $1946=100$

| Period | Rate of Production per working week |  | Rate per working day (adjusted for holidays) |  |  | $\begin{aligned} & \text { Clothing and } \\ & \text { Leather } \end{aligned}$ |  | $\begin{gathered} \text { tg gu!ribdeq } \\ \text { pus 8u!p!!iqqd!̣S } \end{gathered}$ |  |  |  |  |  | Building, <br> Building <br> Materials <br> \& Furniture |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | A | B | A | B |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 1000 | 1011 |  |  | 77 | 51 | 62 | 27 | 31 | 116 | 118 | 120 | 59 | 105 | 116 | 144 | 51 | 39 | $\ldots$ |
| Av. 1935* | 99 | 98 |  |  | 142 | (123) | 76 | 47 | 108 | 76 | (84) | 94 | (76) | (153) | (138) | 87 | (127) | 100 | $\ldots$ |
|  | 100 | 100 | 104 | 104 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | $\ldots$ |
| Av. $1946 \ldots$ Av. 1947 | 108 | 107 | 112 | 111 | 105 | 107 | 101 | 96 | 119 | 123 | 107 | 100 | 100 | 119 | 109 | 103 | 106 | 115 138 | $\ldots$ |
| Av. $1948 . .$. | 120 | 118 | 125 | 122 | 122 | 107 | 113 | 99 | 133 | 151 | 109 | 101 | 117 | 141 | 124 | 111 | 108 |  |  |
| 1946 |  |  |  |  |  |  |  | 96 | 73 | 90 | 90 | 99 | 99 | 73 | 82 | 103 | 93 | 91 |  |
| 1st Qr 2nd $\mathrm{Or} . .$. | 93 98 | 94 98 | 93 102 | 94 102 | 97 99 | 93 99 | 98 102 | 104 | 97 | 98 | 98 | 100 | 100 | 92 | 96 | 97 | 95 | 98 | $\cdots$ |
|  | 98 98 | 98 98 | 106 | 106 | 98 | 101 | 96 | 101 | 101 | 97 | 100 | 97 | 98 | 110 | 108 | 91 | 97 | 100 | $\ldots$ |
| 4TH Qr. ... | 111 | 110 | 114 | 113 | 106 | 107 | 105 | 99 | 128 | 115 | 113 | 104 | 103 | 125 | 114 | 7 | 115 | 112 |  |
| 1947 1st Qr. | 98 | 97 | 98 | 97 | 91 | 95 | 93 | 96 | 92 | 107 | 96 | 92 | 89 | 96 | 88 | 109 | 100 | 101 |  |
| 2nd Qr. ... | 110 | 109 | 114 | 113 | 107 | 110 | 105 | 89 | 134 | 120 | 110 | 102 | 102 | 121 | 113 | 99 | 113 | 115 | $\ldots$ |
| 3rd Qr. ... | 106 | 105 | 115 | 114 | 106 | 110 | 99 | 91 | 122 | 118 | 105 | 102 | 99 112 | 123 | 114 | 92 111 | 104 | 114 129 | $\ldots$ |
| 4TH Qr. ... 1948 | 119 | 118 | 123 | 121 | 117 | 113 | 109 | 110 | 128 | 147 | 119 | 103 | 112 | 138 | 123 | 111 | 106 | 129 | 24 |
| JAN. | 116 | 115 | 117 | 116 | 118 | 112 | 115 |  | 136 | 138 | 118 | 96 | 111 | 127 | 113 | 113 | 109 108 | 133 | $24 \frac{1}{2}$ |
| FEB. | 124 | 121 | 124 | 121 | 125 | 122 | 118 | 81 | 129 | 152 | 121 | 96 | 120 | 140 | 123 | 117 109 | 108 | 141 | 25 |
| MAR. | 116 | 113 | 124 | 121 | 117 | 100 | 112 |  | 126 | 141 | 107 | 96 98 | 113 | 135 145 | 116 | 1113 | 102 | 147 | 24 |
| APR. | 123 | 121 | 123 | 121 | 126 | 113 | 118 |  | 132 | 156 | 114 | $\begin{array}{r}98 \\ 102 \\ \hline\end{array}$ | 119 | 145 | 125 | 105 | 106 | 134 | 231 $\frac{1}{2}$ |
| MAY $\quad \cdots$ | 118 | 116 | 123 | 121 | 119 | 98 | 111 | 106 | 134 | 149 157 | 106 | 105 | 1115 | 149 | 130 | 110 | 110 | 144 | $24^{2}$ |
| JUNE ... | 123 | 121 | 124 | 122 | 125 | 111 | 117 |  | 144 | 157 | 110 | 105 |  |  |  |  |  |  |  |
| JULY | 111 | 109 | 124 | 121 | 112 | 96 | 99 |  | 139 | 141 | 96 | 98 | 109 | 139 | 122 | 97 | 94 | 122 | $24 \frac{1}{2}$ |
| AUG. | 108 | 107 | 122 | 120 | 113 | 95 | 101 | 89 | 100 | 132 | 94 | 101 | 111 | 132 | 116 | 97 | 108 | 122 | 24 |
| SEPT. | 123 | 121 | 125 | 123 | 125 | 110 | 119 |  | 140 | 160 | 106 | 103 | 121 | 147 | 131 | 109 | 111 | 139 | 24 |
| OCT. | 127 | 125 | 127 | 125 | 130 | 114 | 119 |  | 143 | 163 | 114 | 106 | 126 | 148 | 132 | 116 | 114 | 141 | $23 \frac{1}{2}$ |
| NOV. | 129 | 127 | 129 | 127 | 131 | 113 | 119 | 119 | 144 | 165 | 116 | 108 | 127 | 146 | 131 | 122 | 116 | 142 | 24 |
| $\begin{aligned} & \text { DEC. } \\ & 1949 \end{aligned}$ | 123 | 119 | 133 | 129 | 119 | 99 | 113 |  | 133 | 163 | 105 | 103 | 119 | 134 | 119 | 118 | 108 | 136 | 25 |
| JAN. | 123 | 122 | 124 | 123 | 126 | 110 | 119 |  | 162 | 158 | 107 | 98 | 124 | 128 | 116 | 122 | 123 | 139 | $23 \frac{1}{2}$ |
| FEB. | 130 | 128 | 130 | 128 | 132 | 118 | 125 | 96 | 161 | 170 | 112 | 98 | 130 | 140 | 126 | 125 | 130 | 150 | 22 |
| MAR. | 131 | 128 | 131 | 128 | 132 | 117 | 125 |  | 164 | 167 | 111 | 101 | 131 | 144 | 129 | 125 | 133 | 147 | 25 |
| APR. | 121 | 120 | 130 | 129 | 122 | 105 | 116 |  | 149 | 160 | 104 | 105 | 122 | 130 | 118 | 1115 | 128 | 131 139 | $23{ }^{2} \frac{1}{2}$ |
| MAY | 131 | 129 | 131 | 129 | 133 | 116 | 123 | 102 | 172 | 175 | 112 | 116 | 127 | 139 140 | 126 | 115 109 | 138 | 139 135 | 24 24 |
| JUNE . | 126 | 123 | 132 | 130 | 123 | 110 | 117 |  | 164 | 164 | 106 | 112 | 122 | 140 | 127 | 109 | 131 | 135 | 24 |
| JULY | 116 | 114 | 129 | 127 | 116 | 107 | 100 |  | 129 | 152 | 96 | 111 | 114 | 130 | 118 | 99 | 128 | 124 | $23 \frac{1}{2}$ |
| AUG. | 115 | 113 | 129 | 128 | 119 | 101 | 107 | 95 | 154 | 142 | 96 | 106 | 114 | 125 | 114 | 99 | 133 | 123 | 25 |
| SEPT. | 127 | 126 | 129 | 128 | ... | $\ldots$ | ... |  | 173 |  | ... | 110 | $\ldots$ | 140 | 129 | 113 | ... | $\ldots$ | 24 |

[^58]responsive to holidays. Series such as pig iron production (which is largely continuous) or beer production (a function of the expected weather) are thus not taken into consideration in making the estimates, but the presence of such series in the index naturally damps down and alters the seasonal movement of the whole.

The holidays now assumed are as follows :-


The newly calculated holiday and productivity movements have been applied to the employment series and others needing adjustments. The trend in output per head applies since mid-1947; the revision of the trend to $3.6 \%$ has produced, by the autumn of 1949, an increase of about a third of a point in the total index so that the effect of uncertainty about this factor is relatively unimportant. But the new holiday assumptions (which give relatively much more holiday to July) and the imposition on employment series of the "step movement" outlined above, produce much larger alterations for some individual months. For the total index, January is in general reduced by one point and July by two points ; August is increased by one point, and the months from September to

December increased by one or two points. Some individual groups show larger alterations; those most affected are shipbuilding and repairing, other metal-using trades, chemicals and allied trades, and sundry trades, either because they contain numerous quarterly series, or because of the presence of a considerable proportion of employment indicators.

Our " working day " index is meant to show the movements of production after the elimination of the effect of holidays, while leaving in the other influences upon output. With our new holiday assumptions, this index has become considerably more regular. However, as the influences other than holidays are not eliminated, in some months there are still variations from the " step " pattern ; June is high, perhaps as a result of extra work before holidays, and there is the January drop.

| Jan.... |  |  |  |  | " B " Index. |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  | 1946 | 1947 | 1948 | 1949 |
|  | 89 | 108 | 117 | 124 | 90 | 106 | 116 | 123 |
| Feb.... | 95 | 85 | 124 | 130 | 95 | 85 | 121 | 128 |
| March | 96 | 101 | 124 | 131 | 97 | 100 | 121 | 128 |
| April | 100 | 113 | 123 | 130 | 102 | 112 | 121 | 129 |
| May ... | 102 | 114 | 123 | 131 | 102 | 113 | 121 | 129 |
| June... | 103 | 116 | 124 | 132 | 104 | 114 | 122 | 130 |
| July ... | 106 | 114 | 124 | 129 | 106 | 113 | 121 | 127 |
| Aug.... | 105 | 114 | 122 | 129 | 105 | 113 | 120 | 128 |
| Sept. | 109 | 116 | 125 | 129 | 108 | 116 | 123 | 128 |
| Oct. ... | 113 | 121 | 127 |  | 111 | 120 | 125 |  |
| Nov.... | 113 | 123 | 129 |  | 113 | 122 | 127 |  |
| Dec.... | 116 | 124 | 133 |  | 114 | 122 | 129 |  |

(Average weekly rate of production in $1946=100$.)
We much regret any inconvenience caused by these further alterations, but it is clearly better to utilise the accumulated experience of the movement of the " normal" monthly production series in the correcting of other, less satisfactory, series which we have to use. The main table does not leave space for repeating the months of 1946 and 1947, but a full table of these is available on application to the Service.

## INTERNATIONAL FINANCE

By G. S. Dorrance

Any discussion of developments in the international financial scene during the last few months is inevitably dominated by the series of exchange rate adjustments which were made in the week, September 19-26. The implications of the devaluation of the pound by $30.5 \%$ against the U.S. dollar are considered in some detail elsewhere in this Bulletin. The new pattern of exchange rates which emerged after September 26th is contained in a table on p. 134.

Equal devaluation against the dollar has been
undertaken by the entire sterling area (except Pakistan), the Middle Eastern countries (except Syria and Lebanon) and Western Europe (except France, Belgium, Portugal, Switzerland, Italy, Turkey and Western Germany, the Western Hemisphere countries (except Canada, Argentina and Chile) and the Eastern European group (including Yugoslavia) have not adjusted their currencies against the dollar. Canada, Belgium Portugal and Italy have adopted intermediate positions by depreciating their currencies against
the dollar by $9 \cdot 1 \%, 12 \cdot 1 \%, 13 \cdot 3 \%$ and $10 \cdot 1 \%$ respectively. France has abolished its system of multiple rates and established a system of orderly cross rates involving a $10.1 \%$ appreciation in relation to sterling. Argentina and Chile have adjusted their system of multiple exchange rates but it is difficult at this stage to see what the final effect of these changes will be.

On October 4th, the Chancellor of the Exchequer disclosed that the overall balance of payments deficit on current and capital accounts (including changes in sterling balances) had been $f_{1} 133 \mathrm{Mn}$. in the quarter ending September. The details of the financing of this deficit are shown in Table 1. The end-of-quarter figures,

TABLE 1.
TOTAL STERLING AREA GOLD AND DOLLAR DEFICIT ${ }^{(1)}$ £Mn.

(1) Sources: 1946-June, 1949 -Cmd. 7793 ; July-September, 1949, The Economist, October 8th, p. 800.
(2) Includes $£ 80 \mathrm{Mn}$. gold loan from South Africa.
(3) Valued at $\$ 4.03=£ 1$.
however, underestimate the seriousness of the situation facing the Government prior to September 18th. The gold and dollar reserve fell from $\$ 1,635 \mathrm{Mn}$. on June 30th to $\$ 1,330 \mathrm{Mn}$. on September 18th and then rose to $\$ 1,415 \mathrm{Mn}$. on September 30th. It is impossible to find out if there have been additional receipts from " bear covering " since that date. That means that between March 1st and September 18th the gold reserve declined by $£ 141 \mathrm{Mn}$. This seems to have been greater than the decline in any sixmonth period since the end of the war.

The Government has now published the statement of Britain's Balance of Payments for the first six months of the current year*. The overall current account deficit of $£ 10 \mathrm{Mn}$. should be compared with the figure of $£, 30 \mathrm{Mn}$. contained in the estimates published in the August issue of this Bulletin $\dagger$. That article overestimated both the deficit with the dollar area and the surplus with the sterling area (estimates of $£ 160 \mathrm{Mn}$. and $£ 125 \mathrm{Mn}$. compared with actual figures of $£ 135 \mathrm{Mn}$. and $£ 115 \mathrm{Mn}$.). One result of these differences was to lead to an overestimate

[^59]of the running down of sterling balances which declined by almost $£ 100 \mathrm{Mn}$. during the half-year instead of the estimated $£ 115 \mathrm{Mn}$.

Table 2 shows there was little improvement in the overall trade deficit in the last quarter over the preceding one. The rise of $\$ 85 \mathrm{Mn}$. in the gold

TABLE 2.
UNITED KINGDOM'S BALANCE OF TRADE* (£ Mn.)

|  | 1947 | 1948 | 1949 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 1st. <br> Qr. | 2nd. Qr. | 3rd. Qr. |
| IMPORTS <br> c.i.f. Basis ... | 1,795 | 2,079 | 538 | 582 | 562 |
| f.o.b. Basis (approx.) | 1,528 | 1,770 | 458 | 495 | 478 |
| f.o.b. Basis... | 1,198 | 1,648 | 475 | 448 | 435 |
| Deficit | 330 | 122 | $-17 \dagger$ | 47 | 43 |

* Source: Accounts Relating to Trade and Navigation of the United Kingdom ; f.o.b. estimated at $\cdot 15 \%$ less than c.i.f.
$\dagger$ Balance positive.
reserves during the last fortnight in September indicates that devaluation rumours were probably still limiting the flow of funds to the U.K. prior to devaluation. The inflow of funds after September 19th and the continued firmness of the pound on " black-markets" would indicate that these fears are at least temporarily allayed. Perhaps devaluation will have the effect of removing this factor which was limiting our foreign receipts.

The Board of Trade export and import figures contained in Table 3 indicate that there were practically no changes during the quarter

TABLE 3.
DISTRIBUTION OF U.K. TRADE, £ Mn.

|  | 1948 |  |  | 949 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1st Qr. | 2nd Qr. | July | Aug. | Sept. |
| United States : <br> Imports | 184 | 54 | 58 | 21 | 15 | 16 |
| Exports . | 71 | 17 | 10 | 4 | 3 | 4 |
| Canada : |  |  |  |  |  |  |
| Imports Exports | 223 73 | 45 19 | 32 20 | 22 7 | 21 | 16 6 |
| Total American <br> a/c Countries       <br> and Canada. $*$ 106 125 45 42 40 <br> Imports       |  |  |  |  |  |  |
| Imports <br> Exports | * | 106 44 | 125 37 | 45 14 | 42 12 | 40 12 |
|  |  |  |  |  |  |  |
| Imports ... | 749 | 210 | 228 | 64 | 80 | 60 |
| Exports ... | 795 | 241 | 239 | 74 | 73 | 80 |
| O.E.E.C. |  |  |  |  |  |  |
| Countries : |  |  |  |  |  |  |
| Imports ... | 394 392 | 119 109 | 138 108 | 48 35 | 50 32 | 51 32 |
| Exports |  |  |  |  |  |  |

Source: Board of Trade Journal
Note: Imports valued c.i.f.; Exports valued f.o.b. include Re-exports. * Not available owing to changing classification of American a/c countries.
in the distribution of the United Kingdom's trade. Exports to the dollar area were still at the second quarter's level and as yet the import
cuts have not been reflected in the trade figures. However the deficit with O.E.E.C. countries was increased by about $£ 20 \mathrm{Mn}$.

## EXCHANGE RATES

## Before and after recent devaluation

(In terms of units of domestic currency per $£$ and \$ U.S.)
This Table represents official parities and rates quoted in Foreign Centres for sterling and the United States dollar immediately before September 18th, and at October 13th, 1949

Source: Board of Trade Journal, Vol. 157, Nos. 2,754, 2,757 (October 1st and 22nd, 1949) pp. 628, 773, except where otherwise stated


[^60]
## HOME FINANCE

By F. W. Paish

Government Finance.-The Exchequer Returns for the third quarter of 1949 confirm the impression that the budget surplus for the year 1949-50 is likely to be considerably below the original estimate. This is not due to any shortfall in income, for Ordinary Revenue, at $£_{8} 821 \mathrm{Mn}$. for the quarter, is probably running slightly above estimate despite the poor collections of Income Tax. The improvement is mainly due to the high yields of Profits Tax and Excess Profits Tax, which together have already reached nearly two-thirds of the estimate for the whole year. Even without the additional tax on distributed profits, the effects of which will be hardly noticeable in this year's budget, Ordinary Revenue for the year looks like being, if anything, above estimate.

Any excess of revenue over estimate, however, seems likely to be much more than offset by the increase in expenditure. For the quarter Ordinary Expenditure, at $£ 833 \mathrm{Mn}$., was equal to $25 \%$ of the estimated expenditure for the year, as compared with $£ 751 \mathrm{Mn}$. during the third quarter of 1948, or only $23.8 \%$ of the total actually realised for the year 1948-9. For the half-year the total

TABLE 1.
ORDINARY REVENUE AND EXPENDITURE. Weekly Average, £Mn.

is $£ 1,587 \mathrm{Mn}$., or $47.7 \%$ of the estimate for the whole year, as compared with last year's figure of $£ 1,365 \mathrm{Mn}$., or $43 \cdot 3 \%$ of actual.

The proportion of the year's expenditure incurred in the second half of last year was probably unusually high as a result of the introduction of the health services ; on the other hand, one effect of devaluation will be to increase certain costs during the remainder of this year. On the whole, in the absence of substantial new economies, expenditure for the present year seems likely to be appreciably above estimate.

To the above-the-line deficit of $£ 12 \mathrm{Mn}$., as compared with a surplus of $£ 80 \mathrm{Mn}$. for the third quarter of 1948 , must be added extrabudgetary payments of $£ 122 \mathrm{Mn}$., bringing total net outgoings for the quarter to $£ 134 \mathrm{Mn}$., of which $£ 41 \mathrm{Mn}$. was covered by E.C.A. grants. After providing for sinking funds, the national debt increased by $£ 98 \mathrm{Mn}$.

TABLE 2
EXTRA-BUDGETARY PAYMMENTS, 1949. £Mn.

|  | $\begin{aligned} & \text { July } \\ & \text { (30 days) } \end{aligned}$ | $\begin{aligned} & \text { Aug. } \\ & \text { (28 days) } \end{aligned}$ | $\begin{aligned} & \text { Sept. } \\ & \text { (34 days) } \end{aligned}$ | $\begin{aligned} & \text { Total } \\ & \text { (92 days) } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Net E.P.T. Refunds | $1 \cdot 3$ | $1 \cdot 1$ | 1.7 | $4 \cdot 1$ |
| Post-war Credits ... | $1 \cdot 3$ | $1 \cdot 3$ | $1 \cdot 6$ | $4 \cdot 2$ |
| Net War Damage |  |  |  |  |
| Payments. : | 3.0 | $9 \cdot 0$ | $6 \cdot 0$ | 18.0 |
| Bd. of Trade | $3 \cdot 0$ |  | $1 \cdot 0$ | $4 \cdot 0$ |
| Housing | $19 \cdot 0$ | $22 \cdot 3$ | $41 \cdot 2$ | $82 \cdot 5$ |
| Coal Nationalisation | $2 \cdot 0$ | $1 \cdot 0$ | $1 \cdot 0$ | $4 \cdot 0$ |
| Cotton Buying ... | $5 \cdot 5$ | $-3.5$ | $-1.5$ | $0 \cdot 5$ |
| Overseas ment $\ldots \quad \ldots$ | $1 \cdot 1$ | - | $2 \cdot 0$ | 3-1 |
| Cinemas | $0 \cdot 7$ | - | $0 \cdot 1$ | $0 \cdot 8$ |
| Other | $3 \cdot 9$ | $1 \cdot 2$ | $-4 \cdot 6$ | 0.5 |
|  | $40 \cdot 8$ | $32 \cdot 4$ | $48 \cdot 5$ | $121 \cdot 7$ |

Among extra-budgetary items, payments for war damage were much smaller than in the previous quarter, but grants and loans for housing under various heads were considerably higher.

The most noticeable changes in long-term debt were a rise of nearly $£ 25 \mathrm{Mn}$. in "Other Debt-Internal," and a fall of about the same amount in " Other Debt-External." The latter was due to the repayment of the rest of the $£ 80 \mathrm{Mn}$. gold loan from S. Africa, the last instalment just before the devaluation of the pound on September 18th, while the former can presumably be attributed to an increase in E.C.A. counterpart funds not yet released. With small savings still negative and other repayments, the total long-term debt fell by $£ 22 \mathrm{Mn}$. during the quarter, and the short-term debt therefore rose by $£ 120 \mathrm{Mn}$., of which $£ 24 \mathrm{Mn}$. was in Tax Reserve Certificates.

TABLE 3.
GOVERNMENT BORROWING, 1949: £Mn.

|  | $\begin{gathered} \text { July } \\ \text { (30 days) } \end{gathered}$ | Aug. (28 days) | $\begin{aligned} & \text { Sept: } \\ & \text { (34 days) } \end{aligned}$ | $\begin{aligned} & \text { Total } \\ & (92 \text { days }) \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certs. | $-2.7$ | $-1.9$ | $-3.0$ | $-7 \cdot 6$ |
| $2 \frac{1}{2} \%$ Def. Bonds ... | $1 \cdot 0$ | $0 \cdot 3$ | $0 \cdot 1$ | 1.4 |
| Other Debt : |  |  |  |  |
| Internal ... | $18 \cdot 0$ | $8 \cdot 0$ | $-1.4$ | $24 \cdot 6$ |
| External... | $-13 \cdot 5$ | $-1.3$ | $-10 \cdot 3$ | $-25 \cdot 1$ |
| Repayments | $-5 \cdot 2$ | $-4.8$ | $-5 \cdot 0$ | $-15 \cdot 0$ |
| Total Long- and Medium-term borrowing | $-2 \cdot 1$ | $0 \cdot 3$ | $-19 \cdot 6$ | $-21 \cdot 7$ |
| Tax Reserve Certs. | $17 \cdot 1$ | $2 \cdot 4$ | $4 \cdot 2$ | $23 \cdot 7$ |
| T.D.R.'s | $3 \cdot 0$ | $-77 \cdot 5$ | -258.0 | $-332 \cdot 5$ |
| Treas. Bills: Tender | - | $120 \cdot 0$ | $270 \cdot 0$ | $390 \cdot 0$ |
| W Tap ... | $0 \cdot 6$ | $-35.0$ | $-17 \cdot 3$ | $-51 \cdot 7$ |
|  |  |  |  |  |
| Govt. Depts. <br> Bank of England | $5 \cdot 6$ | $-24 \cdot 7$ | $\begin{array}{r} 104 \cdot 2 \\ 5 \cdot 3 \end{array}$ | $\begin{array}{r} 85 \cdot 1 \\ 5 \cdot 3 \end{array}$ |
| Short-term |  |  |  |  |
| Borrowing | $26 \cdot 3$ | $-14 \cdot 8$ | 108.4 | $119 \cdot 9$ |
| Total Borrowing ... | $23 \cdot 9$ | $-14 \cdot 5$ | $88 \cdot 8$ | $98 \cdot 2$ |

Within the Floating Debt, changes in individual items show what seems to represent a major development of policy. At the end of July weekly offerings of Treasury Bills by tender were increased from $£ 170 \mathrm{Mn}$. to $£ 190 \mathrm{Mn}$., and then successively to $£ 200 \mathrm{Mn}$., $£ 210 \mathrm{Mn}$., $£ 220 \mathrm{Mn}$. and $£ 230 \mathrm{Mn}$. As a result the total number of tender bills outstanding rose between July 30th and October 1st from $£ 2,210 \mathrm{Mn}$. to $£ 2,600 \mathrm{Mn}$. At the same time, the amount of Treasury Deposit Receipts outstanding fell from $£ 1,246$ Mn . to $£ 911 \mathrm{Mn}$. If bill offerings were permanently increased to $£ 230 \mathrm{Mn}$. a week, the total would rise to nearly $£ 3,000 \mathrm{Mn}$., permitting a reduction in Treasury Deposit Receipts to little more than $£ 500 \mathrm{Mn}$.

Another point of interest is that, while the total of the floating debt rose during the quarter by $£ 96 \mathrm{Mn}$., the Treasury's short-term borrowings from the Clearing Banks up to September 21 st seem to have fallen by about $£ 30 \mathrm{Mn}$. Where it borrowed the $£ 125 \mathrm{Mn}$. or so involved is not clear. It can hardly have been from the Bank of England, where the Note Circulation fell during the quarter and Bankers' Balances were unchanged ; nor can it have been from the overseas holders of short-term sterling funds in London, for, despite some recovery in the last fortnight of September, these balances must have fallen during the quarter as a whole. Some loans, no doubt, have come from the normal accretions to the reserves of the social security funds, but these cannot have accounted for more than a fraction of the amount involved. The only sources remaining seem to be the re-investment either of the proceeds of gold sales by the Exchange Equalisation Account (in so far as these exceeded the reductions in foreign-owned sterling
balances) or of the sales of securities by Government departments, including the sales of gold shares after devaluation by the Bank of England.

Other Finance.-The Bank of England's note circulation fell during the quarter from $£ 1,278 \mathrm{Mn}$. to $£ 1,264 \mathrm{Mn}$., after rising to a seasonal August peak of $£ 1,307 \mathrm{Mn}$. This fall of $£ 14 \mathrm{Mn}$. compares with $£ 16 \mathrm{Mn}$. and $£ 20 \mathrm{Mn}$. during the corresponding quarters of 1948 and 1947 respectively. The fiduciary issue, which had been increased by $£ 50 \mathrm{Mn}$. to $£ 1,350 \mathrm{Mn}$. on July 6th to meet the seasonal expansion in the circulation, was reduced again to $£ 1,300 \mathrm{Mn}$. on September 28th. It will probably have to be increased again to meet the Christmas demand, for the note reserve at the end of September was only $£ 36 \mathrm{Mn}$., and the seasonal rise in the circulation last year between the end of September and the Christmas peak was $£ 60 \mathrm{Mn}$.

Gross deposits of the Clearing Banks fell by $£ 16 \mathrm{Mn}$. during the quarter to $£ 6,008 \mathrm{Mn}$. and the Lloyds Bank Index of Gross Deposits from $264 \cdot 5$ to 262.9. Net deposits rose from $£ 5,774$ Mn . to $£ 5,779 \mathrm{Mn}$. A rise of $£ 202 \mathrm{Mn}$. in Call Money and Discounts was more than offset by a fall of $£ 240 \mathrm{Mn}$. in Treasury Deposit Receipts. Advances rose by $£ 19 \mathrm{Mn}$. to $£ 1,467 \mathrm{Mn}$., but this increase is said to be more than accounted for by the exceptional conditions ruling on the September making-up day, September 21st, when, after the unexpected bank holiday on September 19th, an unusually large number of items were in transit between head offices and branches and therefore temporarily swelled the total of Advances.

Prices of industrial shares, apart from a temporary improvement during September, have remained near the level to which they fell in June. The fall in prices of fixed interest securities was checked early in August, but was resumed in the second half of October, expecially after the announcement on October 24th of the Government's plans to reduce expenditure.

Prospects for interest rates seem more uncertain than they have been for many years. It is recognised that, before the recently announced reductions in expenditure, the total of the country's investments at home and abroad was too high to be financed by the present level of private and Government saving. Unless these reductions are sufficient completely to close the gap, there will be either a resumption of credit expansion, which the Chancellor has asked the banks to avoid, or a further rise in interest rates towards the level which would check investment sufficiently to bring it within the limits of the available saving, both public and private.

# WORLD COMMODITY SURVEY 

By C. F. Carter

## Effect of Devaluation

Devaluation might have been expected to create a profound disturbance in the prices of commodities entering into international trade. But in fact the price movements have been, in the first month, unsensational and easy to predict; a fact which underlines the difference between this devaluation and those of the 1930's. As long as the great economic bulk of the United States continues in good health, dollar prices tend to be stable-perhaps a little above the depressed levels of the spring-and most other prices adjust themselves to the new dollar parities. Thus, wheat stands only 12c. per bushel lower than a year ago; sugar prices, though irregular with the change over to the new crop year, stand at the familiar level " somewhere above $\$ 4$ "; cotton is down in the New York market by about 2 c . on the year, owing to a small decline in the parity price ; the price of tin has fallen by about $7 \%$ in recognition of the easier supply position. Commodities such as wool, which are marketed in the sterling area, are engaged in a tentative process of marking up sterling prices to test the dollar demand. Thus, according to latest reports, merino wool prices have risen over the last month by around $10 \%$, and crossbred prices by up to $20 \%$. To take another example, rubber prices have increased by about a quarter in London; presumably the market is waiting to see how far the U.S. will go in turning from synthetic to natural rubber.

Broadly speaking, therefore, sterling prices have tended to increase all along the line by 20 to $40 \%$, whether or not the commodity concerned is bought in the dollar area. We may summarise the information in our table as follows-noting that in some cases (such as cocoa) the actual sterling price is held at a level bearing no relation to the free market price we have quoted.


By switching to other markets or by exploiting special advantages, we have been able to avoid some part of the price rises shown here ; for instance, Canada's devaluation enables us to buy wheat well below the sterling equivalent of the U.S. domestic price-and it has also closed the gap between the contract price and the
maximum prescribed by the International Wheat Agreement. Nevertheless, import prices were approaching $300 \%$ of pre-war before devaluation.

## Wheat

The 1949/50 wheat crop is estimated by the U.S. Department of Agriculture as $6,085 \mathrm{Mn}$. bushels, about $5 \%$ less than the previous year but still a little above the pre-war average. Most areas are expected to show a moderate fall compared with the bumper year of 1948, the largest decrease being one of $11 \%$ in North America $(13 \%$ in the U.S.A. and $6 \%$ in Canada). European production is still only $88 \%$ of prewar, while North American production is estimated at $140 \%$.

The acreage sown to wheat in 1949 was above both the previous year and the pre-war level, but there were sharp reductions in the yield per acre both in Canada and the United States. Despite the long drought, European yields kept up well, with many increases. France, however, suffered an $8 \%$ reduction in yield, and Britain had a lower acreage. These factors helped to reduce the total European crop, outside the U.S.S.R., from 1,455 Mn. bushels in 1948 to $1,405 \mathrm{Mn}$. in 1949. Southern hemisphere production is expected to show a moderate fall.

## Cotton

The latest estimates of 1948/9 production broadly confirm those given in our last issue, but consumption in China is now believed to have been higher than previously expected, and this accounts for the decline of the stock figure to 14.7 Mn. bales. Data from the International Cotton Advisory Committee suggest a further increase in world production in the current season, and the crop may approach 30 Mn . bales.

The United States ended the 1948/9 season with stocks substantially higher, $5 \cdot 3 \mathrm{Mn}$. running bales as against 3.1 Mn. a year before. Total production increased by nearly 3 Mn . bales, while mill consumption dropped by over $1 \frac{1}{2} \mathrm{Mn}$. bales. This fall in consumption, amounting to $17 \%$ of the previous year's total, was the third largest on record and the largest, relative to business activity, in the last forty seasons. It began in September, 1948, and continued throughout the season, being intensified in the spring of 1949. Reduced exports of cotton textiles are partly to blame, but the setback must be mainly ascribed to the ending of the post-war re-stocking boom. However, exports of raw cotton rose by no less than 2.8 Mn bales to the

## WORLD COMMODITY SURVEY

| $\begin{aligned} & \text { Commo- } \\ & \text { dity } \end{aligned}$ | Season | Unit | Pre-war base | WORLD PRODUCTION |  |  | WORLD CONSUMPTION |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Last season | Last season \% of pre-war | Current season \% of pre-war | $\begin{aligned} & \text { Last } \\ & \text { season } \end{aligned}$ | Last season $\%$ of pre-war |  |
| Wheat... | Begins spring | Mn. bush. of 60 lb . | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | 6,385 | 106 | 101 | n.a. | - | - |
| Fats and Oils ... | Calendar year | 000 tons | $\begin{aligned} & \text { Average } \\ & 1935-9 \end{aligned}$ | $\begin{gathered} 19,860 \\ \text { (oil equiv.) } \end{gathered}$ | 96 | (96 to 100) | n.a. | - | - |
| Sugar ... | Begins Sept. | 000 tons | 1937-8 | $\begin{gathered} 30,129 \\ \text { (raw value) } \end{gathered}$ | 104 | 103 | n.a. | - | - |
| Tea . | Calendar year | Mn. lb. | $\begin{gathered} \text { Average } \\ \text { 1936-8 } \end{gathered}$ | $\begin{gathered} 769 \\ \text { (exports) } \end{gathered}$ | 87 | n.a. | 823 (absorption exel. local produce) | 94 | n.a. |
| Coffee ... | Begins July | Mn. bags of 132 lb . | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1939 / 40 \end{aligned}$ | $\begin{gathered} 27 \cdot 0 \\ \text { (exportable) } \end{gathered}$ | (76) | n.a. | $29 \cdot 6$ (in 1948) | n.a. | n.a. |
| Cocoa ... | Begins October | 000 tons | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1938 / 9 \end{aligned}$ | 685 | 97 | n.a. | n.a. | - | - |
| Cotton ... | Begins August | Mn. bales (478 lb. net) (q) | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1939 / 40 \end{aligned}$ | $28 \cdot 6$ | 90 | 94 | $28 \cdot 1$ | 100 | n.a. |
| Wool (apparel) | $\begin{aligned} & \text { Begins } \\ & \text { July (d) } \end{aligned}$ | Mn. lb. (greasy) | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1938 / 9 \end{aligned}$ | 3,020 | (100) | (100) | $(3,800)$ | (124) | п.a. |
| Jute | Begins July | 000 tons | $\begin{aligned} & \text { Av. 1934/5 } \\ & \text { to } 1938 / 9 \end{aligned}$ | 1,390 (n) | 82 | (80-95) | n.a. | - | - |
| Sisal . | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 260 (o) | 115 | n.a. | n.a. | - | - |
| Rubber... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936-9 \end{gathered}$ | 2,050 incl. 1,520 | 205 | 197 | 1,900 incl. 1,420 natural | 181 | 187 |
| Copper... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1937.8 \end{gathered}$ | 2,420 (primary) | 113 | (123) | n.a. | - | - |
| Lead | Calendar year | 000 tons | 1938 | 1,240 | 75 | (81) | n.a. | - | - |
| Tin | $\begin{aligned} & \text { Calendar } \\ & \text { year } \end{aligned}$ | 000 tons | Average 1936-8 | 153.5 (tin in concentrates) (f) | 86 | (90) | $138 \cdot 9$ (f) | so | (75) |
| Zinc | Calendar year | 000 tons | Average 1934.8 | 1,600 | 120 | (128) | n.a. | - | - |

It will be appreciated than many figures included above are rough estimates only. This applies especially to those in brackets. All tons are long tons of $2,240 \mathrm{lb}$. n.a. = not available. (a) in hands of principal exporters-not comparable with previous estimates. (b) apparent supplies, excluding consumption of British wheat on farms. (c) average 1936-9. (d) Some minor producers on other seasons. (e) incomplete. (f) excluding U.S.S.R. Stocks exclude U.S. strategic stock pile. (g) Price ratios are in terms of the currency in which quoted ; the corresponding sterling ratios are added, marked (g), where necessary.

WORLD STOCKS
U.K. CONSUMPTION

PRICES

\begin{tabular}{|c|c|c|c|c|c|c|c|}
\hline Date \& Amount \& $\%$ of pre-war \& Last season \& \% of pre-war \& Date \& Representative price \& \% of pre-war(g) <br>
\hline July, 1949 \& 638 (a) \& n.a. \& 220 (b) \& 101 \& Oct. 1-15, 1949 \& Chicago Dec. futures $\$ 2 \cdot 13$ per bush. \& $$
\begin{gathered}
222 \\
380(\mathrm{~g})
\end{gathered}
$$ <br>
\hline \& n.e. \& - \& - \& - \& July, 1949 \& U.S. Dept. of Labor index (Year $1926=100$ )
$$
118 \cdot 5
$$ \& $$
\begin{aligned}
& 199 \text { (c) } \\
& 343 \text { (g) }
\end{aligned}
$$ <br>
\hline - \& n.a. \& - \& 1,960 (raw value, calendar year
1948) \& 86 \& Sept., 1949 \& Raws, f.o.b. Cuba up to $\$ 4 \cdot 20$ per 100 lb . \& $$
\begin{gathered}
290 \\
510(\mathrm{~g})
\end{gathered}
$$ <br>
\hline - \& n.a. \& - \& 397 \& 90 \& $$
\begin{gathered}
\text { Sept. } 20 / 21 \\
1949
\end{gathered}
$$ \& Calcutta average for export leaf,
$$
2 / 11 \mathrm{lb} .
$$ \& (300) <br>
\hline - \& n.a. \& - \& 0.72 \& (185) \& $$
\begin{gathered}
\text { Oct. 1-15, } \\
1949
\end{gathered}
$$ \& New York spot, Brazilian Santos, No. 2 (nom.) 34c. lb. \& $$
\begin{gathered}
(380) \\
(640)(\mathrm{g})
\end{gathered}
$$ <br>
\hline - \& n.a. \& - \& 116 (1) \& n.a. \& $$
\begin{gathered}
\text { Oct. 1-15, } \\
1949
\end{gathered}
$$ \& Accra, c.i.f. New York 19•2c. per lb. (nominal) \& $$
\begin{gathered}
(290) \\
(505) \cdot(\mathrm{g})
\end{gathered}
$$ <br>
\hline $$
\begin{gathered}
\text { Aug. } 19 \\
1949
\end{gathered}
$$ \& (14.7) \& (80) \& $2 \cdot 0$ \& 75 \& Oct. 1-15, 1949 \& New York spot, middling $1 \mathbf{1 5}^{\prime \prime} \quad 30 \cdot 34 \mathrm{c}$. per lb. \& $$
\begin{gathered}
284 \\
480(\mathrm{~g})
\end{gathered}
$$ <br>
\hline $$
\begin{gathered}
\text { June } 30, \\
1949
\end{gathered}
$$ \& (2,700)
n.8. \& n.a. \& 490 clean weight \& $115(\mathrm{p})$

52 \& Oct., 1949

Oct., 1949 \& | Dominions wool, average clean delivered cost out of London |
| :--- |
| Sales $\begin{aligned} & \text { 64's. }-100 \mathrm{~d} . \mathrm{lb} . \\ & 48 \text { 's. } 42 \frac{1}{2} \mathrm{~d} . \mathrm{lb} . \end{aligned}$ |
| First Marks, c.i.f. London |
| Indian £993 |
| Pakistan £117 | \& \[

$$
\begin{gathered}
390(\mathrm{k}) \\
320(\mathrm{k}) \\
545 \\
640
\end{gathered}
$$
\] <br>

\hline - \& n.a. \& - \& n.a. \& - \& Oct., 1949 \& No. 1, c.i.f. Antwerp, £112 per ton \& 670 (h) <br>
\hline July 31, 1949 \& 807 incl. 680 natural \& 121 \& 196 incl. 194 nat. \& 176 \& Oct. 1-15, 1949 \& London R.S.S. spot $13 \frac{1}{8} \mathrm{~d}$. per lb. \& 156 <br>

\hline July 31, 1949 \& 334 refined (e) \& (96) (j) \& 356 \& 127 \& Oct. 15, 1949 \& U.S. electro, Connecticut Valley $\quad 17 \cdot 625 \mathrm{c}$. per lb. \& $$
\begin{gathered}
150 \\
264(\mathrm{~g})
\end{gathered}
$$ <br>

\hline - \& n.e. \& - \& 212 (refined) \& (60) \& Oct. 15, 1949 \& New York 13:00c. per lb. \& $$
\begin{gathered}
274 \\
478(\mathrm{~g})
\end{gathered}
$$ <br>

\hline $$
\begin{gathered}
\text { June } 30, \\
1949
\end{gathered}
$$ \& $141 \cdot 1$ (f) \& (245) \& $25 \cdot 2$ \& 114 \& Oct. 15, 1949 \& Refined, New York, 96c. per lb. \& \[

$$
\begin{gathered}
197 \\
347(\mathrm{~g})
\end{gathered}
$$
\] <br>

\hline - \& n.a. \& - \& 223 \& 106 \& $$
\begin{gathered}
\text { Oct. } 15, \\
1949
\end{gathered}
$$ \& U.S. Prime Western (East St. Louis) $9 \cdot 25$ c. per lb. \& \[

$$
\begin{gathered}
200 \\
353(\mathrm{~g})
\end{gathered}
$$
\] <br>

\hline
\end{tabular}

[^61]highest level since 1939/40. It would appear that about three-quarters of all U.S. exports of cotton during the past season were financed by E.C.A. and other loans or grants by the U.S. Government. That Government's efforts to assist the farmer are illustrated by the rise in stocks "held " by the Commodity Credit Corporation as collateral on unredeemed loans, i.e., in effect, the stocks bought in at a percentage of the parity price. These have risen over the past year from a negligible level to 3.8 Mn . bales.

Perhaps in response to the relatively generous loan rates, cotton acreage in the U.S. in 1949/50 is substantially larger; but weather and the boll-weevil have been at work, and yields are expected to be lower, with a total production about the same as last year : 14.6 Mn . running bales, or about 14.9 Mn . bales of 500 lb . gross. Exports are likely to be lower ; for the tailing-off of Marshall Aid has begun, cotton production outside the dollar area is rising, and devaluation has increased the relative attractiveness of nondollar cotton. On the other hand, U.S. domestic consumption is (in the absence of a general recession) likely to show some recovery; last season's drop, a reaction after a long buying spree, probably went too far. If we suppose that the recovery in home use balances the decline of exports, U.S. stocks would increase by another 2 Mn . bales in the current season. The support price has declined only $1 \frac{1}{2} \mathrm{c}$. to about $29 \frac{1}{2} \mathrm{c}$. per lb .

What of the other principal producers ? There is no present reason to expect a repetition of the disastrously low yields in India in 1948/9. Acreage is likely to remain at about $40 \%$, and total production (say 2.5 Mn . bales) around $50 \%$ of pre-war. The area sown to cotton in Egypt has increased, but there has been damage by weather and by leaf-worm, and production is not expected to differ much from last season's 1.8 Mn . bales. The Brazilian crop is likely to be around last season's level of 1.5 Mn . bales. Most of the minor producers (except the African colonies) show small increases. The position in China and the U.S.S.R. remains unknown.
Wool
Estimates of last season's raw wool production, prepared by the Commonwealth Economic Committee, show developments as follows :-

| 1938/9 |  | No. of sheep (Mn.) | Raw wool produced <br> (Mn. lbs. greasy) |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  | Total | Apparel types |
|  | $\ldots$ | 743 | 3,939 | 3,115 |
| 1941/2 (peak) | $\ldots$ | 772 | 4,241 | 3,382 |
| 1945/6 |  | 683 | 3,722 | 2,964 |
| 1946/7 | $\ldots$ | 674 | 3,738 | 2,974 |
| 1947/8 | . | 684 | 3,720 | 2,951 |
| 1948/9 | ... | - | 3,790 | 3,020 |

The familiar slow trends have continuedincreases in Australia and New Zealand, a slight recovery in Europe and Africa, little change in Asia, and a continued decline in North and South America.

## BUILDING AND CIVIL ENGINEERING

OUTPUT OF THE BUILDING AND CIVIL ENGINEERING INDUSTRIES. ( $£ \mathrm{Mn}$.) Sources : Professor IAN BOWEN ; Ministry of Works.


# CANADA 

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

October 17th, 1949.

THIS report refers solely to conditions before devaluation of currencies in the week of September 19th last.
The aggregates of output, employment and income have thus far equalled or exceeded those of last year, with downward tendencies noticeable here and there during the summer. No very marked changes in components of the aggregates have occurred except as to forest products and the destinations of exports. The general impression is that of an expansion which has almost " levelled off," but it is dangerous to employ the ordinary language of booms and depressions in the present gusty economic atmosphere.

The contrast between stable or rising income in Canada and falling income in the United States has become very marked over the last twelve months; so marked, indeed, that a downturn in Canada might, on the surface, have appeared overdue at the time devaluation occurred. But the American recession has not been quickly communicated to Canada, at any rate through foreign trade ; commodity exports to the U.S.A. did not fall below 1948 levels until July, though marked decline in wood pulp and livestock exports had already occurred.

There are of course other channels by which an American contraction may be communicated, such as (1) a fall in internationally priced commodities and securities, with direct effects in Canada and indirect effects via overseas customers (2) the influence of head office policy on operations of U.S. branch plants in Canada, (3) effects by way of changes in capital movements and (4) changes in expectations.

In addition to the support derived from current commodity exports, the present situation is distinguished by (1) the trend of retail prices, which is still upward, (2) the relatively great importance of immigration, (3) the expansive influence of a renewed increase in money supply and fall of interest rates, (4) the persistence of investment, partly from United States sources, especially in connection with development of natural resources, which in turn reflects the expectation of adequate domestic and foreign
markets over the long term for Alberta's newfound oil, paper, iron, aluminium, asbestos and many manufactured products, (5) continued large investment in housing. That the anticipated level of investment has been attained and possibly exceeded is shown by the level of employment (col. 17, p. 142) and by the mid-year survey entitled Private and Public Investment.*

The rise in official holdings of gold and U.S. dollars (which had been continuous from November, 1947, when controls were introduced) came to an end last March at a maximum of $\$ 1,067 \mathrm{Mn} . \dagger$ In the next month the holdings fell some $8 \%$ and subsequently have held steady in the neighbourhood of $\$ 980 \mathrm{Mn}$. This behaviour reflects the revival of imports from the U.S.A., following removal of restrictions last winter, and the tapering off in the growth of exports to that country.

Crops were adversely affected by the unusually hot dry summer. The outturn of wheat, at 372 Mn . bushels, is 20 Mn . less than last year despite an increase of one seventh in acreage, certain areas in Saskatchewan and Alberta harvesting almost no crop. Production of coarse grains is $15 \%$ less and grasses, roots and other feed crops are lower by $20 \%$ or more.

Cash receipts (gross) from farm produce of all kinds totalled $\$ 1,056 \mathrm{Mn}$. in the first half of 1949. Of this, $\$ 205 \mathrm{Mn}$. was paid to growers by the Canadian Wheat Board on account of wheat delivered from August 1st, 1945 to March 31st, 1949. The comparable totals of cash receipts for 1948 and 1947 were $\$ 921 \mathrm{Mn}$. and $\$ 724 \mathrm{Mn}$. respectively.

The amount available for purchase of Canadian crops, from funds allocated to the U.K. by the Economic Co-operation Administration, has been one of the main uncertainties. The announcement of September 15th, that $\$ 175 \mathrm{Mn}$. of the funds allocated to Great Britain

[^62]CANADA

*Provisional
Cols. 13, 15-seasonally adjusted
Dates or Series: Cols. 4, 5, 16-18, end of month; 1-2, 6-8, averages; 9, beginning of month. Sourge : Dominion Bureau of Statistics.
Notes on Series :

Col. 1.-" Investor's Index." Index of current market valuation of shareholders' equity in 100 companies. ( $\%$ of 1935-39.)
2.-Based on the calculated yield of a bond having a constant 15 -year maturity period. (\% of 1935-39.)
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.
4 -Refers to operations in Canada only. Includes loans to provincial and municipal governments.
5.-Includes governmental deposits. Excludes all deposits with provincial, postal and Quebec savings banks, and with trust companies 6-8.-Col. 6 comprises 70 items; col. 7, 296 items; col. 8, 508 items.
9.-Comprises separate groups for food, fuel, lighting, rent, clothing, 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.

CoI. 12.-Comprises agricultural (vegetable) products and animal products groups, includes partly and fully manufactured products, in some cases made from imported raw materials, e.g., rubber.
13.-Adjusted for seasonal variation. New index includes more industries and products than formerly ( 170 series), but excludes building; base 1935.9; weighted by the net values for that period.
14.-Revenue freight only : excludes cars received from U.S. connections.
15.-Index of value, comprising urban department, variety and independent stores; also country general stores, except from January, 1929, to December, 1937. Adjusted for number of business days and seasonal variation. Base $1935=100$
series in $\$$ Mn, with wider
16.-Not seasonally adjusted
18.-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
under the E.C.A. would be used for purchase of Canadian wheat and flour, has naturally improved the prospects for the rapidly dwindling trade to Great Britain, not only for agricultural but for other produce.

Employment has been at slightly higher levels but accompanied by a marked reduction of workers in logging, owing to reduced export markets for lumber and wood pulp. The latest estimate of unemployment is for early June, and amounts to 103,000 (some $2 \%$ of the labour force) which is $25 \%$ greater than a year earlier.

Production has been maintained in both durable and non-durable goods. Newsprint, automobiles and steel, and especially oil output, have exceeded 1948 levels.

Indications of more adequate supplies of goods are the removal of many restrictions on exports, reappearance of bargain sales, disappearance of " grey" markets, implementation of government measures for supporting prices of farm crops, butter, dried milk, and fish, together with a fall in uncontrolled rents of new housing (Montreal), absence of further rises in real property values, and the comparatively small advance of retail prices.

Meanwhile indicators of weakness have appeared in the mounting number of business failures (still, however, relatively few) especially in the province of Quebec, while lower liquidity is indicated by need for more generous government assistance for the financing of new housing, where initial cash payments have become so small that the Ontario government has loaned on second mortgage.

Wage Rates have risen further. The following table, which shows not wage rates but average hourly earnings, indicates the rate of advance. Average weekly earnings have risen slightly less

AVERAGE HOURLY EARNINGS (cents per hour).
In the week preceding July lst.

|  | 1945 | 1947 | 1948 | 1949 |
| :---: | :---: | :---: | :---: | :---: |
| Manufacturing | $70 \cdot 1$ | $80 \cdot 8$ | $92 \cdot 3$ | $99 \cdot 0$ |
| iron and steel products | $81 \cdot 6$ | 91.7 | $104 \cdot 6$ | $111 \cdot 7$ |
| pulp and paper products | $70 \cdot 1$ | $91 \cdot 4$ | $102 \cdot 9$ | 108.5 |
| textile products ... | $51 \cdot 1$ | $61 \cdot 8$ | $72 \cdot 3$ | $79 \cdot 7$ |
| Mining $\quad .$. | $85 \cdot 5$ | $98 \cdot 9$ | 111.8 | 116.4 |
| Lumber products . . | $60 \cdot 2$ | $72 \cdot 7$ | $82 \cdot 1$ | $90 \cdot 2$ |
| Local transportation | $70 \cdot 6$ | $84 \cdot 5$ | $94 \cdot 0$ | 99.5 |
| Building construction | $79 \cdot 9$ | $90 \cdot 7$ | $100 \cdot 0$ | 107.3 |
| Highway construction | $62 \cdot 0$ | $71 \cdot 0$ | $78 \cdot 8$ | $84 \cdot 8$ |
| Personal service (mainly laundries) ... | $46 \cdot 8$ | $54 \cdot 7$ | 60.5 | $66 \cdot 2$ |

AVERAGE HOURS WORKED (per week).

| Manufacturing | $\ldots$ | $\ldots$ | $44 \cdot 3$ | $42 \cdot 0$ | $42 \cdot 0$ | $41 \cdot 8$ |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |

than hourly, owing to a shorter working week, as shown in the last line of the table.

In the first four months of the year total labour income was $10.7 \%$ larger than a year earlier.

Prices.-The Canadian wholesale index has fallen some $2 \frac{1}{2} \%$ since January, slightly less than the American, and the level as compared with 1938 is now higher than for the latter for the first time since 1941. This year's decline in both countries has been in marked contrast to the rise in the United Kingdom where the index (already some $7 \%$ higher relative to 1938) has advanced another $5 \%$.

The long rise in the cost of living index was interrupted by a pause in the autumn of 1948 but resumed last May owing mainly to higher food prices. At August 1st it reached a new maximum at $162 \cdot 8$ ( $\%$ of 1935-9) but receded to $162 \cdot 3$ at September 1st. The spread between the Canadian and American indexes has now narrowed to some seven points.

Retail Sales have risen less rapidly, which was to be expected in view of the comparative stability in retail prices already noted. In the seven months ending July, sales advanced $7 \%$ over 1948, the comparable increase of 1948 over 1947 having been $12 \%$, and of 1947 over 1946, $9 \frac{1}{2} \%$. Most of the increase was in motor vehicles, which have been included in the index since the appearance of a revised series early this year. $\dagger$

The Supply of Money has been increasing at the rate of the previous year or about $10 \%$ per annum, but roughly half of the increase has taken the form of larger minimum balances in private savings deposits and in government deposits. As to origins of the increase, loans rose $\$ 217 \mathrm{Mn}$. and securities $\$ 318 \mathrm{Mn}$. over the twelve months ending August 31st.

Interest Rates.-Closely associated with the increase in bank holdings of securities, no doubt, is the gradual fall of interest rates (col. 2, p. 142) since they were allowed to rise abruptly in the winter of 1948. Almost half of the rise at that time has now been overcome.

Federal government revenues are lower and expenditures are higher, and are not far from the estimates. A new issue of Savings Bonds has been announced.

The union with Newfoundland took effect on April 1st, but not all of Newfoundland's statistics are yet incorporated in the totals herewith.

[^63]FINANCE


| Monthly Averages or Months． | RETAIL PRICES． |  |  |  | WhOLESALE PRICES． |  |  |  | PRICES TO FARMERS． |  |  |  | UNEMPLOYMENT＊ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { J. } \\ & \stackrel{3}{0} \end{aligned}$ | $\begin{aligned} & \text { B } \\ & 0 \\ & \hline \end{aligned}$ |  |  | Board of Trade Index Nos． |  |  | Statist． Index．霛要 | $\begin{aligned} & \text { di } \\ & \text { S } \\ & \text { B } \\ & \stackrel{\Delta}{3} \end{aligned}$ | $\begin{aligned} & \text { 害 } \\ & \text { 号 } \end{aligned}$ |  |  |  | Percentage of Insured Industrial Population Unemployed． |  |  |
|  |  |  |  |  |  | E．8 － 品 合 |  |  |  |  |  |  |  |  | $\frac{\dot{8}}{\underline{5}}$ | B 号 0 © |
|  | \％of 1938. |  |  |  | $\%$ of 1938. |  |  |  | \％of 1938. |  |  | $\begin{aligned} & \% \text { of } \\ & 1938 \end{aligned}$ | 000＇s | \％ | \％ | \％ |
|  |  |  |  |  |  |  |  |  | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 |
| 1913 | $\begin{aligned} & 21 \\ & 64 \S \end{aligned}$ | $\begin{aligned} & 28 \\ & 71 \S \end{aligned}$ | 23 | 24 | $\begin{aligned} & 25 \\ & 82 \cdot 5 \end{aligned}$ | $\begin{aligned} & 26 \\ & 81 \cdot 1 \end{aligned}$ | 27 | $\begin{array}{r} 28 \\ 95 \end{array}$ | 29 | 3 |  | （50） |  |  |  |  |
|  | 138 | 156 |  |  |  |  |  | 233 |  |  |  | （105） $(125)$ |  |  |  |  |
| 1919 | 160 | 182 | 107 |  | $253 \cdot 7$ $162 \cdot 2$ | $220 \cdot 8$ $169 \cdot 6$ |  | 277 161 |  |  |  | （127） |  |  |  |  |
| 1921. | 145 | 163 | 110 109 |  | $162 \cdot 2$ $131 \cdot 1$ | $169 \cdot 6$ $134 \cdot 0$ |  | 138 |  |  |  | （105） |  |  | $\cdots$ |  |
| 1922 | 117 | 125 120 | 109 102 |  | $131-1$ | 125.5 |  | 139 |  |  |  | （94） | 1191 | $11 \cdot 6$ | $6 \cdot 4$ | $14 \cdot 3$ |
| 1923 | 111 | 120 | 109 99 | ． | $137 \cdot 1$ | $134 \cdot 9$ |  | 153 |  | ． |  | 96 96 | 1067 | $10 \cdot 2$ 11.0 | 8.6 | 12．4 |
| 1925 | 118 | 122 | 99 |  | 131.3 | $135 \cdot 1$ |  | 149 |  |  |  | 96 96 | 1171 | $11 \cdot 0$ 12.3 | 16.5 18.0 | $15 \cdot 2$ 16.4 |
| 1926 | 110 | 117 | 99 |  | $122 \cdot 2$ 116.9 | $125 \cdot 6$ $123 \cdot 4$ |  | 137 |  |  |  | 96 | 1030 | $9 \cdot 6$ | $19 \cdot 5$ | $10 \cdot 6$ |
| 1927 | 107 | 114 112 | 99 100 |  | $115 \cdot 8$ | $123 \cdot 6$ |  | 130 |  |  |  | 96 | 1150 | 10.7 | $23 \cdot 0$ | 11.7 |
| 1928 | 100 |  |  |  |  |  |  | 123 |  |  |  | 95 | 1142 | $10 \cdot 3$ | $19 \cdot 3$ | $12 \cdot 1$ |
| 1929 | 105 | 110 | 100 |  | $112 \cdot 6$ $98 \cdot 6$ | 118.0 102.7 | 107．7 | 101 | 122 | 99 | 97 | 94 | 1841 | $15 \cdot 8$ | $25 \cdot 9$ | 18.5 |
| 1930 | 101 | 103 93 | 100 103 |  | $86 \cdot 2$ | 90.9 | 82.5 | 85 | 101 | 81 | 93 | 93 | 2532 | $21 \cdot 1$ | $32 \cdot 4$ | 26.6 |
| 1931 | 95 92 | 93 90 | 112 |  | $84 \cdot 4$ | $90 \cdot 1$ | $76 \cdot 1$ | 83 | 88 | 82 | 83 | 92 | 2621 | $21 \cdot 9$ | 36.5 | 27.7 |
| 1933 | 90 | 85 | 104 |  | $84 \cdot 5$ | $85 \cdot 2$ | $86 \cdot 3$ | 86 | 86 | 92 | 82 | 90 | 2021 | 16.6 | $32 \cdot 3$ | $23 \cdot 1$ |
| 1934 | 90 | 87 | 101 |  | 86.9 87.7 | $87 \cdot 3$ $89 \cdot 2$ | $94 \cdot 7$ $95 \cdot 0$ | 88 | 89 | 98 | 85 | 91 | 1880 | $15 \cdot 3$ | $31 \cdot 2$ | $21 \cdot 3$ |
| 1935 | 92 | 89 92 | 100 |  | 93.0 | $94 \cdot 2$ | 106.5 | 98 | 92 | 99 | 87 | 93 | 1612 | $13 \cdot 0$ | 29.4 | 18.7 |
| 1936 1937 | 94 99 | 92 99 | 100 |  | $107 \cdot 2$ | $105 \cdot 1$ | $132 \cdot 4$ | 114 | 101 | 111 | 94 | 97 | 1349 | $9 \cdot 7$ | $20 \cdot 7$ | 14.0 |
| 1938 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1649 | 11.5 | $22 \cdot 2$ | $14 \cdot 5$ |
| 1939 | 102 | 102 | 107 | 102 | $101 \cdot 4$ | $100 \cdot 0$ | 107．4 | 118 | 101 | 112 | 101 | 101 | 1408 | $9 \cdot 6$ | 17.8 | 12.6 |
| 1940 | 119 | 116 | 141 | 126 | $134 \cdot 6$ | $136 \cdot 4$ | $158 \cdot 6$ | 148 | 139 | 161 | 136 | 112 | 850 | $6 \cdot 4$ | 12.4 | $7 \cdot 5$ |
| 1941 | 130 | 123 | 160 | 155 | $150 \cdot 5$ | $150 \cdot 2$ | 179.5 | 162 | 147 | 202 | 161 | 122 | 100 | 1．0 | 5．8 | 1．5 |
| 1942 | 139 | 125 | 197 | 173 | $157 \cdot 1$ | $161 \cdot 1$ | 181.8 | 168 | 159 | 251 236 | 179 172 189 | 138 | 69 | － 7 | 1.8 | 1.2 |
| 1943 | 143 | 125 | 225 | 171 | $160 \cdot 4$ $163 \cdot 7$ | $164 \cdot 4$ $162 \cdot 4$ | $187 \cdot 2$ 198.3 | 176 | 160 162 | 239 | 189 | 146 | 64 | －6 | 1.8 | 1－3 |
| 1944 | 146 148 1 | 125 | 235 | 176 | 166.7 | $162 \cdot 5$ | $202 \cdot 2$ | 191 | 161 | 238 | 194 | 154 | 140 | $1 \cdot 2$ | $4 \cdot 3$ | $2 \cdot 1$ |
| 1946 | 150 | 129 | 241 | 175 | $172 \cdot 7$ | $162 \cdot 6$ | $206 \cdot 4$ | 230 | 184 | 230 | 209 | 167 | 363 | $2 \cdot 4$ | $9 \cdot 3$ | $4 \cdot 8$ |
| 1947 | 160 | 137 | 274 | 182 | 189.1 | 169．2 | $246 \cdot 1$ | 291 | 218 | 237 | 225 | 175 | 468 | $3 \cdot 0$ 1.7 | 6．8 | $4 \cdot 2$ $(3 \cdot 5)$ |
| 1948 | 173 | 149 | 311 | 196 | 216.2 | $185 \cdot 8$ | $322 \cdot 3$ | $34]$ | 237 | 280 | 239 | 188 | （310） |  | （5． | （3．5） |
| $\begin{gathered} 1947 \\ \text { JULY ... } \end{gathered}$ | 162 | 140 | 285 | 183 | $190 \cdot 6$ | $172 \cdot 7$ | $253 \cdot 0$ | 290 | 209 | 223 | 169 | 175 | 256 | 1.5 | $5 \cdot 5$ | $3 \cdot 5$ |
| AUG．．．． | 161 | 137 | 285 | 183 | 191.2 | $171 \cdot 6$ | $255 \cdot 6$ | 292 | 216 | 243 | 192 | 175 | 250 | 1.5 | $5 \cdot 5$ | $3 \cdot 5$ |
| SEPT．．．． | 162 | 137 | 285 | 185 | $192 \cdot 5$ | $169 \cdot 2$ | $258 \cdot 9$ | 298 | 234 | 249 | 228 | 177 | 240 | 1.5 | $5 \cdot 0$ | $3 \cdot 0$ |
| OCT．． | 162 | 139 | 285 | 185 | $196 \cdot 6$ | $171 \cdot 8$ | $265 \cdot 1$ | 309 | 228 | 253 | 265 | $177 \frac{1}{4}$ | 259 | 1.5 | $5 \cdot 0$ | $3 \cdot 9$ |
| NOV． | 167 | 142 | 296 | 187 | 199.9 | $175 \cdot 4$ | $273 \cdot 1$ | 316 | 227 | 257 | 296 | $181{ }^{3}$ | 268 | $1 \cdot 5$ | $5 \cdot 5$ | $3 \cdot 0$ |
| $\begin{aligned} & \text { DEC. } \\ & 1948 \end{aligned}$ | 167 | 143 | 297 | 189 | $200 \cdot 6$ | $176 \cdot 4$ | $275 \cdot 3$ | 325 | 231 | 260 | 303 | 1813 | 277 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JAN． | 168 | 143 | 297 | 191 | 209－2 | 178.8 | 312.0 | 332 | 236 | 266 | 299 | $183 \frac{1}{4}$ | 318 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| FEB． | 171 | 149 | 297 | 192 | $213 \cdot 7$ | $185 \cdot 9$ | $316 \cdot 5$ | 334 | 240 | 268 | 290 | $185 \frac{1}{4}$ | 315 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| MAR．．．． | 172 | 150 | 297 | 193 | $214 \cdot 2$ | 185.5 | $315 \cdot 9$ | 337 | 243 | 270 | 266 | $186 \frac{1}{2}$ | 299 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| APR．．．． | 174 | 151 | 316 | 192 | $216 \cdot 2$ | $187 \cdot 1$ | $319 \cdot 6$ | 338 | 245 | 272 | 220 | 187 | 301 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| MAY ．．． | 174 | 150 | 316 | 194 | 217.3 | $187 \cdot 3$ | 324.9 | 344 | 248 | 272 | 179 | 187 | 290 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JUNE ．．． | 177 | 157 | 316 | 195 | $219 \cdot 0$ | $189 \cdot 3$ | $327 \cdot 4$ | 347 | 246 | 271 | 179 | 187 ${ }^{\frac{1}{4}}$ | $274 \ddagger$ | $1 \cdot 5$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JULY | 174 | 149 | 316 | 196 | $218 \cdot 7$ | 188.9 | $327 \cdot 1$ | 344 | 244 | 271 | 190 | $188 \frac{1}{4}$ | 282 | （1．5） | （5．5） | （3．5） |
| AUG．．．． | 174 | 148 | 316 | 198 | 217.9 | 187.9 | $324 \cdot 3$ | 342 | 240 | 279 | 211 | $188 \pm$ | 299 | （1．5） | ．． | ．． |
| SEPT．．．． | 174 | 148 | 316 | 200 | 216.9 | $185 \cdot 8$ | 321.5 | 339 | 235 | 281 | 225 | $188 \frac{1}{2}$ | 294 | （1．5） | ． |  |
| OCT．．． | 175 | 148 | 316 | 201 | 216.7 | 184.8 | 322.5 | 344 | 232 | 285 | 261 | $191 \ddagger$ | 314 | （1．5） | ． |  |
| NOV．． | 175 | 149 | 316 | 202 | 217.4 | $185 \cdot 6$ | $324 \cdot 4$ | 346 | 232 | 285 | 292 | 1917 | 328 | （1．5） |  |  |
| DEC， | 175 | 149 | 316 | 202 | $217 \cdot 7$ | 183.0 | 331.4 | 350 | 237 | 285 | 302 | 1914 | 327 | （1－5） | ． |  |
| JAN． | 175 | 149 | 316 | 203 | 218.2 | 183.1 | $331 \cdot 0$ | 352 | 242 | 283 | 298 | 1911 $\frac{1}{2}$ | 376 | （2．0） |  |  |
| FEB． | 176 | 150 | 316 | 204 | 218.0 | 183.0 | $329 \cdot 2$ | 350 | 246 | 282 | 288 | 192 | 360 | 1.8 | $4 \cdot 4$ | $3 \cdot 2$ |
| MAR． | 176 | 149 | 316 | 204 | 217.4 | 182.5 | $326 \cdot 8$ | 347 | 259 | 283 | 266 | 193 | 340 | 1.7 | $4 \cdot 2$ | $3 \cdot 2$ |
| APR． MAY | 176 | 150 | 306 | 205 | $223 \cdot 5$ | 191.0 | $323 \cdot 7$ | 343 | 272 | 283 | 242 | 193 | 325 | $1 \cdot 6$ | $4 \cdot 0$ | $3 \cdot 1$ |
| MAY JUNE | 178 179 | 158 159 | 306 | 205 206 | 228.1 228.7 | $204 \cdot 3$ 207.5 | $322 \cdot 2$ $319 \cdot 2$ | 337 330 | 274 269 | 283 | 185 184 | 193 193 | 304 264 | 1.5 1.3 | $3 \cdot 9$ $3 \cdot 6$ | 2.9 2.5 |
| JULY． | 179 | 159 | 306 | 206 | $225 \cdot 6$ | 207.4 | 298.3 | 324 | 262 | 272 | 199 | 193｜｜ | 243 | $1 \cdot 2$ | $3 \cdot 5$ | $2 \cdot 5$ |
| AUG．．．． | 179 | 160 | 306 | 206 | 225.4 | 207.0 | 297.9 | 325 | 259 | 275 | 228 | $193 \frac{1}{2}$ | 261 | $1 \cdot 3$ | $3 \cdot 6$ | $2 \cdot 6$ |
| SEPT．．．． OCT． | 180 | 161 | 306 | 206 | $226 \cdot 5$ 239.4 | $205 \cdot 2$ $215 \cdot 3$ | $\begin{aligned} & 307 \cdot 2 \\ & 313 \cdot 0 \end{aligned}$ | 359 | 252 | 276 | 247 | 193 곤 | 268 | $1 \cdot 3$ | $3 \cdot 6$ | 2.7 |
| Sources．－21－22 before 1938 ：Ministry of Labour Cost of Living index． <br> 23 before 1938：LCES calculation based on private sources． <br> 25－27－Board of Trade． <br> 21－24－1938－June，1947：LCES calculations based on National <br> 28 －＂The Statist．＂ <br> Income White Papers． <br> 29－31－Ministry of Agriculture． <br> 21－24 since June， 1947 ：based on Interim Index of Retail Prices <br> 32 －Prof．Bowley＇s Index，calculated for LCES． （Ministry of Labour）． <br> Figures in Cols．21－4， $32-6$ relate to mid－month；Cols，25－7，29－31，average for month；Col．28－end of month．＊Cols． $33-6$ relate to all persons registered as unemployed（excluding certain disabled）from July，1948，when the National Insurance Act came in force，but previously they exclude those not insured under the current Unemployment Insurance Acts．† Also 503，000 and 24，000 stood off but not registered in February and March， respectively．；Or 286,000 including uninsured unemployed to correspond with later figures，§ July 1914．｜｜Provisional．（ ）Approx． For other notes on this table see Bulletin，February，1949，p． 28 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

PRODUCTION \& RAILWAY TRAFFIC



[^64]FINANCE


POPULATION \& EMPLOYMENT


PRODUCTION, CONSUMPTION, ETC.

|  | Softwood Supplies |  | Textile Fabrics Woven |  | Retail Sales (New Series) $\ddagger$ (Value) |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { In } \\ & 0 \\ & 0 \end{aligned}$ | $\begin{aligned} & \text { g } \\ & \text { ㅇ } \\ & \text { 응 } \end{aligned}$ | $\overline{3}$ 0 0 | \% |  |  |  |  |
|  | $\begin{aligned} & \text { Thousand } \\ & \text { Standards } \end{aligned}$ |  | $\begin{aligned} & \text { Ann. Rates } \\ & \text { Mn. yds. } \end{aligned}$ |  | Index Numbers \% of 1947 |  |  |  | $\begin{gathered} \hline \text { \% of } \\ 1947 \\ \hline \end{gathered}$ | $\left\|\begin{array}{c\|} \hline \text { Ann. } \\ \text { rate } \\ \text { £10 Mn } \end{array}\right\|$ |
|  | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | $\frac{810 \mathrm{Mn}}{89}$ |
| 1937 | 2530 | . | 3640 | 284 | 63 | 65 | 63 | 53 |  |  |
| 1938 | 1860 |  |  |  | 65 | 68 | 64 | 51 |  | 429 |
| 1939 | 1596 |  |  |  | 66 | 71 | 65 | 49 |  | 442 |
| 1940 | 871 | 698 |  |  | 69 | 73 | 71 | 47 |  | 465 |
| 1941 | 855 | 467 | 2150 |  | 67 | 72 | 65 | 43 | . | 491 |
| 1942 | 758 | 347 | 1772 |  | 68 | 4 | 67 | 42 | $\cdots$ | 520 |
| 1943 | 679 | 510 | 1793 | 236 | 67 | 6 | 59 | 38 | 79 | 528 |
| 1944 | 858 | 372 | 1648 | 194 | 71 | 9 | 68 | 37 | 80 | 554 |
| 1945 | 921 | 445 | 1539 | 193 | 76 | 83 | 73 | 49 | 79 | 600 |
| 1946 | 1082 | 215 | 1626 | 223 | 88 | 91 | 88 | 79 | 93 | 675 |
| 1947 | 979 | 615 | 1622 | 232 | 100 | 100 | 100 | 100 | 100 | 745 |
| 1948 | 1111 | 466 | 1900 | 268 | 114 | 112 | 123 | 107 | 105 | 8 |
|  |  |  |  |  |  |  |  |  |  |  |
| 2nd Qr. | 924 | 146 | 1700 | 228 | 98 | 98 | 104 | 95 | 101 | 732 |
| 3rd Qr. | 1049 | 422 | 1590 | 239 | 98 | 102 | 92 | 110 | 103 | 768 |
| ${ }^{\text {4th }}$ Qr. | 1049 | 615 | 1840 | 258 | 114 | 107 | 123 | 123 | 89 | 798 |
| 1948- |  |  |  |  |  |  |  |  |  |  |
| 1st Qr. | 1086 | 523 | 1850 | 263 | 102 | 105 | 99 | 101 | 106 | 754 |
| 2nd Qr. | 1074 | 412 | 1940 | 259 | 112 | 109 | 121 | 103 | 100 | 795 |
| 3rd Qr. 4 th Qr. | 1120 | 451 | 1790 | 261 | 112 | 112 | 121 | 101 | 113 | 812 |
| 1949- |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2nd Qr. | 1102 | 206 | 2020 | 273 | 125 | 121 | 148 | 112 |  | 825 |
| 3rd. Qr. |  |  |  |  | 120 | 121 | 125 | 113 |  |  |

## INDUSTRIAL EARNINGS \& HOURS

| Last payweek of months | Earnings per week |  |  | Hours per week |  |  | Hourly Earnings |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | ₹ | E |  | ₹ | 号 | I ¢ 0 3 |
|  | s. d. per week |  |  | Hours |  |  | Index Nos. \% of Oct., 1938 |  |  |
|  | 98 | 99 | 100 | 101 | 102 | 103 | 104 | 105 | 106 |
| 1935 Oct. | 48/11 | 64/6 | 31/3 | $47 \cdot 8$ |  |  | 88 |  |  |
| 1938 Oct. | 53/3 | 69/- | $32 / 6$ | 46.5 | $47 \cdot 7$ | 43.5 | 100 | 100 | 100 |
| 1940 July | 69/2 | 89/- | 38/11 | .. | .. | .. | . . | .. |  |
| 1941 July | 75/10 | 99/5 | 43/11 | $\ldots$ | . | . | . |  |  |
| 1942 Jan. | 77/9 | 102/- | 47/6 | . | $\ldots$ | . | $\ldots$ | . |  |
|  | 85/2 | 111/5 | 54/2 |  | . | . | $\ldots$ | $\ldots$ |  |
| 1943 | 87/11 | 113/9 | $58 / 6$ |  |  |  |  |  |  |
| July | $93 / 7$ | 121/3 | $62 / 2$ | $50 \cdot 0$ | $52 \cdot 9$ | $45 \cdot 9$ | 163 | 158 | 181 |
| 1944 | 95/7 | 123/8 | 63/9 | $49 \cdot 2$ | $52 \cdot 0$ | $45 \cdot 2$ | 170 | 164 | 189 |
|  | 96/8 | 124/4 | 64/3 | $48 \cdot 6$ | 51.2 | $44 \cdot 6$ | 174 | 168 | 193 |
| 1945 | 93/9 | 119/3 | 63/2 | $47 \cdot 0$ | $49 \cdot 4$ | 43.1 | 174 | 167 | 196 |
|  | 96/1 | 121/4 | 63/2 | $47 \cdot 4$ | 49•7 | $43 \cdot 3$ | 177 | 169 | 195 |
| 1946 | 92/7 | 114/1 | 59/10 | $45 \cdot 8$ | 47-4 | $42 \cdot 3$ | 177 | 166 | 189 |
|  | 101/- | 120/9 | 65/3 | $46 \cdot 2$ | 47•6 | $42 \cdot 6$ | 191 | 175 | 205 |
| 1947 |  | 123/5 | 67/4 | 45.0 | $46 \cdot 3$ | 41.5 | 201 | 184 | $217$ |
|  | 108/2 | 128/1 | 69/7 | $45 \cdot 2$ | $46 \cdot 6$ | 41.5 | 209 | 190 | $224$ |
| 1948 | 114/- | 134/- | 72/11 | $45 \cdot 3$ | 46.5 | $41 \cdot 6$ | 220 | 199 | 234 |
| Oct. | 117/4 | 137/11 | 74/6 | $45 \cdot 3$ | $46 \cdot 7$ | 41.6 | 226 | 204 | 240 |
| 1949 Apr. | 119/4 | 139/11 | 77/2 | $45 \cdot 3$ | $46 \cdot 6$ | 41.8 | 231 | 207 | 247 |

SOURCES : 74-75 Bank of England. 77.78 L.C.E.S. calculations from "Economist" data. 76, 79 L.C.E.S. calculations. 80-88 Board of Trade, * Years ending 3 months after calendar year. $\ldots=$ Not available. $\dagger$ Imports only, prior to 1940 . $\ddagger$ New index numbers of weekly sales. See $B . / T$. Journal, $16 / 7 / 49$, p. 107 . $\dagger \dagger$ (77) relates (approx.) to date of earning profits (78) to date of declaring dividends. 1 figures of new series see 1948, 2nd Qr. below. §New series, see footnote on p. 107, Aug., 1949. For other notes on these tables, see Bulletin, Feb., 1949, p. 29-30.


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[^0]:    * Quoted in D. H. Macgregor, Public Aspects of Finance, pp. 116-7.

[^1]:    Official figures, and the author's own estimates based thereon, in the Bulletin for May, 1948. The most important changes in the estimates of Government expenditure are in respect of medical services and food subsidies. For the first of these, the earlier estimate is likely to be nearer the wartime mark than current extravagances; and it would be wrong to take account of the second without allowing for other price movements as well.

[^2]:    $\S$ It is important to note that the $£ 1,000 \mathrm{Mn}$. remaining is not comparable with the series of very much smaller figures of "current expenditure on non-war goods and services" given in wartime National Income White Papers (e.g., Cmd. 6784, p. 31, item 116). The present figure excludes only direct defence expenditure whereas the White Paper figures excluded all wartime Vote of Credit expenditure.

[^3]:    The estimate of defence expenditure at market prices is $£ 175 \mathrm{Mn}$. higher for the "war year" than the corresponding estimate at factor cost since expansion in government purchases means that the central government bears the incidence of the employers' contributions to National Insurance for a large number of munition workers, etc.

[^4]:    * Cmd. 7572, p. 39.

[^5]:    *Excluding U.K. and Canada.
    (a) Figures represent dollar
    (c) E.C.A. surplus and contribution
    (d) From gold reserves. to dollar pool.
    (e) Probable minimum.
    (b) I.M.F.

[^6]:    * Including expenditure under the Defence Loans Acts,

[^7]:    * Excluding from total Expenditure the advance payment for food made to Argentina at the end of March,
    1948 .

[^8]:    * The basic information on subsidies was given by the Economic Secretary to the Treasury (Hansard, 24th September, 1948, written answer). In the present calculation all subsidies are taken into account except for a small part ( $£ 9 \mathrm{Mn}$. in the year) of the subsidy on animal feeding stuffs which is not attributable to food production and for the small subsidy ( $£ 8 \mathrm{Mn}$. in the year) on fertilizers and molasses. The bulk ( $£ 57 \mathrm{Mn}$. in the year) of the subsidy on animal feeding stuffs is allocated between bacon, milk and eggs. I have to thank the Board of Trade for making the wholesale price series available to me, and the Ministry of Food for general information on subsidies which makes the present calculation possible.

[^9]:    * At the time of going to press no final figures of the achievements of targets had been published.

[^10]:    * Components do not add precisely to total because of rounding. (a) Not available. (b) No seasonally-adjusted series available

[^11]:    * The Financial Statement defines items " below the line " as follows :-

    1. Receipts applicable by statute to debt interest which would otherwise be paid out of revenue.
    2. Receipts applicable to debt redemption.
    3. Payments for which the Treasury has power to borrow.
[^12]:    * "Housing receipts from Votes" is an item of capital depreciation ; " gifts from Australia " provide a receipt in the overseas capital account. See Cmd. 7649, p. 61.
    $\dagger$ Table 29, item 9.
    $\ddagger$ Only the calendar year figures are official (Cmd. 7647 and Cmd. 7649).

[^13]:    ${ }^{\star} C f$. London and Cambridge Economic Service Bulletin, May, 1948, pp. 41-43.
    $\dagger$ Estimates of the past totals of "Sums set aside through the action of public authorities" for financing capital formation are given in Cmd. 7649, Table 13. These include additions to reserves for taxes on income by both companies and persons and also the reserves and depreciation allowances of public enterprises, but only direct taxes on capital are excluded from current Government revenue-stamp duties on the transfer, etc., of property, being indirect taxes, remain.

[^14]:    * The sale of $£ 45 \mathrm{Mn}$. Government assets in India, against cancellation of a corresponding amount of Indian sterling assets is treated in the official Balance of Payments statement (Cmd. 7648) and in the Economic Survey for 1949 as a deduction from current Government expenditure overseas. It is thus given the effect of an invisible export on current balance of payments account, turning an otherwise negative balance (net overseas investment) of $£ 15 \mathrm{Mn}$. in the second half of 1948 into a positive balance of $£ 30 \mathrm{Mn}$. Further, since it has been included in the total of Government sales of surplus war stores, this treatment involves a reduction of $£ 45 \mathrm{Mn}$. in the total of home investment. A more logical procedure would seem to be to regard the transaction as entirely on capital account and to exclude it from the income accounts altogether. This table accordingly shows external investment as $£ 45 \mathrm{Mn}$. smaller and gross capital formation at home as $£ 45 \mathrm{Mn}$. larger than in the official estimates. The savings problem is unaffected.
    $\dagger$ The Budget concession of an extra $20 \%$ depreciation allowance on the first year's life of new plant and equipment, estimated to cost $£ 75 \mathrm{Mn}$. in a full year, has had the effect of decreasing tax reserves and increasing depreciation allowances by an amount officially estimated at $£ 50 \mathrm{Mn}$. in 1949.

[^15]:    * Cmd. 7649, Introductory Notes.

[^16]:    * H.C. Deb., Vol. 463, No. 96, col. 2075.
    $\dagger$ Cmd. 7647, para. 45.

[^17]:    * This volume is believed to have been inflated by last-minute clearances before the coming into effect of the South African import restrictions.

[^18]:    * Article by C. F. Carter and T. C. Chang, Economica, August, 1946.

[^19]:    (British import prices are here taken as moving with the competitors' export prices ; this is a relatively optimistic assumption. The result might be considerably altered if the real income change were not uniformly distributed over the world. Comparisons along the diagonals of the tables are not valid.)

[^20]:    * Because of its queer composition the number of income recipients in it would have little real significance, even if it were given-it would, for example, be swollen by all the children in the country who have a savings bank account.

[^21]:    * This is an estimate based on the known $£ 880 \mathrm{Mn}$. done in the first nine months of 1948, and the movement in employment and cost figures over the last quarter of 1948. The figure may come out higher than this, but hardly lower.
    $\dagger$ Excluding N. Ireland.
    $\ddagger$ Adding two-thirds of the unallocated $£ 370 \mathrm{Mn}$. mentioned in para. 45 of the Survey.

[^22]:    ^ Including expenditure under the Defence Loans Acts, 1937 and 1939.

[^23]:    The average hours worked by men increased from 46.3 to 46.7 weekly from April, 1947, to October, 1948, as compared with 47.7 in October, 1938.

[^24]:    (h) \% of early 1939. (j) \% of 1937. (k) \% of average 1934-8 for London sales. (l) Including some now used as a source of fats (n) excluding additions to up-country stocks. (o) The total world production of hard fibres may be estimated as about 450,000 tons for both 1947 and 1948. (p) On basis used November 1948 and before, including non-commercial crop.

[^25]:    - Nil.
    * Excluding the National and District Banks before 1937 ) = Approx. only.
    $\dagger$ Including some issues not geographically distributed District Banks before 1937.
    For other notes on this table, see Bulletin, February, ghold currency in circulation in 1913.

[^26]:    * Larger output of automobiles, and imports from the United Kingdom, are bringing down the premium on resale of some new models.

[^27]:    * A less direct result of higher prices may be noted in the case of consumers who have probably been forced to withdraw their bids for less essential or postponable items (even though prices of these have not risen) owing to shortage of spending power arising from the higher cost of more essential goods such as foods. Food prices, have risen from $46 \%$ over pre-war in 1946 to $100 \%$ over pre-war today, at the retail level.

[^28]:    * Foreign Exchange Control Board, Report for 1948, p. 4. At the beginning of 1947 the E.R.P. countries were still in possession of a considerable amount of convertible exchange, most of which was, however, exhausted during the year.

[^29]:    * Maclean Building Revierv, (Toronto), January, 1942, (monthly).
    $\dagger$ Bank of Canada, Annual Report for 1948, p. 25.
    $\ddagger$ ibid.
    § National Accounts, Income and Expenditure, 1947-8, Revised (Ottawa, D.B.S.), 1949, p. 14.

[^30]:    * Bank of Canada, Annual Report for 1948, p. 35.
    $\dagger$ ibid., p. 36. Figures for stock issues were published for the first time in the 1947 report.
    $\ddagger$ From $\$ 750$ to $\$ 1,000$ for single persons, and from $\$ 1,500$ to $\$ 2,000$ for married persons, from $\$ 100$ to $\$ 150$ for children and from $\$ 300$ to $\$ 400$ for other dependants. On the first $\$ 1,000$ of taxable income the rate is $15 \%$ instead of on the first $\$ 100$.

[^31]:    Cf. Bank of Canada, Statistical Summary, March 1949, p. 45-6.
    $\dagger$ In 1948-9 the greater part of the reduction in funded debt took the form of repaying $\$ 286 \mathrm{Mn}$. of compulsory savings and refundable excess profits tax.

[^32]:    * The author is indebted to Miss N. Moffat of the Economic Research Division, London School of Economics, for much of the preparatory work for this article.

[^33]:    * In money terms.

[^34]:    (13) Table 1.

[^35]:    (1) Table 3.
    (2) Table 4.
    (3) Greece and Italy were required to use their existing Sterling balance before using drawing rights. The net balance of trade of $£ 5 \mathrm{Mn}$. in the first five months of 1949 is assumed to provide Italy with adequate Sterling income to meet its needs.
    (4) From Financial Times, July 5th (based on statements in H. of C. Debates).
    (5) This calculation assumes that other capital transactions between the Sterling area and the United Kingdom and that all transactions between the Sterling area and countries other than the Dollar area or O.E.E.C. were in balance.

[^36]:    * Sterling area gold and dollar deficit :-July-Dec., 1948 (Cmd. 7648), $£ 9 \mathrm{Mn}$, Jan.-June, 1949 (Table 4) : $£ 37 \mathrm{Mn}$.
    $\dagger$ See U.S. article (p. 91).

[^37]:    $\star$ Report to President on The Economic Situation at Mid-year, 1949, by the Council of Economic Advisers, p. 59.
    $\dagger$ See, for instance, L. N. Dembitz and A. O. Hirschman, " Movement Toward Balance in International Transactions of the United States," Federal Reserve Bulletin, May, 1949, pp. 480-96.

[^38]:    * Cmd. 7572, p. 42.

    Estimated Surplus $\$ 400 \mathrm{Mn}$., nominal amortisation $\$ 124 \mathrm{Mn}$., total $\$ 524 \mathrm{Mn}$. or $£ 131 \mathrm{Mn}$.
    $\dagger$ Economic Survey of Europe in 1948, p. 101.
    $\ddagger$ See "Finance" in this Bulletin, p. 102.
    § Insofar as foreign payments are rationed the relevance of this argument will be weakened.

[^39]:    $\star$ Cmd. $7648 . \quad \dagger$ Table $5 . \quad \ddagger$ Cmd. 7648.
    § See Financial Times, July 9th, 1949.

[^40]:    $\star$ From U.S.A. Department of Commerce, The United States in the World Economy. The difference between the three figures arises from the short-term capital movements, gold movements in the earlier period and capital movements in the later period.
    $\dagger$ Based on Table 5 and statement by the U.S.A. Secretary of the Treasury (see Financial Times, July 11th, 1949).
    $\ddagger$ Report to the President on The Economic Situation at Mid-year, 1949, by the Council of Economic Advisers, pp. 39, 88.

[^41]:    * Components do not add precisely to total because of rounding.
    (a) Not available. (b) No seasonally-adjusted series available.

[^42]:    * Increased Government expenditures on this item have, for the most part, replaced foreign liquidation of assets to finance the U.S. export surplus. They have, therefore, in effect diminished U.S. net foreign investment,

[^43]:    *Estimates of first quarter figures by Council of Economic Advisers; Federal Reserve Bulletin, June, 1949, p. 304. Quarterly data refer to annual rates, seasonally adjusted.
    $\dagger$ Federal Reserve Bulletin, June, 1949, p. 703.

[^44]:    * Survey made by the Department of Commerce and Securities and Exchange Commission. The figures refer only to non-agricultural outlays and exclude outlays charged to current accounts.

[^45]:    * 1949 Survey of Consumer Iinances, Part II ; op. cit.

[^46]:    * Studies in Official Statistics. No. 1-The Interim Index of Industrial Production.

[^47]:    * See Carter, Reddaway and Stone : The Measurement of Production Movements, pages 78-79.

[^48]:    * By way of exception, we found that the discrepancy between the two figures for the ferrous section of metal manufacture is mainly due to the much lower weight given to iron castings by the official index ; we cannot see how so low a weight could be justified. (The close agreement between the two calculations for metal manufacture as a whole hides serious discrepancies for the two sections; for non-ferrous the official one uses more elaborate methods and is likely to be more reliable.)

[^49]:    * See Carter, Reddaway and Stone, op. cit, pages 37-40.
    $\dagger$ With rough adjustments for holidays and changes in output per head (see note to the table on page 12 of the Bulletin for February, 1949).
    $\ddagger$ The other side of the picture is that our rough rules about productivity adjustments gave a rise of $3 \%$ between 1946 and 1948; our output index for the rest of the textile group was lower than the official one (123 against 126) so that this assumed rise was relatively close to that deducible for the rest of the Order, and would produce a negligible "distortion" of it. (We do not, however, regard productivity computations as a decisive factor in deciding on the composition of an index-see op. cit, page 38.)

[^50]:    (h) \% of early 1939. (j) \% of 1937. (k) \% of average 1934-8 for London sales. (l) Including some now used as a source of fats. (n) excluding changes in up-country stocks. (o) The total world production of hard fibres may be estimated as about 485,000 tons in 1948. (p) $\%$ of 1934-8; includes shoddy, waste, hair etc.

[^51]:    * The official figure for the O.E.E.C. year, July, 1949 to June, 1950 , is quoted at $\$ 1,400 \mathrm{Mn}$., but since the rate of imports in the earlier months of this period has been much higher than that ( $\$ 1,600 \mathrm{Mn}$. in July), the fall will have to be sharp, and doubtless will be, as soon as we have taken in the orders made prior to the July standstill.

[^52]:    (1) This is intended to be a maximum estimate, whereas the changes implied on p. 116-117 are intended to be "realistic" or even pessimistic.

[^53]:    ${ }^{(1)}$ We cannot rely on delaying the price rise ; for already industry is running down its financial capital, since it is buying raw materials at higher prices which are not simultaneously passed on to the consumer. The financing of higher-priced stocks creates an immediate extra demand for savings, which is inflationary.

[^54]:    Excess of inflationary demand already existing in 1949 EMn (annual rate) ... ... ... ... ... (say)
    Diversion of extra exports to dollar countries-rate of flow over next year
    Diversion of extra exports to non-dollar countries
    Amount to be found from alterations in the size or destination of the flow of production

    150

    Effect of Government's programme
    reduction in capital programme
    net effect of redurtions in- Government expenditure, after allowing for increases during October to March over original estimate ... ... (say)
    Taxes and savings engendered by higher productivity...
    Remaining to be found from further economies and reductions

[^55]:    * These weights are different from those published with the index as appropriate to June, 1947, as the base date, i.e., 1937-8 consumption valued at the prices of June, 1947

[^56]:    * The effect of such switching on prices must not be exaggerated. The prices of commodities from "soft" sources are generally higher than the old sterling price, (before devaluation) of the same items from "dollar" sources-though lower than the new sterling equivalents of the dollar prices.

[^57]:    * In the Table above (col. 1, p. 129) that shows the construction of the general wage-index number, the increase for railwaymen from 1939 to 1949 is given as $70 \%$. In this period increments due to very nearly flat increases totalled about 48 s . In the absence of information about average wages as contrasted with earnings at any date prior to the publication of this Report, the basis to which the flat increases were applied was average earnings of men, 67s. 8 d . in 1939 . It now appears that a lower amount, $58 \mathrm{~s} .9 \mathrm{~d} .$, should have been the basis, and the increase should be stated as 81 , not $70 \%$. Part of the difference may be due to upgrading. Similarly the figure for July, 1947 should be 175 instead of 165 . If this emendation is carried through to the averages, 1 unit ( $\frac{1}{2} \%$ ), should be added in each average line through this Table.

[^58]:    Figures in later months are subject to revision. For further details see "The Measurement of Production Movements " (Carter, Reddaway, and Stone) : Cambridge University Press, 1948, 12/6. In general, the Index is based on the quantity of goods delivered by an industry (' A ' series) ; the ' B ' indices use additional series reflecting the changes in work in progress in house and ship building.

    * The 1935 figures (and especially those in brackets) are subject to larger error than the rest of the index. On the same basis, the total for the average of $1935-8$ is probably about 108. The figure for Industrial Machinery and Equipment has been revised, using the 1946 Partial Census of Production.
    + Quarterly figures set against the middle months of the quarters. As a measure of the activity of the industry, more significance should be attached to comparisons based on the average of several quarters than to fluctuations from quarter to quarter. No shipbuilding ' $A$ ' series is published.
    - Weekdays, counting Saturdays as half. These " normal working days " include public holidays, as follows : 1948-Good Friday and Easter Monday in March, Whit Monday in May, Bank Holiday in August, Christmas holiday in December; 1949 -Good Friday and Easter Monday in April, Whit Monday in June, Bank Holiday in August.

[^59]:    * Cmd. 7793.
    † "The New Dollar Crisis, " p. 82.

[^60]:    (*) Source : Financial Times, October 3rd, 1949, p.1, and Records and Statistics VI, 143 (October Sth, 1949), 326. The extreme rates in a multiple rate system.
    $(\dagger)$ Source : Records and Statistics, Vol. VI, No. 142 (October 1st, 1949), 310
    ( $\ddagger$ ) Source: The Times, November 2nd, 1949 (nominal rates).
    (§) Par value agreed with International Monetary Fund.
    (il) $\$$ Rates computed at $\$ 4 \cdot 03=£ 1$ on old $£$ rate.
    (ब) Domestic rate for U.S. S.
    $(\dagger \dagger)$ Indeterminate.

[^61]:    (h) \% of early 1939. (j) \% of 1937. (k) \% of average 1934-8 for London sales. (l) Ministry of Food estimate of cocoa bean consumption, excluding beans transferred to oilseed stocks. (n) excluding changes in up-country stocks. (o) The total world production of hard fibres may be estimated as about 485,000 tons in 1948. (p) $\%$ of $1934-8$; includes shoddy, waste, hair, ete. (q) U.S. in
    running bales.

[^62]:    * Ottawa. Department of Trade and Commerce, June 30th, 1949.
    $\dagger$ As of March 31st. Statistical Summary, Bank of Canada, June, 1949, p. 98. Month-end figures from June, 1945 were published in the issue of December, 1948.

[^63]:    Retail Trade: Revised Series 1941, 1947, 1948. (Ottawa, D.B.S.), 1949. The new series, which is expressed in dollars rather than as an index, is a weighted sample with broader coverage.

[^64]:    $=$ Not available. $\quad(\quad)=$ Approx. only. $56-62$ and $66-73$ exclude most munitions from 1940-5. 63-65 include munitions. * Change of classification in 1919. Italics show 1913 classification. § Eire excluded from U.K. from April, 1923 $\dagger$ The quarterly movements are interpolated for each year from the B/T import and export current price series. For other notes on this table, see Bulletin, February, 1949, p. 29.

