## LONDON \& CAMBRIDGE ECONOMIC SERVICE

# BULLETIN I. VOL. XXVIII. 

FEBRUARY, 1950.

Copyright.
PUBLISHED BY THE EXECUTIVE COMMITTEE OF LONDON \& CAMBRIDGE ECONOMIC SERVICE

## EXECUTIVE COMMITTEE

Sir A. M. Carr-Saundrrs (Chairman) - - London School of Economics.
Sir Otto Niembyer, G.B.E., K.C.B. (Hon. Treasurer).
R. G. D. Allen - - - - - London School of Economics.

Sir Arthur Bowley - - - - - London School of Economics.
F. W. PaISH - - - - - London School of Economics.

Sir Arnold Plant - - - - - London School of Economics.
D. H. Robertson - - - - - University of Cambridge.
E. A. G. ROBINSON - - - - - University of Cambridge.
G. L. Schwartz
J. R. N. Stone - - - - - - University of Cambridge.

Thi Editors
G. S. Dorrance - - - - (Secretary).

## EDITORIAL COMMITTEE

R. G. D. Allen - - - - - - London School of Economics.
E. H. Phelps Brown - - - - - London School of Economics.
S. R. Dennison - - - - - - University of Cambridge.
F. W. Parsh - - - - - London School of Economics.

Sir Arnold Plant - - - - - London School of Economics.
A. R. PREST - - - - - - - University of Cambridge.
D. H. ROBERTSON - - - - - - University of Cambridge.
L. C. Robbins - - - - - London School of Economics.
E. A. G. Robinson - - - - University of Cambridge.
J. R. N. Stone - - - - - - University of Cambridge.

## EDITORS

C. F. CARTER
W. B. Reddaway
R. C. Tress - - (Managing Editor).
G. S. Dorrance - (Assistant Editor \& Secretary).
K. C. SMITH - - (Statistician).

## Annual Subscription, \&I. <br> Single Coples, $7 / 6$ each.

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

## TABLE OF CONTENTS

PAGE
The Economic Position ..... 1
The United States Tariff (A. R. Prest and A. D. Roy) ..... 2
The Performance and Prospects of British Agriculture ( 7. R. Raeburn) ..... 8
Prospects for Interest Rates (F. W. Paish) ..... 13
Wage Rates (A. L. Bowley) ... ..... 15
Industrial Production (A. A. Adams) ..... 16
Index of Industrial Production (Table) ..... 17
Building and Civil Engineering (I. Bowen) ..... 18
Home Finance (F. W. Paish) ..... 18
International Finance (G. S. Dorrance) ..... 20
World Commodity Survey (C. F. Carter) ..... 21
The second Half of 1949 in the U.S.A. (M. W. Reder) ..... 26
Statistical Tables, United Kingdom ..... 32-36

## THE ECONOMIC POSITION

fanuary 31 st, 1950.
Apart from the immediate and expected speculative reactions, it could not be hoped that the devaluation of sterling would bring any rapid improvement in the dollar position of the United Kingdom or the rest of the Sterling Area. Gold and dollar reserves, from being $\$ 1,320 \mathrm{Mn}$. on September 18th, 1949 , had risen to $\$ 1,688 \mathrm{Mn}$. at the end of the year, but it is impossible to say how much of this represents a non-recurring gain from the closing of "bear " positions. The dollar value of United Kingdom exports both to the United States and to Canada was below the 1948 average in each month of the last quarter of 1949, but this is not, of course, conclusive, since the advantages which can be derived from devaluation must take time to materialize. But it seems clear that the problem must largely be tackled by replacing exports to third markets from dollar areas by exports from the United Kingdom. About progress in this direction, information is inadequate.

Production once again showed a spurt in the final quarter of the year to reach a record level. The rise largely reflects higher output per worker rather than increased numbers employed. A continuation of this trend would offer a major contribution towards the solution of our problems.

Efforts to secure agreement for a voluntary standstill in wage-rates over the next year have met with some success, but opposition continues to be formidable. Wage-rates have, in fact, been virtually stable, but as yet the retail price index has risen by only one point since September. The general evidence about internal supply and demand seems to show some continued progress towards a balance and retail stocks appear to be more nearly adequate. There is not, however, any reason to think that difficulty of selling in the home market is as yet exerting pressure on manufacturers to divert more goods to export. The Supply Estimates and the April Budget will provide early tests of the way in which the new Government intends to tackle this problem.

# THE UNITED STATES TARIFF 

By A. R. Prest and A. D. Roy

There is often a startling difference between the views expressed in the U.S.A., by both professional economists and laymen, on the current level of the U.S. tariff and those held in the rest of the world. While many European business-men declare that the American tariff prevents them from entering the U.S. market at all or at least only permits them to do so on a very restricted scale, it is commonly asserted inside the U.S. and by U.S. representatives abroad ${ }^{\star}$ that this either is not or should not be any real obstacle to the importation of goods of many kinds into the U.S.A. In the light of these contradictory statements it was considered that a statistical appraisal of the U.S. tariff might be a worthwhile undertaking and this is therefore the task to which we shall address ourselves in this article. Part I will deal with the general picture of the past history and current level of the tariff ; Part II will attempt to show the complications of the tariff and the pitfalls involved in any simple clear-cut appraisal ; Part III will assess the specific obstacles offered by the tariff to U.K. exports. It must be pointed out straight-away that owing to the complexity of the subject and the sparsity of published information, it has not been an easy task to make any accurate appraisal. But precisely for these reasons our conclusions and comments may at least be a guide-post, even if only roughly oriented, in a bewildering land.

## I

It is not necessary for our purposes to state the involved history of the introduction and subsequent amendments to the U.S. tariff in the nineteenth century. All we need to do is to consider the problem from the introduction of the Hawley-Smoot law in 1930. At the same time it is important to note both that the tariff has a long history stretching back to 1789 and that diverse motives have inspired the various politicians who have enacted these legislative measures. For without an appreciation of these points it would be difficult to grasp the weight of opinion which lies behind the protectionist policy of the U.S.A.

[^0]In the years preceding 1930 there was a general tendency for the tariff rate to rise and this movement reached its peak in the HawleySmoot Act of 1930. The effective rates of duty in that year may be seen from Table 1.

TABLE 1.
U.S. TARIFF LEVELS-1930 DUTY RATES

| Schedule | Percentage Rate |  |  |
| :---: | :---: | :---: | :---: |
|  | 1930 base weights and prices | 1939 base weights and prices | 1947 base weights and prices |
| Chemicals, oils and paints | $35 \cdot 3$ | $37 \cdot 2$ | $17 \cdot 9$ |
| Earths, earthenware, and glass ware ... | $49 \cdot 3$ | $43 \cdot 0$ | $35 \cdot 7$ |
| Metals and manufactures of | $37 \cdot 4$ | $40 \cdot 3$ | $32 \cdot 0$ |
| Wood and manufactures of ... | $20 \cdot 8$ | $16 \cdot 8$ | 11.8 |
| Sugar, molasses, and manufactures of ... | $100 \cdot 0$ | $69 \cdot 4$ | $30 \cdot 0$ |
| Tobacco and manufactures of | $71 \cdot 5$ | $77 \cdot 5$ | $37 \cdot 2$ |
| Agricultural products : Fish | \} 28.0 | $\{22 \cdot 6$ | $14 \cdot 5$ |
| Other | \} 28.0 | $\{39 \cdot 3$ | $18 \cdot 3$ |
| Spirits, wines and other beverages ... | $31 \cdot 6$ | $109 \cdot 8$ | $92 \cdot 5$ |
| Cotton manufactures ... | $40 \cdot 4$ | 38.3 | $37 \cdot 6$ |
| Flax, hemp, jute, and manufactures of | 21.5 | $24 \cdot 7$ | $12 \cdot 0$ |
| Wool and manufactures of | $58 \cdot 1$ | $76 \cdot 3$ | $54 \cdot 0$ |
| Silk manufactures ... | $57 \cdot 5$ |  | $\int 50 \cdot 4$ |
| Manufactures of rayon or other synthetic textile | $63 \cdot 8$ | \} $37 \cdot 6$ | 31-6 |
| Paper and books | $25 \cdot 9$ | $21 \cdot 8$ | $19 \cdot 8$ |
| Sundries ... | $37 \cdot 4$ | 28.8 | $23 \cdot 1$ |
| Free list articles subject to import revenue taxes | 49-7 | $31 \cdot 3$ | $12 \cdot 3$ |
| Total Dutiable Imports ... | $44 \cdot 7$ | $48 \cdot 2$ | $28 \cdot 3$ |

Notes :-
1930 base," " 1939 base," etc., means that both the weights for calculating average duties for each schedule (and the overall average for all schedules) and the prices for converting specific duties into ad valorem equivalents are based on that year.

Free List " refers to items on free list of Tariff but subject to import excise taxes under Revenue Acts. The Reciprocal Agreements Act (see infra) applies to these duties in exactly the same way as to tariffs proper.

Processing Taxes are excluded.
Sources: U.S. Tariff Commission: Operation of the Trade Agreements Programme Pt. III, p. 37 and Trade Agreement Concessions of the U.S. (August, 1949), pp. 12-14. Statistical Abstract of the U.S., 1948, pp. 936-939.

Inspection of the " 1930 base " column shows that the average rate on all dutiable imports in 1930 was $44 \cdot 7 \%$, the rates for the individual schedules varying between $100.0 \%$ in the case of sugar and $20.8 \%$ in the case of wood and wood products. It is important to note, however, that the choice of base year to which these 1930 duty rates are related has considerable effects on any estimate of the level of the tariff, both because any change in the distribution of imports by categories will change the weights applicable to ad valorem duties and because any change in price levels alters the ad valorem equivalent of specific duties. These points are brought out by the three columns in the
table. Thus the " rise" in the duty rate on beverages between 1930 and 1939 is partly due to price falls during those years but much more to the abolition of prohibition and the subsequent increased importation of the more heavily taxed items in the group. On the other hand, the overall fall from $48 \cdot 2 \%$ on a 1939 base to $28.3 \%$ on a 1947 base is obviously largely due to the rise in prices over that period.

It must be emphasized at this point that we are only relating the total amount of duty collected to the value of dutiable imports and not to the value of all imports. Normally about $60 \%$ of the total value of all imports into the U.S.A. is free of duty* and therefore the effective rate of duty on all imports is very much less than the figures shown in Table 1.

In addition to the decreases which have come about automatically as the result of changes in weighting and in price levels since 1930, there has been a series of reductions in the height of the U.S. tariff under the operation of the Reciprocal Trade Agreements Act of 1934. This was originally introduced for a three-year period but has been successively renewed since that date, although, it should be noted, not without considerable Congressional opposition in the last year or two. The general purpose of the Act has been to authorize the President to reduce duties on a reciprocal basis by the conclusion of Trade Agreements. Before the war these Agreements were mainly with individual countries (e.g. the Anglo-American Agreement of 1938), but since the war the most important event has been the General Agreement on Tariffs and Trade signed by the twenty-three negotiating countries at Geneva in 1947. It should be noted that any agreement between the U.S. and any one country in respect of a duty on a specific commodity is automatically applied to all imports into the U.S. of that commodity, whatever the country of origin. Since the Geneva agreement of 1947, there have also been further negotiations at Annecy, but the concessions made there by the U.S. were generally speaking on a small scale, and as they have not (at the time of writing) come into actual operation we shall ignore these reductions in our general discussions of the current height of the U.S. tariff.

The concessions made in tariff negotiations are not, however, unconditional and can be withdrawn or modified if all of three conditions exist :

[^1](a) Imports of the articles, in respect of which concessions were made, have increased.
(b) This increase is a result of a concession or of developments unforeseen at the time of the concession.
(c) The increase in imports causes or threatens serious injury to domestic producers of similar articles.
Thus the U.S. has a safe emergency exit from any undue difficulty.

In its original form, the 1934 Act permitted a reduction of up to $50 \%$ of the rates prevailing at that time. Since the war, this has been amended to permit a reduction of up to $50 \%$ of the rates prevailing at January 1st, 1945. We must now ask how far this policy has been carried into effect, what are the rates now in force, and how much further they can be reduced under the legislation now in force. Table 2 supplies data to answer these three questions, but it will be appreciated after our discussion above that the answer is not unique, being dependent on the base year chosen. In fact, we take 1947 weights and prices in this table. Column 1 shows us the percentage reduction in tariff rates since the 1930 Act, column 2 shows the rates in force at January 1st, 1949, column 3 gives the extent to which these current duty rates can be further reduced, and column 4 the rates which would be in force if these opportunities were fully exercised. It can be seen that a substantial reduction of $47 \%$ has been made on the average since 1934 and that the overall percentage rate on dutiable imports now stands at only $15 \%$ and is capable of further reduction (in terms of 1947 weights) to about $10 \%$.

On some individual schedules the proportional reduction has been very heavy, and not only in respect of those items on which the 1930 Act imposed the lowest duties, for alcoholic beverages as well as wood and wood products have had heavy reductions. And although there are wide disparities between the current duty rates for the various schedules, e.g., about $44 \%$ on silk but only $6 \%$ on flax, etc., there are still substantial possibilities of further reduction under the existing permissive legislation amounting to a potential overall reduction of $35 \%$ of present rates. It must also be observed that a simple appraisal of reductions of duty over the last fifteen years is not really adequate, for it neglects the agreements made by the U.S. during the period not to raise existing duties. Out of the total dutiable imports of $\$ 2,211 \mathrm{Mn}$. in 1947

[^2]TABLE 2.
1949 U.S. TARIFF LEVELS AND POTENTIAL REDUCTIONS

| Schedule |  |  |  | $\begin{aligned} & \text { E. } \\ & \text { \# } \\ & \text { I } \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Chemicals, oils and paints | 34 | $11 \cdot 9$ | 41 | $7 \cdot 0$ |
| Earths, earthenware and glassware | 41 | $21 \cdot 2$ | 27 | 15.4 |
| Metals and manufactures of | 46 | $17 \cdot 1$ | 39 | $10 \cdot 4$ |
| Wood and manufactures of | 56 | $5 \cdot 2$ | 25 | 3.9 |
| Sugar, molasses, and manufactures of | 65 | $10 \cdot 6$ | 26 | $7 \cdot 8$ |
| Tobaceo and manufactures of ... | 31 | $25 \cdot 9$ | 46 | $14 \cdot 0$ |
| Agricultural products: Fish | 48 | $7 \cdot 6$ | 33 | $5 \cdot 1$ |
| Other | 42 | $10 \cdot 5$ | 42 | $6 \cdot 0$ |
| Spirits, wines, and other beverages | 69 | $28 \cdot 9$ | 18 | $23 \cdot 6$ |
| Cotton manufactures . | 38 | $23 \cdot 4$ | 37 | 14.4 |
| Flax, hemp, jute, and manufactures of | 54 | 5.5 | 15 | $4 \cdot 7$ |
| Wool and manufactures of | 32 | $36 \cdot 8$ | 35 | $23 \cdot 9$ |
| Silk manufactures ... | 12 | $44 \cdot 4$ | 46 | $24 \cdot 1$ |
| Manufactures of rayon or other synthetic textile | 32 | 21.4 | 30 | $14 \cdot 9$ |
| Paper and books ... | 40 | 11.9 | 42 | $6 \cdot 9$ |
| Sundries ... .... ... | 33 | $15 \cdot 5$ | 39 | $9 \cdot 5$ |
| Free list articles subject to import revenue taxes ... | 49 | $6 \cdot 3$ | 49 | $3 \cdot 2$ |
| Total All Schedules | 47 | $15 \cdot 0$ | 35 | $9 \cdot 7$ |

[^3]some $\$ 125 \mathrm{Mn}$. had been guaranteed in this way since 1934. Nor, it should be observed, was the 1930 rate of duty high on these imports as it averaged only $10 \cdot 1 \%$. By far the largest part of these imports ( $\$ 83 \mathrm{Mn}$.) is to be found in the Sundries schedule. A large number of agreements (relating to about $90 \%$ of the value of non-dutiable imports) have also been made not to impose duties on goods in the free list. Finally, it is only fair to state that for certain imports the tariff is not wholly protective, because excise duties are levied on similar commodities manufactured in the United States. The chief goods to which this proviso applies are tobacco, alcoholic beverages, cars, petrol and such luxuries as cosmetics, furs, jewellery and luggage. In all these cases the actual rates of tariff levied exceed the rate of excise duty by a substantial amount-an amount which will be increased if the President's new Budget proposals are accepted-but nevertheless the protection afforded is not as restrictive on foreign imports as it might first appear,

The general picture of the American tariff as it now stands, given in the previous section, might lead to an over-generous commendation of the Americans for the steady downward revision of the rates that has taken place in recent years. The impression given is that American producers now have a wall of negligible height to protect them from overseas competition and that such a defence would only be effective against the least efficient of European manufacturers. A proper concern for cost reduction and aggressive marketing is all that seems to be required for the economic salvation of the non-dollar world.

Our conclusion, however, is that such a deduction is entirely unjustified, if a more detailed consideration of the facts is made. The average incidence of the tariff calculated on the basis of those imports which find their way into the United States is a highly misleading concept ; for where the tariff is effective in excluding most or all of certain categories of potential imports, i.e., in general when the tariff rate is high, the weight of such imports in the computation of the average incidence will be negligible. Again, the imports which have the largest weights in the average incidence are those for which the tariff is an ineffective deterrent and on which, in general, a comparatively low rate is levied. In other words, the existence of a low average tariff rate on dutiable imports may indicate not that the existing barrier is negligible but that the obstacle is so constructed that only those articles on which the rate of duty is low have a reasonable chance of entering the United States. Reflection will show that a reduction in the average level of the tariff as computed above could in fact occur through raising duties on some (previously heavily taxed) items to such a level that they are excluded from the United States and therefore do not enter into the weighting system any longer.

If confirmation is needed that high rates of duty are in general effective in excluding imports, this is given by Table 3, which shows the values and rates of duty of 255 items imported into the United States in 1948 on which the rate of duty was equal to or exceeded $25 \%$. It can easily be seen that the number of items and value of imports in the higher duty ranges is very small indeed.

If the average rate of duty on these goods, which penetrate the United States market, has an ambiguous meaning, what concept would serve us better? This question can be answered in principle but not, unfortunately, in practice.

TABLE 3.
DISTRIBUTION BY VALUE AND RATE OF DUTY OF 255 ITEMS OF UNITED STATES IMPORTS IN 1948

RATE OF DUTY (percentage)
(Ad valorem equivalent)

| Value of dutiable imports from all countries 1948, $\$ 000$ | $\begin{aligned} & \text { g } \\ & 9 \\ & 10 \\ & \text { Q1 } \end{aligned}$ | $\begin{aligned} & \text { g } \\ & 0 \\ & 0 \\ & \text { of } \\ & \text { on } \end{aligned}$ | $\begin{aligned} & \text { gi } \\ & \text { E } \\ & \text { ob } \\ & \text { of } \end{aligned}$ | $\begin{aligned} & 08 \\ & 3 \\ & 0 \\ & 8 \end{aligned}$ | $\begin{aligned} & \text { gr } \\ & 3 \\ & 8 \end{aligned}$ | $\begin{aligned} & \text { o8 } \\ & \text { of } \\ & \text { os } \\ & 8 . \end{aligned}$ | $\begin{aligned} & \text { ت} \\ & \text { an } \\ & \text { on } \\ & \text { on } \end{aligned}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 21 | 19 | 14 | 9 | 4 | 5 | 86 |
| 50-199 | 16 | 23 | 22 | 7 | 2 | 3 | 2 | 75 |
| 200-799 | 13 | 16 | 18 | 8 | 2 | 2 | - | 59 |
| 800-3,199 | 7 | 9 | 7 | 4 | - | 1 | - | 28 |
| 3,200-12,799 | 1 | 2 | 2 | 1 | - | - | - | 6 |
| 12,800 ${ }_{\text {over }}$ | 1 | - | - | - | - | - | - | 1 |
|  | 52 | 71 | 68 | 34 | 13 | 10 | 7 | 255 |

Note :-
Items concerned are only those for which rate of duty was $25 \%$ or over and which were imported into the United States in "substantial quantities."
Source: Report of the E.C.A.-Commerce Mission, Washington D.C., October, 1949, pp. 204-8.

If we could obtain a list of those imports, and the quantities of them, which the rest of the world could sell to the United States were there no tariff wall, and if also we knew the prices which would then rule, we could calculate the average incidence of the tariff on the world's potential exports to the United States. Only then could we be certain that imports excluded by high rates of duty were adequately represented in the weighted average of rates of duty.

Since such knowledge is denied to us, we must remain content to use the average rate of duty calculated on the basis of those imports that reached the United States in a particular year. But even on this basis, the average rate is not the only figure that deserves consideration, for taken alone it conceals the wide dispersion of individual rates of duty on particular items. Thus the ad valorem equivalent duty in 1947/8 on a typical jewelled lever clock movement with 7 jewels was about $152 \%$; on cigar and cigarette lighters priced at $\$ 5.00$ or more it was $110 \%$; and on toys it ranged up to $70 \%$.

Another point is the choice of appropriate base year for assessing the effective level of 1949 duty rates. In Table 2 we used 1947 weights and prices to arrive at the incidence of these 1949 rates but (as Table 1 makes clear in respect of 1930 duty rates) the choice of another year might make a considerable difference. Thus, if we take 1939 weights and prices, the overall tariff percentage level is currently 25.4 (as against 15.0 on the 1947 base), and in the case of some items, e.g., tobacco, the contrast is even greater. Now, it might be thought that in fact 1947 is a much more relevant base year than 1939. Obviously this is largely true-for there
have been fundamental and no doubt permanent changes in techniques and tastes in this period. At the same time, some of the changed distribution of imports may be due to the increased effectiveness of the tariff in discouraging imports. And it must be remembered that one consequence of devaluation has been to reduce dollar prices and thus to raise the ad valorem equivalent rate of all specific rates of duty ${ }^{\star}$ except in the limiting case, e.g., whisky, where the dollar price of the commodity remains unchanged. In our view, this aspect of the devaluation situation has not had hitherto the consideration it deserves, and those who have emphasized the advantages of changing the exchange rates do not seem to have taken this point sufficiently into account. Owing to the complexity of the specific items tariff, it is unfortunately impossible to give a more detailed appreciation of the problem; but it should by now be clear that any calculation of the " burden" of the tariff based simply on 1947 weights is more than dubious.

We must now try to assess the importance of a number of miscellaneous points which notoriously strengthen the restrictive character of the U.S. tariff. First of all, is there any reason to believe that the price elasticity of demand is higher in the case of those goods heavily taxed than for those lightly taxed ? If this is the case, then obviously the present tariff is of much more crippling nature to foreign exporters than any calculations of overall price elasticity of demand for imports and overall tariff incidence would suggest. For even if we accept the usual published figures about price elasticity of demand (and we shall see later that there are strong reasons for not doing so), it is clear that any conceivable tariff reduction would not reduce all prices (plus tax) in the same proportion, but would in fact be likely to affect the prices of the heavily dutiable goods more than proportionately. Unfortunately, it is impossible to give any very satisfactory answer to this important question; for although there have been a number of studies of price elasticity of demand in the U.S. for individual consumer goods and of the price elasticity of demand for imports as a whole (and even by major categories in some cases), little seems to have been done in the investigation of individual goods imported. But at the same time, there are strong reasons for suspecting that, in fact, the duties are highest on those goods with the most elastic demand. The whole history of tariff legislation in the

[^4]U.S. shows that the underlying " principle" has been to push up duties to a sufficiently high level in the case of each commodity to keep out or minimise imports. And we have in fact seen above that there is a negative correlation between the value of imports and the rate of duty which suggests, a priori, that the foreign share of the U.S. market for the heavily dutiable goods is small and that therefore the price elasticity of demand for imports in these categories is likely to be high. If we glance at one or two categories where duty rates are very high this point is clearly substantiated.

FOREIGN SHARE OF U.S. MARKET, 1939

| Item | Imports |  | U.S. Production for home market |  | \% Duty Rate (then current) |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Quantity 000 tons | Value S Mn. | Quantity 000 tons | $\begin{aligned} & \text { Value }{ }^{(3)} \\ & \$ \mathrm{Mn} . \end{aligned}$ |  |
| Toys ... | - | $2 \cdot 4^{(1)}$ | - | $47 \cdot 1$ | 75 |
| Woollens and Worsted ... | $3 \cdot 0$ | $8 \cdot 8^{(2)}$ | $137 \cdot 8$ | 408-1 | 75 |
| Rayon BroadWoven Fabrics | $\cdot 2$ | $\cdot 5^{(2)}$ | $144 \cdot 4$ | $260 \cdot 9$ | 85 |

Notes :-
(1) Landed value ; foreign value was $\$ 1 \cdot 3 \mathrm{Mn}$.
(2) Foreign value.
(3) Ex-works value.

Source : Post-War Imports and Domestic Production of Major Commodities (U.S. Government Printing Office, 1945), pp. 1005, 1073 and 1178.

* We desired to give more recent examples, but lack of published estimates on a comparable basis prevented this.

An attempt may also be made to estimate price elasticities in respect of a number of commodities carrying duties of over $50 \%$ on the basis of the information given in Post-war Imports and Domestic Production of Major Commodities (U.S. Tariff Commission, 1945). Of the 15 commodities examined, 11 were found to have elasticities above the mean elasticity for all dutiable commodities, which is estimated at $2 \frac{1}{2}-3$ in this document; and some of these, e.g., rayon apparel, jewellery, were far above this mean figure. Although nothing is known about the methods by which the Tariff Commission calculated these data and although the absolute estimates of price elasticity may not be very reliable, the relative elasticities, which are all that we need for our purpose, may reasonably be taken as evidence in support of our contention.

Another point which should perhaps be made explicitly is that the specific duties on any one commodity bear most heavily on the cheapest ranges of that item, i.e., primarily on those brands which might have the widest market ; thus, all wool cloth of whatever price range carries a duty of $37 \frac{1}{2}$ cents per lb . plus $25 \%$ ad valorem.

The next point is the administration of the U.S. tariff by the Customs officials. Many instances could be quoted of the arbitrary way in which these officials seem to act and of the pettifogging nature of many of the restrictions imposed. We must, however, content ourselves with a discussion of the main issues and they seem to be :
(a) Calculation of duty.

There are really two points here-firstly, that the classification of goods into the appropriate tariff category is arbitrary but most frequently biassed in the direction of putting them in the high duty schedules, and secondly that the base value on which the duty is calculated sometimes includes excise taxes which would be applicable in the country of origin if sold in that country and sometimes retail margins too.
(b) Packing, labelling, invoices, etc.

The U.S. Customs seem to have very high standards in this respect.
(c) Sanitary rules.

The slightest suspicion of, say, one infected tin in a consignment of food may lead directly or indirectly to condemnation of all the others too.
Many complaints are also made about both the frequent changes in these regulations, leading to uncertainty in the minds of foreign exporters about the duty payable and the standard of packing, etc., necessary, and about the delays which in practice often attend the inspection and assessment of goods by the Customs officers. It is only fair to add, however, that the U.S. Administration now seems to be alive to these points and that remedial action may not be too far distant.

Another point to remember is that import duties under the aegis of the Tariff Commission are not the only duties which may in fact be payable on imports. Processing taxes are levied on imported oils-coconut, palm, palm kernel, sesame, sunflower-and these are not within the scope of the Reciprocal Trade Agreements Act. These duties are specific and the equivalent ad valorem rate has in fact recently increased both on account of devaluation and because one duty suspended throughout the war period, owing to the occupation of the Philippines, has recently been re-imposed.

Finally, it must be observed that imports into the U.S. are subject to a number of other restrictive devices quite apart from the tariff and analogous duties. First, the Federal, State and local Governments are not completely free to
purchase supplies from abroad even if they should wish. Under the "Buy American Act" of 1933 the Federal Government cannot purchase foreign materials or goods made of foreign materials unless these materials are not available in the U.S. or unless U.S. prices are " unreasonable." This Act has also been applied to stock-piling in recent years. Similarly, State legislation and various local restrictions prevent any substantial purchases at the lower level of government. ${ }^{\star}$ Second, there are various quantitative restrictions-direct or indirect-on imports by private importers. The best known of these are the sugar quota arrangements and the provisions of the 1948 Act requiring the use of a certain ratio of synthetic rubber by rubber manufacturers; but in addition there are a number of items, e.g., potatoes, filleted fish, woollen goods, of which only a certain quota may be admitted at "Geneva" duty rates, the previous rate being applicable to any excess. In the case of woollen piece-goods, for instance, the pre-Geneva rate is applicable to any imports in excess of 5\% of the weight of home-produced goods, $\dagger$ which is obviously likely to be a deterrent to any attempts to invade the mass market in the U.S. Moreover, some of the reductions in duty are only seasonal, e.g., butter imported between March and November (when U.S. production is at its maximum) is subject to pre-Geneva duty rates even though concessions have been made for imports entering in the winter months.

## III

We have so far considered the incidence of the U.S. tariff on all dutiable imports. Does it bear more or less hardly on dutiable imports $\ddagger$ from the U.K. ? It is impossible to answer this question as precisely as one would wish, but on the basis of a large sample of U.K. exports to the U.S.A. in 1947 and the tariff rates applicable in 1949, we estimate the overall incidence at $24.5 \%$ (as compared with $15 \%$ for all U.S. imports). The validity of our sample was checked by estimating the 1945 duty level in a similar fashion (using 1945 imports and 1945 duty rates) and comparing the answer with the ratio of duties collected to total value of dutiable goods from the U.K. in 1945, as calculated in

[^5]The Statistical Abstract of the U.S.^ From our sample we obtained a ratio of $35 \cdot 8$, and from The Statistical Abstract a ratio of 37.4 . There would therefore seem to be little danger that our estimate of $24.5 \%$ is biassed upwards.

But as we have stressed above, any ratio calculated on the basis of those imports which survive the tariff is an arbitrary figure. What is really important is the marginal incidence of the tariff-what is the rate of duty on those additional goods (whether additional quantities of goods already entering the U.S. or entirely new goods) which in the absence of a tariff would find a market in the U.S. ? Obviously, any such calculation is somewhat hazardous, for it effectively means that we must know a large number of elasticities of supply and demand. But nevertheless, we believe this point to be so important that we attempted to make an estimate which may serve its purpose even if its only use is to provoke others to make a more accurate assessment. We took the " list of items on which it is considered that a reduction in the U.S. tariff would assist U.K. exports to U.S.A." $\dagger$ and attempted to estimate on the basis of 1949 export statistics, the value of each item which could potentially be diverted from non-dollar countries to the U.S.A. To these values we applied the 1949 duty rates and thence estimated the overall rate. This came to $34 \cdot 1 \%$. A priori, his does not seem unreasonable, for it is obviously to be expected that the rate on marginal imports would be higher than on current imports; and in fact the unweighted mean of tariff rates on these commodities is $34 \cdot 4 \%$.

It should, moreover, be noted that this is a minimum estimate, for we had to take the ad valorem equivalent of specific duties as calculated by the Tariff Commission on the basis of 1947 prices. And in so far as prices in terms of dollars are reduced below this level through devaluation, a downward bias is introduced into the estimates of these duties. In view of these considerations, it does seem that any loose talk of the burden of the U.S. tariff being only $15 \%$ is very wide of the mark so far as the relevant exports of the U.K. are concerned.

Now, we must ask, what sort of effects could be expected to follow, as far as the U.K. is concerned, if there were any further scaling down of the U.S. tariff ? Firstly, what sort of scope is there for cutting down the tariff ? We saw in Section I that the potential reduction of 1949

[^6]duty rates permissible under current legislation is $35 \%$ and, in view of the higher overall rate currently applying to U.K. exports, the potential reduction for the U.K. must be considerably larger than this figure. Therefore even though it may be unrealistic to expect any new legislation from Congress to cut down tariffs, there is still a good deal of scope for action within the current legislative framework.

Secondly, if in fact tariffs were reduced, is it true that price elasticities for imports are so low that little expansion in the volume of U.K. sales would occur ? There have in recent years been a large number of estimates of the price elasticity of demand for U.S. imports,* e.g. those by Chang, $t$ all of which show a very low price elasticity of demand, in most cases less than 1. In fact, however, it does not seem that a great deal of weight can be placed on these results for a variety of reasons, e.g., the principal ingredients of price changes in the inter-war period (to which these studies mainly relate) were large price changes of the items with lower price elasticities whilst the price change accompanying a tariff reduction is likely to apply mainly to those items with higher price elasti-

[^7]cities. ${ }^{\star}$ Moreover, it would appear from the rough estimates of price elasticities of those goods such as woollen, rayon, linen piece-goods, in which the U.K. is particularly interested, $\dagger$ that in fact any elasticity relevant to the U.K. alone is likely to be above even the "true" mean figure. Finally, the estimates based on time-series all appear to relate to short-run elasticities, whereas in the case of tariff reductions we obviously want to allow for such long-run effects as entirely new firms and new products entering dollar markets.

On such grounds as these it would seem both that there is considerable scope for further reduction in the U.S. tariff, and that the results of such reductions might be favourable to the U.K. dollar drive. At the same time, we must be careful not to end on too optimistic a note ; for further tariff reductions would presumably only take place in return for some reduction of imperial preferences and, even when they have taken place, do nothing $\ddagger$ to solve all the other conundra of the U.S. market, such as large distributive margins on imports, heavy advertising costs, elegant packing, sales appeal and the like.

[^8]
# THE PERFORMANCE AND PROSPECTS OF BRITISH AGRICULTURE 

By J. R. Raeburn

## I

This year's "February" review of the agricultural production programme, and of farmers' costs and incomes, will focus attention on some weighty changes. The economy cuts announced in October, 1949, include withdrawal this spring of the subsidies on animal feedingstuffs (now about $£ 37 \mathrm{Mn}$. a year). Subsidies on fertilizers (now about $£ 15 \mathrm{Mn}$. a year) are also due to be fully withdrawn by July, 1951. Farmers' naturally want to avoid corresponding reductions of their own incomes. But consumers are likely now to be more sensitive than at any time since 1939 to higher retail prices for food. Whatever the result of the election, differences between farmer and housewife will become more apparent.

Farmers are worried, too, by the transition from "famine psychosis" to "surplus psychosis" which they discern in North America and amongst some farming groups in Western Europe. They note in the U.S.A. the swollen stocks of wheat, butter, dried eggs and other farm products, the trend to much lower support prices, and the restriction once again of crop acreages. Nearer home, they see rapid increases in supplies from the Continent not only of fruit and vegetables but also of milk products, eggs and bacon, and against these supplies lack of dollars provides less protection. Thus it is that the National Farmers Union will "attempt in the next few months to define precisely the minimum amount of tariff protection essential for . . . longterm interests."

This concern is all the greater amongst some U.K. producers. Helped by favourable harvests in 1948 and 1949 and, even more by imports of feedingstuffs greater than were originally planned in August, 1947 as part of the $£ 100 \mathrm{Mn}$. expansion programme, supplies of home-produced milk and eggs have been rapidly increased, and difficulties in absorbing seasonal "surpluses" at "reasonable prices" are already in prospect.

On the other hand, continued expansion of home production of foodstuffs is strongly supported by consumers. Total supplies of food ${ }^{\star}$ per head of population were, if valued at the retail prices of 1938 , only $1 \%$ smaller during 1948 than during 1938 (Table 1), but, more important, the composition of supplies was greatly altered, there being substantially less meat, sugar and fats, and more flour, potatoes, vegetables and milk than in pre-war years (Table 1). Moreover, quality was lower, particularly the quality of meat, potatoes, vegetables, fruit, fats and cheese.

TABLE 1.
UNITED KINGDOM
CHANGES IN FOOD CONSUMPTION*

|  | Pre-war to 1948/9. Quantities, gross | 1938 to 1948 |  |
| :---: | :---: | :---: | :---: |
|  |  | Retail value at 1938 prices |  |
| Grain products ... | $\%$ +20 | $\%$ +15 | $\begin{aligned} & \text { £Mn. } \\ & +25 \end{aligned}$ |
| Prain product and vegetables | +35 | +28 | $+29$ |
| Fruit ... ... ... | -9 | $+5$ | +4 |
| Sugar and syrup | $-17$ | $-21 \dagger$ | $-24 \dagger$ |
| Oils and fats ... | -10 | -23 | -19 |
| Meats and bacon | -34 | $\}-27$ | $-107$ |
| Fish, poultry, game ... | +8 | -27 | -10r |
| Milk and milk products | $+32 \ddagger$ $-8 \S$ | \} +13 | $+24$ |
| Eggs and egg products | $-8 \S$ -8 |  | $0$ |
| Tea, coffee, cocoa $\ldots$. Misc. manufactured foods | -8 | $\begin{array}{r} 0 \\ +26 \end{array}$ | $\begin{array}{r} 0 \\ +10 \end{array}$ |
| Misc. manufactured foods Other personal expenditure on | ... | $+26$ | +10 |
| Other personal expenditure on food | $\ldots$ | $+37$ | $+42$ |
| Total : Animal protein .. | -5 | $\ldots$ | $\ldots$ |
| Vegetable protein ... | +28 | ... |  |
| Calories ... $\ldots$ | -1 | $\ldots$ | .. |
| Total retail value at 1938 prices | $\ldots$ | -1 | $-16$ |

[^9]There can be little doubt that consumers as a whole would spend a larger proportion of their incomes on food if supplies were improved or retail prices allowed to rise. During 1948, the last year for which adequate statistics have been published, these retail prices were only $63 \%$ higher than during 1938. The comparable increase in prices of alcoholic beverages, tobacco, cigarettes

[^10]and entertainments, considered as a group, was $200 \%$. Consumers spent a total of $£ 1,718 \mathrm{Mn}$. on this group during 1948, which sum was only $21 \%^{\star}$ less than the $£ 2,181 \mathrm{Mn}$. they spent on food. During 1938, they spent $60 \%$ less on this group than on food. The spending power diverted back to food would eventually be all the greater if consumers' choices were again allowed to influence more directly the prices paid to farmers at home and to farmers in the foodstuff exporting countries. So far as home agriculture is concerned the most significant latent demand is now for more meat.

Support for further expansion of food production at home also comes from some economists and administrators. The dollar shortage continues. Devaluation has worsened our terms of trade. A North American depression or a general reduction in the rate of investment overseas would greatly reduce our chances of "viability." Even on optimistic assumptions about the volume of exports to dollar and other markets, the recent memorandum to O.E.E.C. $\dagger$ postulates expenditures on imports of food and feedingstuffs no greater than those in Table 2, because, following devaluation, the dollar price of exports (unit value) will be reduced by some $25 \%$ from 1948/9 to 1950/1 and $1951 / 2$. The sterling price of total exports is expected to rise only $6 \%$.

It is further pointed out that, so far, the results of the production programme for home agriculture first announced in August, 1947, have been generally satisfactory. A general measure of them is presented in Table 3.

Thus the outcome of this year's February review may well be the result of short and medium-term considerations, chiefly :-
(a) The need to conserve dollars;
(b) Recent changes in the terms of trade;
(c) Latent consumer demands;
(d) The desirability of reducing Government expenditure and investment at home.
Together these might lead to decisions to concinue and even accelerate expansion of home agriculture with the help of still higher prices to farmers, made possible through higher retail prices for food and through total subsidy payments not much smaller than those of recent years.

## II

In the longer-run - and, for agricultural changes, it is the long-run that is usually most important-the main considerations on which

[^11]TABLE 2.
U.K. IMPORTS OF FOOD AND FEEDING-STUFFS

| Years, July/June. |  | From Dollar areas | From other areas | Total | Total |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | U.S. \& Mn. |  |  | £ Mn. |
| Prewar (c.i.f.) | $\ldots$ | 354 | 1,506 | 1,860 | 383 |
| 1948/9 (f.o.b.) ... |  | 581 | 3,401 | 3,982 | 844 |
| 1949/50 (forecast f.o.b.) | $\ldots$ | 534 | 3,095 | 3,629 | 1,013 |
| $1950 / 1$ $1951 / 2$ ( , , , | $\ldots$ | 375 | 2,937 | 3,312 | 1,049 |
| 1951/2 ( $\quad$ (, ) | $\ldots$ | 312 | 2,859 | 3,171 | 1,021 |

TABLE 3.
GROSS AND NET OUTPUTS OF U.K. AGRICULTURE

|  | At current prices |  | At average 1936/7 to $1938 / 9$ prices |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Gross | Net* | Gross | Net* | Net* |
|  | ${ }_{\text {£ Mn }}{ }^{\text {d }}$ |  | £ Mn. |  | \% |
| 1938/9 |  | 193 | 283 | 193 | 100 |
| 1943/4 |  | 534 |  | 259 | 134 |
| 1945/6 | 615 | 537 | 295 | 252 | 131 |
| 1947/8 | n.a. |  | 283 | 236 | 122 |
| 1948/9 , ... | n.a. |  | 326 | 278 | 144 |
| " 1952 " target $\dagger$ | n.a. |  | 346 | 280 | 146 |

Sources of basic data : For the years to 1945/6, Agricultural Statistics U.K. Part II, 1949. For later years, Monthly Digest of Statistics

* Gross output less farmers' payments for imported feeding. stuffs, off-farm processing and handling of home-grown feedingstuffs, and for imported store stock and seeds. Changes in livestock and crop inventories are included.
n.a. Not available.
$\dagger$ Deduced from the acreages of principal crops and production of livestock proposed. The general aim is an output $50 \%$ greater than that of prewar years.
U.K. agricultural plans should be based are :-
(a) The terms of trade in overseas markets between our imports of food and feedingstuffs, and our exports of manufactures and services; and the volume of trade possible at these terms.
(b) The extent to which, under full employment conditions, the diversion to agriculture of additional labour, steel, building materials, fuel, and other producer goods, and consumer goods too, would reduce production in export industry. Or, in other words, the sacrifice of exportable goods and services that further expansion of agriculture would entail.
(c) Prospective changes in the efficiencies of agriculture as compared to manufacturing industry, shipping, etc. These may be such that outputs would increase both from agriculture and from other occupations. The relative rather than the absolute rates of increase should decide the apportionment of resources.

In the past we have devoted only a small part of our resources to agriculture. Before the war agriculture was responsible for only $5 \%$ of the national income. Have conditions changed so much that the net output of our farms should be made $50 \%$ greater in " 1952 " than pre-war (the official plan), or even more ?

## The Terms of Trade

Using official price index numbers and statistics, the purchasing power of manufactured goods for foodstuffs can be calculated ${ }^{\star}$. For U.S.A., Canada, Australia (as one example of overseas sterling areas), and for the internal U.K. market, the resulting data are set out in Tables 4 and 5.

TABLE 4.
U.S.A. PURCHASING POWER OF

MANUFACTURED GOODS FOR FOODSTUFFS July-September, 1949.

|  | Purchasing power* in terms of : |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Grains | Dairy products | Meats | All exported foodstuffs |
|  | July-September, 1949, as percentage of 1927-9. |  |  |  |
| All imported finished manufactures $\dagger$ | 103 | 108 | 75 | $108 \ddagger$ |
| Manufactured goods, domestic, wholesale : Total -of which | $105$ | 111 | 76 | 111 |
| Cotton goods ... | 115 | 121 | 84 | 121 |
| Woollen cloth... | 103 | 108 | 82 | 108 |
| Motor vehicles Chemicals | 113 | 118 | 82 | 118 |
| Chemicals ... | 82 | 86 | 63 | 86 |

* Calculated by dividing the index numbers of prices for manufactures by those for foodstuffs. The index numbers for grain, dairy products and meats are of wholesale domestic prices. Those for exported foodstuffs are of unit values, f.o.b. U.S.A.
$\dagger$ Based on index numbers of unit values of U.S. imports of finished manufactures c.i.f. U.S.A.
$\ddagger$ The corresponding figure for the purchasing power of imported crude rubber was 47 ; and of all imported raw materials 77 .

The general result of such calculations is to show that, on the whole, the purchasing power of manufactures overseas was, except for dollar-area meats, not much lower last summer than during the late 1920s. Indeed in some significant directions it was higher. Imports into Australia purchased, per unit, $37 \%$ more of Australian exports of dairy produce and meat. Imports of finished manufactures into U.S.A. purchased $8 \%$ more of U.S. export foodstuffs. U.K. exports were worth, per unit, $23 \%$ more in terms of the group of imported foodstuffs most

[^12]TABLE 5.
PURCHASING POWER OF U.K. EXPORTS, U.S. AND AUSTRALIAN IMPORTS, AND MANUFACTURED GOODS IN CANADA, IN TERMS OF FOODSTUFFS

|  | U.K. Exports | U.S. <br> Imports of manufactures |  | Australia Imports |
| :---: | :---: | :---: | :---: | :---: |
|  | July-September, 1949 as percentage of 1927-9 |  |  |  |
| Home-produced foodstuffs of respective country : |  |  |  |  |
| Grains ... ... | 89 | 103 | 98 | 94 |
| Dairy products... | 80 | 108 | 102 | 137 |
| Meats <br> All main kinds... | $88 \mid$ | 75 | 78 | 137 |
| Kinds normally importable | 94\% | $\ldots$ | .. | $\ldots$ |
| Imported foodstuffs : Kinds comparable to preceding group | 123* | $\ldots$ | ... |  |
| Exported foodstuffs : All kinds ... |  | 108 |  |  |
| All kinds | ... | 108 | ... | $\cdots$ |

* Computed using index numbers of unit values of Exports. $\dagger$ See Table 4 above.
$\ddagger \S$ Calculated from official statistics, in a comparable way Those for Australia relate to June-August, 1949.
\| Based on prices and acreage payments to U.K. farmers for wheat, all milk, fat stock, and all main kinds of farm product. See Farm Economist, Vol. VI, p. 107 and Vol. V, p. 96. Recent data from Mr. K. E. Hunt. In addition allowances have been made for all subsidies on feedingstuffs, fertilisers, calf-rearing, land improvement and other production processes. Within the "meats" group the figures are for fat cattle 96, fat lambs (Sept.-Nov.) 99, bacon pigs 78.

F Foodstuffs prices were weighted according to the importance of the various kinds in U.K. agricultural pre-war production. Cheese and butter are included but not fresh milk, or fruit and vegetables.
directly competitive with the home products which further expansion of U.K. agriculture might secure.

But within the U.K., prices and subsidies had already been raised so much to secure expansion that these home-products "cost" far more in terms of exports. Thus a unit of exports was worth $6 \%$ less in terms of this group of home products, and $14 \%$ less in terms of a unit of the whole home agricultural output.

By November, 1949, following devaluation, there was little change in these percentages, but, for the group of imported foodstuffs the percentage fell from +23 to +11 . This brings it roughly into line with the position as at U.S. ports last summer (Table 5, last line).

There can be no assurance, however, that such terms of trade ( 8 to $11 \%$ more foodstuffs than in 1927-9 for each unit of exports) can be continued. Terms no less favourable to us are expected by those who attach much importance to the underlying tendency of the non-dollar areas, which supply most of our food imports (Table 2), to increase production rapidly before the Great Depression and World War II. The changed terms of trade with Australia are, in
part, a reflection of the possibilities that remain of expanding production rapidly and comparatively cheaply in some of the "newer" temperate areas. The "surplus" difficulties of the U.S. are also symptomatic of such possibilities, based on improved cereal breeding and other technical advances.

Terms less favourable will be expected by those who see in devaluation further proof of the difficulty of maintaining in the face of German, Japanese and other competition a volume of U.K. exports greater by 50,60 or $75 \%$ or more, than in 1938, to secure a " tolerable" scale of living for the U.K. They will be supported, too, by those who expect food consumption in agricultural exporting countries to be maintained at recent levels, or even raised further, because of larger populations and greater consumer spending powers.

Reliable prediction of our terms of trade in the long-run is impossible, but the underlying tendency in overseas markets seems to be to return to terms more favourable to manufactures than those of the last three years. This will offset, in part at least, the deterioration expected in the U.K.'s own terms following devaluation and attempts to capture a larger share of dollar markets in the face of growing competition. A relative reduction of the average unit value of U.K. exports by $19 \%$ below the summer, 1949, level could be made before the terms of trade of exports against imported foodstuffs became less favourable than they were during the late 1920's. A greater change will result as between exports to dollar areas and imports of foodstuffs from dollar areas, but for trade with most non-dollar areas so great a change seems improbable.

## Costs of Expanding Home Agricultural Production.

Has the efficiency of the home agriculture so improved relative to that of our export industries that proportionately more men and materials should be devoted to agriculture ? What are the prospects of technical advances altering the relative efficiencies of the future?

Reliable answers to such questions could not be given without niuch research into both industrial and agricultural changes, past and prospective. But an attempt can be made here to assess the costs of expanding the total net output of agriculture.

The basic data necessary for this purpose are, however, available only in scattered form. Despite the greatly increased importance to taxpayers of our food production, import, and
consumption policies, there is still no comprehensive annual statement of agricultural outputs, production costs, and incomes. Some statement must obviously be prepared for use by Government Departments and the Farmers' Unions in their "February reviews," but it is not published.

Using such data as have been published, it is possible to revalue outputs at pre-war prices (average 1936/7 to 1938/9) and in a similar way to "deflate" by appropriate percentages the inputs of fertilisers, materials, labour, interest on " tenants'" capital, subsidies, etc. Thus a rough picture of the costs of expansion can be drawn (Table 6).

TABLE 6.
NET OUTPUTS OF U.K. AGRICULTURE AND ESTIMATED COSTS OF SECURING THEM
Valued at average $1936-7$ to $1938-9$ prices for all dates.


* Including farmers' own manual and managerial labour.
$\dagger$ See Cmd. 7649 April, 1949, pp. 38, 59-60. Acreage payments for wheat and potatoes are included in gross and net outputs.
$\ddagger$ Based largely on Cmd. 7649, pp. 8-9, less items 4 and 5 above : also on J. H. Kirk, Agricultural Economics Soc'y Proc., December, 1945.
§" Deflated" to pre-war price and wage levels using index of general wage-rates.

Interpretation of such a picture is not easy. From the position in the late 1930s the net output was not only expanded by a total of $33 \%$. but the composition of it was significantly altered. The drastic curtailment of supplies of imported feeding-stuffs waŝ a direct and effective stimulus to greater home production of feedingstuffs. And prices were altered to secure relatively more of the "ship-savers" (wheat, potatoes, sugar-beet, and vegetables), and more milk, but relatively less meat and eggs. There were, moreover, controls and directions not usually practical in peace time, and patriotic motives too.

During the last three years, there has been another stimulus-the desire to rehabilitate livestock production despite the continued restrictive control of feedingstuffs imports and distribution.

A further difficulty is that, to secure and retain enough labour, farm wages had to be raised by $88 \%$ from 1939 to 1944 , and a further $72 \%$ by 1948 , a total of $160 \%$. The comparable changes in general wage rates were only 44 and $32 \%$ respectively, a total of $72 \%$. Farmers' own incomes were also raised substantially more than general wage-rates. This was partly to correct the unfavourable pre-war position and partly to induce additional investment for more intensive farming.

The overall results can best be summarised as follows :-


Probably the most valid conclusion is that, per unit, the additions to agricultural output have cost the non-farm population two to two-and-ahalf times as many producer and consumer goods and services as the pre-war output.

## III

In considering further expansion of agriculture should such a ratio be assumed ? For the longer-run, the answer is "no." We can expect a gradual, wider application of new technical knowledge and improvements of many kinds. But if an attempt is made to keep the pace of recent years and to achieve and maintain the output for " 1952 " as planned in August 1947, then a ratio not very much more favourable is to be expected.

This output would be greater than the average $1947 / 8$ and $1948 / 9$ output by $13 \%$ (about $£_{100} \mathrm{Mn}$. at current prices-cum-subsidies for U.K. produce).

The real cost of achieving it might be assessed on the assumptions (i) that payments to farmers will have to be increased by say $£ 180 \mathrm{Mn}$., at current general price and wage levels, (ii) that the terms of trade so move against us that the purchasing power of exports for overseas foodstuffs will be reduced by $20 \%$, and (iii) that, at these terms, exports could be increased by an additional amount corresponding to the producer and consumer foods now represented by $£ 180 \mathrm{Mn}$. payments to the farming community.

If these assumptions are correct, $£ 100 \mathrm{Mn}$. of additional home produce could be secured for $£_{180 \mathrm{Mn} \text {. payments not leading to any consider- }}$ able expenditure of foreign exchange.

Alternatively, $£ 180 \mathrm{Mn} . \times 0.8$, i.e., $£ 144 \mathrm{Mn}$., of additional imported produce could be obtained by trade, and that mainly outside the dollar areas. Moreover, a sum of $£ 144 \mathrm{Mn}$. spent on imports would secure much larger quantities than $£ 100 \mathrm{Mn}$. spent at current prices on home produce. The premia now being paid for home produce as compared to imported are very substantial, both because of the inducements already given to expand home production, and because the quality of most home products is higher. Indications of price differences for some individual products are given in Table 7. The prices of home livestock products are very substantially greater than those of imported livestock products, even when, as in this table, no allowance is made for feedingstuffs and other subsidies to home agriculture. And except for beef and lamb from the Argentine the differences are greater than those of the late 1920s.

On the other hand, we still stand liable to the risk of a serious reduction in imports of foodstuffs. The end of Marshall Aid is not far off. Our terms of trade are changing following devaluation, and there is the possibility that economic changes overseas will seriously restrict the volume of our exports. Against all this, some further insurance in the form of a still larger home agricultural

TABLE 7.
COMPARISON OF PRICES OF HOME-PRODUCED AND IMPORTED FOODSTUFFS.

England and Wales

| Kinds of foodstuff | Source of imports | 1927.9 | $\begin{aligned} & 1948^{*} \\ & \text { Nov. } \end{aligned}$ | $\begin{aligned} & 1949 \dagger \\ & \text { June } \end{aligned}$ | $\begin{aligned} & 1949 \dagger \\ & \text { Nov. } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Wheat |  | home produce price $\ddagger$ as percentage of imported produce price (unit value) c.i.f. |  |  |  |
|  | All countries | 92 | 102 | 102 | 91 |
|  | Australia | 88 | 83 | 94 | 112 |
|  | All countries | 111 | 64 | 103 | 101 |
| Milk in May/ tinned milk § | Argentina | 111 | 64 | 65 | 99 |
|  | All countries | 45 | 62 | 49 | 58 |
| Milk in May/ | All countries | 140 | 179 | 176 | 186 |
| butter | Denmark | 131 | 143 | 152 | 179 |
| Beef\|| | All countries | 163 | 236 | 250 | 182 |
| Lamb \|| | Argentina. | 164 | 236 | 242 | 161 |
|  | All countries | 135 | 178 | 188 | 172 |
|  | Argentina | 176 | 242 | 245 | 159 |
| Bacon'\|| ... | All countries | 126 | 121 | 139 | 133 |
|  | Denmark | 122 | 118 | 138 | 139 |
| Eggs, shell | All countries | 134 | 150 | 154 | 137 |
|  | Netherlands | 119 | 133 | 160 | 141 |

* Average "fixed" prices for home produce during 1948/9 compared to unit values of imports during November, 1948.
$\dagger$ Average " fixed" prices for home produce during 1949/50 compared to unit values of imports during June and November, 1949.
$\ddagger$ Home produce prices include acreage payments (for wheat) but no other subsidies.
§ Price paid to farmers for milk compared to unit values of imported unsweetened condensed milk.
|| In computing home-produced meat prices from fat stock prices, the pre-war ratios have been assumed. Bacon-curing costs may not have risen so much as baconer prices, and allowance has been made for this.
- Provisional.
output may be considered desirable. But, if such is the conclusion, the corollaries are obviously (i) that the high cost of this insurance should be minimised by rapid improvements in the economic efficiency of agriculture (ii) that the necessary transfers of purchasing power to foods from other retail goods and services should be brought about, and (iii) that careful thought should be given, from the nutritional and the economic standpoints, to what the composition of national food supplies should be, and what the qualities, when Marshall Aid ends and, perhaps, some general recession begins overseas.


## PROSPECTS FOR INTEREST RATES

By F. W. Paish

The basic facts affecting the level of British interest rates are simple. The country is attempting to carry out a large investment programme under conditions which severely discourage personal savings. Without heavy net borrowing from abroad, expansion of credit
leading to open inflation, or government intervention, the long-term rate of interest would rise to a level which would render unprofitable sufficient of the existing investment programme to bring the total of investment down to equality with the supply of voluntary savings. How high
the resulting rate of interest would be cannot be estimated with any accuracy, but in view of the profitability of much of the capital investment needed to make good the damage and wastage of war, it would probably be very high indeed.

The Government has endeavoured to reduce our dependence on aid from abroad without raising interest rates, thus relying primarily on direct intervention.* On the side of investment, whether Government intervention has, in fact, increased or decreased demand it is difficult to say. On the one hand, many private demands are prevented from becoming effective by financial and physical controls; but on the other, many new demands have been made effective by open or disguised subsidies for housing and certain other types of capital construction.

On the side of savings, Government intervention has proceeded by three stages. During and immediately after the war the rise in personal incomes through credit expansion was accompanied by severe restrictions on consumption expenditure, with the result that personal savings were expanded to a very high level. As these restrictions were withdrawn or became inoperative through increased production of civilian goods, personal savings declined heavily, and in 1947 a savings-investment gap developed which was filled by a large expansion in net borrowings from abroad. In 1948, therefore, a second method of expanding savings was introduced: a large true budget deficit was converted into an even larger surplus. This increase in Government savings together with some increase in business savings was sufficient not only to offset a further fall in personal savings but to enable a still larger programme of capital investment to be financed with reduced help from abroad.

In 1949 a rise in Government expenditure caused this second form of saving also to begin to fail, and the Government has therefore been obliged to attempt to induce further increase in the third potential source of savings -the expansion of business reserves. Business savings had already shown a substantial increase in 1947 and 1948; but in 1949 the imposition of strict restraints on both wage and dividend increases in the face of renewed inflationary pressure may be expected to bring a marked further expansion.

[^13]This policy of restricting wage and dividend increases in a time of rising profits, and so of expanding business savings to take the place of falling personal and Government savings, takes on a still greater importance as a result of devaluation. The stabilisation of money incomes while prices of imports rise will have the result of reducing consumption; but a large part of the resources so released will of course be needed to finance the less favourable terms of trade, and will not increase savings. But it seems likely that the country's savings will be increased in at least two ways. In the first place, so long as E.R.P. lasts, the British Government gains from the more adverse terms of trade, since it will sell for higher sterling prices at home the goods it receives free of charge under Marshall Aid. The effect of this is very similar to that of the imposition of additional taxes on imports, yielding something like $£ 80$ Mn . in the coming year. And secondly, it seems probable that profits in the export industries will rise by more than those in home industries will fall as a result of a reduction in the margin of consumers' incomes available for non-essential purchases. Thus total profits and (with dividend limitation) total business savings will rise still further.

Whether, even if this policy is successful, the resultant total of savings will be increased sufficiently to finance the present investment programme is by no means certain, for the effect of rising prices with unchanged incomes is likely to make consumers draw still more heavily on their savings. If it is not, and if further credit expansion continues to be avoided, the upward drift of interest rates, which is fundamentally due to the inadequacy of savings, will continue. If the policy of wage restraint should break down, a sharp further increase in interest rates might well prove the least distasteful of the additional measures which might be taken to meet the situation.

The feasibility of a policy of non-intervention in the face of rising interest rates would be substantially increased if the rise could be prevented from spreading to the Government's floating debt. This seems by no means impossible. The floating debt is held by a limited circle of discount houses, banks and owners of overseas sterling balances. The rise in longterm rates would spread to the floating debt only if these holders were induced by the widening differential between bill rates and other rates to reduce their holdings of bills in order to increase those of securities. It might therefore be possible for the Government to maintain
the insulation of the bill market if these specialised holders could be induced to maintain their existing proportions of bills to total assets.

There is, however, some reason for believing that in the present sterilisation of the bill market London has lost a potentially valuable part of its financial machinery. It might therefore be desirable if, in exchange for an agreement between the Government and holders whereby the great
bulk of existing Treasury bills continued to be held at low rates of interest, rates on the seasonally fluctuating margin of Treasury bills and on all commercial bills could be allowed to rise and vary. Indeed, with such an agreement, it might be possible even to allow the Bank Rate itself to be revived as an instrument of policy without at the same time imposing an intolerable increase in the national debt charge.

## WAGE RATES

By A. L. Bowley

The only changes affecting our Index since last October are an increase for printers' compositors in December and for builders on February 6th. Building artisans and labourers

|  | 1947 | 1948 | 1948 | 1949 | 1949 | 1950 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | July | July | Oct. | Apr. | Oct. | Feb. |
| Bricklayers | . 153 | 170 | 170 | 173 | 173 | 175 |
| ," Labourers | . 163 | 183 | 183 | 185 | 1872 | 194 |
| Printers' Compositors | ... 150 | 163 | 163 | 163 | 163 | 170 |
| Dock Labourers | ... 145 | 145 | 145 | 145 | 145 | 145 |
| Engineers' Fitters | ... 150 | 150 | 158 | 158 | 158 | 158 |
| , Labourers | ... 166 | 166 | 176 | 176 | 176 | 176 |
| Shipbuilders ... | ... 167 | 167 | 180 | 180 | 180 | 180 |
| Railwaymen ... | ... 165 | 170 | 170 | 170 | 170 | 170 |
| Cotton ... ... | ... 183 | 204 | 204 | 209 | $214 \ddagger$ | 214 |
| Wool | ... 169 | 176 | 176 | 176 | 188 | 188 |
| Local Authorities | ... 165 | 175 | 175 | 177 | 177 | 177 |
| Trams ... | . 151 | 163 | 163 | 163 | 163 | 163 |
| Lorry Drivers | . 144 | $155 \frac{1}{2}$ | $155 \frac{1}{2}$ | 1551 $\frac{1}{2}$ | $155 \frac{1}{2}$ | $155 \frac{1}{2}$ |
| Boots ... | . 163 | 189 | 205 | 205 | 205 | 205 |
| Confectionery | ... 193 | 214 | 214 | 214 | 228 | 228 |
| Tailoring | ... 183 | 208 | 208 | 208 | 208 | 208 |
| Shirts .. | ... 183 | 208 | 208 | 208 | 208 | 208 |
| Tobacoo | . 132 | 137 | 137 | 137 | 137 | 137 |
| Coal | . 247 | 274 | 283 | 285 | 285 | $285{ }^{*}$ |
| Agriculture | ... 230 | 259 | 259 | 270 | 270 | 270 |
| Weighted Average | . 174 | 186 | 189 | 1901 $\frac{1}{2}$ | 191 $\frac{1}{2}$ | 1921 ${ }^{\text {* }}$ |
| Alternative : $\dagger$ |  |  |  |  |  |  |
| Coal | .. 219 | 234 | 234 | 234 | 234 | 234 |
| Weighted Average | .. 171 | 181 | 184 | $185 \frac{1}{2}$ | $186 \frac{1}{2}$ | $187 \frac{1}{2}$ |
| Excluding Coal | .. 165 | $175 \frac{1}{2}$ | 178 | 180 | $181{ }^{2}$ | $182 \frac{1}{2}$ |

$\dagger$ 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.
receive an additional $\frac{1}{2} \mathrm{~d}$. per hour owing to the increase in retail prices and labourers a further additional $\frac{1}{2} \mathrm{~d}$. postponed from last October when labourers received $\frac{1}{2} \mathrm{~d}$. (See Bulletin, Nov. 1949, p. 130). The labourer's rate in London is now $83 \%$ of the bricklayer's, while in 1939 it was $75 \%$. The entry for cotton has been amended to take into account the provisional increase for spinners last May; this correction also raises slightly all the figures relating to average rates given in the August and October Bulletins of 1949.


# INDUSTRIAL PRODUCTION 

by A. A. Adams<br>(on behalf of the group of the Department of Applied Economics, Cambridge, responsible for the Index of Production).

With provisional December figures now available a comparison can be made of the production indices for 1948 and 1949.* Twelvemonth averages have been used for this comparison, instead of the six-month averages used previously to avoid the fuel crisis, but the 1948-1949 change is generally almost the same by either measure. It is noteworthy that within each year the two half-year averages are very nearly equal : judging by the normal pattern of production $\dagger$ the holidays in July, August and December more than cancel out the upward trend of productivity.

Both the A and B total indexes have risen by 6 points $\ddagger(5 \%)$ from 1948 to 1949 , which is in the same proportion as the rise, comparing July-December half-years, from 1947 to 1948. Using the Working Day Index to correct for holidays, there has been a rise of rather over $2 \%$ between the first and second halves of 1949 for both $A$ and $B$ indexes.

The group indices showing movements markedly different from the total index are Motors, Cycles and Aircraft, and Paper and Printing, which have increased by more than $10 \%$, and Other Metal-Using Trades, Building, etc. "A," and Sundry Trades, which have fallen. Furthermore, the moderate rise of the Food, Drink and Tobacco group conceals a rise of more than $10 \%$ in Food and a fall in Drink and Tobacco. These are quite a different set from those with exceptional changes between 1947 and 1948, and again there seems to be no common influence at work.

[^14]In both Motor and Paper groups there have been all-round increases. The greatest increases in Motors are in passenger cars and light commercial vehicles. In Paper the production of newspapers is outstanding; but this has been over-estimated as the indicator is Input of Newsprint, which assumes that the value added in the newspaper industry varies directly with the size of the papers. Where groups have decreased this has been the result of a general continued increase being counteracted by a few series declining steeply. These declining series are Wireless sets, Brass goods and Aluminium house hulls in the Other Metal-Using group, House completion, Temporary House erection and Industrial building in the Building group, and Tyres and belting in Sundry Trades. The increase in Food is chiefly due to bacon and ham, chocolates and sweets, and bread, biscuits and flour confectionery, while the fall in Drink and Tobacco is due to beer.

1949 followed fairly closely the "normal" annual cycle. Taking the total " B" Index on the Working-Day Basis, the level of December 1948 (129) was equalled in April and May and, allowing for the usual variation, in January and June; but there was some falling away in February and March, and in July and August. The annual spurt has come as usual in the autumn and the " B " index has now reached 134. This gives a gain of 5 points over the end-1948 level whereas the comparable figure for 1947-48 was 8 points, which suggests that the expansion of production is slackening; but for 1949 as a whole the annual increase of productivity per head was maintained at about $4 \%$, the same as in the previous year, the $5 \%$ increase in production over 1948 being associated with $1 \%$ more employment.

# INDEX OF INDUSTRIAL PRODUCTION (Excluding Finished Munitions) <br> Average Weekly rate of production in $1946=100$ 

\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|c|}
\hline \multirow[t]{2}{*}{Period} \& \multicolumn{2}{|l|}{Rate of Production per working week} \& \multicolumn{2}{|l|}{Rate per working day (adjusted for holidays)} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{$$
\begin{aligned}
& \text { +g 8u!rivder } \\
& \text { pue 8u!p!!iqd!us }
\end{aligned}
$$} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{} \& \multicolumn{2}{|l|}{Building, Building Materials \& Furniture} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{$$
\begin{aligned}
& \text { व. } \\
& \text { ज } \\
& \text { क. } \\
& \text { क. } \\
& \text { क. } \\
& \text { M }
\end{aligned}
$$} \& \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{} <br>
\hline \& A \& B \& A \& B \& \& \& \& \& \& \& \& \& \& \& \& \& \& \& <br>
\hline Weight \& 1000 \& 1011 \& \& .. \& 77 \& 51 \& 62 \& 27 \& 31 \& 116 \& 118 \& 120 \& 59 \& 105 \& 116 \& 144 \& 51 \& 39 \& $\ldots$ <br>
\hline Av. 1935* \& 99 \& 98 \& \& ... \& 142 \& (123) \& 76 \& 47 \& 108 \& 76 \& (84) \& 94 \& (76) \& (153) \& (138) \& 87 \& (127) \& 100 \& $\ldots$ <br>
\hline \& \& 100 \& 104 \& 104 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& 100 \& $\ldots$ <br>
\hline Av. $1946 \ldots$
Av. $1947 \ldots$
Av. \& 100
108 \& 107 \& 112 \& 111 \& 105 \& 107 \& 101 \& 96
98 \& 119 \& 123 \& 107 \& 100 \& 100 \& 119 \& 109 \& 103 \& 106 \& 115 \& $\ldots$ <br>
\hline Av. 1947 ... \& 120 \& 118 \& 125 \& 129 \& 122 \& 107 \& 113 \& 99
101 \& 133
165 \& 151
159 \& 109
108 \& 101 \& 117
126 \& 141
137 \& 124
124 \& 111
116 \& 108
134 \& 138
136 \& $\ldots$ <br>
\hline $$
\begin{gathered}
\text { Av. } 1949 \\
1946
\end{gathered}
$$ \& 126 \& 124 \& 131 \& 129 \& 129 \& 115 \& 118 \& 101 \& 165 \& 159 \& 108 \& 107 \& 126 \& 137 \& 124 \& 116 \& 134 \& 136 \& $\cdots$ <br>
\hline $18 \mathrm{Qr} \mathrm{Qr} . .$. \& 93
98 \& 94 \& 93
102 \& 94
102 \& 97
99 \& 93
99 \& 98
102 \& 96
104 \& 73
97 \& 90
98 \& 90
98 \& 99
100 \& 99
100 \& 73
92 \& 82
96 \& 103
97 \& 93
95 \& 91
98 \& $\ldots$ <br>
\hline 2nd
3rd
Qri \& 98
98 \& 98
98 \& 102 \& 102 \& 99
98 \& 99
101 \& 102
96 \& 104 \& 97
101 \& 98
97 \& 98
100 \& 100
97 \& 100
98 \& +92 \& 96
108 \& 97
91 \& 95
97 \& 98
100 \& $\ldots$ <br>
\hline 3RD Qr.
4TH Qr.

4, \& 111 \& 110 \& 114 \& 113 \& 106 \& 107 \& 105 \& 99 \& 128 \& 115 \& 113 \& 104 \& 103 \& 125 \& 114 \& 107 \& 115 \& 112 \& $\ldots$ <br>
\hline 1947
157 Qr \& 98 \& 97 \& 98 \& 97 \& 91 \& 95 \& 93 \& 96 \& 92 \& 107 \& 96 \& 92 \& 89 \& 96 \& 88 \& 109 \& 100 \& 101 \& $\ldots$ <br>
\hline 1st Qr.
2nd Qr. \& 110 \& 109 \& 114 \& 113 \& 107 \& 110 \& 105 \& 89 \& 134 \& 120 \& 110 \& 102 \& 102 \& 121 \& 113 \& 99 \& 113 \& 115 \& ... <br>
\hline 3rd Qr. ... \& 106 \& 105 \& 115 \& 114 \& 106 \& 110 \& 99 \& 91 \& 122 \& 118 \& 105 \& 102 \& 99 \& 123 \& 114 \& 92 \& 104 \& 114 \& $\ldots$ <br>

\hline $$
\begin{gathered}
4 \text { 4TH Qr. } \\
1948
\end{gathered}
$$ \& 119 \& 118 \& 123 \& 121 \& 117 \& 113 \& 109 \& 110 \& 128 \& 147 \& 119 \& 103 \& 112 \& 138 \& 123 \& 111 \& 106 \& 129 \& $\cdots$ <br>

\hline JAN. \& 116 \& 115 \& 117 \& 116 \& . 118 \& 112 \& 115 \& \& 136 \& 138 \& 118 \& 96 \& 111 \& 127 \& 113 \& 113 \& 109 \& 133 \& $24 \frac{1}{2}$ <br>
\hline FEB. \& 124 \& 121 \& 124 \& 121 \& 125 \& 122 \& 118 \& 81 \& 129 \& 152 \& 121 \& 96 \& 120 \& 140 \& 123 \& 117 \& 108 \& 151 \& 22 <br>
\hline MAR. \& 116 \& 113 \& 124 \& 121 \& 117 \& 100 \& 112 \& \& 126 \& 141 \& 107 \& 96 \& 113 \& 135 \& 116 \& 109 \& 102 \& 141 \& 25 <br>
\hline APR. \& 123 \& 121 \& 123 \& 121 \& 126 \& 113 \& 118 \& \& 132 \& 156 \& 114 \& 98 \& 119 \& 145 \& 127 \& 113 \& 109 \& 147 \& 24 <br>
\hline MAY \& 118 \& 116 \& 123 \& 121 \& 119 \& 98 \& 111 \& 106 \& 134 \& 149 \& 106 \& 102 \& 114 \& 145 \& 125 \& 105 \& 106 \& 134 \& $23 \frac{1}{2}$ <br>
\hline JUNE \& 123 \& 121 \& 124 \& 122 \& 125 \& 111 \& 117 \& \& 144 \& 157 \& 110 \& 105 \& 115 \& 149 \& 130 \& 110 \& 110 \& 144 \& 24 <br>
\hline JULY \& 111 \& 109 \& 124 \& 121 \& 112 \& 96 \& 99 \& \& 139 \& 141 \& 96 \& 98 \& 109 \& 139 \& 122 \& 97 \& 94 \& 122 \& $24 \frac{1}{2}$ <br>
\hline AUG. \& 108 \& 107 \& 122 \& 120 \& 113 \& 95 \& 101 \& 89 \& 100 \& 132 \& 94 \& 101 \& 111 \& 132 \& 116 \& 97 \& 108 \& 122 \& 24 <br>
\hline SEPT. \& 123 \& 121 \& 125 \& 123 \& 125 \& 110 \& 119 \& \& 140 \& 160 \& 106 \& 103 \& 121 \& 147 \& 131 \& 109 \& 111 \& 139 \& 24 <br>
\hline OCT. \& 127 \& 125 \& 127 \& 125 \& 130 \& 114 \& 119 \& \& 143 \& 163 \& 114 \& 106 \& 126 \& 148 \& 132 \& 116 \& 114 \& 141 \& 231 ${ }^{\frac{1}{2}}$ <br>
\hline NOV. \& 129 \& 127 \& 129 \& 127 \& 131 \& 113 \& 119 \& 119 \& 144 \& 165 \& 116 \& 108 \& 127 \& 146 \& 131 \& 122 \& 116 \& 142 \& 24 <br>

\hline $$
\begin{aligned}
& 1949
\end{aligned}
$$ \& 123 \& 119 \& 133 \& 129 \& 119 \& 99 \& 113 \& \& 133 \& 163 \& 105 \& 103 \& 119 \& 134 \& 119 \& 118 \& 108 \& 136 \& 25 <br>

\hline JAN. \& 123 \& 122 \& 124 \& 123 \& 126 \& 110 \& 119 \& \& 162 \& 158 \& 107 \& 98 \& 124 \& 128 \& 116 \& 122 \& 123 \& 139 \& $23 \frac{1}{2}$ <br>
\hline FEB. \& 130 \& 128 \& 130 \& 128 \& 132 \& 118 \& 125 \& 96 \& 161 \& 170 \& 112 \& 98 \& 130 \& 140 \& 126 \& 125 \& 130 \& 150 \& 22 <br>
\hline MAR. \& 131 \& 128 \& 131 \& 128 \& 132 \& 117 \& 125 \& \& 164 \& 167 \& 111 \& 101 \& 131 \& 144 \& 129 \& 125 \& 133 \& 147 \& 25 <br>
\hline APR. \& 121 \& 120 \& 130 \& 129 \& 122 \& 105 \& 116 \& \& 149 \& 160 \& 104 \& 105 \& 122 \& 130 \& 118 \& 111 \& 128 \& 131 \& $23 \frac{1}{2}$ <br>
\hline MAY \& 131 \& 129 \& 131 \& 129 \& 133 \& 116 \& 123 \& 102 \& 172 \& 175 \& 112 \& 116 \& 127 \& 139 \& 126 \& 115 \& 138 \& 139 \& 24 <br>
\hline JUNE \& 126 \& 123 \& 132 \& 130 \& 123 \& 110 \& 117 \& \& 164 \& 164 \& 106 \& 112 \& 122 \& 140 \& 127 \& 109 \& 131 \& 135 \& 24 <br>
\hline JULY \& 117 \& 115 \& 129 \& 127 \& 117 \& 107 \& 100 \& \& 129 \& 153 \& 97 \& 111 \& 115 \& 129 \& 118 \& 100 \& 128 \& 123 \& $22 \frac{1}{2}$ <br>
\hline AUG. \& 115 \& 113 \& 129 \& 128 \& 120 \& 103 \& 107 \& 103 \& 154 \& 137 \& 97 \& 107 \& 115 \& 124 \& 115 \& 99 \& 134 \& 120 \& $25^{2}$ <br>
\hline SEPT. \& 128 \& 127 \& 130 \& 129 \& 132 \& 121 \& 124 \& \& 174 \& 157 \& 111 \& 110 \& 130 \& 142 \& 129 \& 113 \& 138 \& 134 \& 24 <br>
\hline OCT. \& 132 \& 130 \& 132 \& 130 \& 138 \& 125 \& 123 \& \& 186 \& 157 \& 115 \& 111 \& 137 \& 144 \& 131 \& 120 \& 141 \& 142 \& $23 \frac{1}{2}$ <br>
\hline NOV. \& 135 \& 133 \& 135 \& 133 \& 141 \& 131 \& 125 \& 104 \& 187 \& 162 \& 119 \& 110 \& 137 \& 143 \& 129 \& 129 \& 150 \& 145 \& 24 <br>
\hline DEC. . \& 126 \& 124 \& 137 \& 134 \& $\ldots$ \& ... \& 116 \& \& 183 \& ... \& ... \& 102 \& ... \& 136 \& 123 \& 125 \& ... \& $\ldots$ \& 241 <br>
\hline
\end{tabular}

[^15]
## BUILDING AND CIVIL ENGINEERING

output of the building and civil engineering industries.* ( $£ \mathrm{Mn}$.)
Sources : Professor IAN BOWEN ; Ministry of Works,


* Revised Series.
(1) These figures exclude work carried out under annual maintenance licences and local authority licences, and work exempted from authorisation and licensing. The extent of the work so excluded has varied with changes in exemption limits ; changes in certain of the limits occurred at 1 November, 1948. The 1946 figure excludes war damage repairs.
(2) From 1 August, 1949, work included under "Other housing work" relates to family dwelling units only. Before this date, work on other living accommodation, such as hostels, barracks, etc., is included ; after this date, such work appears under "Other
(3) This residual item includes all non-housing work carried out under annual maintenance licences and local authority licences and all non-housing work exempted from authorisation and licensing.
(4) Including $£ 17 \mathrm{Mn}$. for war damage repair work other than repairs to houses. After 1946 war damage repairs are included in the appropriate type of work.


# HOME FINANCE 

By F. W. Paish

Government Finance. - The Exchequer returns for the last quarter of 1949 confirm the view that Ordinary Expenditure for the year is likely to be well above estimate-perhaps by as much as $£ 150 \mathrm{Mn}$. Tax revenue looks like being in the neighbourhood of estimate, while receipts from non-tax sources, including Sales of Surplus War Stores, Receipts from Trading, and Miscellaneous Receipts, have been very large during the past quarter and are already $£ 62 \mathrm{Mn}$., or more than $50 \%$, above the estimates for the whole year.

As a result of these heavy exceptional receipts total Ordinary Revenue for the quarter was $£ 811 \mathrm{Mn}$., or $£ 8 \mathrm{Mn}$. more than in the last quarter of 1948, while Ordinary Expenditure was $£ 32 \mathrm{Mn}$. higher at $£ 824 \mathrm{Mn}$. There was therefore a deficit of $£ 13 \mathrm{Mn}$. on the quarter,
as compared with a surplus of $£ 11 \mathrm{Mn}$. last year. This deficit was more than covered by $£ 16 \mathrm{Mn}$. of E.C.A. Grants and an $£ 8 \mathrm{Mn}$. gift from Australia.

Net extra-budgetary payments for the quarter showed a sharp increase at $£ 296 \mathrm{Mn}$., but of this $£ 173 \mathrm{Mn}$. was due to the deposit of additional sterling with the International Monetary Fund and the International Bank, as a result of the devaluation of sterling. Apart from this item, net extra-budgetary payments totalled $£ 123 \mathrm{Mn}$., as compared with $£ 127 \mathrm{Mn}$. in the last quarter of 1948 and $£ 122 \mathrm{Mn}$. in the third quarter of 1949.

The main change in long-term debt was an increase of $£ 237 \mathrm{Mn}$. in "Other DebtInternal." Of this $£ 173 \mathrm{Mn}$. was due to the issue of non-interest-bearing sterling certificates

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

|  | Ordinary Revenue Total | Expenditure |  | Surplus <br> ( + ) or Deficit (-) |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Supply Services | Total |  |
| 1938/9* | 17.8 | 15.8 | $20 \cdot 2$ | $-2.4$ |
| 1945/6 | $62 \cdot 9$ | $95 \cdot 7$ | $104 \cdot 9$ | $-42 \cdot 0$ |
| 1946/7 | $64 \cdot 0$ | 63.9 | $74 \cdot 9$ | $-10.9$ |
| 1947/8 | $73 \cdot 5$ | $50 \cdot 7$ | $60 \cdot 9$ | $+12 \cdot 6$ |
| 1948/9 | 76.9 | $50 \cdot 5$ | 60.5 | +16.4 |
| 1938/9* Apr.-June | 10-1 | $12 \cdot 0$ | 18.0 | $-7 \cdot 9$ |
| July-Sept. | $13 \cdot 3$ | $15 \cdot 3$ | $18 \cdot 1$ | $-4.8$ |
| Oct.-Dec. | $14 \cdot 0$ | $15 \cdot 7$ | 21.6 | $-7.6$ |
| Jan.-Mar. | $34 \cdot 0$ | $20 \cdot 2$ | $23 \cdot 2$ | $+10.8$ |
| 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 |
| Oet.-Dec, | $61 \cdot 1$ | 51.8 | $60 \cdot 2$ | +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 | $+0.2$ |
| July-Sept. | $62 \cdot 4$ | $52 \cdot 3$ | $63 \cdot 3$ | $-0.9$ |
| Oct.-Dec. | $61 \cdot 7$ | $53 \cdot 4$ | $62 \cdot 7$ | $-1.0$ |
| Oct. 1-29 | 60-3 | 50.5 | $62 \cdot 3$ | $-2 \cdot 0$ |
| Nov. 26 <br> Nov. $27-$ | 60.5 | $51 \cdot 1$ | 57.3 | $+3 \cdot 2$ |
| Dec. 31 | $63 \cdot 8$ | $55 \cdot 4$ | $67 \cdot 3$ | $-3.5$ |
| Jan. 1-28 | $159 \cdot 4$ | $48 \cdot 4$ | $53 \cdot 5$ | $+105 \cdot 9$ |

* Including expenditure under the Defence Loans Acts, 1937 and 1939.
to the International Fund and Bank, while the remainder was more than accounted for by a rise of $£ 82 \mathrm{Mn}$. in the Marshall Aid counterpart funds at the Bank of England, to the unusually high figure of $£ 98 \mathrm{Mn}$.

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

|  | Oct. (29 days) | Nov. (28 days) | Dec. (35 days) | $\begin{gathered} \text { Total } \\ \text { (92 days) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| Net E.P.T. Refunds | $1 \cdot 6$ | 1.9 | 1.7 | $5 \cdot 2$ |
| Post-war Credits ... | $1 \cdot 3$ | $1 \cdot 3$ | 1.6 | $4 \cdot 2$ |
| Net War Damage Payments : W.D.C. <br> Bd. of Trade ... | $11 \cdot 0$ | 8.0 1.2 | $11 \cdot 0$ | $30 \cdot 0$ 1.2 |
| Housing ... ... | $30 \cdot 6$ | $20 \cdot 3$ | $33 \cdot 9$ | 84.8 |
| Coal Nationalisation | 1.0 | $2 \cdot 0$ | - | $3 \cdot 0$ |
| Cotton Buying Overseas Develop- | $-1.1$ | $1 \cdot 0$ | $-2.5$ | $-2.6$ |
|  | 0.9 | 0.7 | 1.4 | $3 \cdot 0$ |
| Cinemas ... | 0-3 | 0.1 | 0.5 | $0 \cdot 9$ |
| Bretton Woods Other | 148.0 | $25 \cdot 4$ | . | 173.4 |
| Other | $2 \cdot 4$ | $1 \cdot 6$ | $-11.0$ | $-7.0$ |
|  | 196.0 | 63.5 | $36 \cdot 6$ | 296.1 |

The increase of $£ 66 \mathrm{Mn}$. in short-term debt was almost wholly accounted for by the seasonal rise of $£ 64 \mathrm{Mn}$. in Tax Reserve Certificates. The total of the Floating Debt hardly changed, a further rise of $£ 380 \mathrm{Mn}$. in Treasury bills issued by tender being almost exactly offset by falls of $£ 211 \mathrm{Mn}$. in tap bills, $£ 128 \mathrm{Mn}$. in Ways and Means Advances and $£ 39 \mathrm{Mn}$. in Treasury Deposit Receipts.

TABLE 3.
GOVERNMENT BORROWING, 1949. £Mn.

|  | Oct. (29 days) | Nov. (28 days) | Dec. (35 days) | $\begin{gathered} \text { Total } \\ \text { (92 days) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certs. | $-1.5$ | $-3 \cdot 1$ | -4.2 | $-8.8$ |
| $2 \frac{1}{2} \%$ Def. Bonds Other Debt: | $+0 \cdot 1$ |  | $-0.1$ | - |
| Internal ... | $+178.0$ | $+20.5$ | $+38 \cdot 3$ | $+236.8$ |
| External | $+3 \cdot 7$ | +0.4 | +6.2 | +10.3 |
| Repayments | $-4.9$ | $-4 \cdot 7$ | $-5.8$ | $-15 \cdot 4$ |
| Total Long. and Medium-term borrowing | $+175 \cdot 4$ | +13.1 | $+34 \cdot 4$ | $+222.9$ |
| Tax Reserve Certs. T.D.R.'s | +17.4 -133.0 | +12.7 -23.5 | +34.2 +117.5 | +64.3 -39.0 |
| Treas. Bills: Tender | $+230 \cdot 0$ | +120.0 | +30.0 | +380.0 |
| W Tap... | $-49.6$ | $-114.5$ | $-46.7$ | -210.8 |
| W. \& M. Advances Govt. Depts. | $-30 \cdot 3$ |  | $-105 \cdot 8$ |  |
| Bank of England | $-5.0$ | $+7 \cdot 4$ | $-7.7$ | $-5 \cdot 3$ |
| Short-term |  |  |  |  |
| Borrowing | $+29.5$ | +15.1 | $+21.5$ | +66.1 |
| Total Borrowing | $+204 \cdot 9$ | $+28.2$ | $+55.9$ | $+289.0$ |

The reasons for the large switch of $£ 340 \mathrm{Mn}$. from Tap bills and Ways and Means Advances to Tender bills are not fully clear. About $£ 95 \mathrm{Mn}$. of Tap bills have presumably been realised by the Exchange Equalisation Account to pay for the increase in its gold holdings since the end of September, and some part of the remainder of the switch may perhaps be due to changes in the form in which overseas-owned sterling balances are held.

Other Finance.-That a large amount of additional tender bills have been taken up outside the market is shown by the fact that since September Call Money and Discounts held by the eleven clearing banks have risen by only $£ 191 \mathrm{Mn}$. Meanwhile, T.D.R.'s have fallen by over $£ 109 \mathrm{Mn}$. Even if we allow for the end-year diversion of perhaps $£ 35 \mathrm{Mn}$. from Call Money to Cash, net Government borrowing from the banks during the quarter has been no more than about $£ 115 \mathrm{Mn}$., or less than the $£ 130 \mathrm{Mn}$. needed by the Exchange Equalisation Account to pay for the additional gold it has bought since devaluation. Advances have continued to increase, rising by a further $£ 55 \mathrm{Mn}$. during the quarter to $£ 1,523 \mathrm{Mn}$. Net deposits rose during the quarter by $£ 164 \mathrm{Mn}$., and Lloyds Bank's seasonably adjusted index of Net Deposits (a recent and welcome addition to their index of Gross Deposits) rose by 3.7 to 263 . Over the past twelve months, Advances have shown an increase of $£ 145 \mathrm{Mn}$., of which nearly $£ 90 \mathrm{Mn}$. seems to have been financed by reductions in Government borrowing and $£ 58 \mathrm{Mn}$. by credit expansion. The rise in net deposits from $£ 5,895 \mathrm{Mn}$. in December, 1948 , to $£ 5,953 \mathrm{Mn}$.
in December, 1949, is probably a good deal less proportionately than the rise in the national income, and it can therefore be claimed with some confidence that the excess of money in the system is substantially less than it was a year ago.

Prices of fixed interest securities continued to decline throughout October and in the early part of November. By then the market was clearly
oversold, and a very small amount of official intervention was sufficient to bring recovery to the September level, about which prices have since fluctuated with, on the whole, a slightly downward tendency. Prices of industrial securities also recovered from their low point in November, but have recently shown a slightly weaker tendency.

## INTERNATIONAL FINANCE

The most important recent development in the international financial field, from the point of view of the British economy, is the improvement which occurred in the last quarter of 1949 in the gold and dollar deficit of the sterling area. Table 1 indicates this deficit was only $\$ 31 \mathrm{Mn}$.

TABLE 1.
TOTAL STERLING AREA GOLD AND DOLLAR DEFICIT*
\& U.S. Mn.

|  | Decrease in Gold and Dollar Holdings | Drawings on U.S. and Canadian Credit | Drawings on International Monetary Fund | Receipts under E.R.P. | Total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1946 | -209 | 1,122 | - | - | 913 |
| 1947 | 611 | 3,264 | 240 | - | 4,115 |
| 1948 | 221 | 350 | 130 | 679 | 1,692† |
| 1949 - |  |  |  |  |  |
| 1st Qr. ... | $-56$ | 30 | 30 | 326 | 330 |
| 2nd Qr. ... | 261 | 30 | - | 341 | 632 |
| 3rd Qr. ... | 223 | 30 | - | 286 | 539 |
| 4th Qr. ... | -263 | 27 | 20 | 247 | 31 |

* Sources: 1946-June, 1949 —Cmd. 7793; July-December, 1949, Records and Statistics, January 7th, 1950, p. 1.
$\dagger$ Includes $£ 80 \mathrm{Mn}$. gold loan from South Africa.
compared with $\$ 539 \mathrm{Mn}$. in the preceding three months. ${ }^{\star}$ This change in fortune was accompanied by a rise of $\$ 263 \mathrm{Mn}$. in our gold and dollar reserves which brings these assets slightly above the level at which they stood in the middle of the year. It is still too early to determine whether this improvement reflects a change in the sterling area's basic balance of payments position or whether it primarily reflects the covering of bear positions taken up prior to devaluation.

The merchandise trade figures given in Table 2 indicate that while there was some improvement in the United Kingdom's position during the quarter (the deficit on this account appears to have fallen from approximately $£ 45$ Mn . in the third quarter to approximately $£ 15$

[^16]TABLE 2.
UNITED KINGDOM'S BALANCE OF TRADE* (£ Mn.)

|  | 1947 | 1948 | 1949 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { 1st } \\ & \text { Half } \end{aligned}$ | 3rd Qr. | $\begin{aligned} & \text { 4th } \\ & \text { Qr. } \end{aligned}$ |
| IMPORTS c.i.f. Basis | 1,795 | 2,078 | 1,120 | 562 | 591 |
| f.o.b. Basis (approx.) <br> EXPORTS \& RE-EXPORTS | 1,528 | 1,766 | 952 | 478 | 502 |
| f.o.b. Basis ... ... | 1,198 | 1,648 | 923 | 435 | 486 |
| Deficit | 330 | 118 | 29 | 43 | 16 |

* Source: Accounts Relating to Trade and Navigation of the United Kingdom ; f.o.b. import estimates $15 \%$ less than c.i.f.
Mn . in the last quarter) this was not sufficient to account for the major part of the improvement. In fact it appears likely that the overall balance of payments deficit in 1949 will be about the same as for the preceding year ( $£ 120 \mathrm{Mn}$ ).

TABLE 3.
DISTRIBUTION OF U.K. TRADE, $£ \mathrm{Mn}$.

|  | 1948 | 1949 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{gathered} \text { lst } \\ \text { Half } \end{gathered}$ | $\begin{aligned} & \text { 3rd } \\ & \text { Qr. } \end{aligned}$ | Oct. | Nov. | Dec. |
| United States : <br> Imports <br> Exports | 184 71 | 112 27 | 51 12 | $\begin{array}{r} 21 \\ 8 \end{array}$ | 18 8 | $\begin{array}{r} 20 \\ 7 \end{array}$ |
| Canada : <br> Imports <br> Exports | 223 73 | 97 39 | 60 19 | 24 | 23 8 | 21 9 |
| Total American <br> a/c Countries <br> Imports <br> Exports | * | $\begin{array}{r} 231 \\ 83 \end{array}$ | $\begin{array}{r} 128 \\ 38 \end{array}$ | 49 16 | $\begin{aligned} & 47 \\ & 18 \end{aligned}$ | $\begin{aligned} & 45 \\ & 22 \end{aligned}$ |
| Sterling Area : <br> Imports <br> Exports | 749 795 | $\begin{aligned} & 438 \\ & 480 \end{aligned}$ | 204 226 | $\begin{aligned} & 70 \\ & 70 \end{aligned}$ | 69 77 | 71 72 |
| O.E.E.C. Countries : Imports Exports | $\begin{aligned} & 394 \\ & 392 \end{aligned}$ | $\begin{aligned} & 257 \\ & 217 \end{aligned}$ | 146 100 | 47 36 | 49 46 | 48 52 |

[^17]Therefore if there was any improvement in the current account position of the sterling area it must have occurred mainly in the accounts of the members other than the United Kingdom. Such a development does not appear at all unlikely, although it is impossible to draw any definite conclusions at this stage.

Table 3 showing the directions of United Kingdom trade tends to reinforce these conclusions. On trade account in terms of dollars, there has been some decrease in the United Kingdom's deficit with the "American Account" countries. However, a large amount of this improvement reflects the effects of the "dollar import cuts" rather than improvements in exports following devaluation. In fact, exports to dollar markets appear to have been very little influenced, as yet, by the events of September $18-25$. The only other important change in the pattern of the United Kingdom's trade is an apparent movement towards balance in our transactions with O.E.E.C. countries. In the first nine months of 1949 we had a considerable import surplus with them. It was largely this development which led to the large accumulations of " transferable sterling" which troubled the exchange control authorities during the late summer.

The British memorandum to the O.E.E.C. published in January ${ }^{\star}$ gives some indication of the Government's plans for the period ending July 1st, 1952. Over the short run they evidently envisage a slight increase in the volume of import purchases during the next year. However, their plans entail further increase in purchases from non-dollar sources, and a partially offsetting reduction in hard currency expenditure. It is expected that this change in sources of supplies will continue until the end of the E.R.P. period. Very little improvement in dollar exports is counted on before the middle
of this year. However, after that date they are expected to increase by $\$ 150 \mathrm{Mn}$. in the following twelve months. Undoubtedly the authorities are counting on a continued high level of activity in North America. For the sterling area as a whole it is hoped that there will be some reduction in the United Kingdom's dollar deficit and a decline in that of the rest of the sterling area from $\$ 109 \mathrm{Mn}$. for the period July 1st, 1948 to June 30th, 1949 to $\$ 63 \mathrm{Mn}$. for the same period of $1949 / 1950$. It is also hoped that capital and other payments will decline from $\$ 431 \mathrm{Mn}$. to $\$ 300 \mathrm{Mn}$. This latter plan must envisage some tightening up of the releases from sterling balances, particularly if new capital export is to be increased. If these expectations are realised it should mean (after allowing for E.R.P. receipts) that there should only be a slight decline in the gold and dollar reserves over the E.R.P. year. In other words the authorities expect that the gold and dollar reserves will remain practically stable in the first half of this year. Over the longer run, it is expected that the United Kingdom's dollar deficit will decline to about $\$ 360 \mathrm{Mn}$. by $1951 / 2$ and that the rest of the sterling area will actually have a dollar surplus of approximately $\$ 180 \mathrm{Mn}$. by that time. This will enable the area to get by with smaller E.R.P. aid in that year. Presumably this assistance will then come to an end and these general lines of development will continue long enough to permit us to regain a position of equilibrium based on a deficit with North America and perhaps Western Europe which will be offset by a deficit in the trade of the rest of the sterling area with us and a surplus in their trade with the dollar area. However, it should be noted that such hopes also entail an expectation that U.K. exports will attain a volume about $80 \%$ in excess of the 1938 level.

* Cmd. 7862.


# WORLD COMMODITY SURVEY 

By C. F. Carter

Are There Any Shortages ?
There have been a number of suggestions lately that the period of shortage of commodities is ending, and that we shall soon be back at the pre-war " normality" of burdensome surpluses. It is, of course, true that a steady recovery is taking place, and that price support programmes are producing in the United States massive
surpluses of certain agricultural products. Some commodities-such as rubber and tin-are precariously balanced, with an early prospect of substantial surpluses unless supply is regulated. But another group is still subject to world-wide shortage, with no likelihood of quick alleviation, and this shortage is shown either by a steady running-down of stocks or by exceptionally high

## WORLD COMMODITY SURVEY

| Commo-dity | Season | Unit | Pre-war base | WORLD PRODUCTION |  |  | WORLD CONSUMPTION |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | $\begin{gathered} \text { Last } \\ \text { season (m) } \end{gathered}$ | Last season \% of pre-war (m) | $\begin{gathered} \text { Current } \\ \text { season } \\ \text { \% of } \\ \text { pre-war (m) } \end{gathered}$ | $\begin{gathered} \text { Last } \\ \text { season (m) } \end{gathered}$ | Last season \% of pre-war (m) |  |
| Wheat... | Begins spring | Mn. bush. of 60 lb . | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | 6,385 | 106 | 103 | 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 | $\begin{gathered} 30,668 \\ \text { (raw value) } \end{gathered}$ | 105 | 106 | n.a. | n.a. | 105 |
| Tea ... | Calendar year | Mn. lb. | Average 1936-8 | $\begin{gathered} 769 \\ \text { (exports) } \end{gathered}$ | 87 | n.a. | (absorption excl. local produce) | 94 | n.a. |
| Coffee ... | Begins July | Mn. bags of 132 lb . | $\begin{aligned} & \text { Av. } 1935 / 6 \\ & \text { to } 1939 / 40 \end{aligned}$ | $\begin{gathered} 31 \cdot 4 \\ \text { (exportable) } \end{gathered}$ | 87 | 80 | (32) | (115) | n.a. |
| Cocoa ... | Begins October | 000 tons | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to } 1939 / 40 \end{aligned}$ | 737 | 105 | 100 | n.a. | - | - |
| Cotton ... | Begins August | Mn. bales (478 lb. net) (l) | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to 1939/40 } \end{aligned}$ | 28.9 | 91 | 95 | $28 \cdot 8$ | 103 | 100 |
| Wool (apparel) | Begins July | $\mathrm{Mn} . \mathrm{lb}$. (greasy) | $\begin{aligned} & \text { Av. 1934/5 } \\ & \text { to } 1938 / 9 \end{aligned}$ | 2,957 | 99 | 101 | 3,547 | 114 | 114 |
| Jute ... | Begins July | 000 tons | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 1,390 (j) | 82 | (85) | n.a. | - | - |
| Sisal ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 260 (k) | 115 | n.a. | n.a. | - | - |
| Rubber... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936.9 \end{gathered}$ | $\begin{gathered} 2,050 \text { incl. } 1,520 \\ \text { natural } \end{gathered}$ | 205 | 190 | $\begin{gathered} \text { 1,900 incl. } 1,420 \\ \text { natural } \end{gathered}$ | 181 | 180 |
| Copper... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1937.8 \end{gathered}$ | 2,420 (primary) | 113 | (113) | n.a. | - | - |
| Lead ... | Calendar year | 000 tons | 1938 | 1,240 | 75 | 86 | n.a. | - | - |
| Tin | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936-8 \end{gathered}$ | 153.5 (tin in concentrates) (e) | 86 | 89 | $138 \cdot 9$ (e) | 80 | 72 |
| Zinc .. | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934.8 \end{gathered}$ | 1,600 | 120 | 134 | 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 $2,240 \mathrm{lb}$. 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) incomplete. (e) excluding U.S.S.R. Stocks exclude U.S. strategic stock pile. (f) Price ratios are in terms of the currency in which quoted; the corresponding sterling ratios are added,

## WORLD COMMODITY SURVEY

\begin{tabular}{|c|c|c|c|c|c|c|c|}
\hline \multicolumn{3}{|c|}{WORLD STOCKS} \& \multicolumn{2}{|l|}{U.K. CONSUMPTION} \& \multicolumn{3}{|c|}{PRICES} <br>
\hline Date \& Amount \& $\%$ of pre-war \& Last season(m) \& $\%$ of pre-war \& Date \& Representative price \& \% of pre-war (f) <br>
\hline \multirow[t]{2}{*}{$$
\begin{aligned}
& \text { July, } \\
& 1949
\end{aligned}
$$} \& 638 (a) \& n.a. \& 220 (b) \& 101 \& Jan. 3-14, 1950 \& Chicago Mar. futures $\$ 2 \cdot 17$ per bush. \& $$
\begin{gathered}
226 \\
388 \text { (f) }
\end{gathered}
$$ <br>
\hline \& n.a. \& - \& - \& - \& Oct., 1949 \& U.S. Dept. of Labor index (Year $1926=100) \quad 115 \cdot 6$ \& $$
\begin{aligned}
& 194 \text { (c) } \\
& 334 \text { (f) }
\end{aligned}
$$ <br>
\hline \multirow[t]{2}{*}{} \& \multirow[t]{2}{*}{n.8.
n.a.} \& \multirow[t]{2}{*}{-} \& 1,960 (raw value, calendar year 1948) \& 86 \& end Dec.,1949 \& Raws, f.o.b. Cuba $4 \cdot 45$ per 100 lb . \& $$
\begin{gathered}
307 \\
540 \text { (f) }
\end{gathered}
$$ <br>
\hline \& \& \& 397 \& 90 \& $$
\begin{gathered}
\text { Dec. } 20 / 21, \\
1949
\end{gathered}
$$ \& Calcutta average for export leaf,
$$
2 / 10 \mathrm{lb} \text {. }
$$ \& (290) <br>
\hline \multirow[t]{2}{*}{-} \& n.a. \& - \& 0.72 \& (185) \& Jan. 3-13. 1950 \& New York spot, Brazilian Santos, No. 2 (nom.) 53.5 clb . \& $$
\begin{gathered}
(595) \\
(1,005)(\mathrm{f})
\end{gathered}
$$ <br>
\hline \& n.a. \& - \& 116 (i) \& n.a. \& Jan. 3-13, 1950 \& Accra, c.i.f. New York $27 \cdot 2$ c. per lb. (nominal) \& $$
\begin{gathered}
(390) \\
(680)(\mathrm{f})
\end{gathered}
$$ <br>
\hline $$
\underset{1949}{\text { aug. }}
$$ \& $14 \cdot 9$ \& (81) \& $2 \cdot 0$ \& 75 \& $$
\begin{gathered}
\text { Jan. 3-14, } \\
1950
\end{gathered}
$$ \& New York spot, middling 18" $\quad 31 \cdot 70 \mathrm{c}$. per lb . \& $$
\begin{gathered}
297 \\
503 \\
\text { (f) }
\end{gathered}
$$ <br>
\hline \multirow[t]{3}{*}{$$
\begin{gathered}
\text { June } 30, \\
1949
\end{gathered}
$$} \& \multirow[t]{3}{*}{2,961
п.a.} \& \multirow[t]{3}{*}{(160)} \& \multirow[t]{3}{*}{782

90} \& \multirow[t]{2}{*}{110
52} \& Dec., 1949 \& \multicolumn{2}{|l|}{Dominions wool. average clean delivered cost out of London} <br>

\hline \& \& \& \& \& \& $$
\begin{aligned}
& 64 \text { 's.-109d./lb. } \\
& 48 \text { 's. } 48 \mathrm{~d} . / \mathrm{lb} \text {. }
\end{aligned}
$$ \& 425

360 <br>
\hline \& \& \& \& 52 \& Dec., 1949 \& First Marks, c.i.f. London Pakistan £112 per ton (Indian nominal). \& 610 <br>
\hline - \& n.a. \& - \& n.a. \& - \& Dec., 1949 \& No. 1, c.i.f. Antwerp, £125 per ton \& 745 (g) <br>
\hline Oct. 31, 1949 \& 830 incl. 715 natural \& 125 \& 196 incl. 194 nat. \& 176 \& Jan. 3-13, 1950 \& London R.S.S. spot $15 \frac{3}{16} \mathrm{~d}$. per lb. \& 184 <br>

\hline \multirow[t]{2}{*}{$$
\begin{gathered}
\text { Nov. } 30 . \\
1949
\end{gathered}
$$} \& 287 refined (d) \& (83) (h) \& 356 \& 127 \& \[

$$
\begin{gathered}
\text { Jan. } 16, \\
1950
\end{gathered}
$$

\] \& U.S. electro, Connecticut Valley $18 \cdot 5 \mathrm{c}$. per lb. \& \[

$$
\begin{gathered}
157 \\
276 \text { (f) }
\end{gathered}
$$
\] <br>

\hline \& n.a. \& - \& 212 (refined) \& (60) \& $$
\begin{aligned}
& \text { Jan. } 16 \text {, } \\
& 1950
\end{aligned}
$$ \& New York 12.0c. per lb. \& \[

$$
\begin{gathered}
253 \\
441 \text { (f) }
\end{gathered}
$$
\] <br>

\hline $$
\begin{gathered}
\text { Sept. } 30, \\
1949
\end{gathered}
$$ \& 128.4 (e) \& (222) \& $25 \cdot 2$ \& 114 \& \[

$$
\begin{gathered}
\text { Jan. } 16 \text {, } \\
1950
\end{gathered}
$$
\] \& London, Standard, Cash. $£ 600$ per ton \& 282 <br>

\hline - \& n.a. \& - \& 223 \& 106 \& $$
\begin{gathered}
\text { Jan. } 16, \\
1950
\end{gathered}
$$ \& U.S. Prime Western (East St. Louis) $\quad 10 \cdot 0 \mathrm{c}$. per lb . \& \[

{ }_{383}^{217} (f)
\] <br>

\hline
\end{tabular}

marked (f), where necessary. (g) \% of early 1939. (h) \% of 1937. (i) Ministry of Food estimate of cocoa bean consumption, excluding beans transferred to oilseed stocks. (j) excluding changes in up-country stocks. (k) The total world production of hard fibres may be estimated as about 485,000 tons in 1948. (l) U.S. in running bales. (m) Calendar year data for "last season" relate to 1948 for "current season" to 1949.
prices. The most important commodity in this group is apparel wool, whose production is still running $15 \%$ below consumption : jute, sisal and other hard fibres, coffee and cocoa, many fats and oils (outside the U.S.), and softwood fall into the same list. Perhaps, however, the most revealing commentary on the nature of our present shortages is provided by the following table :-

PRODUCTION IN CURRENT SEASON as \% of average for 1935-9.

|  |  | North <br> America | Europe <br> (exc. <br> U.S.S.R.) | Asia <br> (exc. <br> U.S.S.R.) | World |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Wheat | $\ldots$ | 139 | 91 | 99 | 103 |
| Rye $\ldots$ | $\ldots$ | 52 | 92 | 9 | 96 |
| Maize | $\ldots$ | 145 | 95 | 98 | 120 |
| Barley | $\ldots$ | 109 | 101 | 92 | 96 |
| Ots $\ldots$ | $\ldots$ | 119 | 85 | 86 | 91 |
| Cotton | $\ldots$ | 121 | -2 | 65 | 95 |
| Tobacco | $\ldots$ | 138 | 102 | 92 | 108 |
| Sugar | $\ldots$ | $139^{*}$ | 99 | 83 | 106 |

## * Including West Indies.

World population is considerably greater than before the war, and several important countries are enjoying a higher standard of living, which will have increased their demand for most of the commodities in the table. As a rough working rule one might take figures below 105 as prima facie evidence of shortages, and those above 115 as suggesting a danger of surpluses. The latter limit may be too low, for one of the most striking features of post-war commodity markets has been the high rate of consumption within the major producing areas. Thus, sugar consumption in North and Central America is running $20 \%$ above pre-war level ; and North American cotton consumption, despite the increasing competition of rayon, has also been fully $20 \%$ above pre-war. The world figures therefore show supplies which are inadequate or barely sufficient to maintain pre-war levels of consumption per head all round, but are made still more inadequate by the movement of a part of the human community to a higher standard. It is fair to conclude that a basic trouble of the commodity markets is the backwardness of Europe and Asia and the forwardness of America -that is to say, the dollar problem under another name. But it is not yet fair to say that, given the dollars, mankind is in sight of satisfaction (at reasonable prices) or satiety, except for a very few commodities. We are not yet producing enough for a full-employment world.

## Cocoa

In 1947/8 cocoa production was about $87 \%$ of pre-war, and the New York price fluctuated around 40 or 45 cents per lb . In the following
year production rose to $105 \%$, good crops in the Gold Coast and Nigeria coinciding with a substantial recovery in Brazil. The price fell heavily, to less than 20 cents in May, 1949, and remained low for the rest of that season-partly, no doubt, because of the 1949 "adjustment" in U.S. business. In the current season (beginning October, 1949) production is expected to fall again to about the pre-war level, and there has been some renewed firmness of prices, the New York price reaching 29 cents in midJanuary. Brazil will be obtaining the advantage of the maturity of young trees planted during the war, and, the weather having been good, the crop is expected to be about $9 \%$ higher than last year and about $14 \%$ above pre-war. The Gold Coast and Nigeria, on the other hand, are reported to have had an excess of rain which has made the harvest late and increased the incidence of Black Pod disease. The losses from Swollen Shoot disease in the Gold Coast continue, and her output is expected to be $13 \%$ less than last year and $11 \%$ below the prewar average. The changed structure of world production is illustrated in the following table :-

COCOA PRODUCTION

|  | Production, $1949 / 50$ <br> '000 tons | \% change from average 1935/6 to 1939/40 | \% distribution of total world crop |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  | Pre-war | Now |
| Gold Coast and Togoland | 240 | -11 | 39 | 34 |
| Nigeria and |  | $-11$ | 39 | 34 |
| Cameroons | 90 | $-7$ | 14 | 13 |
| Rest of Africa | 120 | $+17$ | 14 | 17 |
| AFRICA | 450 | -4 | 67 | 64 |
| Brazil ... | 135 | $+14$ | 17 | 19 |
| Colombia, Ecuador |  | + |  |  |
| Venezuela <br> TOTAL: | 50 | $+4$ | 6 | 7 |
| S. AMERICA | 185 | $+11$ | 23 | 26 |
| Dominican |  |  |  |  |
| Republic | 27 | $+12$ | 3 | 4 |
| Other countries ... | 41 | -8 | 7 | 6 |
| WORLD | 703 | +0 | 100 | 100 |

The dollar value at New York of the reduction since pre-war of the Gold Coast and Nigerian output is, at current prices, $\$ 25 \mathrm{Mn}$. On the other hand, the rise in price since last year more than offsets the fall in quantity, so that the Sterling Area dollar earnings from cocoa may rise : owing to devaluation, the sterling earnings will of course rise substantially.

## Coffee

This commodity has the distinction of providing the first price-index in our regular Table exceeding , 1,000-though it should be
pointed out that this Sterling equivalent of the U.S. price-index is no indication of the price actually being paid by Britain. New York prices at the New Year were around 54 cents per lb. ( $3 \mathrm{~s}, 10 \mathrm{~d}$.), about ten times the low point reached in 1940.

At present the total world production of coffee fluctuates between 36 and 40 Mn . bags per year, and it is, of course, slow to adjust itself to demand-high prices now may mean a surplus in a few years' time. About 9 to $9 \frac{1}{2} \mathrm{Mn}$. bags are consumed in the producing countries, leaving 27 to 31 Mn . bags for export. Twothirds of the whole export market is in the United States, which took 21 Mn . bags in 1948. European consumption was 12 Mn . bags before the war and 8 Mn . in 1948, but may now be substantially more. The rest of the world takes about 3 Mn . bags: so that at "reasonable prices," and assuming no currency difficulties, the producing countries might dispose of as much as 36 Mn . bags-roughly the pre-war exportable production, which then gave rise to a heavy surplus.

At theend of the war the Brazilian Government held a stock of some 8 Mn . bags, which is understood to have been exhausted by mid-1949; and there are now no substantial reserve stocks of coffee anywhere. The 1948/9 crop was relatively good, but that harvested in 1949 and early 1950 is no more than normal, and (in the absence of stocks) the price must rise to bring consumer demand within the limits of available supplies. This adjustment can take place in part by blending coffee with chicory and other extenders, and in part by limiting the use of coffee in the producing countries. But high prices have been further encouraged by the news that the Brazilian 1950 crop made a bad start with an autumn drought ; it is not expected to be much different from that of 1949.

In 1949/50, a normal post-war year, Brazil produced just over half both of the total production of 38 Mn . bags, and of the exportable production of 28.7 Mn . bags. She was followed by Colombia, providing about $20 \%$ of the exports $(5.6 \mathrm{Mn}$. bags). The other Latin American producers are relatively small, the largest being El Salvador ( 1 Mn . bags), and together they produce for export 4.5 Mn . bags. African output is 3.8 Mn . bags, spread over most of the Central African countries. As compared with the pre-war average, the fall in exportable production is 7.2 Mn . bags. A rise of 1.5 Mn . bags in Africa can be set against the virtual disappearance of an Indonesian output of 1.4 Mn . bags. The whole, and more than the whole, of the adjustment in world output is accounted
for by a decline of 8.2 Mn . bags from Brazil. Other Latin American countries show an increase of 0.9 Mn . bags.
(Here and in the main table the Brazilian harvest between May and September is assigned to the crop year beginning July. Acknowledgements are due to the United States Department of Agriculture for facts included in this and the preceding two sections.)

## Wool

After the meeting of the International Wool Study Group in November, statistics prepared for the Group by the Commonwealth Economic Committee were released. These show that the slow recovery of apparel wool production, from its low point of $2,931 \mathrm{Mn} . \mathrm{lb}$. (greasy) in 1947/8, is continuing: the 1949/50 figure is expected to be about $3,015 \mathrm{Mn} . \mathrm{lb}$.-an increase of $3 \%$ in two years. The trends in wool, apart from interruptions caused by drought, are relatively slow-moving and regular ; it will clearly be some time before production can approach the present level of consumption, estimated as $3,528 \mathrm{Mn} . \mathrm{lb}$. The proportion of merino wool in the total clip has recovered slightly, under the influence of high prices, but is still less than before the war. Australian production, about a third of the total, is increasing steadily by 30 to $50 \mathrm{Mn} . \mathrm{lb}$. a year, but South African production has suffered a setback due to drought. The steady decline of the United States clip continues, the total for the current year being 275 Mn . lb., against 477 Mn . in 1942/3.

Apparel wool consumption is estimated to have reached a peak of $3,854 \mathrm{Mn}$. lb . in 1947/8, declining to about $3,550 \mathrm{Mn}$. lb . in 1948/9 and $3,530 \mathrm{Mn}$. in 1949/50. An opening stock of over $5,000 \mathrm{Mn} . \mathrm{lb}$. in 1946 is expected to be reduced to less than $2,450 \mathrm{Mn}$. in mid-1950: this represents about $8 \frac{1}{2}$ months' consumption, which is little more than the pre-war "normal" stock, estimated as 7 months' consumption. Only $290 \mathrm{Mn} . \mathrm{lb}$. (greasy) will remain of the Government and Joint Organisation stocks, so that the process of liquidating wartime accumulations will be virtually complete. As stocks decline to normal, the pressure already felt on the supply of higher grade wools will become more general.

After devaluation, the first reactions were on the prices of the medium and coarse crossbreds, which advanced by over $25 \%$ between October and November. In November 48's reached 54 d . per lb ., $70 \%$ above the August price. In December crossbred prices reacted a little, but merino prices continued a steady advance which has taken them above the early-1949 peak, and $20 \%$ above the pre-devaluation level.

# THE SECOND HALF OF 1949 IN THE U.S.A. 

## fanuary 14th, 1950

The business decline of the first half of 1949 was reversed in the second, and at the year's close the economy was operating at a very high level of activity. The logic of economic time series will probably require business annalists to record 1949 as a year of " business contraction," but it is doubtful if a more prosperous contraction has ever been experienced. Automobile production was extremely high and residential construction in the second half of the year surpassed its record for the corresponding period of 1948. However, business investment in plant and equipment did decline in the latter part of the year ; the portent of this event is perhaps the most serious cloud on the economic horizon.

Although the recession terminated some time last autumn, inflationary pressures that dominated the scene in 1946-8 have not returned. Both factors and products are more available and prices less resistant to downward pressure than at any time during the 1946-8 boom.

## Production and Employment

Unemployment hit a post-war maximum in

By M. W. Reder, Stanford University

July causing considerable alarm and some distress in areas where its incidence was heaviest. Although it has since declined, and has not been above 3.5 Mn . since August, there was in every month of the latter half of 1949 over 1.5 Mn . more unemployed than in the corresponding month of 1948. Even after allowing for the effect of strikes, this represents a definite "easing" of the labour market. A further indication of the same phenomenon is the slight decline, as compared with the latter half of 1948, in average hours worked per week.

The index of Industrial Production reached its post-war minimum in July, about $17 \%$ below the level of November, 1948. Since then it has rebounded by about $10 \%$ and would almost certainly have climbed further were it not for the effect of major work stoppages.

The strike in steel caused a virtual shut-down in the industry through most of September and October (adversely affecting the index of industrial output). In coal, the union has enforced a three-day week (a combination of partial strike and output restriction device rolled into one) curbing mineral production.

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

|  | Annual Totals |  |  | Quarterly Estimates, Seasonally Adjusted |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1947 | 1948 | $1949 \dagger$ | 1948 |  |  |  | 1949 |  |  |  |
|  |  |  |  | I | II | III | IV | I | II | III | IV |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Durable Goods .. | $22 \cdot 0$ | 23.5 | $24 \cdot 8$ | $22 \cdot 7$ | $23 \cdot 8$ | $24 \cdot 8$ | $22 \cdot 9$ | $23 \cdot 1$ | $23 \cdot 8$ | $25 \cdot 8$ | $26 \cdot 5$ |
| Non-Durables Services | $96 \cdot 2$ | $102 \cdot 2$ | $97 \cdot 7$ | 101-2 | $102 \cdot 4$ | $101 \cdot 8$ | $103 \cdot 3$ | 100.1 | $99 \cdot 3$ | 96.5 | $95 \cdot 0$ |
| Services | $48 \cdot 8$ | $53 \cdot 1$ | $56 \cdot 0$ | $51 \cdot 3$ | $52 \cdot 5$ | $53 \cdot 7$ | $54 \cdot 8$ | $55 \cdot 4$ | $55 \cdot 9$ | $56 \cdot 2$ | $56 \cdot 5$ |
| Total | 166.9* | $178 \cdot 8$ | $178 \cdot 5$ | $175 \cdot 2$ | $178 \cdot 7$ | $180 \cdot 3$ | 180.9* | 178.6 | 178.9* | $178 \cdot 5$ | 178.0 |
| Domestic Investment (Gross) : <br> New Construction | $13 \cdot 8$ | $17 \cdot 9$ | (a) | $16 \cdot 9$ | $18 \cdot 1$ | 18.7 | $17 \cdot 9$ | $16 \cdot 8$ | 16.4 |  |  |
| Producers' Durables | 17.2 | $20 \cdot 7$ | (a) | 19.7 | $20 \cdot 8$ | $21 \cdot 0$ | $17 \cdot 9$ 21.2 | 16.8 21.2 | 16.4 20.4 | $17 \cdot 3$ $20 \cdot 1$ | (a) |
| Net Growth in Inventory | $0 \cdot 1$ | 6.5 | -0.4 | 4-1 | $5 \cdot 3$ | $7 \cdot 4$ | $9 \cdot 0$ | $3 \cdot 6$ | $-1.4$ | $-2.4$ | -1.5 |
| Total | $31 \cdot 1$ | 45.0* | $36 \cdot 8$ | $40 \cdot 7$ | $44 \cdot 2$ | $47 \cdot 1$ | $48 \cdot 0$ | $41 \cdot 6$ | $35 \cdot 4$ | $35 \cdot 0$ | $35 \cdot 0$ |
| Foreign Investment (Net) ... | $8 \cdot 9$ | $1 \cdot 9$ | 0 | $3 \cdot 9$ | $2 \cdot 8$ | $-1.0$ | $1 \cdot 0$ | $1 \cdot 0$ | $1 \cdot 2$ | $-0.8$ | $-1.9$ |
| Government Purchases of Goods and Services | $28 \cdot 8$ | $36 \cdot 7$ | $43 \cdot 5$ | $31 \cdot 5$ | $35 \cdot 9$ | $39 \cdot 2$ | $40 \cdot 3$ | $42 \cdot 3$ | $44 \cdot 0$ | $43 \cdot 6$ | $44 \cdot 0$ |
| Gross National Product | $235 \cdot 7$ | $262 \cdot 4$ | $258 \cdot 7$ | 251.4 | $261 \cdot 6$ | $266 \cdot 5$ | $270 \cdot 3$ | $263 \cdot 5$ | $259 \cdot 6$ | $256 \cdot 3$ | $255 \cdot 1$ |
| Consumers' Disposable Income | $172 \cdot 0$ | $190 \cdot 8$ | $192 \cdot 1$ | 181.9 | $189 \cdot 6$ | $195 \cdot 2$ | $196 \cdot 2$ | $194 \cdot 9$ | $193 \cdot 8$ | 191.9 | 191-1 |
| Consumers' Saving ... ... | $5 \cdot 1$ | $12 \cdot 0$ | $14 \cdot 4$ | $6 \cdot 7$ | $10 \cdot 8$ | $15 \cdot 0$ | $15 \cdot 3$ | $16 \cdot 3$ | 14.8 | $13 \cdot 3$ | $13 \cdot 1$ |
| Corporate Net Saving ex-Inventory Adjustment | 6.1 | $11 \cdot 0$ | $11 \cdot 0$ | $8 \cdot 1$ | $11 \cdot 6$ | $11 \cdot 0$ | 13.8 | 11.8 | 11.9 | $12 \cdot 1$ | 8-2 |
| Depreciation, etc. ... | $13 \cdot 7$ | $15 \cdot 7$ | (a) | $14 \cdot 9$ | $15 \cdot 6$ | $15 \cdot 9$ | $16 \cdot 4$ | $16 \cdot 2$ | $16 \cdot 6$ | 16.7 | (a) |
| Treasury Cash Surplus | $5 \cdot 7$ | $8 \cdot 0$ | $-1 \cdot 7$ | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) |

[^18]The Table portrays the major components of expenditure on Gross National Product and of Saving. The behaviour of Personal Consumption goes far toward explaining why the "depression of 1949 " was so mild. Total Personal Consumption in the second half of 1949 was below that of the first half (and the latter half of 1948) only to a negligible extent. Expenditure on Services and Durables rose throughout the year, but their combined increase was slightly more than offset by the decline in purchases of Non-Durables. The fall in NonDurables reflects the downward movements in food and clothing prices, while the increase in Service purchases is partly a reflex of rising house rents. Expenditure on Automobiles and Parts rose over $\$ 2,000 \mathrm{Mn}$. (as compared with 1948) outweighing the drop of approximately $\$ 1,000 \mathrm{Mn}$. spent on other Durables. Expenditure on Durables of all kinds increased sharply in the second half of 1949 .

The sharp decline in Gross Domestic Investment is primarily the result of the drop in net inventory accumulation from $\$ 6,500 \mathrm{Mn}$. in 1948 to minus $\$ 400$ in 1949: (The attempts to liquidate inventories were of major importance in causing the recession in the first half of 1949.) The decline in inventory holdings has been particularly important in the second half of 1949 when the sluggish inflow of goods (reflecting the small orders placed during the pessimistic spring and summer) was definitely outpaced by sales. Trade inventories (on a seasonally adjusted basis) reached their minimum in July-August and had climbed appreciably by the end of October, but Manufacturing continued its liquidation through November. By autumn, however, the character of the liquidation (in Manufacturing) had been altered; the reduction of raw material inventories which characterized the earlier part of the year had tapered off and it was stocks of finished goods that were being dissipated. The inventory situation looks quite promising for the first quarter of 1950 ; the work stoppages in steel and coal have depleted inventories of these crucial raw materials and will lead to re-investment in inventories of them.

Construction was down slightly from its 1948 level. The drop was due primarily to the private sector decline of about $\$ 500 \mathrm{Mn}$. Part of this is attributable to the lower level of residential construction attained during the first half of the year (as compared with the same period of 1948); but in the second half of the year residential building outdid its performance of the preceding year (especially in multi-
dwelling establishments) leaving the annual total only slightly below that of 1948. As autumn housing starts were well above the level for the corresponding period of 1948, residential construction activity in the early part of 1950 will surely exceed that in early 1949. Factory and commercial building was down about $12 \%$ from the 1948 total, and declined in the second half of the year. Current investment plans strongly indicate that this component of construction will drop still further in the first quarter of 1950 . Public construction rose from the 1948 total by almost $20 \%$ and rose sharply in the second half of the year. Increases occurred both in Federal and State and Local activity, but those in State and Local building were the more spectacular. According to current forecasts, private construction (especially factory building) is likely to decline somewhat in 1950, but publicly financed activity will more or less take up the slack. The increasing ratio of public to total Construction is, in itself, no cause for concern as this ratio has been abnormally low in the post-war years because of the public policy of not competing with private construction.

For the first half of 1949, investment in Producers' Durables proceeded at about the same pace as in the preceding year, but it definitely fell in the second half. This mirrors the 5\% drop in non-farm* outlays on Equipment for the year as a whole; as all of this decline was concentrated in the second half of the year, the decline from the second half of 1948 to the second half of last year was about $10 \%$. The decline in this category of investment does not seem to be a reaction to the business recession, but to be the result of long-range business planning $\dagger$. Information concerning current investment plans strongly indicates a further decline in the first quarter of 1950 .

Net foreign investment became negative in the second half of 1949 , leaving approximately a zero net for the year as a whole. The reversal of the direction of the long-term capital account balance (net receipts of $\$ 32 \mathrm{Mn}$. in the third quarter) reflected the sharp decline in private United States lending in the second half of the year. In the first half, the 1948 rate of exports was maintained, but after June they dropped sharply and continued down for the rest of 1949.

[^19]

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.

$\dagger$ subsequently new series $2-3 \%$ higher than before. ${ }^{\star}$ Provisional $\ddagger$ Coverage increased from July, 1946 .
**
DATE8-Cols. 25 , 38.9 , end of month ; cols. 27.9 , monthly avver of Current Business. Cols. 25-6, 32-9-Federal Reserve Bulletin
SEE ALSO FURTHER NOTES

Imports moved in sympathy with general business conditions, falling in the second quarter and rising again in the fourth.

Government purchases of goods and services rose slightly in the second half of 1949, and were decidedly above 1948 levels. Both Federal and State and Local government purchases were appreciably greater last year than in the preceding one.

Consumer Disposable Income held up very well during the latter half of 1949, although at slightly lower money levels than in 1948. For the year as a whole, Disposable Income was greater than in its predecessor, although each quarter showed a lower level than the preceding one; i.e., a reversal of the trend in 1948. The decline in Consumer Income was felt principally by farmers whose income declined steadily throughout the year as a result of falling prices. Employee remuneration declined a little during the first half of the year, but rebounded somewhat in the second half. Business and Professional Income displayed a similar pattern.

The annual rate of Consumer Savings hit a post-war high of $\$ 16,300 \mathrm{Mn}$. in the first quarter of 1949 ( $8 \cdot 4 \%$ of Disposable Income). Since then, the decline in Disposable Income and the rigidity of Consumption has reduced both its absolute rate, and its share in Disposable Income. However, the ratio of Consumer Saving to Income in the latter half of 1949 was well above any post-war level attained prior to the second half of 1948.

Net Corporate Saving was at about the same level for 1949 as for the preceding year, despite an appreciable decline in profits in each quarter» (as compared with the corresponding quarter of 1948). This occurred in the face of a considerable increase in Dividend Payments which continued throughout the year $\dagger$. This paradox is explained by the sharp decline in inventory values; i.e., the declining cost of replacing inventories provided a source of funds

[^20]for increasing Dividends (without reducing assets) in the face of a decline in Accounting Profits.

## Wages and Prices

There were no appreciable increases in average hourly earnings during the second half of 1949. Average weekly earnings generally followed the path of average weekly hours of work which fluctuated in sympathy with general business activity (although adversely affected by the stoppages in steel and coal). In general, however, the decline and subsequent rise in weekly earnings was slight.

A phenomenon of considerable importance is the spread of pension and other socialinsurance plans financed (partly or wholly) by employers. The settlement of the steel strike on the basis of (wholly or partly) companyfinanced pension plans will very likely set a pattern which will become wide-spread in American industry within the next year or two. Most of these plans are tied to Federal Social Security in such a way that the payments from the company fund, in effect, supplement government payments so as to guarantee the worker a minimum income (frequently $\$ 100$ per month) on retirement. Consequently, an increase in government social security payments will, ipso facto, reduce company pension liabilities; this has considerably increased the pressure for more liberal pension provisions in the Social Security laws.

Consumer prices moved but slightly in the second half of 1949. The small movements in the index occurring in the latter part of the year were dominated by the (small) movements in food prices (whose big drop was completed by last February). Rents inched steadily upward as controls were loosened or removed, and as the percentage of new (and hence uncontrolled) rental dwellings increased. Fuel and electricity prices also crept upward.

The " All Commodities " index of Wholesale prices fell by about $2 \%$ in the second half of the year, much less than in the first half. Wholesale farm prices (which declined sharply ( $7.8 \%$ ) under strong pressure of supply) and food prices which followed farm prices (although bolstered by the strength of imported items*) with a $4 \cdot 1 \%$ drop were almost entirely responsible for the movement (during the second half) in the over-all index, as industrial prices

[^21]stiffened after July and rose a little thereafter. In December steel prices rose, as did the prices of tyres and tubes, carpets, sheets and a few other items.

The government price support programme was instrumental in maintaining many food prices with the result that the government has acquired large stocks of several agricultural commodities. Hence it seems quite possible that crop restriction will be in effect in 1950 for the first time since before the war. If further declines in farm prices (which are widely anticipated) materialize, additional pressure for output restriction will be engendered.

## Money and Finance

The second half of the year witnessed an expansion and continuation of the deficit financing (by the Federal government) which began last May. At the end of the year, the debt stood $\$ 5,300 \mathrm{Mn}$. above its level at the end of 1948. Of the debt incurred since April, $\$ 2,400$ Mn . was borrowed from Federal Government agencies and trust funds. Commercial bank holdings of Government bonds jumped \$5,200 Mn . in the same period.

Although cash receipts for 1949 as a whole are estimated at $\$ 3,500 \mathrm{Mn}$. less than in 1948, expenditures increased. Of the $\$ 6,200 \mathrm{Mn}$. annual increase in cash payments from 1948 to 1949, defence and foreign aid accounted for $\$ 2,800 \mathrm{Mn}$. ; unemployment compensation payments for $\$ 1,000 \mathrm{Mn}$. more, and unredeemed farm price support loans and Reconstruction Finance Corporation mortgage purchases used about $\$ 2,800 \mathrm{Mn}$. In short, about half of the increased cash payments by the Government can be interpreted as a reflexive action to the business recession.

Despite the fact that the deficit was by no means due to foresighted fiscal policy (indeed the Administration opposed the Revenue Act of 1948 as inflationary) and only partly the result of anti-cyclical institutional mechanisms, it was none the less providential in helping maintain Consumer Income.

Money supply reached a low point in June and thereafter climbed ; in December it stood slightly higher than in December 1948. The increase was partly due to the increase (about $\$ 2,800 \mathrm{Mn}$.) of Commercial Bank loans (between July and December) reflecting increased business activity.

The increased holdings of Governments by Commercial Banks forced the sale of large quantities of short- and medium-term issues by the

Reserve Banks in order to keep short-term yields from falling even further than they did. Yields on all types of Federal, Municipal and high-grade corporate bonds fell in sympathy with the movement in short-term Governments.

Stock prices began to rise in late June and by late November had risen $15 \%-20 \%$. This advance has continued through December and into the new year.

## 1950 Prospects

Businessmen and journalists alike are far more optimistic now than they were six months ago. The January Economic Report of the President also expresses a cautious optimism for 1950, punctuated with well-chosen doubts. There is good ground for optimism regarding the first and possibly the second quarters ; a refund (on account of over-payments on Life Insurance premiums) of about $\$ 2,000 \mathrm{Mn}$. will be paid to veterans during January and February which should stimulate consumer demand. And over-all construction shows no signs of slackening and will be aided by the commencement of Federal spending on Public Housing. However, once we look beyond the first half of 1950, the picture does not seem one of unending good cheer.

Perhaps the principal cause for concern is the continuing slump in investment in plant and equipment. This slump would appear to represent a slowing down to "normal" after the frenetic rate of investment of the immediate post-war years. If this diagnosis is correct, the "slump" is deep-rooted and will not be easily overcome. Another disturbing factor is the dependence of Consumer Expenditure on the Automobile component. The enormous output of autos in 1949 created, at the end of the year, a situation in which buyers could in many localities actually buy most brands of vehicles at sizeable discounts below the list price ; this, despite the shut-down of about one month resulting from the steel shortage.

If, as is quite possible, there is a recession sometime in 1950, it will be difficult to get anticyclical expenditure programmes under way much before 1951, even should Congress approve them. And if a slump comes, it will hit hardest in the durable goods area (machinery and automobiles) ; such a slump would be a far more serious matter than the "inventory depression of ' 49. ." However, " he who forecasts is probably wrong" is a motto no economist can afford to forget.

FINANCE


PRICES，WAGES \＆UNEMPLOYMENT

| Monthly Averages or Months． | RETAIL PRIOES． |  |  |  | WHOLESALE PRICES． |  |  |  | PRICES TO FARMERS． |  |  |  | UNEMPLOYMENT＊ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | $\begin{aligned} & \text { 믕ㅎㅇ } \\ & \text { 울붕 } \end{aligned}$ |  | d of Tra dex Nos． |  | Statist． Index． |  |  | சிச |  | 픔크․ | Percen Indust | ge of Pop mploy | ured ation |
|  | $\begin{aligned} & \text { ت⿹\zh26灬 } \\ & \text { B } \end{aligned}$ | $\begin{aligned} & \text { B } \\ & 0 \\ & \hline \end{aligned}$ |  |  |  |  |  |  | $\begin{aligned} & \text { 뮹 } \\ & \frac{0}{\#} \\ & \stackrel{\rightharpoonup}{4} \end{aligned}$ |  |  |  |  |  |  | B 吉 8 on |
|  | \％of 1938. |  |  |  | \％of 1938. |  |  |  | \％of 1938. |  |  | $\begin{aligned} & \% \text { of } \\ & 1938 \end{aligned}$ | 000＇s | \％ | \％ | \％ |
|  | 21 | $22$ | 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 |
| 1913 ．．． | $64 \%$ | $71 \S$ |  |  | $82 \cdot 5$ |  |  |  |  |  |  |  |  |  |  | .. |
|  | 138 | 156 |  |  |  |  |  | 233 277 | $\cdots$ |  |  | （105） $(125)$ $(127)$ |  |  |  |  |
| 1919 | 160 | 182 | 1107 | $\cdots$ | $253 \cdot 7$ $162 \cdot 2$ | $220 \cdot 8$ $169 \cdot 6$ | ． | 277 161 |  |  | $\cdots$ | （125） <br> $(137)$ |  |  |  |  |
| 1921 | 145 117 | 163 | 110 109 | ． | $162 \cdot 2$ $131 \cdot 1$ | 169.6 134.0 | $\because$ | 161 138 |  |  |  | （105） |  |  |  |  |
| 1922 | 117 | 125 | 109 102 | $\cdots$ | 131.1 | 125.5 | $\cdots$ | 139 |  |  |  | （94） | 1191 | $11 \cdot 6$ | 6.4 | $14 \cdot 3$ |
| 1924 | 112 | 121 | 99 | － | 137.1 | $134 \cdot 9$ |  | 153 |  | ． | ． | 96 96 | 1067 | $10 \cdot 2$ | $8 \cdot 6$ | 12.4 |
| 1925 | 118 | 122 | 99 | ． | $131-3$ | $135 \cdot 1$ |  | 149 |  |  |  | ${ }_{96}^{96}$ | 1171 | $11 \cdot 0$ | 16.5 | $15 \cdot 2$ |
| 1926 | 110 | 117 | 99 99 | － | $122 \cdot 2$ 116.9 | $125 \cdot 6$ $123 \cdot 4$ |  | 137 134 13 |  |  |  | 96 | 1326 1030 | 12.3 9.6 | 18.0 19.5 | $16 \cdot 4$ $10 \cdot 6$ |
| 1927 | 107 | 1114 | 99 100 |  | 116.9 115.8 | $123 \cdot 4$ $123 \cdot 6$ |  | 134 130 |  |  |  | 96 | 1030 1150 | 9.6 10.7 | $19 \cdot 5$ $23 \cdot 0$ | $10 \cdot 6$ 11.7 |
| 1928 | 106 | 112 | 100 |  | 115 |  |  |  |  |  |  |  |  |  |  |  |
| 1929 | 105 | 110 | 100 |  | $112 \cdot 6$ | 118.0 |  | 123 |  | 99 | 97 | 95 | 1142 | $10 \cdot 3$ | $19 \cdot 3$ | $12 \cdot 1$ |
| 1930 | 101 | 103 | 100 |  | $98 \cdot 6$ $86 \cdot 2$ | $102 \cdot 7$ 90.9 | 107.7 82.5 | 101 | 122 | 89 | 97 93 | 94 | 1841 | $15 \cdot 8$ $21 \cdot 1$ | $25 \cdot 9$ $32 \cdot 4$ | 18.5 26.6 |
| $\begin{array}{ll}1931 \\ 1932 & \ldots\end{array}$ | 95 92 | 93 90 | 103 |  | $86 \cdot 2$ 84.4 | $90 \cdot 9$ $90 \cdot 1$ | $76 \cdot 1$ | 83 | ＋88 | 82 | 83 | 92 | 2621 | 21.1 21.9 | $36 \cdot 5$ | 26.6 27 |
| 1932 ．．． | 92 90 | 85 | 104 |  | $84 \cdot 5$ | $85 \cdot 2$ | $86 \cdot 3$ | 86 | 86 | 92 | 82 | 90 | 2391 | $19 \cdot 8$ | $34 \cdot 6$ | $26 \cdot 1$ |
| 1934 | 90 | 87 | 101 |  | 86.9 | $87 \cdot 3$ | $94 \cdot 7$ | 88 | 91 | 99 | 85 | 90 | 2021 | $16 \cdot 6$ | $32 \cdot 3$ | $23 \cdot 1$ |
| 1935 | 92 | 89 | 101 |  | $87 \cdot 7$ | $89 \cdot 2$ | $95 \cdot 0$ | 93 | 89 | 98 | 85 | 91 | 1880 | $15 \cdot 3$ | $31 \cdot 2$ | $21 \cdot 3$ |
| 1936 | 94 | 92 | － 100 |  | 93．0 | $94 \cdot 2$ | $106 \cdot 5$ | 98 | 92 | 99 | 87 | 93 | 1612 | $13 \cdot 0$ | $29 \cdot 4$ | $18 \cdot 7$ |
| 1937 | 99 | 99 100 | 100 |  | $107 \cdot 2$ 100 | $105 \cdot 1$ 100 | $132 \cdot 4$ | 114 100 | 101 | 111 | 94 100 | 97 100 | 1349 1649 | $9 \cdot 7$ 11.5 | 20.7 | 14．0 |
| 1938 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |  | 11.5 | $22 \cdot 2$ | $14 \cdot 5$ |
| 1939 | 102 | 102 | 107 | 102 | 101.4 | $100 \cdot 0$ | $107 \cdot 4$ | 108 | 101 | 112 | 101 | 101 | 1408 | $9 \cdot 6$ | $17 \cdot 8$ | $12 \cdot 6$ |
| 1940. | 119 | 116 | 141 | 126 | 134－6 | 136.4 | $158 \cdot 6$ | 148 | 139 | 161 | 136 | 112 | 850 | $6 \cdot 4$ | $12 \cdot 4$ | $7 \cdot 5$ |
| 1941 ． | 130 | 123 | 160 | 155 | $150 \cdot 5$ | $150 \cdot 2$ | $179 \cdot 5$ | 162 | 147 | 202 | 161 | 122 | 260 | $2 \cdot 3$ | $5 \cdot 8$ | 3.5 |
| 1942 | 139 | 125 | 197 | 173 | 157－1 | $161 \cdot 1$ | $181 \cdot 8$ | 168 | 159 | 251 | 179 | 131 | 100 | $1 \cdot 0$ | $2 \cdot 2$ | 1.5 |
| 1943 | 143 | 125 | 225 | 171 | $160 \cdot 4$ | $164 \cdot 4$ | 187.2 | 176 | 160 | 236 | 172 | 138 | 69 | $\cdot 7$ | 1.8 | $1 \cdot 2$ |
| 1944. | 146 | 125 | 237 | 175 | $163 \cdot 7$ | $162 \cdot 4$ | $198 \cdot 3$ | 187 | 162 | 239 | 189 | 146 | 64 | － 6 | 1.8 | $1 \cdot 3$ |
| 1945 | 148 | 127 | 235 | 176 | 166.7 | $162 \cdot 5$ | $202 \cdot 2$ | 191 | 161 | 238 | 194 | 154 | 140 | 1.2 | $4 \cdot 3$ | $2 \cdot 1$ |
| 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 | $189 \cdot 1$ | 169．2 | $246 \cdot 1$ | 299 | 218 | 237 | 225 | 175 | 468 | $3 \cdot 0$ | 6.8 | $4 \cdot 2$ |
| 1948 ．．． | 173 | 149 | 311 | 196 | $216 \cdot 2$ | $185 \cdot 8$ | $322 \cdot 3$ $320 \cdot 0$ | 341 | 237 | 280 | 239 | 188 | （310） | 1.7 | （5．5） | （3．5） |
| $\begin{aligned} & 1949 \\ & 1948 \end{aligned}$ | 178 | 157 | 308 | 205 | $226 \cdot 8$ | 201.7 | $320 \cdot 0$ | 347 | 257｜｜ | 280 | $257 \mid$ | 1931 $\frac{1}{2}$ | 308 | 1.5 | $4 \cdot 0$ | 3.0 |
| JAN． | 168 | 143 | 297 | 191 | 209－2 | 178.8 | $312 \cdot 0$ | 332 | 236 | 266 | 299 | $183 \frac{1}{4}$ | 318 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| FEB．．．． | 171 | 149 | 297 | 192 | $213 \cdot 7$ | 185.9 | 316.5 | 334 | 240 | 268 | 290 | $185 \frac{1}{4}$ | 315 | 2.0 | $5 \cdot 5$ | $3 \cdot 5$ |
| 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 ．．． | 174 | 150 | 316 | 194 | $217 \cdot 3$ | $187 \cdot 3$ | $324 \cdot 9$ | 344 | 248 | 272 | 179 | 187 | 290 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JUNE | 177 | 157 | 316 | 195 | $219 \cdot 0$ | $189 \cdot 3$ | $327 \cdot 4$ | 347 | 246 | 271 | 179 | $187 \frac{1}{4}$ | $274 \ddagger$ | 1.5 | $5 \cdot 5$ | － 2.0 |
| JULY ．．． | 174 | 149 | 316 | 196 | 218.7 | 188.9 | $327 \cdot 1$ | 344 | 244 | 271 | 190 | $188 \frac{1}{1}$ | 282 | （1．5） | （5．5） | （3．5） |
| AUG．．．． | 174 <br> 174 <br> 175 | 148 | 316 316 | 198 | $217 \cdot 9$ 216.9 | 187.9 185.8 | $324 \cdot 3$ $321 \cdot 5$ | 342 339 | 240 | 279 281 | $\stackrel{211}{225}$ | $188 \pm$ | 299 | （1－5） |  |  |
| SEPT．．．． OCT． | 174 175 | 148 | 316 316 | 200 201 | $216 \cdot 9$ 216.7 | $185 \cdot 8$ 184.8 | 321.5 322.5 | 339 344 | 235 232 | 281 | 225 261 | $188 \frac{1}{2}$ | 294 314 | （1．5） |  |  |
| NOV．．．． | 175 | 149 | 316 | 202 | 217.4 | $185 \cdot 6$ | 324.4 | 346 | 232 | 285 | 292 | $191 \frac{1}{4}$ | 328 | （1．5） |  |  |
| DEC． $1949$ | 175 | 149 | 316 | 202 | 217.7 | 183.0 | 331.4 | 350 | 237 | 285 | 302 | 191 | 327 | （1．5） |  |  |
| JAN．．．． | 175 | 149 | 316 | 203 | $218 \cdot 2$ | 183.1 | $331 \cdot 0$ | 352 | 242 | 283 | 298 | 191 $\frac{1}{2}$ | 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 | $217 \cdot 4$ | 182.5 | 326.8 | 347 | 259 | 283 | 266 | 193 | 340 | 1.7 | $4 \cdot 2$ | $3 \cdot 2$ |
| APR．${ }^{\text {MAY }}$ ．$\cdot$ | 176 178 179 | 150 | 306 306 | 205 | 223.5 | $191 \cdot 0$ | 323.7 | 343 | 272 | 283 | 242 | 193 | 325 | $1 \cdot 6$ | $4 \cdot 0$ | $3 \cdot 1$ |
| MAY | 178 179 | 158 159 | 306 306 | 205 | 228.1 228.7 | $204 \cdot 3$ $207 \cdot 5$ | $322 \cdot 2$ $319 \cdot 2$ | 337 330 | 274 269 | 283 285 | 185 | $193 \frac{1}{2}$ | 304 | 1.5 | 3.9 | $2 \cdot 9$ |
| JULY ．．． | 179 | 159 | 306 | 206 | 226.2 | $207 \cdot 4$ | 302.5 | 324 | 262 | 272 | 199 | 1931 | 243 | $1 \cdot 2$ | $3 \cdot 5$ | $2 \cdot 5$ |
| AUG．．．． | 179 | 160 | 306 | 206 | 226.3 | $208 \cdot 0$ | $302 \cdot 1$ | 325 | 259 | 273 | 228 | $1933^{\frac{3}{4}}$ | 261 | $1 \cdot 3$ | $3 \cdot 6$ | $2 \cdot 6$ |
| SEPT．．．． | 180 | 161 | 306 306 | 206 | 227.5 | $206 \cdot 3$ | 311.8 | 359 | 252 | 274 | 248 | $194 \frac{1}{4}$ | 268 | 1.3 | $3 \cdot 6$ | 2.7 |
| OCT．．．${ }^{\text {NOV．}}$ | 181 | 164 164 | 306 306 | 204 204 | $233 \cdot 8$ 236.9 | 216.2 | $318 \cdot 2$ | 366 | 246 | 278 | 291 | 1944 $\frac{1}{2}$ | 300 | 1.5 | $3 \cdot 9$ | 2.8 |
| DEC． | 182 | 164 165 | 306 | 204 204 | $236 \cdot 9$ $237 \cdot 6$ | 218.7 $217 \cdot 6$ | $325 \cdot 2$ $331 \cdot 0$ | 365 369 | 247 251 | 280 282 | 323 334 | $194 \frac{1}{2}$ 194 | 324 330 | $1 \cdot 6$ $1 \cdot 6$ | $4 \cdot 1$ $4 \cdot 0$ | $3 \cdot 0$ $3 \cdot 2$ |
| JAN． <br> FEB． |  |  |  |  |  |  |  |  |  |  |  | $\left.194 \frac{1}{2} 1 \right\rvert\,$ |  |  |  |  |
| SoUrcers．－21－22 before 1938 ：Ministry of Labour Cost of Living index． <br> 25－27－Board of Trade． <br> 23 before 1938：LCES calculation based on private sources． <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> 21－24 since June，1947： （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．$\dagger$ 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 flgures．§ July 1914．I｜Provisional．（）Approx． For other notes on this table see Bulletin，February，1949，p． 28 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

PRODUCTION \＆RAILWAY TRAFFIC

| $\begin{aligned} & \text { Annual } \\ & \text { Totals } \\ & \text { or Annual } \\ & \text { Rates. } \end{aligned}$ | COAL． |  |  |  | POWER． |  | IRON AND STEEL． |  |  | textiles． |  | MOT－ <br> ORS． <br>  | SHIPS． |  |  | RAILWAY TRAFFIC． （Great Britain） |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Output． |  |  |  |  |  | Production． |  |  |  | $\begin{aligned} & \text { Rayon Continuou= } \\ & \text { Filament. } \end{aligned}$ |  |  |  |  |  | Tonnage Originating． |  |  |
|  |  | $\begin{aligned} & \stackrel{y y y y}{\circ} \\ & \dot{\Phi} \\ & \stackrel{0}{0} \end{aligned}$ |  |  |  |  | $\begin{aligned} & \text { 입 } \\ & \text { 曷 } \end{aligned}$ |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & \text { 告 } \\ & \text { Hy } \end{aligned}$ |  |
|  | Mn．Tons． |  |  |  | 10 Mn .10 Mn ． Th＇ms KWH |  | Ten thous．Tons． |  |  | $\begin{array}{ll} \mathrm{Mn} . & \mathrm{Mn} . \\ \text { libs. } & \text { lbs. } \end{array}$ |  | $\begin{aligned} & \text { No, } \\ & 000 \text { 's } \end{aligned}$ | Gross000 Tonnage．Tons． |  | $\begin{aligned} & \text { No, } \\ & 000^{\prime} \text { s. } \end{aligned}$ | $£ \mathrm{Mn}$ ． | Mn ．Tons． |  |  |
| 1913 | 37 287 | 38 | 39 | $\begin{array}{r} 40 \\ 193 \end{array}$ | $\begin{gathered} 41 \\ 110 \end{gathered}$ | －42 | $\begin{gathered} 43 \\ 1026 \end{gathered}$ | $\begin{aligned} & 44 \\ & 766 \end{aligned}$ | 45 | $\begin{gathered} 46 \\ 1920 \end{gathered}$ | $\begin{aligned} & 47 \\ & (7) \end{aligned}$ | $\begin{gathered} 48 \\ 34 \end{gathered}$ | $\begin{aligned} & 49 \\ & 1866 \end{aligned}$ | $\begin{array}{\|l\|l\|} \hline 50 \\ 1932 \end{array}$ | 51 | $\begin{aligned} & 52 \\ & 119 \end{aligned}$ | 53 | 54 | 55 |
| 1919 1920 | 230 230 | 二 |  | 183 | 122 |  | 740 | 789 |  |  |  |  | 2403 | 1620 |  | 176 |  |  | 180 |
| 1921 | 163 |  |  | 191 | $\frac{128}{125}$ | 427 389 | 803 262 | 907 370 | 674 | 1510 |  |  | 2397 | 2056 |  | 236 |  |  | 181 |
| 1922 | 250 |  |  | 168 | 128 | 389 454 | 490 | 588 |  | 970 1370 |  |  | 569 404 | 1538 |  | 215 |  |  | 128 |
| 1923 | 276 |  |  | 178 | 131 | 529 | 744 | ${ }_{848}$ |  | 1370 1225 | （17） | 73 95 | ${ }_{953}^{404}$ | 1031 646 |  | 217 |  |  | 200 |
| 1924 | 267 |  |  | 188 | 139 | 602 | 731 | 820 | $\cdots$ | 1255 | （24） | 95 147 | 953 1050 | 646 1440 |  | 204 202 |  |  | 222 |
| 1925 1926 | 124 |  |  | 176 | 143 | 662 | 626 | 739 |  | 1490 | （26） | 167 | 814 | 1085 | 184 | 198 |  |  | 209 |
| 1927 | 251 |  |  | 98 183 | 148 | 699 | 246 | 360 910 |  | 1300 | 25 | 198 | 582 | 640 | 235 | 170 |  |  | 115 |
| 1928 | 237 |  |  | 170 | 150 | 907 | 661 | 852 | 712 |  | 39 50 | 212 212 | 1764 1297 | 1226 1446 | 262 189 | $\frac{201}{185}$ | 57 | 2 | 196 |
| 1929 | 258 |  |  | 181 | 155 | 1029 | 759 | 964 | 757 |  | 52 |  |  |  |  |  |  |  |  |
| 1930 | 244 |  |  | 174 | 153 | 1091 | 619 | 733 | 606 | 960 | 52 47 | ${ }_{237}^{239}$ | 1649 950 | 1523 1479 | 220 | 186 176 | ${ }_{53}^{58}$ | 65 58 | 207 |
| 1931 | 219 209 |  |  | 162 | 153 | 1141 | 377 | 520 | 463 | 970 | 53 | 226 | 200 | 1402 502 | ${ }_{215}$ | 162 | 48 | 47 | 193 <br> 174 |
| 1932 | 209 207 |  |  | 156 154 | 151 | 1224 | 357 414 | 526 702 | 437 | 1055 | 70 | 233 | 72 | 188 | 219 | 148 | 43 | 40 | 167 |
| 1934 | 221 | － |  | 168 | 152 | 1546 | 5 | 885 | 512 | 11090 | 80 89 | 286 | 242 | 133 | 294 | 148 | 43 | 43 | 165 |
| 1935 | 222 | － |  | 171 | 155 | 1757 | 642 | 986 | 701 |  |  | 343 404 | ${ }_{683}$ | 460 | 351 | 154 | 45 | 51 | 174 |
| 1936 | 228 |  |  | 182 | 161 | 2022 | 772 | 1178 | 844 | 1196 | 112.1 | 461 | 1081 | 499 856 | 370 | 156 162 | 45 | 51 | 175 |
| 1937 | 240 |  |  | 188 | 165 | 2296 | 849 | 1298 | 952 | 1234 | 114.9 | 508 | 1057 | 821 | 360 | 170 | 50 | 59 | 178 188 |
| 1938 | 227 | － |  | 181 | 166 | 2437 | 676 | 1040 | 742 | 952 | 102.2 | （445） | 505 | 1030 | 35 | 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 | 110.7 | （134） | 1062 | 843 | 57 | 205 | 59 | 58 | 177 |
| 1941 | ${ }_{203 \cdot 6}^{206.3}$ | 1.3 | 18.7 | 197 | 172 | 3236 | 739 | 1231 | 1015 | 821 | $79 \cdot 4$ | 145 | 1235 | 1193 | 15 | 244 | 62 | 62 | 163 |
| 1943 | 194．5 | $4 \cdot 4$ | $18 \cdot 6$ 17.7 | 190 | 181 | 3565 3695 | 7719 | 1294 | 1065 | 733 | 73.0 71.2 | 160 | 1287 | 1284 | 13 | 285 | 71 | 61 | 163 |
| 1944 | 184－1 | $8 \cdot 6$ | 16.0 | 188 | 195 | 3835 | 674 | 1214 | 1000 | 665 | 76.8 | 143 | 1049 959 | 1146 932 | 8 | 316 327 | 82 87 | 62 55 | 157 |
| 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 | 187.2 | $10 \cdot 2$ | 16.4 | 185 | 232 | 4262 | 778 | 1272 | 1010 | 662 | 118.8 | 442 | 1187 | 1202 | 140 | 299 | 55 | 52 | 150 |
|  | ${ }_{2}^{197 \cdot 6}$ | 11.7 12.4 | 14.6 14.7 | 194 | 242 | 4654 | 928 | 1488 | 1100 | 807 | 147.9 | 499 | 1180 | 1172 | 217 | 334 | 56 | 59 | 161 |
| $\begin{aligned} & 1949 \\ & 1948 \end{aligned}$ | $203 \S$ | $12 \cdot 4$ | $14 \cdot 7$ | 196 | 249 | 4910 | 950 | 1555 |  |  | 171.5 | 630 | 1212 | 1260 | 198 | §322 | 855 | §61 | §169 |
| JAN． | 206.8 | 7.7 | $15 \cdot 2$ | 210 | 267 | 5350 | 873 | 1459 | 1080 | 761 | 144－1 | 507 |  |  | ［ 176 | 308 | 54 | 54 | 153 |
| FEB． | $204 \cdot 2$ | $9 \cdot 7$ | $14 \cdot 1$ | 220 | 276 | 5320 | 917 | 1505 | 1140 | 812 | 145．1 | 460 | 855 | 725 | 205 | 310 | 56 | 57 | 163 |
| MAR． | 191.0 | $12 \cdot 8$ | $13 \cdot 1$ | 202 | 251 | 4660 | 930 | 1512 | 1125 | 774 | $139 \cdot 8$ | 495 |  | （935） | 230 | 324 | 57 | 58 | 165 |
| APR． | $204 \cdot 2$ 190.8 | 17.3 14.0 | $13 \cdot 1$ | 197 | 238 | 4560 | ${ }^{943}$ | 1528 | 1150 | 807 | $150 \cdot 8$ | 494 |  |  | 223 | 332 | 51 | 55 | 151 |
| JUNE．．． | $205 \cdot 0$ | 13.8 | $14 \cdot 6$ | 180 | ${ }_{216}^{221}$ | 4100 4120 | ${ }_{942}^{955}$ | 1522 | 1060 | 773 | $136 \cdot 3$ | 511 | 1505 | 1210 | 235 | 334 | 54 | 60 | 164 |
|  |  |  |  |  |  |  |  |  |  | 800 | $154 \cdot 0$ | 560 |  | （1100） | 239 | 330 357 | 50 51 | 67 | 158 |
| JULY | 171.0 | $12 \cdot 9$ | $15 \cdot 3$ | 166 | 203 | 3820 | 891 | 1208 | 945 | 783 | $140 \cdot 6$ | 536 |  |  | ［ 220 | 368 | 45 | 52 | 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 | $159 \cdot 0$ | 541 |  | （1080） | \} 229 | 341 | 56 | 59 | 166 |
| OCT．．．． | 208.7 | $12 \cdot 0$ | 16.5 | 193 | 240 | 4730 | 952 | 1545 | 1135 | 853 | $158 \cdot 4$ | 545 |  |  | 227 | 328 | 58 | 64 | 173 |
| NOV．．．． | 213.5 | $10 \cdot 0$ | 16.2 | 210 | 265 | 5330 | 964 | 1576 | 1160 | 858 | 166.0 | 536 | 1400 | 1655 | $\left\{\begin{array}{r}213 \\ 209\end{array}\right.$ | 317 | 58 | 64 | 175 |
| DEC． 1949 | $197 \cdot 5$ | 8.7 | 14.6 | 212 | 281 | 5530 | 915 | 1468 | 1100 | 779 | 153.0 | 478 | ， | （1720） | $\{209$ | 324 | 55 | 60 | 173 |
| FAN． | 206.5 | 8.8 | $12 \cdot 6$ | 220 | 289 | 5600 | 926 | 1500 | 1140 | 823 | 162.0 | 576 |  |  | ［ 183 | 294 | 57 | 61 | 164 |
| FEB． MAR．． | ${ }_{213}^{215}$ | 12.4 | 11.7 | 222 | 288 | 5530 | 942 | 1618 | 1215 | 844 | 169.0 | 591 | 1110 | 1070 | 204 | 305 | 59 | 62 | 172 |
| APR． | 193.7 | $12 \cdot 6$ | 10.5 | 194 | 243 | 4590 | 929 | 1585 | 1120 | 775 | 160.5 | 566 |  | （120） | ¢ 174 | 320 | 53 | 58 | 158 |
| MAY | 206．3 | $15 \cdot 3$ | 11.2 | 191 | 236 | 4530 | 970 | 1641 | 1215 | 878 | $173 \cdot 5$ | 640 | 1155 | 1435 | 195 | 322 | 58 | 61 | 168 |
| JUNE ． | 198.8 | $14 \cdot 1$ | $12 \cdot 8$ | 176 | 216 | 4130 | 966 | 1565 | 1155 | 753 | $166 \cdot 5$ | 629 | 105 | （1360） | 192 | 338 | 54 | 60 | 163 |
| JULY |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 356 | 52 | 60 | 167 |
| AUG．．．． | 174．2 | 14.3 | $14 \cdot 3$ | 163 | 204 | 3840 | 948 | 1270 | 975 | 807 | 169.5 | 496 |  | 1335 | $\left\{\begin{array}{l}178 \\ 178\end{array}\right.$ | 357 | 46 | 53 | 131 |
| SEPT．．．． | 206.7 | $14 \cdot 1$ | 15.9 | 178 | 218 | 4465 | 963 | 1591 | 1200 | 775 824 | 152.0 172.0 | 690 | 1595 | （1450） | 165 201 | 348 327 | 56 | 60 63 | 162 |
| OCT． | 214.7 | $12 \cdot 8$ | 16.7 | 189 | 236 | 4950 | 957 | 1596 | 1230 | 878 | 178.0 | 749 |  | 1200 | 200 | 310 | 56 | 63 | 174 |
| NOV． | 222.7 | 11.9 | $16 \cdot 3$ | 212 | 280 | 5850 | 975 | 1636 | 1270 | 894 | 190.5 | 744 | 985 | （1445） | 196 | 302 | 57 | 64 | 180 |
| DEC． | $207 \cdot 9$ | 11.5 | 14.7 | 218 | 289 | 5930 | 966 | 1515 |  |  | $170 \cdot 5$ | 657 |  |  | 204 | 302 | 53 | 61 | 165 |
| JAN． |  |  |  |  |  |  | 974 | 1587 |  |  |  |  |  |  |  | 287 |  |  |  |
| Sources ：－ $\begin{array}{r}37-42 \\ 43-15 \\ 46-17 \\ 48\end{array}$ |  |  | Ministry of Fuel and Power． British Iron and Steel Federat！on． 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 flgures 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> $\dagger$ Great Britainter calendar year ；1940－45 includes．Scottish 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. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



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 excluded from U.K. from April, 1923 $\dagger$ Tho 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



PRODUCTION, CONSUMPTION, ETC

|  | Softwood Supplies |  | Textile Fabrics Woven |  | Retail Sales (New Series) $\ddagger$ (Value) |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { II } \\ & \text { 4. } \end{aligned}$ | $\begin{aligned} & \text { ㅎ } \\ & \text { \% } \\ & 8 \end{aligned}$ | E5 0 0 | '808 | $\begin{aligned} & \text { E0 } \\ & \text { B } \\ & 0 \\ & 0 \end{aligned}$ | $\begin{aligned} & \text { す } \\ & \text { on } \\ & \text { on } \\ & \text { \% } \\ & 00 \\ & \text { in } \end{aligned}$ |  |  |
|  | Thousand Standards |  | $\begin{aligned} & \text { Ann. Rates } \\ & \text { Mn. yds. } \end{aligned}$ |  | Index Numbers \% of 1947 |  |  |  | $\begin{aligned} & \text { \% of } \\ & 1947 \end{aligned}$ | $\begin{aligned} & \text { Ann. } \\ & \text { rate } \\ & \text { £10 Mn } \end{aligned}$ |
|  | 80 | 81 | $82$ | 32 | 84 | 85 | 86 | 87 | 88 | $\frac{20}{89}$ |
| 1937 | 2530 | . | 3640 | 284 | 63 | 65 | 63 | 53 | 88 | 89 |
| 1938 | 1860 |  |  |  | 65 | 68 | 64 | 51 |  | $\ddot{429}$ |
| 1939 | 1596 |  |  |  | 66 | 71 | 65 | 49 |  | 442 |
| 1940 | 871 | 698 |  |  | 69 | 73 | 71 | 47 |  | 465 |
| 1941 | 855 | 467 | 2156 |  | 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 | 555 |
| 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 | 1623 | 232 | 100 | 100 | 100 | 100 | 100 | 745 |
| 1948 | 1111 | 466 | 1933 | 267 | 114 | 112 | 123 | 107 | 105 | 800 |
| 1949 |  |  |  | 285 | 125 | 122 | 142 | 118 |  |  |
| 1947- 4th Qr. | 1049 | 615 | 1840 | 258 | 114 | 107 | 123 | 123 |  |  |
| 1948- |  |  |  |  |  | 107 | 123 | 123 | 89 | 798 |
| 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 | 812 |
| 4th Qr. | 1149 | 466 | 2000 | 283 | 128 | 119 | 149 | 124 | 100 | 833 |
| 1949 |  |  |  |  |  |  |  |  |  |  |
| 1st Qr. | 1256 | 325 | 2030 | 291 | 112 | 113 | 119 | 102 |  | 771 |
| 2nd Qr. | 1102 | 206 | 2020 | 273 | 125 | 121 | 148 | 112 |  | 825 |
| 3rd Qr. | 1143 | 277 | 1860 | 274 | 120 | 121 | 125 | 113 |  | 849 |
| 4th Qr. |  |  |  | 302 | 144 | 132 | 175 | 147 |  |  |

INDUSTRIAL EARNINGS \& HOURS

| Last payweek of months | Earnings per week |  |  | Hours per week |  |  | Hourly Earnings |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | ses!ๆъsiəd O IIV |  |  | 3 | ${ }_{5}^{5}$ | E E - | 三 | $\frac{\square}{8}$ | H E 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/- | $32 / 6$ | $46 \cdot 5$ | $47 \cdot 7$ | $43 \cdot 5$ | 100 | 100 | 100 |
| 1940 July | 69/2 | 89/- | 38/11 | . . | .. | .. | . | . . |  |
| 1941 July | $75 / 10$ | 99/5 | 43/11 | $\cdots$ | - | - | $\cdots$ | $\ldots$ | $\cdots$ |
| 1942 Jan. | 77/9 | 102/- | $47 / 6$ | $\cdots$ | - | . | $\cdots$ | $\cdots$ | . |
| July | 85/2 | 111/5 | $54 / 2$ | . | . | . | . | . |  |
| 1943 Jan. | 87/11 | 113/9 | 58/6 |  |  |  |  |  |  |
| July | 93/7 | 121/3 | 62/2 | $50 \cdot 0$ | 52.9 | $45 \cdot 9$ | 163 | 158 | 181 |
| 1944 Jan. | 95/7 | 123/8 | 63/9 | $49 \cdot 2$ | $52 \cdot 0$ | $45 \cdot 2$ | 170 | 164 | 189 |
| July | 96/8 | 124/4 | 64/3 | $48 \cdot 6$ | $51 \cdot 2$ | $44 \cdot 6$ | 174 | 168 | 193 |
| 1945 Jan. | 93/9 | 119/3 | 63/2 | $47 \cdot 0$ | $49 \cdot 4$ | $43 \cdot 1$ | 174 | 167 | 196 |
| July | 96/1 | 121/4 | 63/2 | $47 \cdot 4$ | $49 \cdot 7$ | $43 \cdot 3$ | 177 | 169 | 195 |
| 1946 Jan. | 92/7 | 114/1 | 59/10 | $45 \cdot 8$ | $47 \cdot 4$ | $42 \cdot 3$ | 177 | 166 | 189 |
| Oct. | 101/- | 120/9 | 65/3 | $46 \cdot 2$ | $47 \cdot 6$ | $42 \cdot 6$ | 191 | 175 | 205 |
| 1947 Apr. | 103/6 | 123/5 | 67/4 | $45 \cdot 0$ | $46 \cdot 3$ | 41.5 | 201 | 184 | 217 |
| Oct. | 108/2 | 128/1 | 69/7 | $45 \cdot 2$ | $46 \cdot 6$ | $41 \cdot 5$ | 209 | 190 | 224 |
| 1948 Apr. | 114/- | 134/- | 72/11 | $45 \cdot 3$ | $46 \cdot 5$ | $41 \cdot 6$ | 220 | 199 | 234 |
| Oct. | 117/4 | 137/11 | 74/6 | $45 \cdot 3$ | $46 \cdot 7$ | $41 \cdot 6$ | 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.
figures of new series see 1948,2 nd Qr. below. \$New series, see footnote on p. 107, Aug., 1949. For other notes on these tables, see Bulletin, Feb., 1949, p. 29-30. figures of new series see 1948, 2nd Qr. below. §Now series, see footnote on p. 107,

# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

BULLETIN II. VOL. XXVIII. MAY, 1950.

Copyright.
PUBLISHED BY THE EXECUTIVE COMMITTEE OF LONDON \& CAMBRIDGE ECONOMIC SERVICE

## EXECUTIVE COMMITTEE

Sir A. M. Carr-Saunders (Chairman) - - London School of Economics. Sir Otto Niemeyer, G.B.E., K.C.B. (Hon. Treasurer).
R. G. D. Allen - - - - - London School of Economics.

Sir Arthur L. Bowley - - - - London School of Economics.
F. W. PAISH - - - - London School of Economics.

Sir Arnold Plant - - - - - London School of Economics.
D. H. ROBERTSON - - - - - - University of Cambridge.
E. A. G. Robinson - - - - - University of Cambridge.
G. L. Schwartz
J. R. N. Stone - - - - - University of Cambridge.

The Editors
G. S. Dorrance - - - (Secretary).

## EDITORIAL COMMITTEE

R. G. D. Allen - - - - London School of Economics.
E. H. Phelps Brown - - - _ - London School of Economics.
S. R. Dennison - - - - - - University of Cambridge.
F. W. PAISH - - - - - London School of Economics.

Sir Arnold Plant - - - - London School of Economics.
A. R. PREST - - - - - University of Cambridge.
L. C. Robbins - - - - London School of Economics.
D. H. ROBERTSON - - - - - University of Cambridge.
E. A. G. Robinson - - - - - University of Cambridge.
J. R. N. STONE - - - - - - University of Cambridge.

## EDITORS

C. F. Carter
W. B. Reddaway
R. C. Tress (Managing Editor).
G. S. Dorrance (Assistant Editor \& Secretary).

## STATISTICIAN

K. C. SMITH

Annual Subscription, $\in I$.
Single Copies, $7 / 6$ each.

For particulars, apply to the Secretary, LONDON \& CAMBRIDGE ECONOMIC SERVICE, HOUGHTON STREET, ALDWYCH, LONDON, W.C.2. Tel.: HOLBORN 7686.

## LONDON \& CAMBRIDGE ECONOMIC SERVICE

## TABLE OF CONTENTS

PAGE
The Economic Position ..... 37
British Economic Policy, 1945-50 (E. A. G. Robinson) ..... 38
Building and Civil Engineering in 1949 and 1950 (I. Bowen) ..... 48
International Finance (G. S. Dorrance) ..... 51
Home Finance :
(a) The Last Quarter of 1949/50 (F. W. Paish) ... ..... 54
(b) The Budget (R. C. Tress) ..... 56
Wage Rates and Earnings (A. L. Bozvley) ..... 57
Index of Industrial Production (Table) ..... 58
World Commodity Survey (C. F. Carter) ..... 59
Statistical Tables, United Kingdom, including Annual Table ..... 63-68

## THE ECONOMIC POSITION

April 29th, 1950.
In the first quarter of 1950, the United Kingdom's gold and dollar reserves rose from $\$ 1,688 \mathrm{Mn}$. to $\$ 1,984 \mathrm{Mn}$. This advance was due to a number of causes, some temporary, some permanent, between which it is not possible to make a quantitative distinction. The most encouraging of the features, since it can be expected to be among the most permanent, is the recovery in the dollar sales of primary products by the rest of the Sterling Area. Such trade is, however, liable to considerable short-term fluctuations and, to cover possible adverse turns, larger reserves than those at present possessed are needed.

At home, inflationary pressure appears lately to have been held in check. But dependence
upon a Budget surplus, when Government expenditure and employment are both very high, makes the balance precarious. The 1950 Budget has provided few changes favourable to a higher standard of living for wage-earners and opposition to voluntary withholding of wageclaims grows, though retail prices had increased only one point in the first six months after devaluation and earnings did not cease to rise with the standstill in wage-rates.

Production goes on expanding and must provide the ultimate escape from these difficulties. But to look to a higher national product for an early easement of present tensions is dangerously to over-simplify the problem. Economies in the claims on national product still need urgently to be sought.

## BRITISH ECONOMIC POLICY, 1945-1950

By E. A. G. Robinson<br>assisted by A. D. Roy

It is almost exactly five years since fighting ceased in Europe and only a little less since the war in the Far East came to an end. A Parliament has run almost its full course and a new Parliament has been elected. It is a suitable moment to look back on the problems that confronted us in 1945, to measure our successes and failures in dealing with them, and to assess our current policies in relation to the problems that still remain unsolved. Such a review affords, perhaps, the best perspective in which to judge the Economic Survey for 1950 and the policies outlined in the Budget Speech.

What were the chief economic problems that confronted us in 1945? They can be summarised under five broad heads :
(i) to secure a balance of payments with a volume of imports sufficient to permit a high level of activity and employment ;
(ii) to overtake arrears of maintenance and investment and to deal with the acute shortage of housing ;
(iii) to eliminate certain severe bottlenecks of raw material and public utility supplies consequent upon the war and the changed pattern of production;
(iv) to redistribute our manpower and productive resources to accord with the needs of the post-war world;
(v) to keep under control the inflationary forces consequent upon our efforts under (i) and (ii).

In the sections that follow each of these aspects will be very briefly reviewed.

## I

What progress have we made in solving the problems of the balance of payments? Up to a point it would be no exaggeration to say that we made progress beyond the wildest dreams of those who perforce contemplated these problems of the future during the war years. The seemingly impossible task of raising the volume of exports to $150 \%$ of the 1938 level had been achieved by the first quarter of 1949. But within the over-all problem has emerged the dollar problem, and with the dollar problem progress seems to be intolerably slow or even to degenerate into retrogression. What is our
policy ? What are the prospects of it solving our problems by the end of Marshall Aid in 1952/3?

To this question the Economic Survey for 1950 attempts no answer. It is concerned, almost wholly, with the short-term problems of 1950, and the few prognostications that it offers us-it presents mainly the recent history -do not extend beyond 1950. That is, I think, a mistake. Every responsible reader of the Survey will be asking himself what is our long-term objective and trying to measure the policies of 1950 in terms of their contribution to 1952. For any picture of the longer term policies he must go to the Memorandum submitted to the Organisation for European Economic Co-operation relating to Economic Affairs in the period 1950-51-52 (Cmd. 7862 of January 1950). Since that document was presented after devaluation and to take account of it, and since the Economic Survey nowhere appears to contradict it, it is almost certainly legitimate to read the two documents together. But it is a weakness of the Survey that it is not in this year a complete and adequate statement of our current economic policies.

The core of the problem is the dollar account of the whole Sterling Area. Table 1 (from Table III of the Memorandum to O.E.E.C.) sets out the recent history and future expectations with regard to this.

TABLE 1
STERLING AREA DOLLAR ACCOUNTS

| Years (a) ... | 1948/9 | 1949/50 | 1950/1 | 1951/2 |
| :---: | :---: | :---: | :---: | :---: |
| U.K. Current Account | -1,007 | -881 | -540 | -360 (b) |
| Rest of Sterling Area | -109 | $-63$ | 60 | 180 |
| Capital Transactions and Third Country Pay. ments | -431 | -295 | $-270$ | $-300$ |
| Total ... | -1,547 | -1,239 | $-750$ | $-480$ |
| Canadian Credit ... <br> E.R.P. Aid | $\begin{array}{r} 60 \\ 1,218 \end{array}$ | 111 1,106 | 50 720 | $\overline{480}$ |
| Drawings on U.K. Reserves | 269 | 22 | $-20$ | - |
| Total... | 1,547 | 1,239 | 750 | 480 |

[^22]It will be seen that the dollar gap of 1949/50 is estimated at $\$ 1,239 \mathrm{Mn}$. It is hoped to reduce it by $1951 / 2$ to the reasonably manageable proportions of $\$ 480 \mathrm{Mn}$. and, presumably to close it much more completely by 1952/3. Thus between 1949/50 and 1951/2, it is hoped to close it to the extent of about $\$ 759 \mathrm{Mn}$. Of this, $\$ 521 \mathrm{Mn}$. will be contributed by the United Kingdom current account, despite the addition of the burden of $\$ 109 \mathrm{Mn}$. of interest ; $\$ 243 \mathrm{Mn}$. will, it is hoped, come from a reversal of the rest of the Sterling Area's drafts on the dollar pool; capital transactions and third country payments will cost an additional $\$ 5$ Mn ., but will include $\$ 65 \mathrm{Mn}$. of amortisation, and thus the other elements will, it is hoped, have been contracted by $\$ 60 \mathrm{Mn}$.

It is convenient to examine each of these elements in turn. The intentions with regard to the United Kingdom current account are set out in Table 2, which has been conflated from Table 7 of the Economic Survey and Table VIII of the Memorandum to O.E.E.C.

In relation to the Dollar Area the policy may be summarised in round figures as an attempt to raise exports by $50 \%$ above the volume of $1949 / 50$, to divert imports to the extent of $25 \%$ (in terms of dollars but not devalued sterling), and to improve invisibles (other than the interest payments) by $\$ 69 \mathrm{Mn}$.

It is not easy, in the absence of detailed figures, to pass judgment on the last of these elements of policy. Something may be said about the other two. Dollar Area imports, as can be seen from the Table, represent now about $21 \%$ of all imports; the proposed diversion affects therefore about $5 \%$ of our total imports. The Memorandum to O.E.E.C. includes a table showing the proposed reduction of dollar purchases. The biggest expected savings are in bread grains, sugar, non-ferrous metals, petroleum, and machinery. The first
presupposes a much greater increase of home output of bread grains than the Ministry of Agriculture has yet secured. Other savings clearly assume the success of endeavours to increase non-dollar supplies. But the target here is not impracticable. The only doubt is whether, in the event, much larger cuts of dollar purchases will not become necessary.

The big question that will be present in every reader's mind is whether an increase of sales to North America by $60 \%$ above the volume of $1948 / 9$ and $50 \%$ above that of $1949 / 50$ is realistic. The increase will have to be secured in the face of greatly increasing competition from all European countries and in the face also of the re-emergence of German and Japanese competition. That it is right to make every effort to reach a high level balance of payments with North America, no sensible person will doubt. The advantages of an international division of labour which includes North America on the largest possible scale and which allows Europe to depend on the developed resources of North America are undeniable. But to hang all our hopes on such an outcome and to make our whole future depend on its success is a different matter. This is surely a case where a wise man makes every possible effort to secure the best solution, but keeps his powder dry to deal with an emergency. Let us hope that the Government has a second line of import diversions ready, sufficient to enable us to run our economy effectively if the hoped for increase of exports does not materialise. Such a second line is made doubly necessary by the danger that a serious recession may develop, later if not sooner, in the United States.

What would a further $50 \%$ increase in the volume of exports to North America imply? Our exports to Canada and to the United States are almost of the same order of magnitude. Neither the Survey nor the Memorandum to

TABLE 2
UNITED KINGDOM BALANCE OF PAYMENTS ON CURRENT ACCOUNT £Mn.

|  |  |  | 1947 | 1948 | 1949 | 1949/50 | 1950/1 | 1951/2 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Dollar Area : |  |  |  |  |  |  |  |  |
| Imports $\quad$. ${ }^{\text {P }}$ | $\ldots$ | $\cdots$ |  |  |  |  |  |  |
| Exports and Re -exports | ... | $\ldots$ | +119 | $+176$ | +179 | +202 | +257 | $+296$ |
| Invisibles ... ... | ... | $\ldots$ | -113 | -51 | -14 | -30 | -29 | -54 |
| Surplus (+) or Deficit ( - ) |  | $\ldots$ | $-555$ | $-280$ | $-275$ | -281 | -193 | -129 |
| Rest of World : |  |  |  |  |  |  |  |  |
| Imports ... ... . |  |  |  |  |  |  |  |  |
| Exports and Re-exports ... Invisibles ... | $\ldots$ | $\ldots$ | +974 $+\quad 52$ | 1,365 $+1,378$ +162 | 1,530 $+1,611$ | $-1,696$ $+1,697$ | $-1,826$ $+1,807$ | $-1,846$ $+1,772$ |
| Invisibles ... ... . | $\ldots$ | ... | -52 | +162 | +124 | +122 | $+237$ | +278 |
| Surplus ( + ) or Deficit ( - ) ... | $\ldots$ | $\ldots$ | -45 | $+175$ | +205 | +123 | $+218$ | $+204$ |

Note : Actual figures, 1947 to 1949 ; estimates, or partial estimates, 1949/50 to 1951/2.
O.E.E.C. gives individual forecasts for the two. Perhaps it is reasonable to expect a greater expansion of sales to Canada, but obviously a large increase of direct sales to the United States is assumed, mainly in the form of manufactures. At the same time most of the other countries of Europe will be attempting the same task. The recent Second Report of the O.E.E.C. shows an expansion of the expected sales of participating countries to the United States and Canada by $45 \%$. Such an expansion would only be possible for all simultaneously if there were a powerful reversal of the recent trends of United States trade. Manufactured imports, which were equal to $1 \cdot 12 \%$ of U.S. national income in 1913, had fallen to $0.62 \%$ by 1938 and to $0.58 \%$ in 1948 . Allowing for an increase of the U.S. national income, a rise by something approaching $45 \%$ would imply a return to about $0 \cdot 80 \%$-a very substantially higher figure than has been reached since the onset of the depression of the 1930's. Such a figure is not wholly impossible. But it implies a radical change of attitude and habit as regards imports, and a reduction of duties on the types of exports for which Europe has a comparative advantage, for which we may earnestly hope, but on which we can scarcely count with anything like certainty.

What are the chances that we shall achieve the second element in our balance of payments policy-the transformation of a draft by the Rest of the Sterling Area of $\$ 63 \mathrm{Mn}$. into a surplus of $\$ 180 \mathrm{Mn}$. ? Here there is a paradox which has not been made sufficiently evident by most commentators, though it was pointed out in the article on The Economics of 1950 in a recent Bulletin.* Many have stressed that devaluation will help to steer exports from soft currency markets to hard currency markets. Not enough stress has been put on the other aspect ; that devaluation will lead sterling area and other countries to come to the United Kingdom increasingly for goods and equipment that they were previously buying from the United States. The effect of devaluation is to give us an opportunity of reaching a high level balance of payments, with high imports and high exports, if we are in a position to seize it. Whether or not we can seize it will depend on the elasticity of supply of our exports. The chief fear of many of us today is that we may be in no position to seize it fully-that the limit on many exports that we can most profitably sell both to North America and to the rest of the Sterling Area, as a means of saving dollar expenditure, is often

[^23]supply rather than demand. The Economic Survey (paragraphs 95-7) treats this problem as a minor one of relative adjustment of home and export sales ; it does not approach the problem -as it surely should do-as a problem of expanding output in the bottleneck industries to cover the increased demands, where exports form a large part of total production or where the urgent needs for new equipment at home cannot be greatly contracted. It is a certain air of complacency here and in relation to the consequential redistribution of manpower resources that may give a reader concern. There are many cases reported of North American potential buyers unable to place orders because of the length of existing order-books. Surely these cannot all be exceptions to a general rule of adequate elasticity of supply.

The problems of the world dollar gap are more easily comprehended if one approaches them from the angle of the commodities which the world has been forced, by shortages and long delivery dates elsewhere, to buy from the United States.

TABLE 3
UNITED STATES EXPORTS TO ALL DESTLNATIONS \& Mn.

|  | 1937 | 1938 | 1948 | 1949 |
| :---: | :---: | :---: | :---: | :---: |
| Cotton Unmanufactured | 369 | 229 | 511 | 874 |
| Textiles and Manufactures | 98 | 94 | 848 | 661 |
| Grains and Preparations ... | 94 | 223 | 1,705 | 1,455 |
| Automobiles, Parts and Accessories | 347 | 270 | 929 | 750 |
| Chemicals and Related Products | 139 | 129 |  |  |
| Steel Mill Products | 300 | 189 | 777 650 | 773 732 |
| Machinery ... ... ... | 479 | 486 | 2,253 | 2,332 |
| Petroleum and Products | 378 | 390 | 657 | 561 |
| All Others | 1,095 | 1,052 | 4,200 | 3,738 |
| Total ... | 3,299 | 3,057 | 12,530 | 11,876 |
| Volume of Exports ... | 100 | 100 | 198 | 202 |
| Average Values . | 100 | 93 | 191 | 178 |

Certain things are at once apparent. The spending spree on American automobiles and trucks is a negligible element in the whole; actually they are a smaller proportion of all exports than they were before the war. The big relative increases have been those of grain and grain products, of textiles and manufactures, of chemicals and of machinery. Our failure to recover our pre-war volume of textile exports and to contribute to the filling of the gap left by Japan has been a very large contributor to the world's dollar problem. So long as the world continues with its high level of investment, the limits of our capacity to supply investment goods are a second important contributor, made doubly important by devaluation. A much clearer recognition of this problem is necessary.

To some extent, as has been suggested, the demands of the Rest of the Sterling Area have, no doubt, been inflated by excessive drafts on sterling balances and by internal inflation. The Survey on this occasion gives us no further information by which to judge this problem. But in the light of past history one may remain a little sceptical whether the necessary reduction in capital transfers will be made effective, and whether adequate provision is made for them in the official forecasts, unless there can be a further tightening up.

The total of these policies, if they can be carried into full effect, would bring the balance of payments more or less effectively under control by $1952 / 3$. But it is not easy to judge whether the broad strategy can be, and has been, translated into practicable detailed applications. We are given on this occasion no export targets. We cannot judge whether supplies of those things which our export markets are likely to demand can in fact be supplied consistently with meeting the more urgent demands of the home markets, and particularly of the home industries for capital goods. The commentator can do no more than give general assent to the broad strategy and reserve his judgment on the possibility of its detailed application.

There is one further aspect of this problem to which, perhaps inevitably, no explicit reference is made either in the Survey or in the Memorandum to O.E.E.C. What is our longer term policy with regard to the convertibility of sterling ? We pay lip service to a policy of ultimate convertibility. Many of the problems of multilateral trade which confront us today would be vastly easier if currencies were more freely convertible, not only within Europe but also with America. The willingness to hold sterling would be significantly increased if it were convertible, and third country payments of dollars might be reduced. But convertibility means making the pound as hard as the dollar. For a short period at the end of 1948 there were signs of increasing hardness of the pound. But more recently we have been more concerned with the equally laudable object of freeing trade in Europe, and in doing so were at one time making pounds more plentiful rather faster than demand for them had increased. A policy of convertibility implies not only rather more guarded progress with the enlargement of imports but also a closer watch on the release of sterling in other ways. It may be right for the moment to put the other objectives first. But is there not room for a rather more conscious policy with regard to sterling and its convertibility ?

What progress has been made with the overtaking of arrears of maintenance and replacement of fixed capital and the replenishment of the depleted stocks of working capital ? At the end of the war it was estimated (see article by Professor Paish in the Bulletin of February 10th, 1947: I have rounded some of his figures) that capital at home had been reduced to the extent of about $£ 1,500 \mathrm{Mn}$. by war damage on land and to shipping and to the extent of about $£ 3,000$ Mn . by reductions of industrial and public utility capital in the forms both of fixed and working capital. Both these figures are at the approximate costs of replacement of 1945/6. The figures do not, of course, include the loss of foreign assets, nor do they cover the very substantial reductions in domestic durable goods.

In very round figures, therefore, at prices of $1945 / 6$, it would have required about $£ 4,500 \mathrm{Mn}$. to restore the volume of capital at home that the United Kingdom possessed in 1938. But in various senses that amount of net investment would not have left the country as well equipped as in 1938. In the first place there has been growth of a little over $6 \%$ in the population. The exact capital needs to cover this cannot be accurately assessed from the information that is available; the population has changed in age composition as well as in numbers; certain services need not be increased proportionately with population; in some other respects we may be involved in a more than proportionate increase. The total of capital assets at home in 1938 was of the order of $£ 30,000 \mathrm{Mn}$. at prices of $1945 / 6$. It would have required something of the order of $£ 1,800 \mathrm{Mn}$. of net investment at those prices to cover the increase of population. In addition, the higher level of activity of our economy requires a greater volume of fixed and circulating capital. There are now about $11 \frac{1}{2} \%$ more men and women in civil employment than in 1938. The capital equipment of 1938 in some respects showed signs of being inadequate to the needs of the population of 1938, even at 1938 standards of capital per head. In 1937 the country manifested many of the signs of a boom despite an average of $10.6 \%$ of unemployment. There cannot have been a large margin of unused capital. If we wish to estimate the cost of restoring the pre-war capital per head of those in civil employment we must add a further $5 \frac{1}{2} \%$ of the capital assets devoted to industrial purposes (over half of the total of $£ 30,000 \mathrm{Mn}$.) beyond the $6 \%$ provision for the growth of population; this would amount to about a further $£ 1,000 \mathrm{Mn}$.

The above calculations, which are inevitably no more than very rough approximations, may be summarised as follows :-

TABLE 4
ESTIMATED COST OF RESTORING CAPITAL EQUIPMENT TO PRE-WAR LEVELS
(At prices of $1945 / 6$ )


What total of net investment at the comparable prices can we set against this? The figures can, again, be no more than approximations. There are no official estimates or price series which enable us to deflate the gross investments of the various post-war years into the prices of 1945/6. There are grave uncertainties as to the annual cost of keeping capital intact at post-war prices and good reasons for thinking that net investment cannot accurately be estimated by merely deducting depreciation allowances from the gross investment. Table 5 is an attempt, despite these difficulties, to measure the annual net investment since 1945. In that year there was no significant net investment (gross investment about equalled the cost of keeping capital intact). The figure for 1950 is based on the estimate given in the Economic Survey for 1950.

In the above calculation, the official estimates of gross fixed capital formation at home have been deflated by an index based on building costs and on the export prices of metal goods.

What inference can be made from these estimates? In very broad terms, we may say that the net investment made since the war will by the end of 1950 have done a little more than
cover the war damage, the wartime arrears of maintenance and replacement, and the war-time depletions of stocks. At the present rate of investment, we shall not have made provision for the growth of population since 1938 until after the end of 1952 and we shall not, in the fuller sense described above, have restored the level of capital per head in industry and public utilities to its pre-war standard until sometime in 1954. It is only thereafter that we shall begin to raise our pre-war standards of capital equipment generally.

Such conceptual divisions between the purposes of investment are, of course, in practice unreal. In some branches, capital investment is already approaching, or even exceeding, the level required to restore pre-war standards; in others, it still lags seriously behind. And even when pre-war standards have been restored, that does not mean that the urgency of maintaining a high level of investment is less. If exports are to be increased, if standards of life are to rise, and shortages are to be mitigated, increases of output, involving in most cases increased investment, will continue to be needed.

In 1945, the shortage of housing, due to war damage and destruction, was not only a major social problem but also a major impediment to all mobility and adjustment. On the other hand, with limited resources available for investment, it was necessary to hold a balance between the claims of housing and of other investments designed to promote increased productivity. What progress have we made in the past five years with the problem of housing ?

The number of houses completely destroyed or made uninhabitable by war damage is estimated at 470,000 . It is less easy to calculate the number of houses required to provide for the growth of population; the number of

TABLE 5
ESTIMATES OF NET INVESTMENT, 1946-50
(At prices of $1945 / 6$ ) ( $£ \mathrm{Mn}$.)

| Year | Home |  |  |  | $\begin{aligned} & \text { Working } \\ & \text { Capital Formation } \\ & \text { at Prices of } \\ & 1945 / 6^{*} \end{aligned}$ | Estimated Net Investment at Home Prices of 1945/6 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Gross Investment |  | Cost of keeping Capital Intact at Prices of 1945/6 | $\begin{gathered} \text { Net } \\ \text { Investment } \end{gathered}$ |  |  |
|  | At Current Prices | $\begin{aligned} & \text { At Prices of } \\ & 1945 / 6 \end{aligned}$ |  |  |  |  |
| 1946 | 1,550 | 1,550 | 750 | 800 | (40) | 840 |
| 1947 | 1,800 | 1,610 | 770 | 840 | (340) | 1,180 |
| 1948 | 2,015 | 1,640 | 790 | 850 | 140 | 1990 |
| 1949 | 2,160 | 1,660 | 810 830 | 850 830 | 150 80 | 1,000 910 |
| 1950 (F'cast) | 2,160 | 1,660 | 830 |  | 80 | 910 |
| Total | 9,685 | 8,120 | 3,950 | 4,170 | 750 | 4,920 |

[^24]"structurally separate dwellings" is not known accurately for any year later than 1931 and demolitions are not available to be set against new building in subsequent years; no statistics of marital status for years subsequent to 1939 exist to facilitate an estimate of the change in the number of single and widowed women who might be claimants for separate accommodation. If the number of dwellings is to rise proportionately with the increase in the male and unmarried female population over 24 , the required increase of houses is between 1.0 Mn . and 1.5 Mn .

By the end of 1950, the number of houses of all kinds, permanent and temporary, built or rebuilt since the war is likely to be between 1.3 Mn . and 1.4 Mn . We built 198,000 houses in 1949; the Chancellor has now told us the target for 1950 is to be 200,000 . In addition, we are rebuilding, repairing and adapting houses at a rate which may bring the total for the year up to about 220,000 . Thus, by the end of 1951 we shall probably have come near to restoring the pre-war standard of housing. That is a very different thing from saying that we shall by then, or by any near date, have caught up with the greatly increased demand for houses which flows from present levels of employment and present levels of rents, measured in real terms.

## III

What progress have we made with the elimination of the bottlenecks in the economic system, which figured so largely in the earlier Economic Surveys and the early post-war Bulletins of this Service ? The most acute of them were four : coal, steel, timber, electricity. There were others, particularly among the non-ferrous metals, which were not far behind in power for potential damage.

Coal, after causing acute dislocation in the early months of 1947, has gradually retired into the background. As yet it is not easy to say how permanent is the improvement. The main cause of fear is the progressive decline in the labour force. Two-thirds of the gain of man-power so painfully achieved in 1947 and 1948 has been dissipated since the latter year. However, the Economic Survey manpower forecasts expect a further progressive loss of labour, reducing the average labour force on the colliery books to about 695,000 for the year as a whole. The forecast of production, $205-210 \mathrm{Mn}$. tons, would imply an average output per head of about 1.20 to 1.25 tons per manshift, if last year's number of shifts per man-year are worked. The lower figure has already been reached. The
higher would represent an improvement appreciably greater than that from 1948 to 1949 (from 1.11 to 1.16 tons per manshift) but is just within the realms of possibility.
The steel position is very much easier than it was two years ago. Steel production has risen from 14.88 Mn . ingot tons in 1948 to 15.55 Mn . in 1949 and is expected to reach $15 \cdot 75$ to $16 \cdot 00$ during 1950 . How easy the home market may be will depend upon the volume of direct exports, forecast to rise from 1.74 Mn . tons in 1949 to $2 \cdot 20 \mathrm{Mn}$. in 1950. There remain shortages of sheet and tinplate which cannot be eliminated until new mills at Margam and Trostre come into operation in 1951; these limit, amongst other things, the output of the motor industry. Apart from sheet and tinplate, steel is no longer the powerful and over-riding limiting factor that it was until recently.

The improvement of the timber position is far less evident than that of coal and steel. Supplies of softwoods are expected according to the Survey to be slightly below the levels of 1948 and 1949-when imports were a little less than half those of 1938. The problems of timber supplies are common to most of the countries of Europe, though they affect most acutely those with limited indigenous resources. They are further from solution than almost any other of the raw material bottlenecks and are likely to persist for a good many years.

The installed capacity for the generation of electricity has risen from 9,365 megawatts at the end of 1938 and 12,297 megawatts at the end of 1945 to 13,913 megawatts at the end of 1949. A rather higher provision ( $£ 54 \mathrm{Mn}$. against $£ 48.5 \mathrm{Mn}$.) is made for new generating plant in 1950, and it is hoped to speed up commissioning of new plant by better attention to the phasing of the programme. This represents, however, a drastic slowing down of the British Electricity Authority's programmes, in order to contribute to the general cut of investment. It is feared that the gap between available capacity and peak demand will not be closed as quickly as had been hoped. But, as in the case of housing, the major problem is whether or not our resources are adequate to provide the capital investment for as great a rate of growth of consumption as present price policies elicit.

If one considers these bottlenecks collectively they are clearly very much less potent for evil than they were a few years back. With the major exception of timber, the country is in these respects gradually returning to something that can more nearly be described as normalcy.

IV
Progress with the redistribution of the working population would appear to have come almost completely to a halt. The Economic Survey for 1950 contains no targets, either for manpower or for anything else. It publishes forecasts for end-1950 which vary little from the figures for end-1949. We are told that the Table "gives a forecast, not of the requirements of the industries listed, but of the change in the distribution of the working population which it is expected will take place." It is however, suggested that the impression of rigidity is misleading because, with a working population of $22 \frac{1}{2} \mathrm{Mn}$., there were $4 \frac{1}{2} \mathrm{Mn}$. of placings in 1949. Thus, considerable movement, mainly internal to industries, goes on, and " the stability of the broad pattern conceals in fact great changes in the pattern of production and employment within the main groups, although geographical mobility is still hindered by shortage of accommodation . . ." "Certain industries, such as coal, pottery and some other branches of the textile industry, could usefully employ more labour, but large changes in the distribution of manpower should not be needed in 1950."

Is one reading too much into these paragraphs if one supposes that, now that powers of direction have disappeared, the Ministry of Labour, convinced that any wages policy is impracticable, has washed its hands of all attempts to increase or decrease the manpower in particular industries? One's attitude to the consequent impassivity to the problems of redistribution of manpower will depend on how far one is convinced that the present distribution approaches the ideal. The obviously critical industries are those mentioned above. With the addition of agriculture, they are shown in Table 6.

TABLE 6
MANPOWER IN CERTAIN KEY INDUSTRIES 000's,

|  |  |  | End-1948 <br> (actual) | End-1949 <br> (actual) | End-1950 <br> (forecast) |
| :--- | :---: | ---: | :---: | :---: | :---: |
| Coal Mining | $\ldots$ | $\ldots$ | 788 | 771 | 745 |
| Cotton $\ldots .$. | $\ldots$ | $\ldots$ | 319 | 329 | 330 |
| Wool $\ldots . . .$. | 214 | 222 | 225 |  |  |
| Agriculture and Fishing | 1,271 | 1,266 | 1,275 |  |  |

In the case of cotton, supplies to the home market remain considerably below pre-war levels, while exports, which formed $11 \%$ of our total exports in 1938, were in the last quarter of 1949 only $66 \%$ of their pre-war volume. An increase of supplies of cotton goods would contribute greatly, as was argued above, to the
solution of the dollar problem and is one of our paramount needs. Is it clear that the limit is set by demand and not by supply ? Exports of woollen goods have been very much more successful, but supplies to the home market remain inadequate. Pottery provides a valuable dollar export, limited by supply and manpower; the shortages in the home market remain acute and would be still more evident if restrictions of painted ware could be lifted. In agriculture two mild winters and easy conditions of working have somewhat eased the manpower situation, but in various branches the limit of production is set by difficulties of manpower.

Obviously the extent of the need to increase manpower in particular industries depends upon the possibilities of raising productivity. These are all industries in which there is a considerable field for better deployment of manpower. But there remains considerable doubt whether the full needs of the present situation can be effectively met by exceptional increases of productivity in these particular industries. They are, moreover, industries upon which more demand is likely to be concentrated if productivity in general rises and real income increases further. Quite apart from that, in an economy which is constantly changing and developing, one must expect from time to time the necessity to make adjustments of the relative scale of industries. Such a change has, indeed, recently taken place. The act of devaluation has made necessary various increases in the rates of export of various industries. Do none of these require any consequential adjustments in the manpower of the industries affected? And, if geographical mobility is beyond achievement, is mobility between industries in one area also beyond achievement?

## V

The central problem of these first years of uneasy peace has been one familiar in different form during the years of war: How fast could we go with the task of restoring our capital equipment, in addition to achieving the imperative objective of re-establishing a satisfactory balance of payments, without dangerous inflation? The answer to that question clearly depended on the power and the willingness of the country to make sacrifices in the present in order to build a firmer basis for the future. The matters that have been chiefly uncertain have been, first, the extent of the sacrifices needed, and, second, the measure of the sacrifices that individuals might be prepared to make. The sacrifices themselves necessarily took three forms: willingness to save, willingness to accept taxation to supple-
ment saving, willingness to refrain from attempts to raise money incomes by wage-bargaining and by dissipation of savings. In the end, what was at issue was the proportion of the national income that individually and collectively we might insist on devoting to consumption. That proportion was to some extent capable of being influenced by Government policy ; but it was in part the result of individual and personal decisions. Table 7 shows the approximate division of the national resources before the war, and in the years since the war. It is made in terms of the prices of 1949 throughout, since a calculation made in terms of the prices of current years reflects changes in the relative prices in different sectors of expenditure as well as changes in the distribution of resources between them.

The difficulties of comparison of the pre-war years with the post-war years make any precision impossible. But the figures are almost certainly sufficiently good to indicate the broad trends of events. By 1950, gross investment is back to a proportion of total resources not vastly greater than that of $1937 / 38$. The total of consumption and government expenditure is slightly lower than that of the pre-war years, but government expenditure absorbs substantially more and personal consumption less. Since 1948, the share of personal consumption has remained about constant, while the share of communal consumption, through government expenditure, has mounted.

The issues that confront us are two. First, the question of ends: are we right in the proportions in which we are devoting resources to these various alternative purposes ? Second, the question of means : assuming we are right, are we taking such measures as are appropriate to see that the total claim on resources is not excessive and that the inflationary pressures are not dangerous?

On the question of ends, not much can be said ex cathedra. The re-establishment of a firmly based economy is difficult to see unless productivity can be materially above pre-war and present levels. This must depend upon a considerable increase of industrial capital per
head. Capital per head, in all forms, remains appreciably below the pre-war level, and the importance of increasing it is undoubtedly great. True, there is included in the total of capital investment a proportion-smaller than many commentators appear to think but not completely negligible-of investment devoted to purposes which in present circumstances are not of such paramount importance as are most of the industrial investments. But in the various cuts of the last three years, the element of less essential investment has almost certainly been reduced to a level which represents, if not the economic minimum, probably what is regarded as the political minimum. A crisis may, and normally will, enforce a reconsideration of political minima, and it may be that a crisis will ultimately cut these elements further. But in my judgment-and these matters, if one departs from the strict criteria of markets and interest rates, can only be a matter of individual judgment, which will differ from person to person-further drastic cuts in investment would not be in our national long-term interest.

The issue of ends, if that judgment is accepted, becomes one of the division of the remaining $80 \%$ of our national resources between public expenditure and personal consumption. The concern of many critics, friendly to the Government as well as opposed to it, has been the uncertainty of the forecasts of government expenditure and the very large supplementary estimates that have proved necessary after the broad lines of taxation and government income had been laid down for the year ahead. If, as the Chancellor has assured us, food subsidies and health expenditure are to have effective ceilings, there is rather more possibility that measures to prevent inflation may be more effective and more predictable in their effects. His statement that "we have in the last four years taken on by way of social services and benefits all that we can possibly afford until such time as there is a large increase in our national production " will receive a wide measure of assent, even if it does not go far enough to satisfy many critics.

TABLE 7
APPROXIMATE DIVISION OF UNITED KINGDOM'S RESOURCES
(Measured at factor cost at prices of 1949)

|  | 1937 | 1938 | 1946 | 1947 | 1948 | 1949 | 1950 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Consumption $\ldots$...... $\ldots$. ${ }^{\text {Government }}$ | $67 \cdot 2$ | 67-6 | $59 \cdot 8$ | $59 \cdot 2$ | $61 \cdot 1$ | $61 \cdot 8$ | 61.5 |
| $\begin{array}{ccccc}\text { Government } \\ \text { Services } & \text { Expenditure } & \text { on Goods and } \\ \end{array}$ | 13.7 | $15 \cdot 1$ | $25 \cdot 3$ | $19 \cdot 8$ | $16 \cdot 3$ | $17 \cdot 5$ | 18.5 |
| Gross Investment at Home ... | $19 \cdot 1$ | $17 \cdot 3$ | $14 \cdot 9$ | $21 \cdot 0$ | $22 \cdot 6$ | $20 \cdot 7$ | $20 \cdot 0$ |
| Total of Resources Available at Home | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

The more immediate problem is that of means and of the adequacy of measures to prevent inflation. This question ought to be approached from two angles-the balance between resources and claims on resources, on the one hand, and the trend of wage-bargains on the other hand. In the Economic Survey and the Budget Speech it is considered primarily from the first angle. The second is at least as important, and many critics would say that at present it is really more important.

In terms of the use of resources, the inflationary pressures come to the surface in the balance between government expenditure and investment, on the one hand, and taxation and savings, public and private, on the other. Excluding the total of Government expenditure on both sides, it is focussed in the estimates of the finance of capital formation.

Table 8 shows, on the basis of the Survey, the main figures of estimated capital formation.

TABLE 8
THE FINANCE OF CAPITAL FORMATION £ Mn .

|  | 1948 | 1949 | 1950 |
| :---: | :---: | :---: | :---: |
| Fixed Capital Formation* | 2,015 | 2,160 | 2,160 |
| Inventory Revaluation $\dagger$... | 400 | 75 | 100 |
| Increase in Foreign Trade Credit and Oil Company Investment abroad $\ddagger$ | 100 | 80 | 80 |
| Value of Increase in quantity of Stocks and Work in Progress§ | 75 | 150 | 80 95 |
| Totals\|| | 2,590 | 2,465 | 2,435 |
| Increase of Housebuilding announced in Budget Speech ... |  |  | 25 |
| Post-Budget Total |  |  | 2,460 |

* Economic Survey for 1950, p. 3, and National Income White Paper, p. 7. The total figure for 1950 is assumed to bear the same relation to the whole as do the items included in the Economic Survey.
$\dagger$ Economic Survey, p. 20.
$\ddagger$ The figure for 1950, not given, is here assumed to be as in 1949.
§ The figure for 1950 obtained by difference.
II The total for 1950 from Economic Survey, p. 20.
A word of comment is called for by one or two of the figures. The allowance for the increase in the quantity of stocks and work in progress is much larger than might be expected from the present rate of growth of output. An estimate of about $£ 30 \mathrm{Mn}$. would appear to be more realistic. The allowance of $£ 80 \mathrm{Mn}$. (made above) for the increase of foreign trade credits and oil investment may just possibly be low, with increased exports to some markets and expanding oil investment. On the other hand, no allowance would appear to have been made this year for a possible failure of fixed investment in various categories to run up to its programmes. Last year investment in vehicles was ahead of programmes, but there was an
appreciable shortfall elsewhere, and the total was not far from the estimate. With budgetary discouragement to investment in vehicles, there might this year be some appreciable shortfall. But, allowing for all these considerations, any plans which do not cover some $£ 2,350 \mathrm{Mn}$. of investment are probably inflationary, and savings as high as $£ 2,450 \mathrm{Mn}$. may be necessary.

Table 9 shows the possible sources of savings.
TABLE 9
SOURCES OF SAVINGS £ Mn.

|  | 1948 | 1949 | 1950 |
| :---: | :---: | :---: | :---: |
| Public : |  |  |  |
| Depreciation Allowances | 100 | 110 | 110 |
| Net Saving ... ... | 485 | 455 | 365 |
| Private : 305 |  |  |  |
| Depreciation Allowances | 675 | 865 | 900 |
| For Inventory Revaluations | 400 | 75 | 100 |
| Tax Reserves | 196 | 8 | 20 |
| Business Saving ... | 175 | 455 | 480 |
| Gross Personal Saving | 409 | 427 | 420 |
| Borrowing Abroad ... | 150 | 70 | - 50 |
|  | 2,590 | 2,465 | 2,345 |

Source: H.C. Debates, 20th April, 1950, cols. 35-6, except (a) Current Surplus for 1950 (adjusted to take account of the Budget proposals on the assumption that the purchase tax on commercial vehicles adds as much to investment as to the supply of savings) ; (b) Business Saving and Gross Personal Saving in 1950 (see below).

The crucial figures are those for Business and Gross Personal Saving. The Government estimates $£ 500 \mathrm{Mn}$. from company reserves: $£ 45 \mathrm{Mn}$. more than in 1949 as well as an extra $£ 25 \mathrm{Mn}$. for inventory revaluation. This implies rising profits and, since stable home prices are assumed, a substantial rise in export prices. One can accept the estimate, therefore, only to the extent that one shares the Government's optimism regarding the terms of trade (see next page). A more cautious figure, say $£ 480 \mathrm{Mn}$., would not be out of place. If it were reasonable to assume the same proportion of gross personal saving as in $1949(4.8 \%)$ on a total of personal disposable income increased $£ 300 \mathrm{Mn}$., the volume of such saving would be about $£ 440 \mathrm{Mn}$. If the ratio of saving to income fell, as would seem more likely, to $4.6 \%$, the volume of such saving would be about $£ 420 \mathrm{Mn}$. Thus, on strict accounting, there is a potential addition to the inflationary pressure of over $£ 100 \mathrm{Mn}$. But it must be remembered that there are margins of error in relation to the volume of total production, of total investment, and of government expenditure, as well as to the trends of savings. A figure of $£ 100 \mathrm{Mn}$. represents about $1 \%$ of total of resources, and estimates within so narrow a range are at least as much a matter of judgment
as of computation. It can only be said that, in terms of claims on resources, this year's Budget, though going a long way to meet the difference between potential savings and investment, has probably not gone so far as to diminish the inflationary pressures of recent years. Much therefore depends on judgment as to whether they were already excessive.

Any judgment as to that depends more on an assessment of the trend of wage-bargains than it does on the balance of resources and claims on resources. Such an assessment is peculiarly difficult. On the one hand, one may have regard to the actual past history of changes of money wage-rates and in money earnings and compare them to the trends of productivity and of the resources available for consumption per head. On the other hand, one may have regard to the claims that are being so loudly voiced for wage increases and contrast the stridency of wage-claims with the ideal of a wage stand-still.

TABLE 10
TRENDS OF EARNINGS, PRODUCTIVITY AND REAL EXPENDITURE
(Year $1946=100$ )

|  | Money <br> Earnings <br> per Head | Industrial <br> Production <br> per Head** | Real <br> Expenditure <br> on <br> Consumption <br> per Head $\dagger$ | Prices of <br> Consumption <br> Goods $\dagger$ |
| :--- | :---: | :---: | :---: | :---: |
| 1946 | 100 | 100 | 100 | 100 |
| 1947 | 107 | 99 | 103 | 107 |
| 1948 | 116 | 105 | 102 | 116 |
| 1949 | 121 | 112 | 103 | 118 |

[^25]Table 10 shows the recent history of earnings, productivity and real consumption per head. While wage-rates and earnings have undoubtedly risen, the rise since 1947 is not wholly disproportionate to the progress in productivity.

The more difficult question is how the rise of money earnings should be related to the changes in the index of real expenditure per head on consumption. The latter is, of course, only in a limited sense an index of the volume of goods available for consumption. Expenditure on railway travel or on cinema seats, for example, is measured by attendance and not by available seats. But in a broad sense it is a rough indication of the volume of goods on which demand was in fact concentrated. The wide discrepancy between the stability of this figure and the growth of money earnings serves as a warning that, after resources have been devoted to closing the gap in the balance of payments, to meeting
the consequences of worsened terms of trade, and to increased government expendituremuch of which is, of course, a substantial contribution to increased real standards of livingthere has been little or nothing left to provide for a general improvement of personal consumption, so that a gain to one class can only be at the expense of other classes. The gains of productivity have almost wholly been absorbed by these other demands.

In 1950, the expected addition to production at home is about $£ 500 \mathrm{Mn}$. This assumes an increase of productivity of about $3 \frac{1}{2} \%$ in 1950 compared with about $5 \frac{1}{2} \%$ in 1949. Of this, about $£ 120 \mathrm{Mn}$. is needed to convert a deficit in the current balance of payments of $£ 70 \mathrm{Mn}$. into a surplus of $£ .50 \mathrm{Mn}$. That, it would seem, measures the increased claim of the balance of payments on our resources only if the average of the terms of trade through 1950 is the same as the average during 1949. It is not very clear what volume of additional resources is assumed to be absorbed by worsened terms of trade due to devaluation.

Government expenditure is expected to absorb about $£ 180 \mathrm{Mn}$. more. Thus, if all goes well, about $£ 200 \mathrm{Mn}$. may be available to provide for increased consumption, including that of the increase of population. To this may be added (or subtracted) any excess (or shortfall) as compared with the assumed $£ 500 \mathrm{Mn}$. increase, which may possibly be conservative. On the other hand, if the terms of trade turn more heavily against us, the amount available for consumption will be reduced. The eventual figure here must be set against the probable increases in money incomes. Wage incomes increased by $£ 230 \mathrm{Mn}$. in 1949 and salaries by $£ 110 \mathrm{Mn}$. An increase no greater than $£ 200$ assumes that the wage-standstill (and the salarystandstill) will be more effective than in 1949 as a whole. It is only if a radical change in the economic climate, together with the progressive replenishment of personal stocks of durable goods, substantially modifies saving habits that 1950 seems likely to see any reduction of inflationary pressures. It is a remarkable tribute to the Chancellor's courage that in the circumstances of this year he should have presented a budget that concedes so little to political pressures. Nevertheless, by the sternest tests of academic perfection, it fails, it would seem, to produce a strict balance between resources and the claims on resources.

What are the morals which can be dirawn from this review of our recent economic progress?

It would be very easy to draw the moral that the country has been, and still is, attempting too much. And in a limited sense that is almost undeniably true, unless in the course of this year a change in the economic climate is coming. But it would be almost equally fatal to go to the other extreme, and, in the interests of the avoidance of any inflationary pressures, to cut down the types of investment which will increase industrial productivity. We may, thereby, create a situation in which we shall fail to restore an adequate level of capital equipment and workers will hestitate to relax restrictive practices. We need a level of activity which will give us rather more flexibility without a shift into an atmosphere of doubt and depression. We have to harden the plants without getting them nipped by the frost. It is a small change that we need, but there is a real risk that measures intended to cause a small change would in fact precipitate a large change.

Second, it is difficult to resist the conclusion that the Government are really failing to carry their own party with them in building up the Welfare State so fast as they have lately been doing. Wage-earners have not shown a willing-
ness to hold back on wage-claims designed to increase personal expenditure in the light of the increase in social services.

It is dangerous to go on from that to argue that, with a slightly greater proportion of resources devoted to personal consumption and a slightly smaller proportion devoted to government expenditure, all would have been well. There is no reason to think that, in a time of prosperity, all the rival claims, for which wageearners and others would be prepared to fight, would add up to no more than the largest volume of real consumption that could be provided by any contraction of government expenditure and any practicable curtailment of expenditure by the rest of the community.

It may well be that there is a real dilemma here between the inescapable inflationary forces of any reasonably high level of employment and the dangers of political and economic retrogression if we cut down effective demand to the point where we avoid inflation. The dilemma is particularly awkward when a leading consequence of any excess demand is a weakening of the forces which might restore our external equilibrium.

## BUILDING AND CIVIL ENGINEERING IN 1949 AND 1950

By I. Bowen

The Economic Survey for 1950 indicated that "gross fixed investment" was some $£ 150 \mathrm{Mn}$. higher in 1949 than in 1948, and this is confirmed by the National Income White Paper.^ The gross value of output of the building and civil engineering industries rose over the same period by $£ 73 \mathrm{Mn}$. and thus seems to have accounted for about half of the increase in domestic fixed capital investment. The total output of the industries was $£ 873 \mathrm{Mn}$. in 1949, but the increase in the value of work done was not due to any increased house-building or houserepairing activity; new permanent housing showed a small decline in value of work done (from $£ 222 \mathrm{Mn}$. to $£ 219 \mathrm{Mn}$.) $\dagger$ while housing output as a whole declined from $£ 492 \mathrm{Mn}$. to $£ 475 \mathrm{Mn} . \ddagger$ Thus, while there has been a

[^26]cut-back achieved in the housing programme, this reduction was more than off-set in 1949 by increases in other items. The question of how much inflationary pressure can be eased by restraining constructional expenditure in 1950 depends far more upon the successful control of non-housing work than upon any further inroads into the housing programme. This has been recognised in the Chancellor's speech. The housing programme was realised to the extent of 228,000 houses completed in 1948 and 198,000 in 1949; 200,000 are to be completed in 1950. The official intention was to reduce the programme so that the rate of completions would be $175,000-180,000$ in 1951, a figure which the Chancellor of the Exchequer revised to 200,000 on April 18th. The figure is to be stabilised at this level, presumably until resources permit a gradual expansion.

To examine the progress of the building and civil engineering industries' output apart from new housing work is evidently very necessary. In February, 1950, the Ministry of Works published a revision of some of their series, which incorporated a number of changes in the
earlier figures. Some of the new statistical series are regrettably less instead of more detailed than formerly, and render exact interpretation of recent changes very difficult. For the fourth quarter of 1949, "Other work" has been bracketed together with "Other housing work" (i.e. repairs and maintenance of houses, including conversions and adaptations, and war damage repairs to houses).* All that can be said about this portmanteau item is that it rose from $£ 323$ Mn . in 1948 to $£ 389 \mathrm{Mn}$. in 1949. The Economic Survey remarks that " an accurate estimate of the total expenditure on repairs, maintenance and conversion of existing houses is not possible, since much of the work does not require a licence and is generally undertaken by small firms of private builders on behalf of private individuals." The same kind of reasons that make this large section of constructional output difficult to estimate also make it difficult to control ; the Survey assumes some curtailment of building licences " for works which require them, i.e. those costing over $£ 100$," but makes no comment on the possible increase of works of under $£ 100$.

During 1947 and 1948 there were several amendments to the licensing regulations, as a result of which it is difficult to make statistical estimates of the trend for those years in the total value of work licensed and authorised. Since July 1st, 1948, expenditure on buildings of up to $£ 100$ per building in any twelve months ending June 30th has been permitted without licence, and since November 1st, 1948, the limit for certain classes of building other than houses (e.g. factories, schools, universities and farm buildings) has been $£ 1,000$. Since then the limits have not been changed. The trends since November, 1948 in licences and authorisations are therefore quite useful, and give some indication of likely future activity. Comparable figures are as follows:
VALUE OF BUILDING AND CIVIL ENGINEERING WORK AUTHORISED AND LICENSED IN GREAT BRITAIN
( $£ \mathrm{Mn}$.)

|  |  |  | Licensed or authorised by : |  |
| :---: | :---: | :---: | :---: | :---: | :---: |

[^27]The table shows that total licensed and authorised work rose from $£ 184 \mathrm{Mn}$. in three winter months of 1948/9 to $£ 194 \mathrm{Mn}$. in the same months of 1949/50. This rise was not due to increased licensing by the Ministry of Works of private building, as this item was scaled down from $£ 59 \mathrm{Mn}$. to $£ 48 \mathrm{Mn}$.; nor was it due to the local authorities. The rise was almost entirely due to direct authorisations of Government Departments. The three months in question may not, of course, be entirely representative of a year's activity, but the main direction of the programme seems to be changing.

Some of the main headings that are to account for the intended increase in Government building, and which will inflate new constructional activity in 1950, can be specified. Some of the items are listed below :


* Summarised from the Appendix of Cmd. 7915.

There are also to be increases for generating stations and electrical transmission, gas, coal and petroleum development, railway services (but not roads), ports and inland waterways, and post office buildings. The big increases, namely those for electricity, education, defence and health services, will total some $£ 30-35$ Mn . more in 1950 than in 1949 according to the programme outlined in the Survey, and the rate at which authorisations and licences have together risen suggests that these increases will indeed be attained. The Survey remarks that "capital expenditure in the calendar year 1950 will exceed the rate to which it is hoped to reduce investment in the second half of the year" as the diminished rate of investment will not be achieved for fixed capital as a whole until the end of 1950 ; but it seems very dubious whether any such reduction will take place in building and civil engineering (apart from housing) until the first part of 1951. Housing has been reprieved ; many items of new government work are rising; new factories approved by the Board of Trade in 1949 totalled $£ 90 \mathrm{Mn}$. in value and few of these will be finished by the end of 1950 ; and finally there is the possibility of an increasing volume of unlicensed work below the present exemption limits. In fact, the real problem of limiting fixed capital forma-
tion is how administratively to control the countless small works without the re-imposition of an expensive and cumbrous licensing procedure. Less than $2 \%$ of the operative male labour in the industry in June, 1948, has so far been released, and all of this net loss can be attributed to the reduction of the housing programme.

The reduction of manpower in the building and civil engineering industries which was expected to take place* in 1950 was 42,000 men, which in terms of male operatives employed would bring the total down from 977,000 to about $935,000 . \dagger$ If such a reduction is still to take place and these 42,000 men are not now to be taken off the new housing programme, it is evident that there will have to be intensified restriction of other kinds of building. The curtailment of building licences for industrial building or large-scale house repairs suggested in the Survey may operate successfully, but there are several strong arguments that will be used

* Cmd. 7915, paragraph 111.
$\dagger$ The total manpower figure of Table 19 of Cmd. 7915 can be transformed into terms of male operatives employed by the subtraction for all dates since 1947 of a figure of 485,000 .
against its being applied with severity. First is the fact that labour and materials (with a few exceptions) will be available, secondly that the Chancellor's encouragement of provision for depreciation which raised the national figure for this to $£ 975 \mathrm{Mn}$. in 1949 operates in a contrary direction, and thirdly the housing problem itself demands a much more careful husbanding of our existing housing resources than any such policy (or the policy of undiscriminating rent control) implies. For all these reasons the expected manpower reduction in these industries will not be easy to secure.

But there is the comforting reflection to be made that a slight excess of house repairs or of factory extensions can hardly be regarded as a wasting of the national resources. So long as sufficient control of the programme exists to prevent any increase of labour in the industries, the level of fixed constructional investment is not now, in comparison with 1938, outrageous in relation to the total gross national product. If the original estimate of diminishing building employment by the end of 1950 is adhered to, and in fact realised, there will by then exist a strong case for halting the reduction.

OUTPUT OF THE BUILDING AND CIVIL ENGINEERING INDUSTRIES. ( $£$ Mn.) Source : Ministry of Works.


[^28]
# INTERNATIONAL FINANCE* 

By G. S. Dorrance

Perhaps the most striking event of the first quarter of 1950 was the announcement by the Chancellor of the Exchequer on April 4th that the Sterling Area had, for the first time since the end of the war, experienced a net surplus on its dollar transactions. This favourable balance

TABLE 1
TOTAL STERLING AREA GOLD AND DOLLAR DEFICIT \& U.S. Mn.

|  | Decrease in Gold and Dollar Holdings | Drawings on U.S. and Canadian Credit | Drawings on International Monetary Fund | Receipts under E.R.P. | Total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1946... | -215 | 1,123 | $\bar{\square}$ | - |  |
| 1947... | 618 | 3,273 | 240 | 08 | 4,131 |
| 1948... | 223 | 352 | 128 | 682 | 1710* |
| $1949-$ |  | 60 | 32 | 665 | 962 |
| 1st Half | 225 | 29 | - | 284 | 539 |
| 4th Qr. ... | $-263$ | 27 | 20 | 246 | 31 |
| $\begin{aligned} & 1950 \\ & \text { lst Qr. } \end{aligned}$ | -296 | 27 | - | 229 | -40 |

Sources: 1946/9—Cmd. 7928.
lst Qr. 1950 -The Times, Apr. 5th, 1950, p. 6.

* Includes $£ 80 \mathrm{Mn}$. ( $\$ 325 \mathrm{Mn}$.) gold loan from South Africa.

A negative ( - ) sign indicates an increase in gold and dollar holdings or a surplus on Sterling Area gold and dollar account.
of $\$ 40 \mathrm{Mn}$. compares with a net deficit of $\$ 31$ Mn . in the preceding quarter. When the regular drawings on the Canadian and American loans and the receipts under E.R.P. are taken into account as outlined in Table 1, the result is a rise in our gold and dollar reserves of almost $\$ 300$ Mn . This brings them within striking distance of the previously accepted " minimum" figure of $\$ 2,000 \mathrm{Mn}$., which is now evidently replaced in the Chancellor's thinking by a figure of at least $\$ 2,250 \mathrm{Mn}$.

It should be noted that this improvement in
TABLE 2
UNITED KINGDOM'S BALANCE OF TRADE* (£ Mn.)

|  | $\begin{aligned} & 1947 \\ & \text { Year } \end{aligned}$ | $\begin{aligned} & 1948 \\ & \text { Year } \end{aligned}$ | 1949 |  | 1950 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { 1st } \\ & \text { Half } \end{aligned}$ | $\begin{aligned} & \text { 2nd } \\ & \text { Half } \end{aligned}$ | $\begin{aligned} & \text { 1st } \\ & \text { Qr. } \end{aligned}$ |
| IMPORTS c.i.f. | 1,795 | 2,078 | 1,120 | 1,153 | 604 |
| f.o.b. (approx.) | 1,528 | 1,766 | 952 | 980 | 513 |
| f.o.b. | 1,198 | 1,648 | 923 | 921 | 534 |
| DEFICIT | 330 | 118 | 29 | 59 | 21 |

[^29]our reserves was coincidental with a movement towards balance in our visible trade accounts as shown in Table 2.

Looking at the trade figures on an area basis as is done in Table 3 indicates that there has been some improvement in U.K. accounts with the "dollar area." However, this appears, as

TABLE 3
DISTRIBUTION OF U.K. TRADE, $£ \mathrm{Mn}$.

|  | $\begin{aligned} & 1948 \\ & \text { Year } \end{aligned}$ | 1949 |  | 1950 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{aligned} & \text { lst } \\ & \text { Half } \end{aligned}$ | 2nd Half | Jan. | Feb. | Mar. |
| United States : <br> Imports <br> Exports | 184 71 | 112 27 | 110 35 | 18 8 | 16 7 | 7 |
| Canada : <br> Imports <br> Exports | 223 73 | 97 39 | 128 43 | 20 9 | 12 | 9 |
| Total American a/c Countries Imports Exports | * | 231 83 | 269 94 | 40 21 | 30 18 |  |
| Sterling Area : <br> Imports <br> Exports | $\begin{aligned} & 749 \\ & 795 \end{aligned}$ | 438 480 | 414 455 | 77 84 | 72 79 |  |
| O.E.E.C. Countries : Imports Exports | 394 392 | 257 217 | 290 234 | 49 50 | 44 41 |  |

Source: Board of Trade Report on Overseas Trade. Imports valued c.i.f. ; Exports valued f.o.b. include Re-exports.

* Not available owing to changing classification of American account countries.
yet, to have resulted almost entirely from cuts in the import programme, with only a negligible expansion of exports. Both imports from and exports to sterling area countries showed some expansion, with little change in the net balance; with O.E.E.C. countries the movement towards balanced trade apparent last December continued during the first quarter of 1950 .

It is still too early to arrive at any definite conclusions regarding the effects of devaluation. However, certain tendencies seem to be apparent. In the first place, there has as yet been little increase in the dollar value of United Kingdom exports to the hard currency areas. It is impossible to say how much of the decline in imports measured in dollar terms results from economy cuts and how much of it reflects price influences. It is also impossible to say exactly how much of the decline in purchases is symptomatic of long-term influences and how much is only a temporary falling off of purchases following
the increases in stocks which took place prior to last September. On the other hand, Table 4 shows that sales by the rest of the sterling area
not unduly surprising in the light of recent experience as outlined in Table 5. This is partly accounted for by the fact that the United

TABLE 4
STERLING AREA TRADE WITH THE UNITED STATES AND CANADA (8 U.S. Mn.)

|  | $\begin{gathered} \text { 1934/8 } \\ \text { Average } \end{gathered}$ | $1946$ | 1947 | 1948 | 1949 | 1949 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | 1st Qr. | 2nd Qr. | 3rd Qr. | 4th Qr. |
| United Kingdom : |  |  |  |  |  |  |  |  |  |
| Exports | $280 \cdot 0$ | $347 \cdot 3$ | $386 \cdot 3$ | $579 \cdot 8$ | $529 \cdot 9$ | $142 \cdot 2$ | $129 \cdot 4$ | 127.8 | $130 \cdot 5$ |
| Imports ... | 804.8 | 1,428.2 | 1,862.8 | 1,331•0 | 1,393.5 | 313-3 | 412.5 | 343.5 | $130 \cdot 5$ $324 \cdot 2$ |
| Trade Balance ... | $-524 \cdot 8$ | $-1,080 \cdot 9$ | $-1,476 \cdot 5$ | $-751 \cdot 2$ | $-863 \cdot 6$ | $-171 \cdot 1$ | $-283 \cdot 1$ | $-215 \cdot 7$ | -193.7 |
| Rest of Sterling Area : |  |  |  |  |  |  |  |  |  |
| Exports ... ... | $385 \cdot 7$ | $942 \cdot 0$ | 1,106.5 | 1,302•3 | 1,105.0 | $308 \cdot 6$ | $280 \cdot 3$ | $238 \cdot 2$ | 277-9 |
| Imports | $327 \cdot 7$ | $985 \cdot 4$ | 2,005•7 | 1,646•6 | 1,458.4 | $395 \cdot 6$ | $437 \cdot 3$ | $332 \cdot 4$ | 293-1 |
| Trade Balance ... | $+58 \cdot 0$ | $-43 \cdot 4$ | $-899 \cdot 2$ | $-344 \cdot 3$ | $-353.4$ | $-87 \cdot 0$ | $-157 \cdot 0$ | $-94 \cdot 2$ | $-15 \cdot 2$ |
| Total Sterling Area : |  |  |  |  |  |  |  |  |  |
| Imports $\ldots$ | 1,132.5 | 1,413•6 | 1,492.8 | $1,882 \cdot 1$ $2,977 \cdot 6$ | $1,634 \cdot 9$ $2,851 \cdot 9$ | $450 \cdot 8$ 708.9 | $409 \cdot 7$ $849 \cdot 8$ | $366 \cdot 0$ $675 \cdot 9$ | $408 \cdot 4$ $617 \cdot 3$ |
| Trade Balance ... | $-466.8$ | $-1,124 \cdot 3$ | $-2,375 \cdot 7$ | $-1,095 \cdot 5$ | $-1,217 \cdot 0$ | -258.1 | $-440 \cdot 1$ | $-309.9$ | -208.9 |
| United Kingdom TradeBalance with : |  |  |  |  |  |  |  |  |  |
| United States ... | $-306 \cdot 6$ | $-699 \cdot 2$ | $-914 \cdot 7$ | $-363.8$ | $-472 \cdot 2$ | $-108 \cdot 4$ | $-173.4$ | -104-3 | $-86.1$ |
| Canada ... | $-218.2$ | $-381.7$ | $-561.8$ | $-387 \cdot 4$ | $-391.4$ | $-62.7$ | $-109 \cdot 7$ | $-111.4$ | $-107 \cdot 6$ |
| Total | $-524.8$ | $-1,080 \cdot 9$ | $-1,476 \cdot 5$ | $-751 \cdot 2$ | $-863 \cdot 6$ | $-171 \cdot 1$ | $-283 \cdot 1$ | $-215 \cdot 7$ | $-193 \cdot 7$ |
| Rest of Sterling Area Trade Balance with : |  |  |  |  |  |  |  |  |  |
| United States ... | $+73 \cdot 3$ | $+86.5$ | $-701 \cdot 1$ | $-250 \cdot 4$ | $-239 \cdot 7$ | $-56 \cdot 7$ | $-120 \cdot 1$ | $-66 \cdot 0$ | $+2.5$ |
| Canada ... | $-15 \cdot 3$ | $-129.9$ | -198.1 | $-93.9$ | $-113.7$ | $-30.9$ | $-36.9$ | $-28.2$ | $-17.7$ |
| Total | $+58.0$ | $-43.4$ | $-899 \cdot 2$ | $-344 \cdot 3$ | $-353 \cdot 4$ | $-87 \cdot 0$ | $-157 \cdot 0$ | $-94 \cdot 2$ | $-15 \cdot 2$ |
| Total Sterling Area Trade Balance with : |  |  |  |  |  |  |  |  |  |
| United States ... | $-233 \cdot 3$ | $-612.7$ | $-1,615 \cdot 3$ | $-614 \cdot 2$ | $-711.9$ | $-164 \cdot 5$ | $-293 \cdot 5$ | $-170 \cdot 3$ | $-83 \cdot 6$ |
| Canada ... .. | $-233.5$ | $-511 \cdot 6$ | $-759 \cdot 9$ | $-481 \cdot 3$ | $-505 \cdot 1$ | $-93 \cdot 6$ | $-146 \cdot 6$ | $-139 \cdot 6$ | $-125.3$ |
| Total ... | $-446.8$ | $-1,124 \cdot 3$ | $-2,375 \cdot 7$ | $-1,095 \cdot 5$ | $-1,217 \cdot 0$ | $-258 \cdot 1$ | $-440 \cdot 1$ | $-309.9$ | -208.9 |

Sources : Official Canadian Trade Statistics; Bulletins Nos. 10.4120 and 10.4130. U.S. Dept. of Commerce: F.T. Reports 120 and 420. E.C.A. and U.S. Dept. of Commerce: Preliminary Analysis of Sterling Area Trade Patterns with Special Reference to the Dollar Problem, Vol. II.

Note : Exports are U.S. and Canadian Imports for Consumption (U.S. figures f.o.b., Canadian c.i.f.),
Imports are U.S. and Canadian Domestic Exports and U.S. Re-exports, f.o.b.
\& Canadian converted to \$ U.S. at average rates of exchange for 1934-8, 1946 and 1949 figures at prevailing rates during months when trade was reported.
showed a marked improvement in the last quarter of 1949, while their imports were considerably below the levels holding in the first half of the year. There is some evidence that it was a continuation of this pattern of events which was responsible for the improved position of the sterling area during the first quarter of this year. A large part of this improvement undoubtedly reflects the rebuilding of raw material stocks by United States manufacturers and the completion of sales postponed when devaluation rumours were current last summer. In addition, the most recent figures reflect seasonal influences. The improvement in the gold and dollar deficit in the first quarter of this year was

TABLE 5
CHANGES IN THE STERLING AREA GOLD AND DOLLAR DEFICIT
\& U.S. Mn.

|  | 1948 | 1949 | 1950 |
| :---: | :---: | :---: | :---: |
| Deficit in First Quarter | 595 | 330 | -40 |
| Deficit in Preceding Quarter | 704 | 375 | 30 |
| Improvement | 109 | 45 | 70 |

States regularly makes heavy purchases of some sterling area commodities, particularly wool and cocoa, in the first quarter of the year. In 1948 imports of these two commodities were respectively $\$ 31 \mathrm{Mn}$. and $\$ 28 \mathrm{Mn}$. less in the second quarter than they had been in the preceding
quarter. However, even taking account of all these qualifications, it is important to note that these developments are in line with the Government's long-term policy as discussed in the first article in this Bulletin.

The information available for the third quarter of 1949, however, implies a division of payments into those before and after devaluation. In Cmd. 7928, Tables II and IV give details of the Sterling Area's net gold and dollar deficit for the last half of 1949 in terms of sterling. Table VI gives the same information in terms of dollars. Since these figures are converted at the rates of exchange prevailing when the transactions were undertaken, it becomes relatively easy to break the figures down into payments before September 18th and after September 18th. ${ }^{\star}$ This is done in Table 6.

The annual White Paper on the Balance of Payments for $1949 \dagger$ is a summary of Britain's international transactions for last year. The

* If for any item $a$ represents the value in sterling of payments between July 1st and December 31st and $b$ the same value in dollars, and $x$ represents the value, in sterling, of these payments between July 1st and September 18th, and $y$ the same value between September 19th and December 31st, then

$$
\begin{aligned}
& \text { Ist, then } \\
& x+y=a \text {, and } 4.03 x+2.80 y=b
\end{aligned}
$$

from which $x$ and $y$ may be deduced. When these estimates are compared with the only figures available in the White Paper ( p .15 ) it appears that this calculation overstates the net gold and dollar deficit for the pre-devaluation period by $\$ 10 \mathrm{Mn}$.
$\dagger$ Cmd: 7928:
year's gold and dollar deficit was financed as to $£ 330 \mathrm{Mn}$. by E.R.P. assistance and $£ 33 \mathrm{Mn}$. was received under the Canadian credit, while India drew $£ 8 \mathrm{Mn}$. from the I.M.F. and Australia $£ 7 \mathrm{Mn}$.*

The conclusions drawn here are that the major part of the improvement in the Sterling Area's gold and dollar position arose from transactions by the Rest of the Sterling Area while the net balance of payments between the United Kingdom and the other Sterling Area countries remained almost constant. There is no evidence that there was any marked change in capital movements from this country. If this is true then there is reason to believe that there may have been an acceleration of the Sterling Area's tendency once again to accumulate sterling balances. In the last six months of 1949 liabilities to the Sterling Area rose by $£ 73$ Mn . In view of the evident movement towards balance in our transactions with O.E.E.C. countries the increase in liabilities to them has probably tapered off. Therefore, transactions with Sterling Area countries probably account for some of the apparent discrepancies in the floating debt figures. $\dagger$

[^30]TABLE 6
STERLING AREA GOLD AND DOLLAR DEFICIT


[^31]
## HOME FINANCE

## (a) The Last Quarter of $1949 / 50$

By F. W. Parsh

Government Finance.-During the final quarter of the $1949 / 50$ financial year, revenue fell nearly $£ 40 \mathrm{Mn}$. short of last year's level, but expenditure declined rather more, with the result that the revenue surplus for the quarter was slightly higher at $£ 592 \mathrm{Mn}$., as compared with $£ 581 \mathrm{Mn}$. a year ago.

For the year as a whole ordinary revenue totalled $£ 3,924 \mathrm{Mn}$., or $£ 83 \mathrm{Mn}$. lower than in $1948 / 9$, but $£ 146 \mathrm{Mn}$. above the original estimate. Ordinary expenditure, at $£ 3,357 \mathrm{Mn}$., was $£ 204 \mathrm{Mn}$. above last year, but only $£ 48 \mathrm{Mn}$. above estimate. The budget surplus for the year (inclusive of sinking funds), at $£ 567 \mathrm{Mn}$., was therefore $£ 287 \mathrm{Mn}$. smaller than in 1948/9, but $£ 98 \mathrm{Mn}$. greater than the surplus of $£ 469$ Mn . originally estimated.

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

[^32]It should be noted that the excess of revenue over estimate was due partly to the non-tax items (sales of surplus war stores, surplus receipts from trading and miscellaneous receipts) which cannot be regarded as reliable permanent sources of revenue, and partly to those taxes, such as Surtax and Profits Tax, which reflect the condi-
tions of 1948 rather than those of 1949. The yield of Income Tax, which reflects more closely current conditions, was substantially below estimate.

Extra-budgetary payments during the quarter, at $£ 77 \mathrm{Mn}$., showed a sharp fall on those of the previous quarter, even after excluding the exceptional payments of $£ 173 \mathrm{Mn}$. to the International Fund and Bank which appeared in the accounts for October and November, 1949. The decrease was due mainly to smaller borrowings by local authorities.

TABLE 2
EXTRA-BUDGETARY PAYMENTS, 1950. £Mn.

|  | $\begin{aligned} & \text { Jan. } \\ & \text { (28 days) } \end{aligned}$ | Feb. (28 days) | $\begin{aligned} & \text { Mar. } \\ & \text { (34 days) } \end{aligned}$ | $\begin{aligned} & \text { Total } \\ & \text { (90 days) } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Net E.P.T. Refunds | 0.9 | 0.9 | $1 \cdot 3$ | $3 \cdot 1$ |
| Post-war Credits ... | $1 \cdot 1$ | $1 \cdot 3$ | 1.7 | 4-1 |
| Net War Damage Payments : |  |  |  |  |
| W.D.C. $\quad$. | $6 \cdot 0$ | $9 \cdot 0$ | 11.5 | 26.5 |
| Bd. of Trade | $1 \cdot 0$ | - | 0.6 | 1.6 |
| Housing .... ... | 7.8 | $9 \cdot 8$ | $22 \cdot 0$ | 39.6 |
|  | 1.0 | $-10 \cdot 7$ | $2 \cdot 7$ | $-7.0$ |
| Cotton Buying ... | -4.5 | $3 \cdot 0$ | $-0.1$ | $-1.6$ |
| Overseas ment Develop- | $2 \cdot 0$ | 1.5 | 0.7 | 4.2 |
| Civil Contingencies | $25 \cdot 0$ | $35 \cdot 0$ | -60.0 | $4 \cdot 2$ |
| Other | $8 \cdot 9$ | $1 \cdot 4$ | $-3.8$ | 6.5 |
|  | $49 \cdot 2$ | $51 \cdot 2$ | $-23.4$ | $77 \cdot 0$ |

The chief changes in long-term debt, apart from the issue of $£ 50 \mathrm{Mn}$. of $3 \frac{1}{2} \%$ Terminable Annuities to the Post Office Savings Bank (only $£ 11 \mathrm{Mn}$. more than the amounts of $2 \frac{1}{2} \%$ and $3 \%$ Annuities paid off during the year), were the net repayment of $£ 51 \frac{1}{2} \mathrm{Mn}$. of $1 \frac{3}{4} \%$ Exchequer Bonds and an increase of $£ 102 \mathrm{Mn}$. in Other Debt (Internal). This last figure is largely formal. It consists mainly of two items- $£ 62$ Mn . non-interest bearing securities issued to the Bank of England as the equivalent of an increase of that amount in the E.R.P. counterpart funds at the Bank of England, and about $£ 42$ Mn . of non-interest bearing securities issued to the International Fund in exchange for a reduction in its deposit at the Bank of England.

The large revenue surplus for the quarter is reflected in a fall of $£ 584 \mathrm{Mn}$. in the total short-term debt, of which $£ 152 \mathrm{Mn}$. took the form of a seasonal fall in Tax Reserve Certificates. The fall of $£ 432 \mathrm{Mn}$. in the Floating Debt was more than accounted for by decreases of $£ 407$ Mn . in T.D.R.s. and of $£ 70 \mathrm{Mn}$. in Treasury Bills issued by tender. The net rise of $£ 45 \mathrm{Mn}$. in

TABLE 3
GOVERNMENT BORROWING, 1950. £Mn.

|  | $\begin{gathered} \text { Jan. } \\ \text { (28 days) } \end{gathered}$ | $\begin{aligned} & \text { Feb. } \\ & (28 \text { days }) \end{aligned}$ | $\begin{gathered} \text { Mar. } \\ \text { (34 days) } \end{gathered}$ | $\begin{aligned} & \text { Total } \\ & \text { (90 days) } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certs. | $\begin{aligned} & -0.6 \\ & -0.1 \end{aligned}$ | $\begin{aligned} & -3.2 \\ & -0.7 \end{aligned}$ | $\begin{aligned} & -1.7 \\ & -1.8 \end{aligned}$ | $\begin{array}{r} -5.5 \\ -2.6 \end{array}$ |
| $2 \frac{21}{2} \%$ Def. Bonds ${ }^{\text {a }}$ |  |  |  |  |
| 31 $\frac{1}{2} \%$ Terminable | - | - | $50 \cdot 0$ | $50 \cdot 0$ |
| 1s\% Exchequer <br> Bonds |  | -51.1 | -0.4 | $-51 \cdot 5$ |
| Other Debt: |  |  |  |  |
| Internal ... | $19 \cdot 0$ | 17.9 | $65 \cdot 4$ | $102 \cdot 3$ |
| External.. | 0.9 | $-0.7$ | $0 \cdot 6$ | $0.8$ |
| Repayments | $-4 \cdot 8$ |  |  |  |
| Total Long- and Medium-term borrowing | $14 \cdot 4$ | -42.7 | 105.3 | $77 \cdot 0$ |
| Tax Reserve Certs. T.D.R.s | $\begin{array}{r} -80.1 \\ -288.5 \end{array}$ | -69.9 -89.0 | -2.1 -29.5 | $\begin{aligned} & -152.1 \\ & -407.0 \end{aligned}$ |
| Treas. Bills : Tender |  | -60.0 | $-10.0$ | -70.0 |
| Tap ... | $-61 \cdot 1$ | $-1.8$ | - 7.7 | - 70.6 |
| W. \& M. Advances Govt. Depts. | $42 \cdot 6$ | 67.9 |  | $115 \cdot 9$ |
| Govt. Depts. ${ }^{\text {Bank of England }}$ | $42 \cdot 6$ | 67.9 2.3 | $5 \cdot 4$ -2.3 | $115 \cdot 9$ |
| Short-term Borrowing | $387 \cdot 1$ | -150.5 | -46.2 | -583 |
|  | 372.7 | -193.2 | $59 \cdot 1$ | -506.8 |

Ways and Means Advances and Tap Treasury Bills is rather surprising, for the Bank of England's holdings of floating debt were persumably reduced by $£ 42 \mathrm{Mn}$. as the result of the withdrawal of the International Fund's balances mentioned above, those of the Post Office Savings Bank by some $£ 50 \mathrm{Mn}$. in payment for the $3 \frac{1}{2} \%$ Terminable Annuities issued to them and those of the Exchange Equalisation Account by over $£ 100 \mathrm{Mn}$. to pay for the $\$ 296 \mathrm{Mn}$. of gold and dollars it acquired during the quarter. It would therefore seem that other official holdings of floating debt went up by about $£ 240 \mathrm{Mn}$. How far this is due to a net increase in the funds of the departments, how far to a change in their investments from longdated to short, and how far to an increase in overseas-owned sterling balances in London, as suggested in another article in this Bulletin*, it is impossible to say.
Other Finance.-The Government's revenue surplus for the quarter was fully reflected in the Clearing Banks' returns. Treasury Deposit Receipts fell between December, 1949, and March, 1950 by $£ 349 \mathrm{Mn}$. to $£ 444 \mathrm{Mn}$., and Call Money and Discounts by $£ 41 \mathrm{Mn}$., to $£ 1,639 \mathrm{Mn}$. Consequently, in spite of a further

[^33]rise of $£ 71 \mathrm{Mn}$. in Advances, Net Deposits fell from $£ 5,953 \mathrm{Mn}$. to $£ 5,579 \mathrm{Mn}$. The decline in Net Deposits is considerably larger than the normal seasonal fall, and the Lloyds' Bank seasonally corrected index of Net Deposits fell from 263 in December to 256.5 in March, the lowest figure recorded for over two years.

The impression of a continued check to the process of credit expansion is confirmed by the figures of the Bank of England's note circulation, which at the peak of the Easter expansion were only $£ 8 \mathrm{Mn}$. higher than at Easter last year, as compared with an increase of $£ 26 \mathrm{Mn}$. from Christmas, 1948 to Christmas, 1949.

After their recovery in December, prices of fixed interest securities weakened a little in January, and have since fluctuated within a very narrow range. Prices of industrial securities have also shown little change on balance from the level reached towards the end of last year. Prospects depend largely on movements in the general level of long-term interest rates, and, as pointed out in our last issue*, these in turn are dependent upon whether the budget surplus continues to be sufficient to equate national savings with the investment programme. On the estimates of the Economic Survey, the prospective public authority surplus for 1950, on the basis of 1949/50 rates of tax, was already too small to achieve this object in the absence of a wholly improbable expansion in business or personal savings. As explained in the article following, the effects of the changes in taxation made in the Budget, which leave the surplus practically unchanged, are to reduce business savings while doing little to increase personal savings, and unless offset by a fall in investment, including investment in stocks, must tend to bring either renewed inflation or a further rise in interest rates.
One result of the continued stringency in the London capital market is seen in the low level of new capital issues, which, according to the Midland Bank, totalled only $£ 29 \mathrm{Mn}$. in the first quarter of 1950 , as compared with $£ 34 \mathrm{Mn}$. in the first quarter of $1949, £ 54 \mathrm{Mn}$. in the first quarter of 1948 , and $£ 33 \mathrm{Mn}$. in the first quarter of 1938 , when the purchasing power of money was, of course, much greater.

[^34]
## (b) The Budget

By R. C. Tress

The 1950 Budget brought little change in the total weight of taxation and only four changes of significance in the tax structure : the " reduced rates " of income tax on the first $£ 50$ and next $£ 200$ of taxable income were cut by one-sixth, to 2 s . 6 d . and 5 s . respectively ; petrol duties were increased by 9 d . a gallon; a purchase tax of $33 \frac{1}{3}$ per cent was imposed upon commercial vehicles; and the effective duty on beer was reduced by raising the basic specific gravity.

The broad context of the Budget is commented upon elsewhere in this Bulletin.* Two further observations should be made.

First, the Budget revives the preference for indirect taxes which has characterised all the postwar Budgets until last year. Since rising prices on the whole work to enlarge the yields of direct taxes more than of indirect, this trend provides yet further evidence that the effective limits to taxable capacity have been reached.

TABLE 1
EFFECTS ON REVENUE OF TAX CHANGES FROM ONE YEAR TO THE NEXT (£ Mn.)

|  |  | 1950/1 |  | 1951/2 |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Effect of 1949 Budget additional to that in 1949/50 | Effect of 1950 Budget 1950/51 | Effect of 1950 Budget additional to that in 1950/51 |
| Direct Taxes Increases Decreases | $\ldots$ | $\begin{array}{r} +9.00 \\ -41.50 \end{array}$ | $-\overline{72.00}$ | $-\overline{10.00}$ |
| Indirect Taxes Increases Decreases | $\ldots$ | $\begin{aligned} & +6.37 \\ & -2.50 \dagger \end{aligned}$ | $\begin{gathered} +76.73^{*} \\ -2 \cdot 75 \end{gathered}$ | $\begin{aligned} & +8.02^{*} \\ & -0.50 \end{aligned}$ |
| Net Change | ... | -28.63 | +1.98 | -2.48 |

* Including taxes on spirits and betting.
$\dagger$ Net of reduced tea and sugar subsidies.
Secondly, this year's Budget does less than last year's towards resisting inflation. From the official figures, Table 3 attempts to estimate (a) the surplus resulting from all transactions which are current from the point of view of the

TABLE 2

|  | Direct Taxes on Income |  | Customs, Excise and Motor Vehicle Duties |  |
| :---: | :---: | :---: | :---: | :---: |
|  | £ Mn. | $\%$ of Total | $£ \mathrm{Mn}$. | \% of Total |
| 1945/6 | 1,823 | $61 \cdot 2$ | 1,154 |  |
| 1946/7 | 1,629 | $56 \cdot 9$ | 1,233 | $43 \cdot 1$ |
| 1947/8 | 1,627 | $52 \cdot 5$ | 1,470 | $47 \cdot 5$ |
| 1948/9 | 1,801 | $53 \cdot 0$ | 1,610 | $47 \cdot 0$ |
| 1949/50 ... | 1,902 | $54 \cdot 7$ | 1,576 | $45 \cdot 3$ |
| 1950/51 (est.) | 1,828 | $52 \cdot 7$ | 1,640 | $47 \cdot 3$ |

[^35]Government (including all transfer payments), following the National Income White Paper; and (b) the net effect of Government transactions upon the current demands for national resources, omitting the transfers which go into, and the tax receipts which come out of, private capital accounts.* Then from its own standpoint, the excess of Government current receipts over payments will be about the same this financial year as last. But, since transfer payments to private capital accounts (War Damage payments and E.P.T. refunds) fall heavily, the Government's net contribution to

TABLE 3
CENTRAL GOVERNMENT SAVING (£ Mn.).

|  | Calendar Years |  | Financial Years |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 1949 | 1950 | 1949/50 | 1950/51 |
| Revenue Current Expenditure | $\begin{aligned} & 3,344 \\ & 3,026 \end{aligned}$ | $\begin{aligned} & 3,345 \\ & 3,080 \end{aligned}$ | $\begin{aligned} & 3,362 \\ & 3,014 \end{aligned}$ | $\begin{aligned} & 3,335 \\ & 3,005 \end{aligned}$ |
| Surplus on Current Account | 318 | 265 | 348 | 330 |
| Current Revenue Current Expenditure | $\begin{aligned} & 3,051 \\ & 2,810 \end{aligned}$ | 3,100 2,945 | 3,112 2,799 | 3,085 $\mathbf{2 , 8 8 5}$ |
| Central Government Saving $\qquad$ ... | 241 | 155 | 313 | 200 |

savings, i.e. to the non-inflationary financing of investment, will be $£ 100 \mathrm{Mn}$. smaller.

In two respects, however, the changes made in the form of taxation this year make the position worse than these figures alone suggest. To begin with, there is the tax on commercial vehicles, whose purpose is to restrict demand, presumably to the level prescribed in the Economic Survey. But the cost of the approved volume of purchases is raised, and hence the savings required to finance the investment.

Second, and more important, is the higher petrol duty as it affects the costs of commercial transport. Undoubtedly, its long-run effect will be to raise prices, but if, in the short-run, a large part of the higher costs are " absorbed " by industry, as the Chancellor appears to think, the influence will still be inflationary. The higher duty will be borne out of company profits. In other words, while the effect of the Chancellor's tax concessions is to raise consumption demand, his tax increases to compensate the revenue are extracted from business savings, with no adjustment in the investment programme.

[^36]
# WAGE RATES AND EARNINGS 

By A. L. Bowley

There were no changes in wage rates affecting our index between February (when building rates rose) and March this year.

CHANGES IN WEEKLY WAGE RATES.

| Percentage of August, 1939 |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1947 | 1948 | 1948 | 1949 | 1949 | 1950 |
|  | July | July | Oct. | Apr. | Oot. | March |
| Bricklayers | 153 | 170 | 170 | 173 | 173 | 175 |
| Labourers | 163 | 183 | 183 | 185 | 1871 ${ }^{\text {d }}$ | 194 |
| Printers' Compositors | 150 | 163 | 163 | 163 | 163 | 170 |
| Dook Labourers | 145 | 145 | 145 | 145 | 145 | 145 |
| Engineers' Fitters | 150 | 150 | 158 | 158 | 158 | 158 |
| Labourers | 166 | 166 | 176 | 176 | 176 | 176 |
| Shipbuilders | 167 | 167 | 180 | 180 | 180 | 180 |
| Railwaymen | 165 | 170 | 170 | 170 | 170 | 170 |
| Cotton ... | 183 | 204 | 204 | 209 | $214+$ | 214 |
| Wool | 169 | 176 | 176 | 176 | 188 | 188 |
| Local Authorities | 165 | 175 | 175 | 177 | 177 | 177 |
| Trams | 151 | 163 | 163 | 163 | 163 | 163 |
| Lorry Drivers | 144 | $155 \frac{1}{2}$ | $155 \frac{1}{2}$ | $155 \frac{1}{2}$ | $155 \frac{1}{2}$ | 155 |
| Boots ... | 163 | 189 | 205 | 205 | 205 | 205 |
| Confectionery | 193 | 214 | 214 | 214 | 228 | 228 |
| Tailoring | 183 | 208 | 208 | 208 | 208 | 208 |
| Shirts .. | 183 | 208 | 208 | 208 | 208 | 208 |
| Tobsacco | 132 | 137 | 137 | 137 | 137 | 137 |
| Coal | 247 | 274 | 283 | 285 | 285 | $285 *$ |
| Agriculture | 230 | 259 | 259 | 270 | 270 | 270 |
| Weighted Average | 174 | 186 | 189 | $190 \frac{1}{2}$ | 191六 | 19212* |
| Alternative : $\dagger$ |  |  |  |  |  |  |
| Coal ... | 219 | 234 | 234 | 234 | 234 | 234 |
| Weighted Average | 171 | 181 | 184 | $185 \frac{1}{2}$ | 1861 | $187 \frac{1}{2}$ |
| Excluding Coal | 165 | $175 \frac{1}{2}$ | 178 | 180 | 181 | 182 ${ }^{\frac{1}{2}}$ |

* Provisional
$\ddagger$ Amended
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.

The "freezing" of wage rates has been generally effective since about March, 1949, as is seen in the second Table.

|  | Wage-rate Index Numbers End of Month |  |  | Retail <br> Prices Index Mid-Month |
| :---: | :---: | :---: | :---: | :---: |
|  | $\underset{\text { General }}{\text { Bul }}$ | Excluding Coal | Ministry of Labour |  |
| 1947 June | 100 | 100 | 100 | 100 |
| $\begin{aligned} & 1948 \\ & \text { October .... } \end{aligned}$ | 109.5 | 108.6 | 107 | 108 |
| 1949 |  |  |  |  |
| January... | $109 \cdot 6$ | $108 \cdot 6$ | 108 | 109 |
| February | $109 \cdot 8$ | $108 \cdot 9$ | 108 | 109 |
| March | $110 \cdot 5$ | $109 \cdot 6$ | 108 | 109 |
| October... | 111.2* | $110 \cdot 4$ | 109 | 112 |
| 1950 |  |  |  |  |
| January | $111 \cdot 3$ | $110 \cdot 5$ | 110 | $112 \cdot 9$ |
| February | $111.9 \%$ | 111.0 | 110 | 113.2 |
|  |  | $111 \cdot 0$ | 110 |  |

The Ministry of Labour's account of average earnings and hours worked in the Principal Industries in a week in October, 1949, is now available. Owing to a revised classification of industries, detailed comparison cannot be made with a date earlier than October, 1948, though the averages for all industries are still comparable. The third Table summarizes the general results over two years.

The wage-rate index in this table is obtained by eliminating coal, agriculture and railways from the Bulletin index, to give a rough approximation to an index for "Principal Industries." The final figure, 109, agrees with that estimated in the Ministry of Labour Gazette, March, 1950, p. 79.

It is seen that since April, 1948, the earnings index has gained slightly over the wage-rates; but so many factors are involved, including

PRINCIPAL INDUSTRIES.

|  | $\begin{aligned} & \text { Oct. } \\ & 1947 \end{aligned}$ | $\begin{aligned} & \text { Apr. } \\ & 1948 \end{aligned}$ | $\begin{aligned} & \text { Oct. } \\ & 1948 \end{aligned}$ | $\begin{gathered} \text { Apr. } \\ 1949 \end{gathered}$ | $\begin{aligned} & \text { Oct, } \\ & 1949 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Av. weekly earnings : | shillings per week |  |  |  |  |
| Men ... ... | $128 \cdot 1$ | 134.0 | 137.9 | $139 \cdot 9$ | $142 \cdot 7$ |
| Women | $69 \cdot 6$ | 72.9 | $74 \cdot 5$ | $77 \cdot 2$ | $78 \cdot 7$ |
| Youths | 51.8 | $57 \cdot 2$ | $58 \cdot 7$ | 58.5 | $60 \cdot 1$ |
| Girls | $43 \cdot 7$ | $48 \cdot 3$ | $49 \cdot 4$ | 50.2 | $51 \cdot 7$ |
| Av. hourly earnings : | pence per hour |  |  |  |  |
| Men ... ... | $33 \cdot 0$ | $34 \cdot 6$ | $35 \cdot 4$ | 36.0 | $36 \cdot 6$ |
| Women | $20 \cdot 1$ | 21.0 | 21.5 | $22 \cdot 2$ | 22.7 |
| Youths | $14 \cdot 1$ | $15 \cdot 6$ | 16.0 | 16.0 | 16.4 |
| Girls | 12.5 | $13 \cdot 7$ | 14.0 | $14 \cdot 2$ | $14 \cdot 6$ |
| All workers : |  | Percentage movements |  |  |  |
| Average earnings | 100 | 105 | 108 $\frac{1}{2}$ | 110 | $112 \frac{1}{6}$ |
| Average wage-rates (approx.) | 100 | 105 | 1071 | 1081 $\frac{1}{2}$ | 109 |

change of relative numbers employed by industry and by sex and age, that little importance can be attached to this result.

The increase of 5 s . per week in men's earnings over the year October, 1948 to October, 1949 is the average of different changes in different industries. Some increase appears in the great majority of the hundred (approx.) industries distinguished, but the amount varies considerably. For men in the major industries, chemicals shows an increase of $8 \mathrm{~s} .$, motor vehicles of all kinds 7 s ., cotton 10 s ., building 7 s ., electricity supply 10s.; but shipbuilding decreased 8s. The average of hours worked hardly changed in the two years.

[^37]
## INDEX OF INDUSTRIAL PRODUCTION (Excluding Finished Munitions)

Average Weekly rate of production in $1946=100$

| Period | TOTAL INDEX |  |  |  |  |  |  |  |  |  |  |  |  | Building Building Materials \& Furnitur |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Rate of Production per workin woek |  | $\begin{aligned} & \text { Rate per } \\ & \text { working day } \\ & \text { (adjusted for } \\ & \text { holidays) } \end{aligned}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | A | B | A | B |  |  |  |  |  |  |  |  |  | A | B |  |  |  |  |
| Weight | 1000 | 1011 | .. | .. | 77 | 51 | 62 | 27 | 31 | 116 | 118 | 120 | 59 | 105 | 16 | 144 | 51 | 39 |  |
| Av. 1935* | 98* | 97* |  |  | 142 | (123) | 76 | 47 | 108 | 76 | (84) | 94 | 69* | 53) | (138) | 87 | (27) |  |  |
| Av. 1946 Av. 1947 | 100 | 100 | 104 | 1111 | ${ }_{105}^{100}$ | 100 | 100 | 100 96 | 110 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |  |
| Av. 1948 | 120 | 118 | 1125 | ${ }_{122}^{111}$ | ${ }_{122}^{105}$ | $1 \begin{aligned} & 107 \\ & 107\end{aligned}$ | ${ }_{113}^{101}$ | ${ }_{99}^{96}$ | 119 133 | $1 \begin{aligned} & 123 \\ & 151\end{aligned}$ | 107 109 | 100 101 | 1100 | 119 | 109 | 103 | 108 | 115 |  |
| Av. 1949 1946 | 127 | 125 | 132 | 130 | 129 | 116 | 118 | 98 | 164 | ${ }_{161}^{151}$ | 109 | 107 | 117 | ${ }_{137}^{141}$ | 124 | 111 | 138 | 138 140 |  |
|  | 93 98 | 94 98 | 93 102 | ${ }^{94}$ | ${ }_{99}^{97}$ | ${ }_{9}^{93}$ | 98 | ${ }^{96}$ | ${ }_{97}^{73}$ | 90 | 90 | 99 | 99 | ${ }^{73}$ | 82 | 103 | 93 | 91 |  |
| 3RD Qr. | 98 | 98 | 106 | 106 | ${ }_{98}$ | 101 | ${ }_{96}$ | ${ }_{101}^{104}$ | ${ }_{101}^{97}$ | ${ }_{97}^{98}$ | 98 100 | 100 97 | 100 98 | ${ }_{110}^{92}$ | ${ }_{108}^{96}$ | ${ }_{91}^{97}$ | ${ }_{97}^{95}$ | 98 |  |
| ${ }^{47 \mathrm{H} \text { Qr. }} 1947$. | 111 | 110 | 114 | 113 | 106 | 107 | 105 | 99 | 128 | $\stackrel{15}{15}$ | 113 | $\begin{array}{r}97 \\ 104 \\ \hline\end{array}$ | ${ }^{103}$ | 125 | 114 | 91 107 |  | 100 112 |  |
| 1 lss Qr. | 98 | 97 | 14 | 97 | 91 | 95 | 93 | ${ }^{96}$ | 92 | 107 | 96 | 92 | 89 | 96 |  |  |  |  |  |
|  | 110 | 109 | 114 | 113 | 107 | 110 | 105 | 89 | 134 | 120 | 110 | 102 | 102 | 121 | 113 | 109 99 | 113 | 115 |  |
| ${ }_{4 \mathrm{trH} \text { Qr. }}$ | 119 | 118 | 123 | 121 | 117 | ${ }_{113}^{110}$ | 109 109 | ${ }_{110}^{91}$ | 122 | 118 | 105 | 102 | 99 | 123 | 114 | 92 | 104 | 114 |  |
| 1948 |  |  |  | 121 | 117 |  | 109 | 110 | 128 | 147 | 119 | 103 | 112 | 138 | 123 | 111 | 106 | 129 |  |
| JEB. | 1124 | ${ }_{1215}^{115}$ | 117 124 | ${ }_{121}^{116}$ | 118 | 112 122 | 115 118 | 81 | 136 129 | 138 | 118 | ${ }_{96}^{96}$ | 111 | 127 140 | 113 | 113 | 109 | ${ }_{13}^{133}$ | $24 \frac{1}{2}$ |
| MAR. | 116 | 113 | 124 | 121 | 117 | 100 | 112 | 81 | 126 | 141 | 107 | ${ }_{96}^{96}$ | 113 | 130 | 116 | 117 | 108 | 151 |  |
| APR. | 123 | 121 | 123 | 121 | 126 | 113 | 118 |  | 132 | 156 | 114 | 98 | 119 | 145 | 127 | 113 | 109 | 147 |  |
| JUNE | 123 | 121 | 124 | ${ }_{122}^{121}$ | 125 | ${ }_{111}^{98}$ | ${ }_{117}^{117}$ | 106 | 134 144 | 149 | 106 110 | 102 105 | 114 | 145 | 125 | 105 10 | 106 110 | 134 144 | ${ }_{24}^{234}$ |
| JULY | 111 | 109 | 124 | 121 | 112 |  |  |  | 139 | 141 | 96 | 98 | 109 | 139 |  |  |  |  |  |
| AUG. | ${ }_{123}^{108}$ | 107 121 | 125 | ${ }_{123}^{120}$ | 1113 | 95 110 | 101 119 | 89 | 100 | 132 180 16 | 94 | 101 | 111 | 132 | 116 | 97 | 108 | 122 | ${ }_{24}^{244}$ |
| OCT. | 127 | 125 | 127 | 125 | 130 | 114 | 119 |  | 143 | ${ }_{163}^{160}$ | 114 | 10 | 121 | 147 148 148 | 131 132 | 109 | 111 | 139 |  |
| Nov. | 129 | 127 | 129 | 127 | 131 | 113 | 119 | 119 | 144 | 165 | 116 | 108 | 127 | 146 | 131 | 122 | 116 | 142 | ${ }_{24}^{231}$ |
| DEC. 1949 | 123 | 119 | 133 | 129 | 119 | 99 | 113 |  | 133 | 163 | 105 | 103 | 119 | 134 | 119 | 118 | 108 | 136 | ${ }_{25}^{24}$ |
| JAN. | 123 130 | 122 128 | 124 130 | 123 | 127 | 110 | 119 |  | 162 | 158 | 107 | 98 | 124 |  |  |  |  |  |  |
|  | 131 | ${ }_{128}^{128}$ | 130 131 1 | ${ }_{128}^{128}$ | ${ }_{133}^{133}$ | 118 | ${ }_{125}^{125}$ | 96 | 161 | 170 | 112 | 98 | 130 | 140 | 126 | 125 | 130 | 150 | ${ }_{22}^{22}$ |
| APR. | 121 | 120 | 130 | 129 | 122 | 105 | 116 |  | 149 | 167 160 | 104 | ${ }_{105}^{101}$ | 131 122 1 | 144 130 | ${ }_{118}^{129}$ | 125 | ${ }_{128}^{133}$ | 147 130 | ${ }_{23}^{25}$ |
| MAY | 131 | 129 | 131 | 129 | 132 | 116 | 123 | 102 | 172 | 175 | 112 | 115 | 127 | 139 | 126 | 115 | 138 | 139 |  |
| JUNE | 126 | 123 | 132 | 130 | 123 | 110 | 117 |  | 164 | 164 | 106 | 112 | 122 | 140 | 127 | 109 | 131 | 135 | ${ }_{24}$ |
| JULY | 117 | 115 | 129 | 127 | 117 | 107 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ${ }_{\text {AUG }}$ SEPT | 115 | 114 | 129 | 128 | 120 | 103 | 107 | 103 | 154 | 138 | 98 | 107 | 115 | 124 | 115 | 99 | 134 | 120 | ${ }_{25}^{235}$ |
| ${ }_{\text {OCT. }}$ | 134 | ${ }_{132}^{127}$ | ${ }_{134}^{131}$ | ${ }_{132}^{129}$ | 138 | 126 130 | ${ }_{123}^{124}$ |  |  | 159 <br> 160 | 119 | 1112 | ${ }_{139}^{131}$ | ${ }_{147}^{142}$ | ${ }_{132}^{129}$ | ${ }_{120}^{113}$ | 138 | 134 | ${ }^{24}$ |
| Nov. | 138 | 136 | 138 | 136 | 143 | 134 | 125 | 91 | 187 | 171 | 122 | 111 | 139 | 146 | 131 | 130 | 151 | 156 | ${ }_{24}^{231}$ |
| ${ }^{\text {DEC. }} 1950$ | 129 | 126 | 140 | 137 | 129 | 118 | 115 |  | 164 | 160 | 111 | 105 | 131 | 139 | 124 | 126 | 137 | 144 | $24 \frac{1}{2}$ |
| JAN. | 133 138 138 | ${ }_{136}^{131}$ | 134 | ${ }_{136}^{132}$ | 139 | 127 |  |  |  | ${ }_{1}^{168}$ | 116 | 103 | 135 | 134 | 121 | 129 | 153 | 149 |  |
| MAR. | 141 | 138 | 141 | 138 |  |  | 127 | 87 | 204 |  | 123 | 10 | 140 | ${ }_{1}^{141}$ | ${ }_{135}^{127}$ | ${ }_{129}^{131}$ | 159 | 156 | ${ }_{25}^{22}$ |

[^38]
## WORLD COMMODITY SURVEY

By C. F. Carter

## Fats and Oils

The figures shown in the main Table are reproduced, by kind permission, from an article by Mr. J. C. A. Faure in the Spring, 1950, issue of Lever Brothers' magazine, "Progress." They show that world production, in terms of oil equivalent, is expected to exceed the pre-war amount in 1950. Owing to the rise in population, however, this will still leave a deficit of 1.85 Mn . tons on the amount necessary to give the pre-war supply per head, 22.3 lb . per annum. Supplies per head in the U.K. ( 65.1 lb .), Holland ( $68 \cdot 6$ lb .), and Belgium ( 56.4 lb .) are practically up to pre-war. French supplies per head are about $90 \%$, and Western Germany's about $60 \%$, of their 1934/38 levels. But the balance of production has shifted in favour of the dollar area, and two quite different price levels for fats and oils exist at the same time. The sterling equivalent of the United States price, which is shown in our Table, is at or below $3 \frac{1}{2}$ times pre-war, while a representative set of non-dollar prices shows sterling rises up to $5 \frac{1}{2}$ times. The United States has become a net exporter of oils and fats, thus in effect making available to the rest of the world over a million tons; but unrest in China, Manchuria and Indonesia, and rising home consumption in exporting countries such as India, have heavily reduced supplies which used to be available to the importers. The total of Western European production and world exports (excluding United States import requirements) was short of the pre-war average by as much as 1.5 Mn . tons in 1949, and is expected to be short by 0.9 Mn . tons in 1950.

Figures published by the United States Department of Agriculture, while differing in minor respects, tell the same story:

|  |  | $\begin{gathered} 1949 \\ \text { Production } \\ \text { as } \% \text { of } \\ 1935-9 \end{gathered}$ | 1950 Exports as \% of 1935-9 (forecast) |
| :---: | :---: | :---: | :---: |
| Edible vegetable oils | $\ldots$ | 110 |  |
| Palm oils ... | $\ldots$ | 90 | 91 |
| Industrial oils |  | 108 | 44 |
| Animal fats | $\ldots$ | 99 | 113 |
| Marine oils | $\ldots$ | 65 | 66 |
| Total | $\ldots$ | 101 | 77 |

Among the edible vegetable oils, groundnut, soya bean, and sunflower oils show in 1949 an increase on pre-war ; cottonseed is a little down ; olive oil and sesame are at about the pre-war level. But owing to higher consumption in
the producing countries, and to troubles in Asia, trade in all these products (except sunflower oil) has decreased heavily. It is, of course, the belief that this fall in exports from existing producers is permanent that lies behind the African groundnut scheme.

The change in the palm oils consists mainly of a fall in coconut oil, partly offset by a rise in palm kernel oil. The greatest hope here is for a revival of Indonesian and Philippine exports. The change in the industrial oils consists for the most part of an increase in rapeseed output; but this hardly enters into international trade, and the heavy fall in exports reflects the fact that linseed oil is largely a dollar product. Tung oil production in China may well decline further.

The figures shown for animal fats are somewhat misleading. Butter production in 1949 is recorded as $84 \%$, and lard production as $91 \%$, of 1935-39: but the average is raised by the heavy production of tallow and greases, over $150 \%$ of pre-war. The greater part of this increase is in the United States.

It follows, therefore, that 1950 will see a continued disparity between surpluses in the dollar area and shortages elsewhere; and that the high non-dollar prices can probably be brought down only by the slow growth of soft currency supplies. The unrest in Asia and Indonesia, and the slow progress of the groundnuts scheme, make it unwise to hope for early relief. Sugar

The latest estimates from Messrs. C. Czarnikow extend those given in our February, 1949, issue for another year, and may be summarised as follows :

| Mn. tons, raw value | 1937/8 | 1948/9 | 1949/50 |
| :---: | :---: | :---: | :---: |
| European beet (exc. Russia) | $7 \cdot 2$ | $6 \cdot 8$ | $6 \cdot 8$ |
| U.S.S.R. ... ... ... | $2 \cdot 5$ | $1 \cdot 9$ | $2 \cdot 3$ |
| U.S.A. (beet) ... | $1 \cdot 2$ | $1 \cdot 2$ | 1.4 |
| Total beet (including other producers) | $11 \cdot 1$ | $10 \cdot 0$ | 10.7 |
| Cuba, San Domingo, Haiti, Mexico | $3 \cdot 8$ | 6-3 | 6•3 |
| U.S.A. (cane), Hawaii, Puerto Rico, Philippines | $3 \cdot 1$ | $3 \cdot 1$ | $3 \cdot 2$ |
| British Empire (cane) | $2 \cdot 4$ | $2 \cdot 9$ | $2 \cdot 9$ |
| Brazil, Argentina, Peru ... ... | 1.7 | $2 \cdot 6$ | $2 \cdot 4$ |
| India, Pakistan (gur at raw value) | $3 \cdot 2$ $2 \cdot 5$ | 3.6 0.9 | $3 \cdot 5$ 0.9 |
| Total cane (including other producers) | $18 \cdot 1$ | $20 \cdot 6$ | $20 \cdot 5$ |
| World Total | $29 \cdot 1$ | $30 \cdot 7$ | 31-3 |


| 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 . | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | 6,240 | 104 | п.я. | n.a. | - | - |
| Fats and Oils ... | Calendar year | 000 tons | Average <br> 1934-8 | $\begin{gathered} 21,170 \\ \text { (oil equiv.) } \end{gathered}$ | 100 | (104) | n.a. | - | - |
| Sugar ... | Begins Sept. | 000 tons | 1934-8 | $\begin{gathered} 30,687 \\ \text { (raw value) } \end{gathered}$ | 105 | 107 | п.a. | n.a. | 105 |
| Tea ... | Calendar year | Mn. lb. | $\begin{gathered} \text { Average } \\ \text { 1936-8 } \end{gathered}$ | (887) (exports) | (100) | n.a. | (910) <br> (absorption excl. local produce | (104) | n.a. |
| Coffee | $\begin{aligned} & \text { Begins } \\ & \text { July } \end{aligned}$ | Mn. bags of 132 lb | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to 1939/40 } \end{aligned}$ | $\begin{gathered} 31.5 \\ \text { (exportable) } \end{gathered}$ | 88 | 83 | (32) | (115) | n.a. |
| Cocos ... | Begins October | 000 tons | $\begin{aligned} & \text { Av.1935/6 } \\ & \text { to 1939/40 } \end{aligned}$ | 737 | 105 | 103 | п... | - | - |
| Cotton ... | Begins August | Mn. bales (478 lb. net) (k) | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to 1939/40 } \end{aligned}$ | 28.9 | 91 | 98 | 28.8 | 103 | 104 |
| Wool (apparel) | Begins July | Mn . lb . (greasy) | $\begin{aligned} & \text { Av. 1934/5 } \\ & \text { to } 1938 / 9 \end{aligned}$ | 2,950 | 99 | 100 | 3,547 | 114 | 114 |
| Jute ... | Begins July | 000 tons | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 1,390 (j) | 82 | (82) | n.a. | - | - |
| Sisal ... | Calendar year | 000 tons | Average 1934-8 | (270) | (120) | n.e. | n.a. | - | - |
| Rubber... | $\begin{aligned} & \text { Calendar } \\ & \text { year } \end{aligned}$ | 000 tons | $\begin{gathered} \text { Average } \\ 1936.9 \end{gathered}$ | $\begin{gathered} 1,923 \text { incl. } 1,483 \\ \text { natural } \end{gathered}$ | 193 | (195) | 1,875 incl. 1,427 natural | 178 | 184 |
| Copper... | Calendar year | 000 tons | $\begin{aligned} & \text { Average } \\ & 1937.8 \end{aligned}$ | 2,420 (primary) | 113 | n.a. | 2,380 | n.a. | n.в. |
| Lead ... | Calendar year | 000 tons | 1938 | 1,540 | 94 | (77) | 1,470 | n.a. | п.a. |
| Tin | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936.8 \end{gathered}$ | 161.3 (tin in concentrates) (e) | 90 | n.8. | 118.3 (e) | 69 | п.a. |
| Zinc ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 1,800 | 136 | (133) | 1,440 | n.a. | n.a. |

[^39]
## WORLD COMMODITY SURVEY

\begin{tabular}{|c|c|c|c|c|c|c|c|}
\hline \& \multicolumn{2}{|l|}{WORLD STOCKS} \& \multicolumn{2}{|l|}{U.K. CONSUMPTION} \& \& PRICES \& <br>
\hline Date \& Amount \& \% of pre-war \& Last season \& $\%$ of pre-war \& Date \& Representative price \& \% of pre-war (f) <br>
\hline \multirow[t]{2}{*}{July, 1949} \& \multirow[t]{2}{*}{638 (a)} \& \multirow[t]{2}{*}{n.a.} \& \multirow[t]{2}{*}{225 (b)} \& \multirow[t]{2}{*}{103} \& $$
\begin{gathered}
\text { Apr. 1-18, } \\
1950
\end{gathered}
$$ \& Chicago May futures $\$ 2 \cdot 25$ per bush. \& $$
\begin{gathered}
235 \\
403(\mathrm{f})
\end{gathered}
$$ <br>
\hline \& \& \& \& \& Jan. 1950 \& U.S. Dept. of Labor index (Year $1926=100$ ) \& $$
\begin{aligned}
& 206 \text { (c) } \\
& 355 \text { (f) }
\end{aligned}
$$ <br>
\hline - \& п.8. \& - \& 2,048 (raw value, calendar year 1949) \& 89 \& $$
\begin{gathered}
\text { March } \\
1950
\end{gathered}
$$ \& Raws, f.o.b. Cuba $\$ 4.45$ per 100 lb . \& $$
\begin{gathered}
307 \\
540 \text { (f) }
\end{gathered}
$$ <br>
\hline - \& п.a. \& - \& (400) \& (91) \& $$
\begin{gathered}
\text { Mar. 22-3 } \\
1950
\end{gathered}
$$ \& Calcutta average for expori leaf,
$$
2 / 7 \mathrm{lb} .
$$ \& (266) <br>
\hline - \& n.a. \& - \& $0 \cdot 72$ \& (185) \& $$
\begin{gathered}
\text { Ap. 3-13, } \\
1950
\end{gathered}
$$ \& New York spot, Brazilian Santos, No. 2 (nom.) $50 \cdot 0 \mathrm{clb}$. \& $$
\begin{gathered}
(555) \\
(940)(\mathrm{f})
\end{gathered}
$$ <br>
\hline - \& n.a. \& - \& 116 (i) \& n.a. \& $$
\begin{gathered}
\text { Ap. } 3 \cdot 18 \text {, } \\
1950
\end{gathered}
$$ \& Accra, e.i.f. New York $23 \cdot 9$ c. per lb. (nominal) \& $$
\begin{gathered}
(340) \\
(595)(\mathrm{f})
\end{gathered}
$$ <br>
\hline $$
\begin{gathered}
\text { Aug. } \mathrm{I} . \\
1949
\end{gathered}
$$ \& 14.8 \& (81) \& $2 \cdot 0$ \& 75 \& Ap. $1-18$ 1950 \& New York spot, middling㤢" $33 \cdot 08$ c. per lb. \& $$
\begin{gathered}
310 \\
525 \text { (f) }
\end{gathered}
$$ <br>
\hline \multirow[t]{2}{*}{$$
\begin{gathered}
\text { June } 30, \\
1949
\end{gathered}
$$} \& 2,961
n.a. \& (160) \& 782

90 \& 110
52 \& Mar. 1950

Mar. 1950 \& | Dominions wool, average clean delivered cost out of London |
| :--- |
| Sales $\begin{aligned} & \text { 64's.-127d./lb. } \\ & \text { 48's.-55d./lb. } \end{aligned}$ |
| First Marks, c.i.f. London |
| Pakistan £116 per ton | \& \[

$$
\begin{aligned}
& 495 \\
& 414 \\
& 635
\end{aligned}
$$
\] <br>

\hline \& \multirow[t]{2}{*}{857 incl. 755 natural} \& \multirow[b]{2}{*}{129} \& \multirow[t]{2}{*}{n.a.
186 incl. 184 nat.} \& \multirow[b]{2}{*}{167} \& Mar., 1950 \& No. 1, c.i.f. Antwerp, £130 per ton \& 775 (g) <br>

\hline $$
\begin{gathered}
\text { Jan. 31, } \\
1950
\end{gathered}
$$ \& \& \& \& \& \[

\underset{1950}{mid-Ap.}
\] \& London R.S.S. spot 19d. per lb. \& 227 <br>

\hline Feb. 28, 1950 \& 198 refined (d) \& (57) (h) \& 319 \& 114 \& $$
\begin{aligned}
& \text { end Ap. } \\
& 1950
\end{aligned}
$$ \& U.S. electro, Connecticut Valley $19 \cdot 5 \mathrm{c}$. per 1 l ). \& \[

$$
\begin{gathered}
166 \\
292(\mathrm{f})
\end{gathered}
$$
\] <br>

\hline - . \& n.a. \& - \& 157 (refined) \& 44 \& $$
\begin{gathered}
\text { end Ap. } \\
1950
\end{gathered}
$$ \& New York 1]c. per lb. \& \[

$$
\begin{gathered}
232 \\
405(f)
\end{gathered}
$$
\] <br>

\hline Dec. 31 , 1949 \& 129.7 (e) \& (224) \& 20.8 \& 95 \& $$
\begin{gathered}
\text { April. } \\
1950
\end{gathered}
$$ \& London, Standard, Cash. £590 per ton \& 278 <br>

\hline - \& n.a. \& - \& 199 \& 95 \& end Ap.

$$
1950
$$ \& U.S. Prime Western (East St. Louis) 11c. per lb. \& \[

$$
\begin{gathered}
239 \\
421 \text { (f) }
\end{gathered}
$$
\] <br>

\hline
\end{tabular}

marked (f), where necessary. (g) \% of early 1939. (h) \% of 1937. (i) Ministry of Food estimate of cocoa bean consumption excluding beans transferred to oilseed stocks. (j) excluding changes in up-country stocks. (k) U.S. in running bales.

There is some uncertainty, however, regarding the 1949/50 figures, for yields in the early part of the current Cuban season have been high, and estimates of the crop have varied all the way from $4,850,000$ tons to $5,350,000$ tons.

The development of the sugar market during the past year illustrates the complex movements of the price of a commodity subject to much government control and intervention. World sugar demand is to a substantial extent met by producers with reserved markets-mainly domestic beet-sugar growers and colonial cane producers. Thus the United States declares an annual " basic quota," representing an estimated consumption, and subject to revision up or down if the domestic market changes : and this quota is divided, with preference to domestic beet and cane and to Hawaii, Puerto Rico and the Philippines, Cuba getting the greater part of the residual market. If one of the "preferred" producers fails to provide its quota, the deficit is re-allotted, mainly to the benefit of Cuba. The United Kingdom, after using domestic beet and Empire cane supplies, buys its sugar in large blocks : in the early summer of 1949 it contracted for 350,000 tons of Cuban sugar (later increased to 400,000 tons), and it also bought 200,000 tons outright. In the autumn it contracted to take the whole 1950 exportable surplus from San Domingo. But the United Kingdom is not the only bulk buyer in the market ; the Commodity Credit Corporation buys for the territories fed through the United States Army and for certain E.C.A. countries, while certain very curious German deals have been recorded during the past year. The effect of all such deals is mirrored in the Cuban market, Cuba being the "residual" producer.

Starting in January, 1949, at $\$ 4.00$ f.o.b. for Cuban raws, sugar prices sagged to the year's low point of $\$ 3.87$. At this point, rumours of an intending United States Army purchase, and price support measures by the Cuban authorities, brought the price up to $\$ 4.27$ in March. In fact, however, the C.C.C. purchase for the army was less than expected, and, despite a fall of 800,000 tons in the Cuban crop as compared with $1947 / 8$, and a buoyant tendency in United States domestic distribution, prices fell back to $\$ 4.00$. In May, substantial British purchases were announced, and, after a period of hesitation caused by fears of currency tightness and of a high beet crop, the market began to advance. In August, with the price at $\$ 4.20$, disposal of the $1948 / 9$ crop was virtually complete, and 150,000 tons was transferred from Cuba's "U.S. Retained" quota to the world quota.

The sugar year closed with prices nominally ranging up to $\$ 4.40$, and with a disappointment of the hopes of a heavy European beet harvest.
New crop sugars were quoted in November at $\$ 4.15$. On the face of it, the new year did not look exceptionally promising. The preferred producers seemed likely to take a larger share of an unchanged United States demand-indeed, Puerto Rico made, in January, a brief appearance in the open market. Cuban production seemed unlikely to fall as much as had been expected. On the other side, Brazilian output showed a fall, and Taiwan was a doubtful quantity ; there was also some possibility of India becoming an importer. Clearly, however, European demand was extremely active in January, and the price rose sharply to $\$ 4.75$. By February over 750,000 tons of the world quota had been sold; but reports of high yields for the current crop, and second thoughts about the Puerto Rican incursion, began to have their effect, the price weakening to about $\$ 4.40$. March saw the market quiet but nervous, with prices varying between $\$ 4.50$ and $\$ 4.30$. The future of prices depends on the final Cuban out-turn, on E.C.A. policy, and on the size of this year's beet crops.

## RUbBER

The remarkable rise in the price of rubber, which at the time of writing has exceeded $1 / 9$ per lb. (the highest level since the middle 1920's) calls for some comment. 1950 production of natural rubber was estimated early in the spring at $1,565,000$ tons; if consumption showed a moderate rise (on renewed United States activity) and the usual amounts disappeared into strategic stockpiles, the market seemed reasonably balanced. But Indonesian supplies have been shorter than expected, and the Singapore market has been finding it difficult to meet forward sales. There is believed to have been some hoarding, especially by Chinese merchants, but it seems likely that there has been a genuine shortage of supply, as the rise in prices does not seem to have brought hoards on to the market. There is some suspicion also that. demand has been unusually strong, but it is not yet clear from which quarter it has come. By the time these words appear, the situation will no doubt have been clarified; and although the price of rubber at its peak is still very moderate, compared both to the level of other commodity prices and to the level of estate costs, it seems certain that it must fall nearer to $1 / 3$ or $1 / 4$, since otherwise it will cease to be competitive with United States GR-S synthetic rubber at $18 \frac{1}{2}$ cents.

## ANNUAL STATISTICS

(U.K. unless otherwise indicated)

| No. | Sorios | Units | 1938 | 1945 | 1946 | 1947 | 1948 | 1949 | $\begin{aligned} & \text { Est. } \\ & 1950 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | NATIONAL INCOME, CAPITAL, FOREIGN PAYMENTS |  |  |  |  |  |  |  |  |
| 1 | Gross national product at market prices | £Mn. | 5728 | [10155] | 10197 | 11271 | 12317 | 12834 | 13345 |
| 3 | Net national product at market prices | " | 5278 4638 | [9605] | 9522 8249 | 10521 | 11542 | 11859 | 12335 |
| 3 | Net national income at factor cost ... .... | " |  | [8355] | 8249 | 9071 | 9928 | 10226 | 10670 |
| 4 | Rent, income from abroad, professional earnings, and other mixed incomes. | , | 1147 | ¢[2824] | 1510 | 1586 | 1681 | 1721 |  |
| 5 | Profits of Trading Companies, etc., and operative profits of public enterprises. | " | 568 | $\int[2824]$, | 1279 | 1618 | 1811 | 1730 |  |
| 6 | Salaries, wages, Forces pay and allowances... | ", | 2923 | [5531] | 5460 | 5867 | 6436 | 6775 |  |
| 7 | Personal income before tax ... ... ... | , | 4890 | [8411] | 8766 | 9136 | 9754 | 10166 |  |
| 8 | Direct tax payments from personal income... | " | 442 | [1394] | 1373 | 1317 | 1446 | 1560 |  |
| 9 | Personal expenditure on consumption, current market prices | " | 4304 | [5996] | 6790 | 7513 | [8108 | 8402 | 8640 |
| 10 | Personal expenditure on consumption, at 1948 prices | , |  |  | 7844 | 8094 | 8108 | 8245 |  |
| 11 | Net capital formation at home ... | " | [320] | [-11] | [700] | [1516] | [1815] | [1490] | [1425] |
| 12 | Net overseas investment- ... ... | " | -70 | $-875$ | $-370$ | -600 | -150 | $-70$ | 50 |
| 13 | Comprising gold and dollar surplus ... | , | . |  | -226 | $-1024$ | $-423$ | -381 |  |
| 14 | increase in external capital assets | " |  |  | $-106$ | 295 | 105 | 296 |  |
| 15 | decrease in foreign-held sterling balances |  |  |  | -38 | 129 | 213 | 15 |  |
| 16 | National debt outstanding at March 31st* ... | £000 Mn. | $6 \cdot 8$ | $21 \cdot 4$ | $23 \cdot 6$ | $25 \cdot 6$ | $25 \cdot 6$ | $25 \cdot 2$ | $25 \cdot 8$ |
| 17 | National floating debt ... ... ... | , | $0 \cdot 8$ | $6 \cdot 1$ | 6.5 | $17 \cdot 0$ | 6.5 | $5 \cdot 9$ | $5 \cdot 7$ |
|  | AGRICULTURE- |  | 1936/8 Av. |  |  |  |  |  |  |
| 18 | Production-wheat | Mn. tons | 1.65 | $2 \cdot 18$ | ${ }^{1} 11.97$ | 1.67 | $2 \cdot 36$ | $2 \cdot 14$ |  |
| 19 20 | " barley | " | 0.76 1.94 | $2 \cdot 11$ | 1.96 | 1.62 | 2.03 | $2 \cdot 06$ | . |
| 21 | ", pats ${ }^{\text {,".. }}$ | " | 1.94 4.87 | $3 \cdot 24$ $9 \cdot 79$ | $2 \cdot 90$ $10 \cdot 17$ | 2.51 7.77 | 2.96 11.80 | $2 \cdot 93$ 9.05 | - |
| 22 | refined sugar from home- |  | +87 | 970 | 10 | , | 11.80 | $9 \cdot 05$ |  |
| 23 | Milk sold off farms (through marketing schemes) | $\begin{gathered} 000^{\prime \prime} \mathrm{Mn} . \\ \text { gals. } \end{gathered}$ | .40 1.20 | 45 1.42 | .47 1.50 | .61 1.46 | .50 1.62 | $\cdot 50$ 1.73 | . |
| 24 | No. of cows and heifers in milk (June) ... | Mn. | (2.79) | 2.92 | $2 \cdot 92$ | 2.90 | 2.93 | 3.05 |  |
| 25 | Total No. of live cattle | " | 8.679 | $9 \cdot 62$ | $9 \cdot 63$ | $9 \cdot 57$ | $9 \cdot 81$ | $10 \cdot 24$ |  |
| 26 | No. of live sheep ... ... ... ... | , | 25.79 | $20 \cdot 15$ | 20.36 | 16.71 | 18.16 | 19.49 |  |
| 27 28 | No. of live pigs ... | , | 4.47 | $2 \cdot 15$ | 1.96 | 1.63 | $2 \cdot 15$ | 2.82 |  |
| 28 | No. of live poultry | 1936.8 | $76 \cdot 24$ | $62 \cdot 14$ | 67-12 | 70.01 | 85-37 | $95 \cdot 50$ |  |
| 29 | Price index for agricultural products, E \& W | $=100$ | 102 | 196 | 208 | 242 | 249 | 261 |  |
|  | POPULATION, LABOUR etc.- |  | 1938 |  |  |  |  |  |  |
| 30 31 | Mid-year population ... ... ... ${ }^{\text {a }}$ | Mn. | 47-7 | $49 \cdot 2$ | $49 \cdot 2$ | $49 \cdot 6$ | $50 \cdot 1$ | $50 \cdot 4$ | (50.6) |
| 31 | No. under 14 or undergoing full-time education |  | (10-3) |  |  | (10.8) |  |  |  |
| 32 | No. of men, 65 and over, and women, 60 and | , | (10.3) |  | (10.4) | (10.8) | (11.3) | (11.5) | (11.6) |
| 33 | Population of 'working ages' ( 30 less 31 and 32 ) | " | $5 \cdot 3$ $(32 \cdot 1)$ | . | 6.4 $(3.4)$ | 6.5 | 6.6 | 6.7 | (6.8) |
| 34 | Proportion (of 33) employed ..... | \% | (63) |  | $(32 \cdot 4)$ $(68)$ | $(32 \cdot 3)$ $(69)$ | (32.2) | $(32 \cdot 2)$ | (32.2) |
| 35 | Inward balance of civilian passenger movements | \% | (63) |  | (68) | (69) | (69) | (70) | . . |
| 36 | Working days lost in trade disputes $\ldots$ | $00 \ominus$ Mn. | 28 1.3 |  | $-141$ | -28 | $-9$ |  |  |
| 37 | Effective Reproduction Rate, E \& W | Mn . | 1.3 0.81 | $\begin{aligned} & 2.8 \\ & 0.91 \end{aligned}$ | $\begin{aligned} & 2 \cdot 2 \\ & 1 \cdot 10 \end{aligned}$ | $\begin{array}{r} 2 \cdot 4 \\ 1 \cdot 21 \end{array}$ | $\begin{gathered} 1 \cdot 9 \\ (1 \cdot 05) \end{gathered}$ | $\begin{gathered} 1.8 \\ (0.97) \end{gathered}$ |  |
| 38 | Infantile mortality rate E \& W | Per 000 live births | 53 | 46 | 43 | 41 | 34 |  |  |

[^40]FINANCE


Figures in 19 Exohequer Return
$=$ Not availab
$\dagger$ Including some issues not geographically distributed. $\ddagger$ About $£ 125 \mathrm{Mn}$. gold currency in circulation in 1913.
For other notes on this table, see Bulletin, February, 1949, p. 29.

| Monthly Averages or Months． | RETAIL PRICES． |  |  |  | WHOLESALE PRICES． |  |  |  | PRICES TO FARMERS． |  |  |  | UNEMPLOYMENT＊ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | $\begin{aligned} & \text { 흐옇 } \\ & \text { odeg } \end{aligned}$ |  | $\begin{aligned} & \text { rd of } \mathrm{Tr} \\ & \text { dex No } \end{aligned}$ |  | Statist． Index． |  |  |  |  |  | Perce Indus | ge of mploy | ured ation |
|  | $\begin{aligned} & \text { ज⿹丁口 } \\ & \text { O } \end{aligned}$ | $\begin{aligned} & \text { O} \\ & 0 \\ & \text { B } \end{aligned}$ |  |  | ⿹ㅐㅇ |  |  | 感㡙 |  | 范 |  |  |  | 需 䔍 岕 | \％ | B 馬 8 B |
|  | \％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 |  |  |  |  |  | 233 |  |  |  | （105） |  |  |  |  |
| 1920 | 160 | 182 | 107 |  | 253.7 | $220 \cdot 8$ |  | 277 |  |  |  | （125） |  |  |  |  |
| 1921 ． | 145 | 163 | 110 |  | $162 \cdot 2$ | $169 \cdot 6$ |  | 161 |  |  |  | （137） |  |  |  |  |
| 1922 | 117 | 125 | 109 |  | $131 \cdot 1$ 131.1 | $134 \cdot 0$ $125 \cdot 5$ |  | 138 139 |  |  |  | （105） | 1191 |  |  |  |
| 1923 | 111 | 120 | 102 99 |  | $131 \cdot 1$ $137 \cdot 1$ | 125.5 134.9 |  | 139 153 |  |  |  | $(94)$ 96 | 1191 | $11 \cdot 6$ $10 \cdot 2$ | $6 \cdot 4$ $8 \cdot 6$ | $14 \cdot 3$ 12.4 |
| 1924 | 112 | 121 | 99 99 | $\cdots$ | $137 \cdot 1$ 131.3 | 134.9 $135 \cdot 1$ |  | 153 |  |  |  | 96 | 1171 | $10 \cdot 2$ 11.0 | 8.6 16.5 | $12 \cdot 4$ $15 \cdot 2$ |
| 1925 | 110 | 117 | 99 |  | $122 \cdot 2$ | $125 \cdot 6$ |  | 137 |  |  |  | 96 | 1326 | $12 \cdot 3$ | 18.0 | 16.4 |
| 1927 | 107 | 114 | 99 |  | 116.9 | 123.4 |  | 134 |  |  |  | 96 | 1030 | $9 \cdot 6$ | $19 \cdot 5$ | $10 \cdot 6$ |
| 1928 ． | 106 | 112 | 100 |  | 115.8 | $123 \cdot 6$ |  | 130 |  |  |  | 96 | 1150 | 10.7 | 23.0 | 11.7 |
| 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 |  | $98 \cdot 6$ | 102.7 | 107.7 | 101 | 122 | 99 | 97 | 94 | 1841 | $15 \cdot 8$ | $25 \cdot 9$ | 18.5 |
| 1931 | 95 | 93 | 103 |  | $86 \cdot 2$ | $90 \cdot 9$ | $82 \cdot 5$ | 85 | 101 | 81 | 93 | 93 | 2532 | $21 \cdot 1$ | $32 \cdot 4$ | $26 \cdot 6$ |
| 1932. | 92 | 90 | 112 |  | $84 \cdot 4$ | $90 \cdot 1$ | $76 \cdot 1$ | 83 | 88 | 82 | 83 | 92 | 2621 | 21.9 | $36 \cdot 5$ | $27 \cdot 7$ |
| 1933. | 90 | 85 | 104 |  | $84 \cdot 5$ | $85 \cdot 2$ | $86 \cdot 3$ | 86 | 86 | 92 | 82 | 90 | 2391 | $19 \cdot 8$ | $34 \cdot 6$ | $26 \cdot 1$ |
| 1934 | 90 | 87 | 101 |  | 86.9 | $87 \cdot 3$ | $94 \cdot 7$ | 88 | 91 | 99 | 85 | 90 | 2021 | $16 \cdot 6$ | $32 \cdot 3$ | $23 \cdot 1$ |
| 1935 | 92 | 89 | 101 |  | $87 \cdot 7$ | $89 \cdot 2$ | $95 \cdot 0$ | 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 | 13.0 | $29 \cdot 4$ | 18.7 |
| 1937 | 99 | 99 | 100 |  | $107 \cdot 2$ | $105 \cdot 1$ | $132 \cdot 4$ | 114 | 101 | 111 | 94 100 | 97 100 | 1349 <br> 1649 | 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 | $101 \cdot 4$ | $100 \cdot 0$ | 107．4 | 108 | 101 | 112 | 101 | 101 | 1408 | $9 \cdot 6$ | $17 \cdot 8$ | $12 \cdot 6$ |
| 1940 | 119 | 116 | 141 | 126 | $134 \cdot 6$ | $136 \cdot 4$ | $158 \cdot 6$ | 148 | 139 | 161 | 136 | 112 | 850 | 6.4 | $12 \cdot 4$ | 7.5 |
| 1941 | 130 | 123 | 160 | 155 | $150 \cdot 5$ | $150 \cdot 2$ | $179 \cdot 5$ | 162 | 147 | 202 | 161 | 122 | 260 | $2 \cdot 3$ | $5 \cdot 8$ | $3 \cdot 5$ |
| 1942 | 139 | 125 | 197 | 173 | $157 \cdot 1$ | 161－1 | 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 | －7 | 1.8 | 1.2 |
| 1944 | 146 | 125 | 237 | 175 | $163 \cdot 7$ | 162.4 | $198 \cdot 3$ | 187 | 162 | 239 | 189 | 146 | 64 | － 6 | 1.8 | $1 \cdot 3$ |
| 1945 | 148 | 127 | 235 | 176 | $166 \cdot 7$ | 162.5 | $202 \cdot 2$ | 191 | 161 | 238 | 194 | 154 | 140 | 1.2 | $4 \cdot 3$ | $2 \cdot 1$ |
| 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 | $246 \cdot 1$ | 299 | 218 | 237 | 225 | 175 | 468 | $3 \cdot 0$ | 6.8 | $4 \cdot 2$ |
| 1948 | 173 | 149 | 311 | 196 | 216.2 | 185.8 | $322 \cdot 3$ | 341 | 237 | 280 | 239 | 188 | （310） | 1.7 | （5．5） | （3．5） |
| $\begin{aligned} & 1949 \\ & 1948 \end{aligned}$ | 178 | 157 | 308 | 205 | 226.8 | 201.7 | $320 \cdot 0$ | 347 | 254 | 278 | 253 | 193年 | 308 | 1.5 | $4 \cdot 0$ | $3 \cdot 0$ |
| JAN． | 168 | 143 | 297 | 191 | 209．2 | 178.8 | 312.0 | 332 | 236 | 266 | 299 | $183 \ddagger$ | 318 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| FEB．． | 171 | 149 | 297 | 192 | 213.7 | 185.9 | $316 \cdot 5$ | 334 | 240 | 268 | 290 | $185 \ddagger$ | 315 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| MAR． | 172 | 150 | 297 | 193 | $214 \cdot 2$ | $185 \cdot 5$ | 315.9 | 337 | 243 | 270 | 266 | $186 \frac{1}{2}$ | 299 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| APR． | 174 | 151 | 316 | 192 | 216.2 | $187 \cdot 1$ | 319.6 | 338 | 245 | 272 | 220 | 187 | 301 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| MAY | 174 | 150 | 316 | 194 | $217 \cdot 3$ | $187 \cdot 3$ | $324 \cdot 9$ | 344 | 248 | 272 | 179 | 187 | 290 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JUNE | 177 | 157 | 316 | 195 | 219.0 | $189 \cdot 3$ | $327 \cdot 4$ | 347 | 246 | 271 | 179 | 1874 | $274 \ddagger$ | 1.5 | $5 \cdot 5$ | $3 \cdot 6$ |
| JULY ．． | 174 | 149 | 316 | 196 | 218.7 | 188.9 | $327 \cdot 1$ | 344 | 244 | 271 | 190 | $188 \ddagger$ | 282 | （1．5） | （5．5） | （3．5） |
| AUG． | 174 | 148 | 316 | 198 | $217 \cdot 9$ | $187 \cdot 9$ | $324 \cdot 3$ | 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 | $191 \frac{1}{4}$ | 314 | （1．5） |  |  |
| NOV．．． | 175 | 149 149 | 316 316 | 202 | 217.4 | 185.6 | $324 \cdot 4$ | 346 | 232 | 285 | 292 | $191 \frac{1}{t}$ | 328 | （1．5） |  |  |
| $\begin{aligned} & \text { DEC. } \\ & 1949 \end{aligned}$ | 175 | 149 | 316 | 202 | $217 \cdot 7$ | 183.0 | 331.4 | 350 | 237 | 285 | 302 | $191 \frac{1}{6}$ | 327 | （1．5） |  |  |
| JAN．．．． | 175 | 149 | 316 | 203 | 218.2 | 183.1 | 331.0 | 352 | 242 | 283 | 298 | 191六 | 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．．．．． | 176 176 | 149 | 316 306 | 204 | $217 \cdot 4$ | 182.5 | 326.8 | 347 | 259 | 283 | 266 | 193 | 340 | 1.7 | $4 \cdot 2$ | $3 \cdot 2$ |
| MAR ${ }^{\text {MAP }}$ ．．． | 176 178 | 150 158 | 306 306 | 205 | 223.5 228.1 | 191.0 | $323 \cdot 7$ | 343 | 272 | 283 | 242 | 193 | 325 | $1 \cdot 6$ | $4 \cdot 0$ | $3 \cdot 1$ |
| JUNE | 179 | 159 | 306 | 206 | 228．7 | $207 \cdot 5$ | $322 \cdot 2$ 319.2 | 337 330 | 274 269 | 283 | 185 184 | 1931 193 | 304 264 | 1.5 1.3 | 3.9 3.6 | 2.9 2.5 |
| JULY ．．． | 179 | 159 | 306 | 206 | 226.2 | 207－4 | $302 \cdot 4$ | 324 | 262 | 272 |  |  |  |  |  |  |
| AUG．．．． | 179 | 160 | 306 | 206 | 226.3 | $208 \cdot 0$ | $302 \cdot 0$ | 325 | 259 | 273 | 1928 | 193 年 | 243 | 1.2 1.3 | 3.5 3.6 | 2.5 2.6 |
| SEPT．．．． | 180 | 161 | 306 | 206 | $227 \cdot 5$ | $206 \cdot 3$ | 311.7 | 359 | 252 | 274 | 248 | $194 \frac{1}{4}$ | 268 | $1 \cdot 3$ | $3 \cdot 6$ | $2 \cdot 7$ |
| OCT．．．${ }^{\text {NOV．}}$ | 181 | 164 164 | 306 306 | 204 | $233 \cdot 9$ 236.9 | 216.3 218.8 | 318.2 | 366 | 246 | 278 | 291 | 1941 $\frac{1}{4}$ | 300 | 1.5 | $3 \cdot 9$ | 2.8 |
| DEC. | 181 | 164 165 | 306 306 | 204 204 | $236 \cdot 9$ $237 \cdot 6$ | 218.8 217.7 | $325 \cdot 2$ 331.0 | 365 369 | 247 | 280 | 323 | $\left.194 \frac{1}{2} \right\rvert\,$ | 324 | 1.6 | $4 \cdot 1$ | $3 \cdot 0$ |
| $\begin{aligned} & \text { DEC. } \\ & 1950 \end{aligned}$ | 182 | 165 | 306 | 204 | $237 \cdot 6$ | $217 \cdot 7$ | $331 \cdot 0$ | 369 | 251 | 282 | 334 | 194류레 | 330 | $1 \cdot 6$ | $4 \cdot 0$ | $3 \cdot 2$ |
| JAN．．．． FEB． | $182$ | 166 | 306 | 204 | 241.4 | $220 \cdot 4$ | $344 \cdot 0$ | 373 | 256 | 282 | 329 | 1941 ${ }^{\text {｜｜}}$ | 372 | 1.8 | $4 \cdot 2$ | $3 \cdot 4$ |
| FEB. ... MAR. | 183 183 | 166 | 306 | 206 | $241 \cdot 7$ | 221.1 | $344 \cdot 4$ | 376 | 261 | 281 | 310 | 195 ${ }^{\text {d }}$ | 373 | 1.8 | $4 \cdot 2$ | $3 \cdot 4$ |
| $\begin{aligned} & \text { MAR. ... } \\ & \text { APR. . } \end{aligned}$ | 183 | 167 | 306 | 206 | $242 \cdot 1$ | $221 \cdot 3$ | $346 \cdot 4$ | 378 | 268 | 282 | 282 | 195圱首 | 347 | 1.7 | $3 \cdot 9$ | $3 \cdot 3$ |
|  |  |  |  |  |  |  |  |  |  |  |  |  | 329 | $1 \cdot 6$ |  |  |
| SOURCRS．－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 Retall Prices <br> （Ministry of Labour）． <br> Figures in Cols．21－24， $32-26$ relate to mid－month；Cols．25－27，29－31，average for month；Col． 28 －end of month．＊Cols． $33-36$ 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．$\ddagger$ Or 286,000 including uninsured unemployed to correspond with later flgures． § July，1914．｜｜Provisional．（ ）Approx．For other notes on this table see Bulletin，February，1949，p． 28 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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 exclude most munitions from 1940-5. 63-65 include munitions.

* Change of classification in 1919. Italics show 1913 olassification. § 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

| 74，75，78： Av．for period；76， 79 ：Totals ； 77 ：Av． Rates | Yield on Govt．Securities |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  | $\begin{aligned} & \% \text { of } \\ & 1938 \end{aligned}$ |  |  |
|  |  |  | £Mn． |  | \％ |  |
|  | 74 | 75 | 76 | 77 | 78 | 79 |
| 1935 | $2 \cdot 46$ | $3 \cdot 03$ | 60 | 84 | $7 \cdot 4$ | － 6 |
| 1936 | 2.45 | $2 \cdot 99$ | 64 | 97 | $8 \cdot 2$ | － 17 |
| 1937 | $2 \cdot 92$ | $3 \cdot 32$ | 53 | 108 | （9－9） | － 39 |
| 1938 | $2 \cdot 73$ | $3 \cdot 27$ | 55 | 100 | $(9 \cdot 8)$ | $-140$ |
| 1939 | $3 \cdot 30$ | $3 \cdot 66$ | 98 | 93 | （8．5） | $-781$ |
| 1940 | $2 \cdot 78$ | $3 \cdot 26$ | 474 | 92 | $10 \cdot 9$ | －2489 |
| 1941 | $2 \cdot 47$ | $2 \cdot 95$ | 611 | 92 | $10 \cdot 6$ | －2794 |
| 1942 | $2 \cdot 32$ | $2 \cdot 89$ | 603 | 93 | $10 \cdot 0$ | －2894 |
| 1943 | $2 \cdot 45$ | $3 \cdot 03$ | 722 | 97 | $10 \cdot 6$ | －2827 |
| 1944 | $2 \cdot 37$ | $3 \cdot 02$ | 710 | 101 | $11 \cdot 6$ | －2910 |
| 1945 | $\overline{2 \cdot 44}$ | $2 \cdot 99$ | 651 | 109 | $11 \cdot 2$ | －2261 |
| 1946 | 2.09 | $2 \cdot 55$ | 547 | 133 | $12 \cdot 4$ | －862 |
| 1947 | $2 \cdot 18$ | $2 \cdot 67$ | 124 | 168 | $15 \cdot 5$ | ＋ 117 |
| 1948 | $2 \cdot 02$ | $\overline{2 \cdot 79}$ | 36 | 183 | $14 \cdot 6$ | ＋ 545 |
| 1949 | 1．94 | $2 \cdot 83$ | 66 |  |  | ＋ 364 |
| 1948 － |  |  |  |  |  |  |
| 1st Qr． | $2 \cdot 27$ | 2.87 | 59 | 177 | $17 \cdot 3$ | ＋ 278 |
| 2nd Qr．．．． | $2 \cdot 07$ | $2 \cdot 87$ | $-11$ | 185 | $14 \cdot 4$ | ＋ 147 |
| 3rd Qr．．．． | 1.90 | $2 \cdot 79$ | $-10$ | 184 | $13 \cdot 3$ | － 30 |
| 4th Qr．．．． | $1 \cdot 78$ | $2 \cdot 65$ | － 1 | 186 | $12 \cdot 6$ | － 54 |
| 1949－ |  |  |  |  |  |  |
| 1st Qr．．．． | I． 63 | $2 \cdot 61$ | 64 |  | $17 \cdot 3$ | ＋ 482 |
| 2nd Qr．．．． | 1．82 | $2 \cdot 60$ | 19 |  | $13 \cdot 8$ | － 47 |
| 3rd Qr．．．． | $2 \cdot 38$ | $3 \cdot 04$ | － 7 |  | $13 \cdot 3$ | － 57 |
| 4th Qr．．．． | $2 \cdot 00$ | $3 \cdot 09$ | － 9 |  |  | － 92 |
| $1950-\mathrm{Or} .$ | $2 \cdot 22$ | $3 \cdot 11$ | 29 |  |  | ＋ 562 |

## POPULATION \＆EMPLOYMENT



PRODUCTION，CONSUMPTION，ETC．

|  | Softwood Supplies |  | Textile Fabrics Woven |  | Retall Sales （Value） |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { 그 } \\ & \text { ث0 } \end{aligned}$ | $\begin{aligned} & \text { g. } \\ & \stackrel{\circ}{\circ} \\ & \hline \end{aligned}$ | $\begin{aligned} & \text { ⿹ㅛ } \\ & 0 \\ & \text { H } \end{aligned}$ | \％ | 릋 気 |  |  |  |
|  | ThousandStandards |  | $\begin{aligned} & \text { Ann. Rates } \\ & \mathrm{Mn} . \mathrm{yds} . \\ & \hline \end{aligned}$ |  | Index Numbers \％of 1947 |  |  |  | $\begin{aligned} & \text { \% of } \\ & 1947 \end{aligned}$ | $\left\|\begin{array}{c} \text { Ann. } \\ \text { rato } \\ \varepsilon 10 \mathrm{Mn} \end{array}\right\|$ |
|  | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 |
| 1937 | 2530 | ． | 3640 | 284 | 63 | 65 | 63 | 53 |  |  |
| 1938 | 1860 |  |  |  | 65 | 68 | 64 | 51 |  | 430 |
| 1939 | 1596 | $\ldots$ |  |  | 66 | 71 | 65 | 49 | $\cdots$ | 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 | 555 |
| 1945 | 921 | 445 | 1539 | 193 | 76 | 83 | 73 | 49 | 79 | 600 |
| 1946 | 1082 | 215 | 1626 | 223 | 88 | 91 | 88 | 79 | 93 | 679 |
| 1947 | 979 | 615 | 1623 | 232 | 100 | 100 | 100 | 100 | 100 | 751 |
| 1948 | 1111 | 466 | 1900 | 267 | 114 | 112 | 123 | 107 | 105 | 811 |
| 1949 | 1150 | 416 | 2000 | 285 | 125 | 122 | 142 | 118 |  | 840 |
| 1948－ |  |  |  |  |  |  |  |  |  |  |
| 1st Qr． | 1086 | 523 | 1850 |  | 102 | 105 | 99 | 101 | 106 | 758 805 |
| 2nd Qr． | 1074 | 412 | 1940 | $\stackrel{+}{+}$ | 112 | 109 | 121 | 103 | 100 | 805 |
| 3 rd Qr． | 1120 | 451 | 1790 | 26 | 112 | 112 | 121 | 101 | 113 | 826 843 |
| 4th Qr． | 1149 | 466 | 2000 | 275 | 128 | 119 | 149 | 124 | 100 | 843 |
| 1949－ |  |  |  |  |  |  |  |  |  | 778 |
| 2nd Qr． | 1102 | 206 | 2020 | 262 | 125 | 121 | 148 | 112 |  | 836 |
| 3rd Qr． | 1143 | 277 | 1860 | 267 | 120 | 121 | 125 | 113 |  | 853 |
| 4th Qr． | 1098 | 416 | 2110 | 285 | 144 | 132 | 175 | 147 |  | 891 |
| 1st Qr． |  |  |  |  | 123 | 126 | 128 | 116 |  |  |

INDUSTRIAL EARNINGS \＆HOURS

| Last pay－ week of months | Earnings per week |  |  | Hours per week |  |  | Hourly Earnings |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\text { ses!78sed } \mathrm{O} \text { IIV }$ |  |  | ヨ | 丽 | $\begin{aligned} & \text { gi } \\ & \text { g } \\ & 0 \\ & 8 \end{aligned}$ | 3 |  | $\begin{aligned} & \text { g } \\ & \text { 日 } \\ & 0 \\ & 8 \end{aligned}$ |
|  | s．d．per week |  |  | Hours |  |  | Index Nos． \％of Oct．， 1938 |  |  |
| 1935 Oct． 1938 Oct． 1940 July 1941 July 1942 July | 98 | 99 | 100 | $\begin{aligned} & 101 \\ & 47 \cdot 8 \\ & 46 \cdot 5 \end{aligned}$ | $\begin{aligned} & 102 \\ & 47 \cdot 7 \end{aligned}$ | 103 | 104 <br> 88 <br> 100 | $\begin{aligned} & 105 \\ & 100 \end{aligned}$ | $\begin{aligned} & 106 \\ & 100 \end{aligned}$ |
|  | 48／11 | 64／6 | 31／3 |  |  |  |  |  |  |
|  | 53／3 | 69／－ | 32／6 |  |  | $43 \cdot 5$ |  |  |  |
|  | 69／2 | 89／－ | 38／11 | ．． | ． | － | ． | $\cdots$ | ． |
|  | 75／10 | 99／5 | 43／11 | $\cdots$ | ． | ． | ． |  | ． |
|  | 85／2 | 111／5 | 54／2 | － | $\ldots$ | ． |  | ． | ． |
| 1943 Jan． | 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 Jan． | 95／7 | 123／8 | 63／9 | $49 \cdot 2$ | 52.0 | $45 \cdot 2$ | 170 | 164 | 189 |
| July | 96／8 | 124／4 | 64／3 | $48 \cdot 6$ | $51 \cdot 2$ | $44 \cdot 6$ | 174 | 168 | 193 |
| 1945 Jan． | 93／9 | 119／3 | 63／2 | $47 \cdot 0$ | $49 \cdot 4$ | $43 \cdot 1$ | 174 | 167 | 196 |
| July | $96 / 1$ | 121／4 | 63／2 | $47 \cdot 4$ | 49•7 | $43 \cdot 3$ | 177 | 169 | 195 |
| 1946 Jan． | $92 / 7$ | 114／1 | 59／10 | 45.8 | $47 \cdot 4$ | $42 \cdot 3$ | 177 | 166 | 189 |
| Oct． | 101／－ | 120／9 | $65 / 3$ | $46 \cdot 2$ | $47 \cdot 6$ | $42 \cdot 6$ | 191 | 175 | 205 |
| 1947 Apr． | 103／6 | 123／5 | 67／4 | $45 \cdot 0$ | $46 \cdot 3$ | 41.5 | 201 | 184 | 217 |
| Oct． | 108／2 | 128／1 | 69／7 | $45 \cdot 2$ | $46 \cdot 6$ | 41.5 | 209 | 190 | 224 |
| 1948 Apr． | 114／－ | 134／－ | 72／11 | $45 \cdot 3$ | $46 \cdot 5$ | $41 \cdot 6$ | 220 | 199 | 234 |
| 1348 Apr． | 117／4 | 137／11 | $74 / 6$ | $45 \cdot 3$ | $46 \cdot 7$ | $41 \cdot 6$ | 226 | 204 | 240 |
| 1949 Apr． |  | 139／11 | 77／2 | $45 \cdot 3$ | $46 \cdot 6$ | $41 \cdot 8$ | 231 | 207 | 247 252 |
| 1949 Apr． | 121／9 | 142／8 | 78／9 | $45 \cdot 4$ | $46 \cdot 8$ | 41－7 | 235 | 210 | 252 |

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： 89 Central Statistical Office． 90.93 Registrars－General．94．106 Ministry of Labour．
－Years ending 3 months after calendar year．．＝Not available．$\dagger$ Imports only，prior to 1940．$\dagger \dagger$（77）relates（approx．）to date of earning profits，（78）to date of declaring dividends．§ New series，see footnote on p．107，Aug．，1949．$\ddagger$ Figures below in square yards．For other notes see Bulletin，Feb．，1949，p． 29.30.

# LONDON \& CAMBRIDGE ECONOMIC SERVICE 

## BULLETIN III. VOL. XXVIII.

AUGUST, 1950.

Copyright.
PUBLISHED BY THE EXECUTIVE COMMITTEE OF LONDON \& CAMBRIDGE ECONOMIC SERVICE

## EXECUTIVE COMMITTEE

SIr A. M. CARR-SAUNDERS (Chairman) - - - London School of Economics. Sir Otto Niembyer, G.B.E., K.C.B. (Hon. Treasurer).
R. G. D. Allen - - - - - London School of Economics.

Sir Arthur L. Bowley - - - - London School of Economics.
F. W. Paish - - - - London School of Economics.

Sir Arnold Plant - - - - - London School of Economics.
D. H. ROBERTSON - - - - - University of Cambridge.
E. A. G. Robinson - - - - - University of Cambridge.
G. L. Schwartz
J. R. N. Stone - - - - - University of Cambridge.

Thi Editors
G. S. Dorranca - - - (Secretary).

## EDITORIAL COMMITTEE

R. G. D. Allen - - - - London School of Economics.
E. H. Phelps Brown - - _ - - London School of Economics.
S. R. DENNISON - - - - - University of Cambridge.
F. W. PAISH - - - - London School of Economics.

Sir Arnold Plant - - - - London School of Economics.
A. R. PREST - - - - - - University of Cambridge.
L. C. Robbins - - - - - London School of Economics.
D. H. ROBERTSON - - - - - University of Cambridge.
E. A. G. Robinson - - - - - University of Cambridge.
J. R. N. Stons - - - - - University of Cambridge.

## EDITORS

C. F. CARTER
W. B. Reddaway
R. C. Tress (Managing Editor).
G. S. Dorrance (Assistant Editor \& Secretary).

## STATISTICIAN

K. C. SMITH

Annual Subscription, fl.
Single Coples, $7 / 6$ each.
for particulars, apply to the Secretary, LONDON \& CAMBRIDGE ECONOMIC SERVICE, HOUGHTON STREET ALDWYCH, LONDON, W.C.2. TeI.: HOL.BORN 7686.

## LONDON \& CAMBRIDGE ECONOMIC SERVICE

## TABLE OF CONTENTS



## THE ECONOMIC POSITION

fuly 31st, 1950.
In the second quarter of 1950 the gold and dollar reserve increased to a total at June 30th of $\$ 2,422 \mathrm{Mn}$. This reflected receipts of $\$ 240 \mathrm{Mn}$. from E.R.P., and a positive balance of $\$ 180 \mathrm{Mn}$. in the sterling area's accounts with the hardcurrency area. This balance resulted from a further dollar surplus in the accounts of the rest of the sterling area and a dollar deficit for the United Kingdom. Thus the continued accumulation of dollar reserves in London depends on the maintenance of multilateral relationships within the sterling area and a willingness on the part of members to accumulate sterling balances.

Internally, the economic situation has remained remarkably stable. The Board of Trade Index of Wholesale Prices rose by some 4\% during the quarter, but the Interim Index of Retail Prices increased not at all. There are signs of impending weakening of the policy of wage and income restraint, but the statistics as yet show little sign of any actual rise in rates of pay : our Index of Wage Rates has shown no change since mid-February. The trend of industrial production continues to be reassuringly upwards: our Indexes for the second quarter
were $6-7 \%$ higher than in the comparable period of 1949. The level of employment is still extremely high. The relationship between the supply and demand for consumer goods has steadily improved, and the list of items for which rationing imposes any substantial restrictions on sales is now confined to a few of the subsidised commodities, and possibly coal.

All speculation about the future must be coloured by uncertainty regarding international developments. While the likely effect of further rearmament in the United States will be to strengthen the foreign reserve position of the sterling area, increased defence expenditure on the part of the United Kingdom will impose considerable strain on the economy. With the present level of employment there are no resources to spare and an expansion in this direction will have to be at the expense of other uses. The present level of taxation is so near to its tolerable peace-time maximum that it would be difficult to secure economies in personal consumption by raising it further. Increased defence expenditure will create an inflationary pressure unless the resources required for rearmament are diverted from the investment programme or from exports.

## WESTERN EUROPEAN ECONOMIC CO-OPERATION

By G. D. A. MacDougall

This brief note can merely sketch some aspects of Western European economic co-operation. It does not deal, except indirectly, with the political or military aspects, with Western Europe's dollar problem, or with co-operation outside the O.E.E.C. Only brief references are made to the "Schuman Plan"; the information available at the time of writing seems inadequate for a balanced appraisal of its economic implications.

## The Reasons for Co-operation

It will be well to distinguish at the start some of the main reasons for which co-operation has been advocated. First, there was the need for mutual help during the period of Marshall Aid so that the U.S. should not be asked to finance dollar supplies where similar goods were available in Western Europe but prevented from crossing national frontiers. Secondly, there was the need to maintain trade between Western European countries, despite the dollar shortage, by discriminatory trade and payment agreements. But such measures cannot necessarily be justified as a permanent arrangement. Nor is there any obvious economic reason why they should not be extended to other countries suffering from dollar shortage, or, for that matter, include certain hard currency countries in Western Europe.

Economic co-operation has, however, been advocated for more deep-seated reasons, both economic and political. The economic argument compares the large U.S. market with the numerous national markets of Western Europe. If only the latter could be unified, would this not go far to narrow the formidable gap between European and American productivity? There is some truth in this argument, but it has become increasingly realised that progress towards a single Western European market must be slow, and that even its achievement would not raise productivity to anything like the American level. Merely to keep pace with the rise in American productivity will be a major task. It is also recognised that, while freer trade in Europe will be of great importance for her future prosperity, when the necessary adjustments and investments have been made, it cannot notably ease the dollar problem during the period of Marshall Aid. It may, by stimulating competition and so reducing unnecessary costs and profits, make European products more competitive, even in the short run. But it will not appreciably reduce the
demand for dollar imports, which are in general different from the additional goods likely to move in European trade. It may, moreover, divert export goods from the dollar area, investment from dollar-earning industries, and exporters from the vital task of winning dollar markets. And if it proceeds too quickly, the losses through dislocation may outweigh the gains.

In the political field the case for closer association is well known and it has often been argued that, if only progress could be made in economic co-operation, political co-operation would easily follow. This is partly true. In the frequent meetings of O.E.E.C. in Paris, ${ }^{\star}$ Ministers and officials have learned much of other countries' problems, and acquired the habit of working with other Europeans. There are now in most national administrations high officials concerned primarily with the work of O.E.E.C. They or their colleagues in Paris have to defend national policies before other countries' representatives, and they will naturally try to ensure that in the innumerable decisions taken by their governments the European point of view is not forgotten. The existence of an international secretariat, with several years of practical experience and a tradition of loyalty to Western Europe, might be of value if more ambitious forms of co-operation were attempted. But while economic co-operation may help to pave the way for political, it has become clear that a strong desire for political co-operation is indispensable for economic co-operation, which can make little real progress without a readiness to sacrifice national interests.

In some recent proposals for economic co-operation the primary motives appear to have been non-economic. Examples are the "Schuman Plan" for co-ordinating coal and steel, and perhaps the proposals christened Ukiscan and Finebel. $\dagger$ In other fields, notably the attempts of O.E.E.C. to free trade and payments, the tendency has been rather to concentrate on economic measures which, while not spectacular, are obviously desirable in themselves and also practicable. The line of reasoning has

[^41]been less: "It is desirable politically to co-operate economically; what shall we co-operate about?" and more on the following lines: "There has been a large growth of barriers to trade throughout the world. Here in O.E.E.C. is an existing organisation including many of those countries worst affected by the stifling of international competition. Let us try to stop the continued trend to autarky apparent in national programmes, and reduce the barriers between members. Let us start with those that have grown most in the last ten or twenty years, quantitative trade restrictions and exchange controls. Let us leave for the moment the problem of tariffs which would raise in more acute form the question of permanent discrimination and the desirability of a permanent Western European bloc."

## Forms of Co-operation

Various forms of co-operation have been proposed and four of these will be briefly discussed : customs unions, co-ordination of investment plans, " liberalisation " of trade, and payments arrangements.

## Customs Unions

Customs unions between some or all of the Western European countries were the most striking form of co-operation advocated in 1947, and a Study Group representing most of the governments was set up to study the problem.* It may seem strange that such a drastic proposal, involving complete freeing of trade between members, should have been so enthusiastically received, in view of the great difficulties then being experienced in securing even minor relaxations of trade barriers and of the serious problems that had arisen in the past (when barriers were much lower) when even two countries had attempted to form a customs union. Apart from an understandable tendency to embrace a new (or even a resuscitated) idea in times of crisis, the main reason was probably that customs unions were not regarded as discriminatory. $\dagger$

[^42]It was, however, quite impracticable for governments with low foreign exchange reserves, and pledged to maintain employment, to run the risks involved in rapid progress towards a customs union. The ultimate implications of customs unions, even if long postponed, were also realised. Historical experience cast grave doubts on the possibility of forming and maintaining customs unions without a degree of economic and political union to which many governments felt they could not commit their peoples; apart from customs unions between one major and one minor country (e.g., France and Monaco) none except the Zollverein had hitherto been achieved and maintained without political union. ${ }^{\star}$ If a Western European Customs Union meant virtually complete economic union this might, moreover, imperil living standards in the richer member countries. Free migration, a federal budget, and the like, might reduce their share in Western Europe's total output by more than the latter was increased through greater specialisation ; it is noteworthy that geographical differences in living standards are considerably smaller in the U.S. than they are in Western Europe. It was hard to see also how a European Customs Union of which Britain was a member could be reconciled with Imperial Preference, although the latter might, of course, be consistent with a less drastic European system. In the event, apart from the Benelux agreement, which had first been made as early as 1944, no new accord was reached, even to work in principle towards a customs union, except that between France and Italy in March, 1948. Benelux, though making progress, is encountering difficulties, and advance towards a Franco-Italian Customs Union is still largely on paper.

## Co-ordination of Investment Plans

In the autumn of 1948, the O.E.E.C. turned to the co-ordination of investment plans. Largescale investment was proceeding in each country with little regard to what was happening in others. It was clearly desirable, if only to ensure the best use of Marshall Aid, to avoid both over-investment and under-investment in particular industries, and within each industry to stop the trend to autarky revealed in national investment plans. The difficulties of reducing barriers to trade in goods produced from existing capacity were apparent; this would affect businesses and workers already producing. But it was thought that co-ordination of investment might achieve the economies of specialisation, without affecting existing interests, at least in respect of production

[^43]from new capacity. The idea of "co-ordination," involving direct control, was also more in line with some current ideas of economic planning than the reduction of trade barriers and reliance on the price mechanism, which, in any case, would not necessarily secure the optimum distribution of investment in Europe if those responsible for investment were not fully aware of plans in other countries.

The O.E.E.C. accordingly decided to attempt co-ordination of investment plans, and in 1949 the fields of oil-refining, steel and electrical generation were selected for special study, while studies were also made in many other industries as part of the normal work of the technical committees. The difficulties in this approach, many of which had been recognised in advance, became apparent during 1949.
(a) In the first place, governments may experience difficulty in obtaining the necessary information from private businesses, which may not have it or may be reluctant to reveal it, and governments themselves may be unwilling to release information of value to foreign competitors.
(b) If the information can be obtainedand O.E.E.C. has been in general successfulthe next step is to estimate the total future supply and demand. This is notoriously difficult. There have been many examples of bewilderingly rapid changes in demand/supply relationships recently. Estimates of future demand involve forecasts of export markets, of rates of exchange and of developments in other sectors of the economy. The demand for fertilisers depends on agricultural policy, that for steel and coal, in substitution for timber and oil, on future rates of exchange. There is a danger that the conclusions reached, which are bound to be influenced by the views of producers, may err on the side of under-estimating demand and lead to undesirable restriction of investment. It is significant that countries have often been most anxious for co-ordination when they wished to stop investment in a rival country.
(c) Even if the overall demand and supply can be correctly estimated, it is still necessary to ensure the best location of investment-to decide, when there is a danger of overinvestment, which plans should be abandoned, and, when under-investment seems likely, where additional investment should be made. Even where the total investment planned seems about right, the location may be far from ideal. Each country might be planning to cover the whole of its needs,
whereas the full economies of specialisation required concentration in a few countries.

To determine the best location is no easy matter. It is seldom sufficient to assemble merely technical information without figures of monetary cost. Output per man-hour is an unsatisfactory criterion since wage-levels vary greatly ; different technical methods, such as the use of hydro-electric power and coal, cannot be usefully compared without knowledge of costs.

But the relevant costs of production are very hard to establish. Even if accounting problems can be overcome, the figures obtained may be irrelevant. Allowance must be made for future changes in costs and for artificial price and cost structures and rates of exchange. There is the problem of prime and capital costs; new copper refineries should presumably be built in Austria to replace existing and serviceable refineries in Belgium only if the total cost of the former is less than the prime cost of the latter. There is the problem of the less developed countries which might, on the evidence of existing costs, be debarred from investments that would prove economical in the long run. There is the problem of countries suffering from heavy unemployment in which investment may be desirable though the money cost is higher than elsewhere. In the work of O.E.E.C. the problems of establishing monetary costs, and of making allowance for all these factors, and possibly for preference to poorer members with a view to reducing international inequality, have not yet been solved.
(d) Even if the best location can be established, it may be hard to persuade governments to abandon their plans. This will often run counter to their interests and perhaps upset their balance of payments. Such a sacrifice can hardly be expected unless corresponding advantages are offered in return. This is an argument for simultaneous co-ordination of a number of industries. Countries asked to restrict investment in one field might then be shown opportunities of expansion in others where fellow-members had agreed to restrict investment. But it is doubtful whether co-ordination is practicable in a sufficient number of industries for such compensatory arrangements to be worked out. In this respect co-ordination of investment is inferior to trade negotiations, where there is a much wider range of possible reciprocal concessions. A European fund might possibly be established to compensate countries asked
to forego investment and to help them to adjust their economy. Dr. Stikker, the Chairman of the Council of O.E.E.C., recently proposed such a fund to help countries adversely affected by liberalisation of trade. The principle of providing financial compensation to private industry for losses resulting from freer trade might, however, be a dangerous one for governments to accept, although international financing of modernisation or alternative investment might be useful.
(e) Even if the best location can be established and agreed, there remains the problem of enforcement. Some governments may be unwilling to interfere with private enterprise and many have no direct powers to control investment.
The co-ordination of investment thus raises most of the difficulties involved in reducing trade barriers. It reveals the same clashes of interest. But it also involves many additional difficulties, including that of ensuring mutual advantage. It raises most of the problems met with by governments in the national sphere when planning the economy in detail without reference to relative prices. These problems are greatly magnified when the attempt is made on an international scale.

It is not surprising that the attempt at coordination in the full sense, which would involve international planning of investment from Paris, has achieved only limited success. In steel and oil-refining the existing investment plans were, by and large, accepted, although the steel study revealed a danger of over-investment. It is far from clear that there is no trend to autarky in both industries but without figures of monetary cost this is hard to establish in detail.

Despite all the difficulties, the confrontation of investment plans can be of value. First, investment decisions can be made in full knowledge of plans in other countries, and of the best possible estimates of future demand ; studies in O.E.E.C. have, for example, revealed a danger of over-investment in certain chemical industries, and extreme caution has been recommended in planning new investments. Better knowledge of the plans of others will not necessarily, however, ensure the best location so long as protective barriers remain ; the result may simply be that the most efficient countries, finding their neighbours intent on self-sufficiency, give up their plans for export. Secondly, the studies may bring to light industries with acute and harmful autarkic tendencies on which the efforts of O.E.E.C. to reduce trade barriers can be especially concentrated. A list of products is now being prepared on which countries are to concentrate
in their further efforts to remove quantitative trade restrictions, and Dr. Stikker has even suggested that completely free trade, including the abolition of tariffs, should be sought in a number of selected industries. Thirdly, the studies may reveal a danger of under-investment and O.E.E.C. may then attempt to stimulate further investment. But while confrontation may be generally useful, full co-ordination is likely to be possible in only a limited number of industries. An example is the building of hydro-electric stations in the Alps, where international planning is often desirable, and has proved practicable, while trade negotiations are inadequate.

During 1949 the O.E.E.C. turned more and more to liberalisation of trade and payments as a more practicable way of achieving specialisation and competition in Western Europe. The Schuman Plan has now, however, raised once again the question of direct co-ordination. It raises the problem of co-ordinating not only investment but also current production when there is danger of surplus capacity. There is, however, no room to discuss here the difficult problems of concentrating production in the most efficient plants, of arranging alternative employment for workers displaced, and of dealing with private cartel arrangements that threaten to frustrate governmental attempts to free trade. Liberalisation of Trade

The 1947 proposals for customs unions, involving complete removal of trade barriers, had little relevance to immediate action. The attempt, begun in 1949, to remove quantitative trade restrictions, after the difficulties of coordinating investment had been learned, was a much less ambitious, but more practicable, attack on trade barriers. It was an attempt, by adopting a limited objective and an empirical approach, to get concrete results, not in 1960 or 1970, but in 1949 and 1950.

There was realistic appreciation of the underlying difficulties. First, there were obvious currency difficulties, and arrangements, discussed below, were sought to ease them. Another main difficulty was the need to maintain employment. It used to be thought that full employment provided the ideal atmosphere for reducing trade barriers. But while it is true that trade barriers have in general risen most in times of slump, and that in times of high employment workers displaced by foreign competition can more easily be absorbed elsewhere, the need to maintain very high employment can also inhibit attempts to free trade. Governments may feel they must avoid even transitional pockets of unemployment that may result from freer imports. They realise
that freer trade will mean less diversification of their industries and greater vulnerability to changes in demand. The maintenance of very full employment may prove inconsistent with the abolition of quantitative trade restrictions unless the degree of inflationary pressure is approximately the same in each country, which is hardly possible. If, moreover, governments faced with balance of payments difficulties feel unable to adopt monetary or budgetary policies involving even a risk of unemployment, and if they are also reluctant to devalue their currency for fear of an inflationary spiral, they will almost certainly be forced to restrict their trade. The desire to avoid any unemployment may thus make it hard for governments to forswear quantitative trade restrictions.

It was with difficulties such as these in mind that O.E.E.C. started its attempt to liberalise intra-European trade. The procedure adopted, largely by trial and error, is of some interest. There are three main ways in which international bodies can attempt to reduce trade barriers. First, they can exhort their members to take unilateral action. With a keen desire to co-operate, the results may be substantial but they are bound to be limited since countries will wish to know what others are doing in return. Secondly, countries can be exhorted to undertake bilateral negotiations. These may take longer but the results may be more substantial since mutual concessions can be arranged. But so long as measures of liberalisation are bilaterally negotiated, even though they are extended to all other members, the full possibilities of freeing trade cannot be exploited. A point will be reached where further concessions by A benefiting mainly B could only be compensated by concessions from C benefiting mainly A, while B granted concessions benefiting mainly $C$. The third method is thus to organise multilateral negotiations, but these in turn tend to be slow and complicated.

The procedure adopted by O.E.E.C. secured many of the advantages of these three methods. In the summer of 1949 countries were asked to submit by October 1st a list of articles which they would immediately, and without quid pro quo, import without quantitative restriction from other members. The lists submitted covered about one-third of all private trade between participants. They included items previously freed, but even this was useful since the freedom could now be less easily withdrawn and since the lists helped to establish the facts. Countries were also asked to submit lists on which they were prepared to negotiate. These covered perhaps a further one-fifth of private trade. To have
advanced from this stage by purely bilateral or purely multilateral negotiations might well have been slow and tedious. It was therefore decided that all countries should bring their proportion of " liberalised " trade up to $50 \%$ by December 15th, or show good reasons why this was impossible. Bilateral negotiations were permitted, and the advantages of this method thus retained. And while the slowness of multilateral negotiations was avoided, some of their advantages were secured, for countries were prepared in bilateral negotiations to give more concessions than they received; they knew that these would count towards their $50 \%$ commitment, and that they stood to gain roughly equal concessions from member countries as a whole (although there was still, of course, an incentive to secure the maximum concessions in bilateral negotiations).

The removal of quantitative restrictions on $50 \%$ of the trade was a good start, but its importance must not be exaggerated. $30-40 \%$ of a country's imports from other participants may often be goods which it scarcely produces itself (including non-European goods bought as reexports from other members or directly from their colonies), and a further fraction may be goods which it does produce but of which it could, were supplies available, import more from Western Europe in place of dollar imports without affecting domestic producers. ${ }^{\star}$ It is the liberalisation of the second $50 \%$ of a country's imports that significantly affects domestic producers and is most important for international specialisation. The O.E.E.C. did in fact set a harder task than the removal of restrictions on the easiest $50 \%$ of trade, for the $50 \%$ rule applied to food, raw materials and manufactures counted separately; this meant that a low percentage in manufactures, which was significantly common in the lists originally submitted, could not be offset against a high percentage in raw materials, which was also common. In the event, the $50 \%$ target was reached in food and feeding-stuffs and exceeded by most countries in raw materials. In manufactures, the proportions " liberalised" ranged from about $25 \%$ to virtually $100 \%$. It has now been decided to raise the $50 \%$ to $60 \%$ at the latest 15 days after signature of the European Payments Union, and to $75 \%$ as soon as possible thereafter ; all discrimination against other member countries will, moreover, be removed by the end of 1950.

[^44]The percentages refer to private trade and exclude government importing. Since about onethird of Britain's total imports from other members, and over half her food imports, are bought by the Government, this is of great importance. Three possible ways of dealing with government importing were considered. (a) It could be counted as non-liberalised trade ; this was unacceptable to Britain who could not then have reached her target in foodstuffs. (b) It could be counted as free ; this could hardly have been accepted by other countries. (c) It could be excluded from the calculations; this was the alternative chosen.*

In the freeing of invisible trade, O.E.E.C. has also made considerable progress and a comprehensive agreement was reached in May 1950.

## Payments Arrangements

It is difficult to liberalise trade in Western Europe unless each country has (1) adequate current earnings to pay for its imports, (2) adequate reserves to finance unforeseen deficits resulting from liberalisation, and (3) the ability to use a surplus with one member country to finance a deficit with another ; otherwise it may be hard to grant concessions equally to all members. $\dagger$ The first two Payments Agreements made by O.E.E.C. (for 1948/49 and 1949/50) did much to fulfil the first condition, but not the second or third. It is with these last two that the European Payments Union is mainly concerned. This necessarily brief section discusses in the simplest possible terms the main features of these three exceedingly complicated agreements. $\ddagger$

Under the Agreement for 1948/49 members granted each other "drawing rights" to finance expected balances between each pair of countries. These drawing rights ( 63 in all) were " bilateral " in the sense that France, for example, could use those granted her by Britain to finance only her sterling deficit and not her deficit with, say, Belgium. In return for drawing rights granted,

[^45]countries received a part of their dollar aid ; this was in theory to be forfeited to the extent that drawing rights were not used, but the provision was not enforced. (Unused drawing rights were mostly cancelled or carried forward to 1949/50.)

The agreement (signed in October 1948) had the great merit of maintaining, and indeed of allowing a continued expansion in, intra-European trade at a time when many countries, having exhausted credit margins under bilateral payments agreements, would otherwise have had to curtail imports to protect their reserves. ${ }^{\star}$ The disadvantages were probably inevitable. First, the estimates of balances, usually a small fraction of the total turnover, were necessarily inaccurate, the more so as they were made on a bilateral basis. Italy, for example, proved a creditor of the U.K., not a debtor as forecast. Where the estimates did prove reasonably accurate, this may simply have meant that debtors finding their drawing rights being too quickly exhausted restricted imports, while debtors in the opposite situation encouraged them or made little effort to expand exports.

A second disadvantage of the scheme was thus that it put little pressure on debtors to restore equilibrium, by appropriate monetary or financial policy or in other ways. If they did better than the forecast, they wasted their drawing rights and might also find it harder to claim large ones for the following year. This illustrates a major problem that recurs in all discussions on payments agreements: the attempt to maintain trade, by providing credits or grants which obviate dollar settlements, conflicts with the attempt to restore an equilibrium where no country has to subsidise another.

A third disadvantage was the bilateral nature of the scheme. $\dagger$ Apart from increasing the

| $\star$ The Countries | $(1938=100)$ moved roughly as follows : |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Quarters | 1937 | 1938 | 1947 | 1948 | 1949 | 1950 |
| I |  |  |  | 67 | 87 | 114 |
| II | 00 |  |  | 78 | 93 |  |
| III | 0 | 100 | 66 | 79 | 93 |  |
| IV |  |  |  | 91 | 107 |  |

$\dagger$ There were, it is true, some multilateral elements in the scheme. Drawing rights up to a point obviated the need for strict bilateral balancing. They were granted by, for example Britain to Italy, by Italy to Belgium, and by Belgium to Britain. The compensation arrangements also allowed for some automatic multilateral reductions in accumulated balances, but only when, for example, Britain owed Belgium, Belgium owed Denmark, and Denmark owed Britain, so that debts could be scaled down all round (so-called "first category compensations"). In the more common type of situation, where Britain owed Belgium and was owed by Denmark, but Denmark also owed Belgium, a cancelling of Britain's debt and credit would have increased Denmark's debt to Belgium, and such "second category compensations" required the consent of all parties which was seldom given.
inaccuracy this reduced the power of countries to buy in the cheapest European market and restricted competition between exporting countries. Transferable drawing rights, spendable in countries other than those granting them, were opposed largely on grounds of equity. France, for example, might have used her sterling drawing rights to finance a deficit with Belgium (thereby causing a loss of British gold to Belgium), simply because Belgium had been less generous than Britain in granting drawing rights.

The Agreement for 1949/50 did little or nothing to reduce the inaccuracy of the earlier scheme or to increase the pressure on debtors, but it made, in general, $25 \%$ of the drawing rights received " multilateral." These could, under certain conditions, be used in any member country; if more were used in a country than had been forecast, its dollar allocation was correspondingly supplemented, if less were used, it was correspondingly docked. These multilateral drawing rights (equivalent to only a few per cent. of trade between participants) were confined to such narrow limits for fear that creditors might otherwise (a) feel obliged to limit imports from debtors to make sure of their vital Marshall dollars or (b) lose an undue proportion of their dollar aid to other creditors, not because their goods were less competitive, but because the other creditors made their currency scarce by restricting imports, by allowing heavy unemployment or by granting less generous drawing rights.

A particular problem here was Belgium who, with an estimated dollar deficit (and therefore E.R.P. allocation) of only $\$ 200 \mathrm{Mn}$., was naturally reluctant to give drawing rights equal to her estimated European surplus of $\$ 400 \mathrm{Mn}$. without some quid pro quo. But if she granted only $\$ 200 \mathrm{Mn}$. drawing rights, other creditors would almost certainly lose dollars to her. If, on the other hand, dollars were subtracted from the allocations of all other countries to finance additional Belgian drawing rights, this might force Norway, for example, to forego dollar imports vital for reconstruction so that Belgium could buy Packards or put dollars to reserve. The resulting wrangle, which was essentially over who should get the dollars, absorbed much time in the hot Paris summer of 1949 before a compromise settlement was reached. ${ }^{\star}$

[^46]The European Payments Union suffers from few of the drawbacks of the earlier schemes. It is infinitely more multilateral ; there is less room for inaccuracy since estimates of future deficits play a much smaller role ; there is pressure on the debtors, but this is made gradual to avoid undue restriction of trade. But comparison with the earlier schemes is of little value since the E.P.U. is so very different. It aims far more at increasing international liquidity and at transferability of currencies and far less at the provision of " emergency" finance to cover expected deficits during the coming year. Instead, countries are given overdraft facilities at E.P.U., roughly in proportion to their transactions with other members, to cover unforeseen deficits with the group as a whole. They also pledge a corresponding amount of credit should they be in surplus. Each member's international liquidity is thus increased, ${ }^{\star}$ while monthly compensations $\dagger$ provide transferability, i.e. they offset surpluses with some countries against deficits with others.

These major changes have been made possible by the much closer approach to balance in transactions between participants during the past year. It is thought that there are now no European currencies so obviously " scarce" that transferability will threaten severe restriction of trade. $\ddagger$ Nor are there any longer many obvious debtors requiring large-scale " emergency" finance. Six prospective debtors start off with an initial credit at E.P.U. (and three prospective creditors with an initial debit), but the net deficits foreseen are much smaller in total than those allowed for in the 1949/50 Agreement. It is assumed that most countries are near enough a balance to do without drawing rights and the general feeling is that in the sixth year of peace it is high time countries began, wherever possible, to stand on their own feet (either by earning enough with the group as a whole to meet their payments or by settling any difference in gold or dollars). Why should Italy continue to subsidise the Netherlands, a much richer country ?§ In any case the dwindling of Marshall Aid will reduce more and more the possibility of persuading countries to give drawing

[^47]rights ; more and more cases like Belgium in 1949/50 would arise if it were attempted to continue the old scheme.

But the pressure put on debtors to restore a balance is gradual. A first tranche of their overdraft facilities can be drawn freely to cover deficits. Thereafter they must make simultaneous gold payments to E.P.U. to cover a steadily rising proportion of their deficits until, when their quota is exhausted, they must pay $100 \%$ gold to cover any further deficits. Creditors must give their first tranche of credit to E.P.U. without demanding gold, and thereafter have to give $\$ 1$ of credit for every $\$ 1$ of gold received. They have thus some incentive to reduce their surplus. No decision has been taken about what happens when creditors' quotas are exhausted. Many countries hope they will then receive $100 \%$ gold in settlement of further surpluses ; any incentive would then disappear.* But they will probably, during the next two or three years, have to continue giving $50 \%$ credit if they wish to remain in E.P.U. and to continue to receive non-discriminatory treatment from other members.

It would be wrong to force each country into exact balance with the group as a whole. In a satisfactory system some countries should have net surpluses, some net deficits with the group, offset by deficits or surpluses elsewhere. The assumption underlying E.P.U. seems to be that such countries would gradually move towards the $100 \%$ gold points and that the desirable multilateral pattern would thus emerge. This may be so, but many difficult questions spring to mind. For example, if the dollar shortage persists, will countries that " should " be debtors to the group sufficiently liberalise their trade ; and is there not a distinction to be drawn between countries that "should" be creditors in the long run and those that acquire a surplus by insufficient liberalisation or by allowing heavy unemployment?

Time alone will tell whether the numerous and ingenious provisions of the scheme are well founded. Is there the right balance between pressure on debtors and justice for creditors on the one hand and the need for finance to permit freer trading on the other ? Do the rules sufficiently cater for extreme creditors and extreme debtors? Are the credit margins wide enough ? Shall we rapidly reach the position where $100 \%$ gold is payable or receivable by most countries? Will this happen before the dollar shortage is sufficiently overcome, or freer trade arrangements sufficiently established, to prevent $100 \%$ gold

[^48]payments causing severe restriction of intraEuropean trade? Will the special arrangements made at Britain's request safeguard sterling and its use as an international currency? Complicated and automatic schemes seldom cater for all the contingencies that arise and it is well that, in the tradition of O.E.E.C., the E.P.U. will be completely reviewed in June, 1951, and in March, 1952, and any necessary amendments made.

## Other Forms of Co-operation

The achievements of O.E.E.C. in freeing trade and payments have been considerable. But these have not been the only forms of successful co-operation. On two occasions agreement has been reached on recommendations for the division of Marshall Aid-a stern test for co-operation. ${ }^{\star}$ There has been much exchange of information hitherto considered confidential. Countries have been prepared to discuss their internal financial policies and to allow publication of joint reports critical of them. Two agreed reports have diagnosed Western Europe's economic problems and drawn morals for policy. These have been partly based on, but have not necessarily accepted, national forecasts for future years. A similar inquiry is now in train, looking ahead to 1955, and it is hoped that this can be closely related to the inquiry into the American balance of payments now proceeding in Washington under the direction of Mr. Gordon Gray. $\dagger$

There has been much unspectacular but useful co-operation on detailed practical problems. These include such widely divergent matters as joint publicity in America to encourage travel to Europe, a common code of customs procedure for tourists and the abolition of visas ; a new research unit at Cambridge to study Western European national income statistics; joint showing of European products at an American Trade Fair ; co-operative research on

[^49]matters ranging from oxygen utilisation to windmills as a source of power ; standardisation; grassland improvement and technical advice to farmers; transport in Africa south of the Sahara; combined missions to the U.S. (financed by E.C.A.) to study problems of electrical generation, paper and pulp, inland transport, timber, chemicals, hybrid maize, hotels, the measurement of productivity; periodical publications showing availability and delivery dates of new machinery in member countries. Prospects and Problems

For an international organisation little more than two years old, O.E.E.C.'s record of co-operation is not unimpressive. But sterner tests lie ahead. With the end of Marshall Aid countries will no longer feel that their dollar receipts may depend on their record of co-operation. Only if there survives a strong European financial institution, such as a Payments Union or an Investment Bank (as suggested by M. Petsche on behalf of France), with power to grant or withhold funds, will the financial inducements to co-operation remain.

The second half of the quantitative trade restrictions will be much harder to remove than the first, and, as the process continues, tariffs will assume greater importance. These are already being examined by O.E.E.C., where they clearly vitiate the removal of quantitative restrictions. Low tariff countries, like Denmark and the Netherlands, are, moreover, naturally reluctant to remove further quantitative restrictions so long as other countries have high tariffs. But tariff reduction will raise in more acute form questions of national protection and defence, of Imperial Preference and of discrimination against the U.S.; M. Pella has already suggested, on behalf of the Italian Government, preferential tariff reductions between Western European countries.

[^50]It remains to be seen how far trade can be freed between countries with independent internal policies, and with this problem in mind O.E.E.C. is studying the possibilities of " harmonising" the " financial, economic, social, tariff and investment policies" of member governments.

A severe dollar shortage after Marshall Aid ends would provide a searching test for co-operation; how far would debtors in Europe, paying gold to their neighbours, accept harsh restriction of their dollar imports to maintain a liberal import policy, and transferability of their currency, in Europe? Full co-operation in the face of dollar shortage might be held to require a pooling of gross dollar receipts and their distribution according to some criterion of equity.

The urgent problem of reducing Italian and German unemployment may require not only a change in the internal policies of these countries, but also substantial help from other countries to alleviate any resulting balance of payments difficulties, and possibly to assist migration. Perhaps most important of all, the growing desire for co-operation between the whole Atlantic Community will require fundamental reconsideration of the philosophy and machinery of Western European economic co-operation. Agreement has already been reached on the closer association of the U.S. and Canadian governments with the work of O.E.E.C.

The problems to be faced are not easy. But if the countries of Western Europe, and others that may be associated with them, have a real desire for co-operation, if they make full use of the experience gained, the contacts made and the traditions established during the last few years, if they continue to set limited objectives and adopt a practical, empirical approach with their motto solvitur ambulando, the problems may not be insoluble.

Economic Co-operation Act to administer E.R.P., with headquarters in Washington, a United States Special Representative in Europe, of ambassadorial rank, to keep in contact with the O.E.E.C. in Paris, and E.C.A. Missions in each of the participating countries.
E.C.E. $=$ Economic Commission for Europe, under the Economic and Social Council of United Nations, comprising countries of both Western and Eastern Europe (including the U.S.S.R.) who are members of United Nations ; of the O.E.E.C. countries, Austria, Western Germany and Switzerland are not included.

# THE REAL PRODUCT OF THE UNITED KINGDOM, 1946-1949 

By W. B. Reddaway

The monthly index-numbers of production which have appeared in the Bulletin since the beginning of 1948 relate only to industrial production, and do not cover such activities as agriculture, distribution, transport, or services generally. The reason for this is not that such activities are less important, but simply the lack of data or, in the case of agriculture, the difficulty of defining the output for a single month.

If one only seeks to produce annual figures, however, these obstacles to the construction of index-numbers covering the whole economy become much less formidable, and an attempt to do this for the period 1946-1949 has now been made at the Department of Applied Economics, Cambridge. The results are still highly provisional, but the subject is of such importance that preliminary figures are given in this article.

TABLE A
INDEX-NUMBERS OF THE REAL GROSS PRODUCT OF THE UNITED KINGDOM

| Type of Activity | Weight | 1946 | 1947 | 1948 | $\begin{gathered} 1949 \\ \text { (pre- } \\ \text { liminary) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Agriculture and Related |  |  |  |  |  |
| Activities, Forestry, |  |  |  |  |  |
| Fishing, Whaling ... | 62 | 90 | 91 | 100 | 106 |
| Mining and Quarrying | 40 | 92 | 95 | 100 | 103 |
| Manufacturing (including finished munitions) | 377 | 86 | 91 | 100 | 107 |
| Building and Civil Engineering ... | 70 | 88 | 93 | 100 | 112 |
| Gas, Electricity and Water | 23 | 92 | 94 | 100 | 104 |
| Transport and Communications ... | 101 | 92 | 95 | 100 | 104 |
| Distribution and Storage | 101 | 90 | 97 | 100 | 105 |
| Insurance, Banking and Finance | 27 | 94 | 102 | 100 | (102) |
| Real Estate (including house ownership) | 39 | 96 | 98 | 100 | 102 |
| Central and Local Government: |  |  |  |  |  |
| Armed Forces | 33 | 215 | 136 | 100 | 95 |
| Miscellaneous Services ... ... |  |  |  |  |  |
| Services ... Professional Services ... | 28 50 | 90 93 | 97 | 100 | 104 |
| Professional Services | 50 | 93 | 98 | 100 | (103) |
| Sport $\ldots$ | 11 | 102 | 103 | 100 | 95 |
| Catering and Domestic Service | 35 | 93 |  |  |  |
| Other Services | 13 | 84 | 98 | 100 | 99 100 |
| Less Unallocated input of Banking Services* | -10 | 81 | 103 | 100 | 10 |
| Total | 1,000 | 93-1 | $95 \cdot 0$ | 100 | $105 \cdot 0$ |

Notes :-
(a) All the figures are provisional and liable to revision. Those put into brackets for 1949 are based on a seriously reduced number of series.
(b) Although the classification of activities follows the general pattern of the Standard Industrial Classification, the definitions differ in important respects, for reasons explained in the technical appendix.

* This item is included because the output of banking services (clearing cheques, etc.), is largely rendered to businesses, and so should be counted as part of their input. (For a discussion of the treatment of banks in an industrial analysis of the national income see the appendix by Richard Stone to the United Nations' publication, Measurement of National Income and the Construction of Social Accounts).

The methodological and conceptual problems involved become considerably more acute when the scope of an index is extended beyond the field of physical production. They were discussed in a paper read to the Royal Statistical Society in May, which will be published in a forthcoming number of that Society's Journal ; it is also hoped to produce a monograph in the Department's series which will deal with the subject in more detail, and give full particulars of the construction of the new index and of the series used in it. Meanwhile, a few very brief notes on the salient points are given in the appendix to this article. ${ }^{\star}$

* The paper to the R.S.S. actually dealt with indexnumbers for the real net product of the United Kingdom, rather than the gross product, which has been adopted for this article and will be used for the monograph; but the important problems are mostly the same.

| DETAILS OF THE | $\begin{aligned} & \text { TABL } \\ & \text { INDEX } \end{aligned}$ | $\begin{aligned} & \text { E B } \\ & \text { FOR } \end{aligned}$ | MANU | FACT | URING |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Type of Manufacturing* | Weight | 1946 | 1947 | 1948 | $\begin{gathered} 1949 \\ \text { (pre- } \\ \text { liminary) } \end{gathered}$ |
| Textiles | 34 | 81 | 86 | 100 | 106 |
| Clothing and Leather... | 24 | 91 | 97 | 100 | 107 |
| Metal Production ... | 25 | 87 | 91 | 100 | 104 |
| Shipbuilding and Repairing* | 14 | 101 | 97 | 100 | 99 |
| Motors, Cycles and Aircraft* | 26 | 86 | 98 | 100 | 119 |
| Industrial Machinery and Equipment | 63 | 63 | 80 | 100 | 108 |
| Other Metal-using Trades* | 49 | 93 | 100 | 100 | 103 |
| Food, Drink and Tobacco | 42 | 95 | 97 | 100 | 104 |
| Chemicals and Allied Trades* | 30 | 85 | 87 | 100 | 110 |
| Building Materials and Furniture | 23 | 85 | 90 | 100 | 109 |
| Paper and Printing ... | 21 | 90 | 96 | 100 | 117 |
| Sundry Trades | 15 | 72 | 82 | 100 | 103 |
| Munitions* | 11 | (148) | 93 | 100 | 107 |
| Total | 377 | $86 \cdot 4$ | 91.4 | 100 | $106 \cdot 9$ |

* The analysis follows the general lines of the Monthly Index ; munitions" production (including naval shipbuilding) is excluded from the ordinary groups and shown separately as a very uncertain series at the bottom.

A large number of additional series have been included which could not be used in the Monthly Index. The effect of these and certain other changes will be discussed in the next Bulletin.

TABLE C
THE REAL GROSS PRODUCT OF THE U.K.

| Type of Activity | Weight | Index-numbers |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1946 | 1947 | 1048 | 1949 |
| 1. Physical Production | 57 | 87 | 92 | 100 | 107 |
| 2. in 3) … ... | 37 | 92 | 97 | 100 | 103 |
| 3. Armed Forces and Govt. 'Administration' ... | 6 | 157 | 118 | 100 | 99 |
| Total Output ... | 100 | 93 | 95 | 100 | 105 |

## Movements in Output

As was to be expected, the index for the output of the whole economy shows a much smaller rise over this period than that for industrial production. The full results, with subsidiary index-numbers for the main types of activity, are given in Tables A and B; 1948 has been chosen as base, and the total index rises from 93 in 1946 to 105 in 1949.

The key movements may perhaps be seen most clearly with the aid of the condensed version of Table C.

It will be seen that the index for the Armed Forces and Government " administration" has fallen substantially from 157 in 1946 to 99 in 1949. The ordinary service trades show a rise over the period of about $12 \%$, which is much less than the $23 \%$ recorded for physical production. The various sectors of the service trades for which separate figures are given in Table A all show some rise, with the exception of " entertainment and sport," in which sales have declined as the sellers' market weakened ; but the upward trend is in every case less steep than for physical production.

By a curious coincidence the fall in the Armed Forces index roughly balances the rise in other services, so that an index for all services taken together would show relatively little movement between any two years. In a sense, therefore, the total index may be broadly regarded over this period as a "damped " version of the index for physical production.

## Output and Numbers Employed

It is of some interest to compare the movements in the output index with those in the total numbers employed. There are, of course, numerous and formidable objections to using. such a comparison as a basis for statements about movements in " over-all productivity," except in the most cautious of terms. $\dagger$ Quite apart from the margin of error in both sets of figures, the re-distribution of workers between different industries may produce apparent changes in "productivity" which are not what one would normally understand by such a term ; an example of this is given below through the reduction in the size of the Forces. Even so, however, one retains an obstinate desire to see how output has moved relatively to numbers employed.

We can construct a rough index of the total numbers in employment by using the mid-year figures for the total working population, and subtracting the average numbers unemployed for

[^51]the year (including those on release leave); the comparison with 1949 is done on the Ministry of Labour's new basis, and that with 1946 and 1947 on the old one. The result is compared with the output index in the table below, which also gives the corresponding comparison when the members of the Armed Forces are eliminated from both columns.

INDEX-NUMBERS OF OUTPUT AND
NUMBERS EMPLOYED

|  |  | Including Forces |  | Excluding Forces |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Output | Employment | Output | Employment |
| 1946 | $\cdots$ | $93 \cdot 1$ | 97.5 |  |  |
| 1947 | $\ldots$ | $95 \cdot 0$ | 98.7 | $93 \cdot 9$ | $96.3$ |
| $1948$ | $\ldots$ | 100 | 100 | $100$ | $100$ |
| 1949 | . | $105 \cdot 0$ | $100 \cdot 7$ | $105 \cdot 4$ | 101.0 |

The figures which include the Armed Forces show output as rising faster than employment in every year, with a total gain over the three years of nearly 9 points. A large part of this increase is, however, simply due to the transfer of men from the Armed Forces where the conventional method of valuing their "output" gives about $£ 300$ per head in the base year, which is well below the national average of about $£ 450$; so long as physical output per head in the civilian trades was not lowered by the entry of these men, the transfer was bound to produce a relative gain for the index of total output, even if productivity in each industry were unchanged.

The second set of figures is free from this particular objection, and shows how important it is. When the Forces are left out of the picture the total gain of output relatively to employment in the three years is only about $5 \frac{1}{2}$ points, instead of 9 ; moreover, output is shown as rising slightly less than employment in 1947, and its relative gain between 1947 and 1948 is only $2 \frac{1}{2}$ points. It is only between 1948 and 1949, when demobilisation was relatively unimportant, that the gain is much the same on each basis ( $4 \frac{1}{2}$ points) ; this is, however, the most important comparison for assessing our prospects, and despite all the limitations of the figures, it is somehow encouraging to see the result.

## The Implied Price Index

A second interesting comparison may be made between the movements in the gross national product by value, as derived from the National Income White Paper, and its movements by volume, as given by our new index. This gives-subject to the margins of error in the two series, and certain minor non-com-parabilities-the price index which is implied by the two sets of figures taken together. Since both
measurements are made on the basis of factor cost, the price index is not affected by changes in subsidies or indirect taxes, and it is important to remember that it relates to the British element of the final price, i.e., the influence of imported materials is automatically eliminated.
INDEX-NUMBERS OF GROSS NATIONAL PRODUCT

| Year |  | Value at Factor Cost | Volume | Implied Price |
| :--- | :--- | :---: | :---: | :---: |
| 1946 | $\ldots$ | $83 \cdot 6$ | $93 \cdot 1$ | 90 |
| 1947 | $\cdots$ | $91 \cdot 5$ | $95 \cdot 0$ | 96 |
| 1948 | $\cdots$ | 100 | 100 | 100 |
| 1949 | $\cdots$ | $108 \cdot 0$ | $105 \cdot 0$ | 103 |
|  |  |  |  |  |

To obtain the value series from the National Income White Paper it was assumed that inventory revaluation amounted to $£ 300 \mathrm{Mn}$. in 1946 and $£ 400 \mathrm{Mn}$. in 1947.

In view of the margin of error involved too much heed should not, of course, be paid to the implied price index ; indeed, its greatest use may be as a rough check on the "reasonableness" of the relative movements of the other two series. Since it relates to the British element in the price of the goods and services produced the price series may perhaps usefully be compared with the movement of wage-rates. Between 1946 and 1949 the Bulletin's index of weekly wage-rates shows a rise of about $16 \%$, against about $14 \%$ given above, and both series show a marked flattening between 1948 and 1949 ; all things considered (including the increase in productivity, and the rise of earnings relatively to wage rates) this shows a surprisingly high measure of agreement, much of which should doubtless be regarded as fortuitous.

## Production and Income

The index-numbers which have been compiled essentially measure changes in the volume of the goods and services produced in the United Kingdom. ${ }^{\star}$ If we are concerned with the real income which accrues in each year to the inhabitants of the United Kingdom, rather than the real income generated by activities carried on within its borders, then two adjustments are needed.

Firstly, we must make adjustments for transfer incomes in both directions. Thus we must subtract the earnings of American capital invested in Britain (e.g., branch factories), and of Irish migrants who come over to help with the British harvest ; and we must add the earnings of British capital invested overseas and of British actors working in Hollywood.

[^52]Secondly, we must allow for changes in the terms of trade. The output index values the quantity of each article which is produced in each year at the price prevailing for that article in the base year (1948) ; part of the 1946 output was exchanged for imports on terms more favourable than those ruling in 1948, so that the index for the "volume" of goods available after the exchange in 1946 must be higher than the index of output.

It is not possible, with the data available at present, to make either of these adjustments completely, but the table below deals partially with both points. For 1948, the value (in $£ \mathrm{Mn}$.) of the gross national product at factor cost has been taken from the National Income White Paper (Cmd. 7933) and the output index-numbers have been applied to it to obtain figures for other years measured at 1948 prices. An adjustment is then made for changes in the terms of visible trade by taking the recorded value of exports in each year, and converting it to 1948 prices first with the average value index for imports, and then with that for exports ; the difference represents the amount gained in that year through the terms of trade being more favourable than in 1948. Finally, we add on for each year the White Paper figure for net investment income from abroad, adjusted to 1948 prices by means of the average value index for imports.

GROSS OUTPUT AND INCOME AT FACTOR COST (All figures in $£ \mathrm{Mn}$., at 1948 Prices.)

|  | 1946 | 1947 | 1948 | 1949 |
| :---: | :---: | :---: | :---: | :---: |
| Gross Output of the U.K. | 9,541 | 9,736 | 10,248 | 10,760 |
| Adjustment for Terms of Trade | 9, +96 | 11 | 0 | 0 |
| Net Income from Abroad | 71 | 64 | 55 | 49 |
| Gross National Income | 9,708 | 9,811 | 10,303 | 10,809 |

The combined effect of these two adjustments is to make the rise in income rather less steep than the rise in output ; the terms of trade were most favourable in 1946, and the real value of our net income from abroad fell progressively as import prices rose. It is clear, however, that neither of these factors had a very serious influence on our real national income, however much they may have aggravated the problem of the balance of payments.

## Analysis of National Expenditure

The technique used in preparing our new index-numbers cannot be adapted to perform the operation which would logically follow next in the analysis, i.e., to show the movements, in real
terms, of the various components of the national expenditure to which this income was devoted.

In view of the importance of the subject, however, it is obviously desirable to have some broad estimates of these components, and these can be prepared by combining the information given in the National Income White Paper about their value, at current prices, with the series deduced above for the total, measured at constant prices. The results are given in the following table :-

GROSS NATIONAL EXPENDITURE AT 1948 PRICES (Estimates, in £Mn., at Factor Cost.)

| Category | 1946 | 1947 | 1948 | 1949 |
| :---: | :---: | :---: | :---: | :---: |
| Gross Capital Formation : <br> (a) Net Investment |  |  |  |  |
|  |  |  |  |  |
| Abroad <br> (b) Domestic (other | -506 | -671 | -150 | -69 |
| than (c) ) ... | 1,570 | 2,105 | 2,240 | 2,275 |
| (c) Surplus War Stores | $-287$ | -253 | -99 | -48 |
| Government |  |  |  |  |
| Consumption : <br> (a) "Regrettable |  |  |  |  |
| Necessities " | 1,900 | 1,200 | 775 | 850 |
| (b) Other | 780 | 890 | 948 | 1,070 |
| Personal Consumption | 6,295 | 6,608 | 6,644 | 6,811 |
| Gross National Expenditure... | 9,708 | 9,811 | 10,303 | 10,809 |

For sources of these estimates, see text. The total always falls slightly short of the sum of the items because of indirect taxes on exports. (Of. Table 34 of Cmd . 7933.)
The breakdown essentially depends on the White Paper figures, and the categories follow its definitions, except that inventory revaluation has been eliminated throughout. A special division of Government expenditure has, however, been attempted to show separately the part which represents certain "regrettable necessities"; the division is subject to a very substantial margin of error, but there can be no doubt that the proportions have changed very greatly, and even crude figures throw light on certain important developments. There has been a big fall in the outlay on the regrettable necessities-defined as those types of Government expenditure on goods and services which are wholly or mainly attributable to the King's enemies, plus expenditure on the collection of rates and taxes-and a rise in other forms which make a more positive contribution to welfare; a combined figure masks these opposing movements.

The figures for personal consumption at factor cost were calculated from the data in the White Paper. They show a markedly steeper rise between 1946 and 1949 than when the calculation is based on market prices ( $8 \%$ instead of $5 \%$ ), because a calculation based on factor cost gives much less weight to the falling consumption of highly taxed categories-drink, tobacco and entertainment.

The figures for net investment abroad were obtained by converting those given in the White Paper to 1948 prices by means of the average value index for imports.

The figures for surplus war stores were taken from the White Paper, assuming no changes in price ; they have been shown separately because the series for domestic capital formation seems much more useful when they are eliminated.

For ordinary domestic capital formation and Government consumption taken together we can then obtain a series at 1948 prices by subtracting the above three from the total. The White Paper* gives separate series for the two components, measured at current prices; a comparison of the sum of these with the series at 1948 prices gives the implied price index for this sector as follows :-

| 1946 | 1947 | 1948 | 1949 |
| :---: | :---: | :---: | :---: |
| 89 | 98 | 100 | 104 |

The margin of possible error in these results is, of course, tremendous, and they are of little or no value in themselves; in particular, the figure for 1947 seems rather high relatively to 1948. But when the movements in the value figures are so great and the price factor does not seem to be very big it is perhaps legitimate to proceed. It was therefore assumed that the price rise was rather steeper for capital formation than for Government consumption, and the value figures adjusted to 1948 prices accordingly.

Several interesting conclusions emerge from a study of the table. If we compare 1946 with 1949 the total of income has risen by about $£ 1,100 \mathrm{Mn}$., and the expenditure on regrettable necessities has fallen by almost the same amount. Thus the " margin" available to the nation after covering the regrettable necessities has risen by some $£ 2,150 \mathrm{Mn}$., the gain at first coming mainly from the reduced call of regrettable necessities, but later from the rise in total income.

The great bulk of this increased " margin" has gone to raise investment from the very low level at which it stood in 1946. If we take all forms of capital formation together, including changes in stocks of surplus stores, the figure rises from $£ 777 \mathrm{Mn}$. in 1946 to $£ 2,158 \mathrm{Mn}$. in 1949, and so takes $£ 1,381 \mathrm{Mn}$. out of the increased " margin" (nearly $65 \%$ ) ; even if we eliminate the surplus stores element, capital formation has risen by $£ 1,142 \mathrm{Mn}$.-of which $£ 705 \mathrm{Mn}$. represents increased domestic investment, and $£ 437 \mathrm{Mn}$. the reduction in the adverse balance of payments.

[^53]By way of contrast, only $£ 516 \mathrm{Mn}$. has been added to the volume of personal expenditure, raising it by only $8 \%$. Admittedly, the introduction of the National Health Service has transferred some expenditure out of this section into the Government one, and the consumer also gains in other ways from the expansion of $£ 290 \mathrm{Mn}$. in " other " Government expenditure (e.g., through better education). But there can be no doubt that between 1946 and 1948 the emphasis in the nation's use of its available income shifted drastically towards provision for the future; this new disposition was broadly maintained in 1949.

## Technical Appendix

## Notes on Construction of the Index Numbers

1. For reasons explained above, this appendix only gives some very brief notes on the computation of the index numbers.
2. In principle, the requirements are very similar to those needed for an index of industrial production. ${ }^{\star}$ For each type of activity we need:
(a) a weight, equal to the net output in 1948 (i.e., the difference between the selling value of its output and its input, both measured at factor cost, but without deducting depreciation as an input);
(b) one or more indicators which will reflect the year-to-year changes, in real terms, both in the output and in the input (and hence in the net output).
3. The weights were found by a wide variety of methods, with figures based on the wage- and salary-bills for the various Orders of the Standard Industrial Classification largely serving as control totals. It should be possible to produce much more accurate weights when the 1948 Census of Production results are all available, especially if the promised breakdown of profits by industries is also published on the basis of the Inland Revenue returns. Until then the weights are highly provisional, and the figures have no value except as weights for calculating the index ; but with such a large number of series (about 1,000 ) moderate changes in the weights are unlikely to affect the index very much.
4. Separate indicators for input have so far only been used in the case of agriculture and building; for other activities the traditional

[^54]assumption is made that the volume of input moves proportionately to that of output.
5. Economic activities are not classified, for index purposes, according to the establishment in which they are conducted, but according to their nature. For example, all retailing of cigarettes is brought together into one series, even though much of it is done in public houses (which are classified under catering in the S.I.C., not under distribution). Similarly, all transport of goods in lorries, etc., is brought together under transport, even though many of the lorries are operated by manufacturers or retailers.
6. The above " functional" principle of classification is largely enforced by the nature of the indicators (e.g., we have only one series for sales of cigarettes, however they are made). It has the great merit of making the assumption of a constant output-input ratio more reasonable (e.g., when a manufacturer starts to use his own lorries for delivering his goods), but it means that many of the sectional index-numbers do not really correspond with employment statistics which may bear the same title, either in their weight or in their movements. (As an extreme example, retailing of petrol and motor vehicles is included in our index for Distribution, but the garages at which it is nearly all done appear under Manufacturing in labour statistics.)
7. A further application of the "functional" principle is used to group various activities together where they contribute to a single end. Thus agents of many kinds (e.g., ticket agents) are regarded as grouped with the principals for which they work, and the activities of accountants, industrial consultants and many suppliers of " business services" are, in effect, amalgamated with those of their clients. This is done by spreading the weight appropriate to these businesses over the series representing the outputs to which they indirectly contribute.
8. As a special case of the above, the weight appropriate to those Government activities designed essentially to help businesses (e.g., the agricultural advisory service) is added to that of the industries assisted.
9. Many of the indicators used to estimate year-to-year movements in output do so only indirectly-e.g., movements in the number of deaths are used to indicate changes in the output of tomb-stones.

## 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) |  |  |  |  |  |  |  | $\begin{aligned} & \text { Other Metal } \\ & \text { Using } \end{aligned}$ |  |  | Building, Building Materials \& Furniture |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | A | B | A | B |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weight ... | 1000 | 1011 | $\ldots$ | $\ldots$ | 77 | 51 | 62 | 27 | 31 | 116 | 118 | 120 | 59 | 105 | 116 | 144 | 51 | 39 |  |
| Av. 1935* | 98 | 97 | $\ldots$ | $\ldots$ | 142 | (123) | 76 | 47 | 108 | 76 | (84) | 94 | 69 | (153) | (138) | 87 | (127) | (90) |  |
| Av. 1946 ... | 100 | 100 | 104 | 104 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |  |
| Av. 1947 ... | 108 | 107 | 112 | 111 | 105 | 107 | 101 | 96 | 119 | 123 | 107 | 100 | 100 | 119 | 109 | - 103 | 106 | 115 | $\ldots$ |
| Av. 1948 ... | 120 | 118 | 125 | 122 | 122 | 107 | 113 | 99 | 133 | 151 | 109 | 101 | 117 | 141 | 124 | 111 | 108 | 138 |  |
| $\begin{gathered} \text { Av. } 1949 \ldots \\ 1946 \end{gathered}$ | 127 | 125 | 132 | 130 | 129 | 116 | 118 | 98 | 164 | 161 | 110 | 107 | 125 | 137 | 124 | 116 | 134 | 140 | $\ldots$ |
| 1st Qr. ... | 93 | 94 | 93 | 94 | 97 | 93 | 98 | 96 | 73 | 90 | 90 | 99 | 99 | 73 | 82 | 103 | 93 | 91 |  |
| 2nd Qr. ... | 98 | 98 | 102 | 102 | 99 | 99 | 102 | 104 | 97 | 98 | 98 | 100 | 100 | 92 | 96 | 97 | 95 | 98 | $\ldots$ |
| 3RD Qr. ... | 98 | 98 | 106 | 106 | 98 | 101 | 96 | 101 | 101 | 97 | 100 | 97 | 98 | 110 | 108 | 91 | 97 | 100 | $\ldots$ |
| $\begin{array}{cc} 4 \mathrm{TH} \text { Qr. } & \cdots \\ 1947 \end{array}$ | 111 | 110 | 114 | 113 | 106 | 107 | 105 | 99 | 128 | 115 | 113 | 104 | 103 | 125 | 114 | 107 | 115 | 112 | $\cdots$ |
| 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 | 123 | 114 | 92 | 104 | 114 | $\ldots$ |
| $\begin{gathered} \text { 4TH Qr. } \\ 1948 \end{gathered}$ | 119 | 118 | 123 | 121 | 117 | 113 | 109 | 110 | 128 | 147 | 119 | 103 | 112 | 138 | 123 | 111 | 106 | 129 | $\cdots$ |
| 1st Qr. | 119 | 116 | 122 | 119 | 120 | 111 | 115 | 81 | 130 | 144 | 116 | 96 | 115 | 134 | 117 | 113 | 106 | 142 |  |
| 2ND Qr. | 121 | 119 | 123 | 121 | 123 | 107 | 115 | 106 | 137 | 154 | 110 | 101 | 116 | 146 | 127 | 108 | 108 | 142 | $\ldots$ |
| 3RD Qr. | 114 | 112 | 124 | 121 | 117 | 100 | 106 | 89 | 126 | 143 | 99 | 100 | 114 | 139 | 123 | 101 | 105 | 128 | $\ldots$ |
| $\begin{aligned} & \text { 4TH Qr. ... } \\ & 1949 \end{aligned}$ | 126 | 124 | 130 | 127 | 127 | 109 | 117 | 119 | 140 | 164 | 112 | 106 | 124 | 143 | 127 | 119 | 113 | 140 | $\cdots$ |
| JAN. ... | 123 | 122 | 124 | 123 | 127 | 110 | 119 |  | 162 | 158 | 107 | 97 | 124 | 128 | 116 | 122 | 123 | 140 | $23 \frac{1}{2}$ |
| FEB. | 130 | 128 | 130 | 128 | 133 | 118 | 125 | 96 | 162 | 170 | 112 | 98 | 130 | 140 | 126 | 125 | 130 | 151 | 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 | 121 | 105 | 116 |  | 149 | 160 | 104 | 105 | 122 | 130 | 118 | 111 | 128 | 131 | 231 $\frac{1}{2}$ |
| MAY | 131 | 129 | 131 | 129 | 134 | 116 | 123 | 102 | 172 | 175 | 114 | 115 | 127 | 139 | 126 | 115 | 138 | 139 | 24 |
| JUNE | 126 | 123 | 132 | 130 | 124 | 110 | 117 |  | 164 | 164 | 107 | 112 | 122 | 140 | 127 | 109 | 131 | 135 | 24 |
| JULY | 117 | 115 | 130 | 128 | 116 | 107 | 100 |  | 129 | 153 | 98 | 111 | 112 | 129 | 118 | 100 | 128 | 123 | $23 \frac{1}{2}$ |
| AUG. | 115 | 114 | 129 | 128 | 121 | 103 | 107 | 103 | 154 | 138 | 99 | 107 | 113 | 124 | 115 | 99 | 134 | 120 | 25 |
| SEPT. | 128 | 127 | 131 | 129 | 133 | 126 | 124 |  | 174 | 159 | 113 | 110 | 128 | 142 | 129 | 113 | 138 | 135 | 24 |
| OCT. | 134 | 132 | 134 | 132 | 139 | 130 | 123 |  | 186 | 160 | 120 | 111 | 134 | 147 | 133 | 120 | 141 | 156 | $23 \frac{1}{2}$ |
| NOV. | 137 | 135 | 137 | 135 | 143 | 134 | 125 | 91 | 187 | 171 | 123 | 110 | 134 | 146 | 131 | 130 | 151 | 157 | 24 |
| $\begin{aligned} & \text { DEC. } \\ & 1950 \end{aligned}$ | 128 | 126 | 140 | 137 | 128 | 118 | 115 |  | 164 | 164 | 113 | 105 | 125 | 139 | 124 | 126 | 137 | 144 | $24 \frac{1}{2}$ |
| JAN. | 132 | 130 | 133 | 131 | 139 | 127 | 122 |  | 187 | 164 | 113 | 102 | 130 | 133 | 120 | 129 | 153 | 150 | 24 |
| FEB. | 137 | 135 | 137 | 135 | 145 | 135 | 126 | 87 | 206 | 173 | 119 | 99 | 135 | 139 | 126 | 131 | 162 | 160 | 22 |
| MAR. | 141 | 139 | 141 | 139 | 146 | 135 | 130 |  | 205 | 184 | 119 | 109 | 138 | 151 | 136 | 129 | 164 | 159 | 25 |
| APR. | 130 | 128 | 140 | 138 | 132 | 117 | 121 |  | 188 | 167 | 102 | 102 | 131 | 139 | 127 | 118 | 157 | 147 | $22 \frac{1}{2}$ |
| MAY | 134 | 134 | 140 | 140 | 142 | 125 | 124 | 111 | 206 | 168 | 114 | 114 | 132 | 145 | 131 | 122 | 163 | 152 | 25 |
| JUNE ... | 138 | 136 | 140 | 138 | ... | ... | $\ldots$ |  | 193 | ... | $\ldots$ | 113 | ... | 150 | 136 | 114 | . ${ }^{\text {c }}$ | ... | 24 |

[^55]It will be seen that the index is following its usual pattern: the rate of production per working day throughout the first half of 1950 was practically constant. The ' $A$ ' index for April, May and June is the same as that for December, 1949. There is not likely to be any substantial improvement before October. The peak shown
by the ' $B$ ' index in May is due to the shipbuilding series. Within the engineering groups, motors, cycles and aircraft have again advanced ; machinery is fairly constant (the March peak being due to exceptional completions of some heavy items); while the other metal-using trades seem to be declining a little.

## BUILDING AND CIVIL ENGINEERING

OUTPUT OF THE BUILDING AND CIVIL ENGINEERING INDUSTRIES. (£ Mn.) Sources : Professor IAN BOWEN ; Ministry of Works.

|  | 1946 | 1947 | 1948 | 1949 | $\begin{aligned} & \text { lst } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 2nd } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \\ & \\ & 3 \mathrm{Brd} \\ & \mathrm{Qr} . \end{aligned}$ | $\begin{aligned} & \text { 4th } \\ & \text { Qr. } \end{aligned}$ | $\begin{gathered} 1950 \\ 1 \mathrm{st} \\ \mathrm{Qr} . \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| I. HOUSING WORK : |  |  |  |  |  |  |  |  |  |
| 1. Temporary house erection <br> 2. Construction of permanent | 25.5 | $8 \cdot 3$ | $2 \cdot 4$ | - | - | - | - | - |  |
| houses and flats; housing site preparation | $148 \cdot 5$ | 202.4 | 221.9 | $218 \cdot 7$ | $51 \cdot 3$ | 53.9 | $55 \cdot 3$ | $58 \cdot 2$ | $55 \cdot 2$ |
| 3. Other housing work (* $\ddagger$ ) | 173.0 | 167.5 | $197 \cdot 0\}$ | $380 \cdot 3$ | $53 \cdot 2$ | $55 \cdot 8$ | 48.7(t) $\}$ | 91.5 | $94 \cdot 8$ |
| 4. Other work ( $\ddagger$ ) $\$$... .. | $67 \cdot 0(\\|)$ | $101 \cdot 8$ | 125.7\} | $380 \cdot 3$ | $40 \cdot 0$ | $42 \cdot 0$ | 49•1( $\ddagger$ ) $\}$ |  |  |
| II. INDUSTRIAL AND COMMERCIAL WORK : $(\dagger)$ |  |  |  |  |  |  |  |  |  |
| 5. Factories and industrial premises | $46 \cdot 2$ | $80 \cdot 5$ | $93 \cdot 2$ | $87 \cdot 6$ | $19 \cdot 3$ | 21.3 | $22 \cdot 4$ | $24 \cdot 6$ | $22 \cdot 9$ |
| 6. Storage, warehouses and depots | $3 \cdot 9$ | 6.7 | $7 \cdot 4$ | $8 \cdot 5$ | $1 \cdot 6$ | $2 \cdot 0$ | $2 \cdot 4$ | $2 \cdot 5$ | $2 \cdot 4$ |
| 7. Shops and commercial premises | $15 \cdot 0$ | $25 \cdot 9$ | $31 \cdot 8$ | $39 \cdot 0$ | $9 \cdot 1$ | $10 \cdot 5$ | $9 \cdot 7$ | $9 \cdot 7$ | $8 \cdot 0$ |
| III. OTHER WORK : $\dagger$ ) |  |  |  |  |  |  |  |  |  |
| - 8. Publio utilities ... | $20 \cdot 2$ | $23 \cdot 1$ | $33 \cdot 7$ | $39 \cdot 3$ | $8 \cdot 8$ | $9 \cdot 7$ | $10 \cdot 2$ | $10 \cdot 6$ | $10 \cdot 3$ |
| 9. Agricultural work | $7 \cdot 6$ | $9 \cdot 6$ | $17 \cdot 7$ | $10 \cdot 1$ | $2 \cdot 0$ | $2 \cdot 4$ | $2 \cdot 8$ | $2 \cdot 9$ | $2 \cdot 4$ |
| 10. Hospitals, schools, universities | $11 \cdot 1$ | $16 \cdot 3$ | $28 \cdot 4$ | $34 \cdot 8$ | $7 \cdot 7$ | $8 \cdot 1$ | $9 \cdot 2$ | $9 \cdot 8$ | $9 \cdot 7$ |
| 11. Coal-mining and opencast $\ldots$ | $13 \cdot 0$ | $13 \cdot 0$ | $18 \cdot 1$ | $21 \cdot 1$ | $4 \cdot 5$ | $5 \cdot 6$ | $5 \cdot 9$ | $5 \cdot 1$ | $4 \cdot 8$ |
| 12. Output of firms without operaative employees ... | $15 \cdot 0$ | $20 \cdot 1$ | $22 \cdot 9$ | $24 \cdot 7$ | $5 \cdot 9$ | $6 \cdot 2$ | $6 \cdot 3$ | $6 \cdot 3$ | $5 \cdot 5$ |
| TOTAL OUTPUT BLDG. \& C. ENG. INDUSTRIES | $546 \cdot 0$ | $675 \cdot 2$ | $800 \cdot 2$ | $864 \cdot 1$ | $203 \cdot 4$ | $217 \cdot 5$ | $222 \cdot 0$ | $221 \cdot 2$ | $216 \cdot 0$ |

For footnotes see Bulletin, May 1950, p. 50.

## WAGE RATES

By A. L. Bowley

There was no change reported in any of the wage-rates included in the Index from February

CHANGES IN WEEKLY WAGE RATES Percentage of August, 1939

$\dagger$ 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.
to July 1950 inclusive, except for the rise in the hourly rates of bricklayers' labourers in the last month. Statistics for coal-miners in the fourth quarter of 1949 are now available, which show an increase from 34s. 1d. per man-shift in the third quarter to 34 s .11 d .

The index for wool has been revised from April, 1948, onwards, since an error was found in the estimate of the change at that date. The effect on the general averages is negligible.

|  | Wage-rate Index Numbers End of Month |  |  | Retail <br> Prices Index <br> Mid-Month |
| :---: | :---: | :---: | :---: | :---: |
|  | $\underset{\text { General }}{\substack{\text { Bul }}}$ | Excluding Coal | Ministry of Labour |  |
| $\begin{gathered} 1947 \\ \text { June } \end{gathered}$ | 100 | 100 | 100 | 100 |
| $\begin{aligned} & 1948 \\ & \text { October } \ldots \end{aligned}$ | $109 \cdot 5$ | $108 \cdot 6$ | 107 | 108.4 |
| $1949$ |  |  |  |  |
| January | $109 \cdot 6$ | $108 \cdot 6$ | 108 | $109 \cdot 0$ |
| February | 109.8 | $108 \cdot 9$ | 108 | $109 \cdot 2$ |
| March | 110.5 | $109 \cdot 6$ | 108 | $108 \cdot 9$ |
| October ... | 111.7 | $110 \cdot 5$ | 109 | $112 \cdot 3$ |
| $1950$ |  |  |  |  |
| January | $111 \cdot 9$ | $110 \cdot 7$ | 110 | 112.9 |
| February | 112.1* | 111.1 | 110 | 113.2 |
| May | $112 \cdot 1$ | 111.1 | 110 | $11+2$ |
| June | 112.1 | 111.1 | 110 | 113.6 |
| July | $112 \cdot 1$ | $111 \cdot 1$ | 110 | - |

[^56]Government Finance.-Experience shows that results for the first quarter are not a good guide to the results for the whole year, but for what they are worth the results for the first quarter of 1950/1 are encouraging. The proportion of first quarter's revenue to the estimate for the whole year is slightly higher than a year ago, thanks partly to higher Trading Receipts (presumably still the result of devaluation), but also to good yields from Income Tax and Excise Duties, while the proportion of expenditure is slightly lower. The Surplus for the quarter rose from $£ 3 \mathrm{Mn}$. last year to $£ 43 \mathrm{Mn}$. this.

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


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

Extra-budgetary payments rose from $£ 77 \mathrm{Mn}$. in the previous quarter to $£ 107 \mathrm{Mn}$., chiefly as the result of a sharp increase in expenditure on housing, as shown in Table 2.
After providing for Sinking Funds, the national debt rose by $£ 68 \mathrm{Mn}$. during the quarter, of which approximately $£ 50 \mathrm{Mn}$. was covered by the sterling proceeds of E.R.P. grants, represented by a corresponding increase in non-interest-bearing notes issued to the Bank of England as counter-part to the still growing " Special Account " at the Bank of England, and reflected in a net rise of $£ 45 \mathrm{Mn}$. in " Other Debt (Internal)."

TABLE 2.
EXTRA-BUDGETARY PAYMENTS, 1950. £Mn.

|  | $\begin{aligned} & \text { April } \\ & \text { (29 days) } \end{aligned}$ | $\begin{gathered} \text { May } \\ \text { (28 days) } \end{gathered}$ | $\begin{aligned} & \text { June } \\ & \text { (34 days) } \end{aligned}$ | Total <br> (91 days) |
| :---: | :---: | :---: | :---: | :---: |
| Net E.P.T. Refunds | $0 \cdot 1$ | 1.5 | $1 \cdot 6$ | $3 \cdot 2$ |
| Post-war Credits ... | $1 \cdot 1$ | 1.4 | 1.8 | $4 \cdot 3$ |
| Net War Damage Payments : |  |  |  |  |
| W.D.C. $\quad$. | $6 \cdot 0$ | $6 \cdot 0$ | $9 \cdot 0$ | $21 \cdot 0$ |
| Bd. of Trade ... | 1.0 | - | 0.5 | 1.5 |
| Housing ... ... | $23 \cdot 5$ | $17 \cdot 8$ | 31.0 | $72 \cdot 3$ |
| Coal Nationalisation | - $2 \cdot 4$ | 1.0 | - | $1 \cdot 0$ |
| Overseas Develop. | $2 \cdot 4$ | $-0.6$ | $-2.0$ | -0.2 |
| ment ... ... | 1.5 | $1 \cdot 0$ | $1 \cdot 6$ | 4-1 |
| Films |  | $0 \cdot 1$ | $0 \cdot 1$ | $0 \cdot 2$ |
| Other | $2 \cdot 9$ | $1 \cdot 9$ | $-4.9$ | $-0.1$ |
|  | 38.5 | $30 \cdot 1$ | $38 \cdot 7$ | 107.3 |

The other major change in long-term debt was the issue for cash at $99 \frac{1}{2}$ of $£ 100 \mathrm{Mn}$. of $2 \frac{1}{2} \%$ Funding Loan, 1956-61, to cover the redemption of such part of the $£ 714 \mathrm{Mn}$. of $1949-512 \frac{1}{2} \%$ War Bonds as are held in unofficial hands and not converted. It would seem that the whole of the cash received has been used to pay off floating debt held by the Departments and so to provide them with funds to buy up $2 \frac{1}{2} \%$ War Bonds offered by the market, for the whole of the net fall in the floating debt during June was in Tap Bills and Ways and Means Advances. The further fall of $£ 50 \mathrm{Mn}$. in T.D.R.'s during June was more than offset by a rise of $£ 60 \mathrm{Mn}$. in Tender Bills.

TABLE 3.
GOVERNMENT BORROWING, 1950. £Mn.

|  | $\begin{aligned} & \text { April } \\ & \text { (29 days) } \end{aligned}$ | $\begin{gathered} \text { May } \\ \text { (28 days) } \end{gathered}$ | $\begin{aligned} & \text { June } \\ & \text { (34 days) } \end{aligned}$ | $\begin{gathered} \text { Total } \\ \text { (91 days) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certs. | $-2.4$ | $-3.8$ | -4.6 | $-10.8$ |
| $2 \frac{1}{2} \%$ Def. Bonds ... | $-1 \cdot 3$ | -1.4 | $-0.7$ | $-3 \cdot 4$ |
| $2 \frac{1}{2} \%$ Funding Loan |  | - | $99 \cdot 4$ | $99 \cdot 4$ |
| Other Debt : |  |  |  |  |
| Internal | $7 \cdot 6$ | $15 \cdot 0$ | $22 \cdot 0$ | $44 \cdot 6$ |
| External.. | $2 \cdot 6$ | $2 \cdot 5$ | -3.6 | 1.5 |
| Repayments | $-5 \cdot 2$ | $-4 \cdot 7$ | $-7 \cdot 1$ | $-17 \cdot 0$ |
| Total Long- and Medium-term borrowing | $1 \cdot 3$ | $7 \cdot 6$ | 105-4 | 114.3 |
| Tax Reserve Certs. T.D.R.'s | 13.3 -10.0 | 8.1 -55.0 | 23.7 -50.0 | $\begin{array}{r} 45 \cdot 1 \\ -115 \cdot 0 \end{array}$ |
| Treas. Bills: Tender | $20 \cdot 0$ | $120 \cdot 0$ | -60.0 | $200 \cdot 0$ |
| W Tap . | -14.6 | $-105.9$ | $-65 \cdot 1$ | $-185.6$ |
| W. \& M. Advances Govt. Depts. | $28 \cdot 5$ | $2 \cdot 8$ | $-34 \cdot 9$ | $-3 \cdot 6$ |
| Bank of England | 2 | $4 \cdot 0$ | 8.5 | $12 \cdot 5$ |
| Short-term borrowing | $37 \cdot 2$ | $-26.0$ | $-57 \cdot 8$ | $-46 \cdot 6$ |
| Total Borrowing | $38 \cdot 5$ | $-18.4$ | $47 \cdot 6$ | $67 \cdot 7$ |

The even heavier fall in Tap Bills during May was presumably due partly to their replacement in the portfolios of the Departments by purchases of $2 \frac{1}{2} \%$ Funding Loan for purposes of conversion, but throughout the whole quarter
the effect of international capital movements must have been a contributing factor. During the quarter the Exchange Equalisation Account gained some $£ 156 \mathrm{Mn}$. of gold and dollars, presumably paying for them by a corresponding decrease in its holdings of Tap Bills.

Of this gain $£ 86 \mathrm{Mn}$. was due to receipts, both in grants and loans, under E.R.P. ; $£ 6 \mathrm{Mn}$. to Canadian credits, and the remaining $£ 64 \mathrm{Mn}$. to the favourable balance on current account of the whole sterling area. As this country's own balance on current account was probably slightly adverse, at least the whole of this $£ 64 \mathrm{Mn}$. must have been financed by an increase in our net liability to the rest of the sterling area. And since our holdings of overseas capital assets, which in recent years have been increasing at the rate of over $£ 200 \mathrm{Mn}$. a year, have no doubt continued to grow, the net total of overseasowned sterling balances in London may easily have risen by well over $£ 100 \mathrm{Mn}$. during the quarter. As these balances are largely held in the form of Tap Treasury Bills, much of the $£_{1} 156 \mathrm{Mn}$. of bills released by the Exchange Equalisation Account has probably been merely transferred to overseas owners, leaving no trace in the accounts; only the balance has shown itself in a net reduction in the total of Tap Bills.

Despite a net fall of over $£ 90 \mathrm{Mn}$. in the total Floating Debt, the repayment of $£ 186 \mathrm{Mn}$. of Tap Bills made it necessary for the Treasury to increase the total of Tender Bills outstanding by $£ 85 \mathrm{Mn}$. over and above the $£ 115 \mathrm{Mn}$. used to pay off T.D.R's.

Other Finance.-The rise of $£ 200 \mathrm{Mn}$. during the quarter in Treasury Bills issued by tender was fully reflected in the clearing bank statements, in which Discounts rose from $£ 1,106 \mathrm{Mn}$. at the end of March to $£ 1,338 \mathrm{Mn}$. at the end of June. This rise was only partly offset by a fall of $£ 147 \mathrm{Mn}$. in T.D.R.'s to $£_{2} 297 \mathrm{Mn}$. This net increase in Government borrowing was the main reason for the quarter's rise of $£ 145 \mathrm{Mn}$. to $£ 5,723 \mathrm{Mn}$. in Net Deposits,
for Advances rose by only $£ 54 \mathrm{Mn}$. during the quarter, as compared with $£ 120 \mathrm{Mn}$. during the previous quarter, no doubt partly because of repayments out of the proceeds of the $£ 150 \mathrm{Mn}$. Electricity Loan. The rise in net deposits raises the Lloyds Bank seasonally adjusted index from 256.5 in March to 259.7 at the end of June. This rise is, however, no more than half the fall in the index during the previous quarter and lifts it only to the average of 1949. It cannot therefore be said that the stability in bank deposits, which has now existed for over two years, is yet threatened.

This stability, in conjunction with the continued rise in the national income, is gradually bringing the ratio between the stock of money and the national income back towards the 1938 level, though it should be remembered that this level was itself higher than it had been some years earlier.

BANK OF ENGLAND NOTES IN CIRCULATION and clearing bank net deposits as Percentages of National Income

|  |  | Bank of England <br> Notes | Clearing Banks <br> Net Deposits |
| :---: | :---: | :---: | :---: |
| Average 1928 | $\ldots$ | 8.9 | $42 \cdot 0$ |
| ", 1938 | $\ldots$ | $10 \cdot 4$ | $47 \cdot 7$ |
| ", 1946 | $\ldots$ | 16.4 | $59 \cdot 6$ |
| ", 1947 | $\ldots$ | $15 \cdot 2$ | $60 \cdot 3$ |
| ", 1948 | $\ldots$ | 124.6 | $57 \cdot 5$ |
| June, 1950 (Est.) $\ldots$ | $12 \cdot 4$ | $56 \cdot 4$ |  |

Between mid-April and the invasion of South Korea on June 25th, prices of industrial securities were firm, and our index of industrial security prices rose from 129 in mid-April to 138 in mid-June. Since June 25th, prices have weakened, though falls have been slight, especially in comparison with those in New York. Prices of fixed interest securities have followed a similar course, though with much smaller movements. Apart from the issue in May of $£ 150 \mathrm{Mn}$. of Electricity Stock, new capital issues during the quarter, especially by U.K. concerns, remained very small.

# INTERNATIONAL FINANCE 

By G. S. Dorrance

## General Review

The background to any survey of international finance made at the present time is radically different from the scene twelve months ago. Then, it was possible to say " that Britain was faced with yet another exchange crisis." ${ }^{\star}$ Now, the increase in our gold and dollar reserves for the third successive quarter (shown in Table 1) and the sterling area's gold and dollar surplus of $\$ 220$ million for the first six months of this year dominate the picture. This income plus E.R.P. assistance and drawings on the Canadian loan brings our gold and dollar reserves to a total of $\$ 2,422$ million, which is above any level attained since early 1947.

TABLE 1
TOTAL STERLING AREA GOLD AND DOLLAR DEFICIT

|  | Decrease in Gold and Dollar Holdings | Drawings on U.S. and Canadian Credit | Drawings on International Monetary Fund | Receipts under E.R.P. | Total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1946... | $-215$ | 1,123 | - | - | 908 |
| 1947... | 618 | 3,273 | 240 | - | 4,131 |
| 1948 ... | 223 | 352 | 128 | 682 | 1,710* |
| 1949 - |  |  |  |  |  |
| 1st Half | 205 | 60 | 32 | 665 | 962 |
| 3rd Qr. | 225 | 29 | - | 284 | 539 |
| 4th Qr. ... | $-263$ | 27 | 20 | 246 | 31 |
| 1st Qr. ... | -296 | 27 | - | 229 | -40 |
| 2nd Qr. ... | -438 | 18 | - | 240 | $-180$ |

Sources: 1946-9—Cmd. 7928.
1950 -Hansard, July 5, Cols. 481-484.

* Includes $£ 80 \mathrm{Mn}$. ( $\$ 325 \mathrm{Mn}$.) gold loan from South Africa.

A negative ( - ) sign indicates an increase in gold and dollar holdings or a surplus on Sterling Area gold and dollar account.

The overall trade figures outlined in Table 2 give ground for believing that our balance of payments was probably close to equilibrium in the first half of the year, if reasonable expectations regarding " invisible" income were realized.

TABLE 2
UNITED KINGDOM'S BALANCE OF TRADE* (£ Mn.)

|  | 1948 <br> Year | 1949 |  | 1950 |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{aligned} & \text { 1st } \\ & \text { Half } \end{aligned}$ | $\begin{aligned} & \text { 2nd } \\ & \text { Half } \end{aligned}$ | $\begin{aligned} & \text { 1st } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 2nd } \\ & \text { Qr. } \end{aligned}$ |
| IMPORTS c.i.f. | 2,078 | 1,120 | 1,153 | 604 | 676 |
| f.o.b. (approx.) ${ }^{\text {a }}$ | 1,766 | 952 | 980 | 513 | 575 |
| f.o.b. | 1,648 | 923 | 921 | 534 | 526 |
| DEFICIT ... ... .. | 118 | 29 | 59 | -21 | 49 |

* F.o.b. import estimates $15 \%$ less than c.i.f.

Source: Accounts Relating to Trade and Navigation of the United Kingdom.

* "The New Dollar Crisis," Bulletin, August 1949, p. 82 .

The breakdown of this trade on an area basis given in Table 3 indicates that the United Kingdom continues to have a heavy deficit on its trade with the " dollar area."

TABLE 3
DISTRIBUTION OF U.K. TRADE, £ Mn.

|  | 1949 |  | 1950 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { 1st } \\ & \text { Half } \end{aligned}$ | 2nd Half | $\begin{aligned} & \text { lst } \\ & \mathrm{Qr} . \end{aligned}$ | Apr. | May | June |
| United States : <br> Imports <br> Exports | 112 27 | 110 35 | 53 22 | 19 6 | 20 9 | 13 9 |
| Canada : Imports Exports | 97 39 | 128 43 | 43 26 | 12 | 15 13 | $\begin{aligned} & 19 \\ & 10 \end{aligned}$ |
| Total American A/c Countries Imports Exports | 231 83 | 269 94 | $\begin{array}{r} 107 \\ 59 \end{array}$ | 36 19 | $\begin{aligned} & 40 \\ & 25 \end{aligned}$ | 39 22 |
| Sterling Area : <br> Imports <br> Exports | 438 480 | 414 455 | 238 266 | 82 70 | $\begin{aligned} & 88 \\ & 83 \end{aligned}$ | $\begin{aligned} & 87 \\ & 92 \end{aligned}$ |
| O.E.E.C. Countries : Imports ... Exports ... | 257 217 | 290 234 | 147 148 | 49 44 | 58 53 | 61 45 |

Source: Board of Trade Report on Overseas Trade. Imports valued c.i.f. ; Exports valued f.o.b. include Re-exports.

The continuing surplus with the sterling area provides the main offset to this deficit and the figures underline the necessity to maintain and develop the multilateral system based on the sterling area. It should be pointed out, however, that our own dollar deficit shows signs of being considerably less in the present year than it was in 1949. Dollar imports appear to be running well below the levels of twelve months ago, even in terms of sterling, and exports have increased so that, in terms of dollars, it seems that they have overcome their post-devaluation slump.

Looking to the immediate future the prospects are encouraging. U.K. total exports seem to be still rising, although German and Japanese competition may make it difficult to increase these sales in the future. The continued rise in import prices gives ground for some worry in the absence of compensating increases in export receipts. For the rest of the sterling area the prospects, however, seem definitely favourable. Already the prices of many commodities have risen considerably.* It is unlikely, in the absence of any new developments, that these prices will remain at their present peaks. On the other hand, it would appear unlikely that they

[^57]will fall below the levels of the first half of this year. If there is a new wave of stockpiling in the United States it should lead to a continuation and perhaps an acceleration of the sterling area's gold and dollar accumulation. In addition, one effect of rearmament in the United States should be to increase the demand for the types of goods which predominate in our exports. This should improve our opportunities for sales in this market either for direct armament use or in substitution of American resources drawn off from consumer demand to armament production. The recent export of benzole to assist the expansion of the United States synthetic rubber production is a small example of this change.

## Price Changes

The publication by the Board of Trade^ of new quarterly series of export and import value and volume indexes, using 1947 instead of 1938 values as a base, has served to draw attention to the problems connected with changes in our terms of trade. The new series of average value index-numbers, like the old series, is calculated from the unit values as recorded in the Trade Accounts; commodities are weighted according to the quantities imported or exported in the quarter to which they refer. (The import and export price indexes which are still being published are weighted by fixed base-period weights.) The new figures, plus an analysis of the average values of the eighty-three most important commodities imported, are given in Table 4. $\dagger$

TABLE 4
AVERAGE VALUES OF COMMODITY TRADE

|  | Board of Trade |  |  | Commodities in Sample Survey of Imports $\dagger$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Av. Value. Indexes* |  |  |  |  | Wf0 | $\begin{gathered} \text { すु } \\ 0 \\ 0 \end{gathered}$ |
|  |  |  |  |  |  |  |  |
| $1947$ | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1948 1st Qr. | 106 | 106 | 100 |  |  |  |  |
| 2ndQr. | 109 | 115 | 106 |  |  |  |  |
| 3rdQr. | 111 | 111 | 100 |  |  |  |  |
| 4th Qr. | 111 | 112 | 101 |  |  |  |  |
| 1949 1st Qr. | 112 | 114 | 102 | 120 | 133 | 122 | 125 |
| 2nd Qr. | 112 | 113 | 101 | 118 | 134 | 125 | 126 |
| 3rd Qr. | 113 | 107 | $95$ | 112 | 121 | 116 | 116 |
| 4th Qr. | 112 | 115 | Deval 103 | uation 130 | 146 | 119 |  |
| 1950 lst Qr. | 115 | 122 | 106 | 141 | 158 | 126 | 138 |

* Board of Trade Journal, June 24th, 1950, p. 1,312.
$\dagger$ For description of sample and definition see text.

These figures show that from the middle of 1948 our export prices showed remarkable stability prior to devaluation, while the prices of

[^58]our imports were tending to decline. As a result our terms of trade were improving. The immediate effect of devaluation was to increase the prices of our imports while our export prices showed a lesser and somewhat delayed price movement. As a result there has been a sharp deterioration in the terms of trade. The analysis of the limited sample of imports indicates that while these commodities showed a price rise in 1948 greater than that for all imports, ${ }^{\star}$ their general price movements during 1949 and 1950 were in line with those of imports generally. These figures have been broken down into three groups :-

1. 11 commodities for which more than $50 \%$ of the United Kingdom's purchases are made from dollar sources ("dollar goods '");
2. 17 commodities for which more than $50 \%$ of the United Kingdom's purchases are made from the sterling area but for which more than $50 \%$ of the sterling area's exports are to dollar areas ("sterling area dollar exports ");
3. 55 other commodities.

This breakdown indicates that prior to devaluation all these prices were declining together. Devaluation resulted in a $15 \%$ rise in the prices of " dollar goods" in the last quarter of 1949, and by the first quarter of this year this figure had become $25 \%$. The prices of sterling area "dollar exports" increased by $20 \%$ in the last quarter of 1949 and by $30 \%$ by the end of the succeeding quarter. The changes of $2 \frac{1}{2} \%$ and $10 \%$ in the prices of other commodities would seem to reflect the general rise in world prices following the widespread devaluations of last September. Too much reliance should not be placed on the accuracy of these figures; however, the magnitudes involved are of a sufficient size to warrant certain presumptions. Undoubtedly devaluation had, by early this year, increased the prices of our dollar imports by slightly more than half the $44 \%$ change in the price of dollars. On the other hand, there had been a significantly greater increase in the cost of imports from the sterling area of commodities whose prices are largely determined by conditions prevailing in American markets.

It appears to be impossible to make a similar analysis of export prices which would be significant. The price increases seem to have been widespread but for only two of the commodity groups (feeding-stuffs and wool) have the indexes risen by more than $22 \%$.

[^59]
# WORLD COMMODITY SURVEY 

By C. F. Carter

## Prices and the Korean War

One of the first and most marked economic results of the fighting in the Far East has been a boom in many commodity markets. This has usually taken the form of a rise in prices up to some date in the third week in July, followed (at the time of writing) by second thoughts and a slight relapse. These second thoughts will no doubt be related to the special circumstances of each commodity, and the price movements will diverge ; for, as usual, it is dangerous to generalise about commodity prices.

Rubber, for instance, has been " tight" since the spring, and the war news (with its possible implications of further trouble in Malaya and Indonesia) has carried its price to the record level of 31d. per lb . on July 18th, while the corresponding American price touched 40 cents on July 20th. Both strategic and industrial stocks will presumably be hungry for further supplies, and synthetic production (already rising) will not fill the gap for some months. The immediate position, therefore, looks strong, but prices might be very vulnerable if international tension lessened.

Tin, on the other hand, is an example of a commodity which was well on the way to being in surplus supply. Reinvigorated by the bad news, the London price leapt up from around $£ 590$ to $£ 725$ per ton, which was within striking distance of the $£ 750$ which ruled immediately after devaluation. It fell back by nearly $£ 50$, but, reacting to Ministry of Supply warnings, it advanced to $£ 800$ on August 12th. The tin market is volatile, partly, no doubt, because the metal does not form a large proportion of the cost of the goods into which it enters ; and the cause of the rise appears to have been a rush to replenish stocks which had been kept low in the hope of a further decline in price. There will probably be further buying for strategic stocks, but unless this becomes much more urgent prices may ease back to their former levels.

One of the minor disadvantages of having one war so closely following another is that the general public can still remember what was short "last time." Since the level of savings encashable on demand is generally high, panic buying when the international situation looks gloomy may become a serious source of embarrassment to governments and of instability to markets. It is reported, for instance, that there has been heavy
buying of Sugar by housewives in the United States, Canada, and other countries. There has no doubt also been some precautionary increase in the stocks held by manufacturers and distributors. In June, the market was expecting a substantial increase in the carry-over of sugar at the end of the season; by mid-July, these expectations had evaporated, and the price had jumped from $4 \frac{1}{4}$ to nearly 5 cents per lb. High prices might be sustained if the situation seemed to require further stock-piling of foodstuffs, but otherwise it would seem difficult to justify them. The prospects for the European beet crop are so far good, and it is possible that there will once more be a record crop of cane sugar in Cuba next year. If the supply situation does seem easier, we may hear more of a suggestion reported in the press in June, that Cuba might be willing to sell sugar to the United Kingdom against payment in sterling.

Cocoa and Coffee prices have risen again; cocoa prices, in fact, are within three cents of the 1948 level, which followed a very short crop. Among the fibres, Cotton (U.S.), which had wandered between 29 and 35 cents for many months, rose to 40 cents on July 17th, but this is probably mainly attributable to the marked drop in acreage planted in the U.S.-the imposition of acreage controls has been very effective. Wool prices had reached a new peak in May, with a slight relapse in June, and it remains to be seen whether they will now be carried to still higher levels. Certainly there is no immediate sign that production can catch up with consumption.

The non-ferrous metals other than tin have, up to the time of writing, maintained a firmness which is primarily due to the U.S. boom. Indeed, Lead has done no more than regain its January price of 12 cents per lb ., and it stands in sterling very little higher than it did before devaluation. Zinc had reached 15 cents before the Korean war began, and this price has been maintained; the sterling price is more than double that which held before devaluation. Copper prices were held throughout the first three weeks of July at $22 \frac{1}{2}$ cents, pending a U.S. Senate decision on the reimposition of the import duty of 2 cents per 1 b ., which has nominally been chargeable since July 1st.

It happens that some of the more spectacular immediate price rises have been for dollarearning commodities such as rubber, and some
commentators have therefore suggested that the Korean war will lead to a major strengthening of the sterling area dollar reserves, and even (if America remains more involved than the European countries) to the temporary disappearance of the "dollar problem." It is probably too early to make this judgment, and we must not forget the tension exerted on our own price level, which is about double pre-war, by the existence of so many commodities which are three, four or more times the pre-war price. Our clothing and textile prices, for instance, are very likely to rise again in the near future.

## Jute

It is more than usually difficult, at the present time, to give a clear picture of the situation in the jute market. In the 1949/50 season, about $38 \%$ of the world's jute was grown in India, and about $61 \%$ in Pakistan. India, having the Calcutta mills to feed, was greatly embarrassed by the trade difficulties which followed the decision not to devalue the Pakistan rupee. Indian jute manufacturing capacity is about three-fifths of the world total, and she supplies more than ninetenths of the exports of jute manufactures. This trade is of the utmost importance to her, since more than a third of it is with the U.S.A. ; in 1948/9, jute manufactures accounted for more than half of her total exports to hard-currency areas. The United States imports most of her jute ready woven, as burlap or hessian, and the principal use is in making agricultural bags.

This valuable market for Indian exports is subject to a threefold threat. As long as a major part of the raw material has to come from Pakistan, supplies have to be the subject of hard bargaining between the governments, and are liable to interruption for political reasons. The Indian answer to this is to try to expand her jute acreage ; she has set a target for production in $1950 / 1$ of 5 Mn . bales of jute and 1 Mn . bales of mesta and other substitute fibres. These are high figures, hardly likely to be attained, since the whole crop in Pakistan and India together in 1949/50 is believed to have been little more than 8 Mn . bales. The second danger is the possible growth of mill capacity in Pakistan, which might be tempted to go beyond the creation of an industry large enough for Pakistan's domestic requirements, in order to obtain for her own use foreign exchange from the conversion of one of her principal raw materials. Both these dangers involve the possibility of a future price war between the two states. If this does not occur,
a third danger is present, namely, the displacement of jute by cheaper substitutes. Sterling prices of jute and jute manufactures are around six times pre-war, while dollar prices have increased by a factor of three to four. At this level, it is cheaper to make bags in the United States out of cotton, and very much cheaper to use paper. An extreme example of what may happen is given by the packaging of fertilisers; in $1940,15 \%$ went in paper bags, and $37 \%$ in burlap; in 1948, $80 \%$ used paper, and only $6 \%$ used burlap.

There are no reliable figures of the 1949/50 crop, and it is difficult therefore to have any idea of what may happen in 1950/1. Acreage controls are nominally in force in Pakistan, in order to encourage the growing of rice as a first priority ; but, in fact, the area planted last year was substantially less than that licensed, and less also than the reduced acreage quota for 1950/1. The reduction in the quota is, therefore, quite consistent with an increase in the out-turn. Rice prices have fallen more than jute, and there may therefore be an increase in the planted area. The Indian campaign to increase the area under jute has already been mentioned ; if it is reasonably successful, and if weather conditions continue favourable, production in the two countries may rise by 10 to $25 \%$ in the current season. Some estimates have put the possible crop as high as 11 Mn . bales, which would be substantially above the pre-war average. (Acknowledgments are due to the F.A.O. and to Messrs. Wigglesworth for information supplied.)

## Hard Fibres

The following table, taken from the F.A.O. Report on Hard Fibres, May, 1950, shows how the market is still dominated by the deterioration of the Abaca industry in the Philippines. Mexican Henequen is holding its own, but (since it is a hard-currency product) the market is limited and prices have been weak. Soft-currency purchasers have to fill the gap with Sisal, threefifths of which comes from British East Africa (mainly Tanganyika), and its price continues very firm.

PRODUCTION OF HARD FIBRES
(000 metric tons)

| Abaca <br> Sisal Henequen |  | 1934-38 av. | 1948 | 1949 |
| :---: | :---: | :---: | :---: | :---: |
|  |  | 171 | 94 | 81 |
|  |  | 243 | 265 | 277 |
|  |  | 108 | 136 | 115 |
|  |  | 522 | 495 | 473 |

WORLD COMMODITY SURVEY

| $\begin{gathered} \text { Commo- } \\ \text { dity } \end{gathered}$ | Season | Unit | Pre-war base | WORLD PRODUCTION |  |  | WORLD CONSUMPTION |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Last season | Last season \% of pre-war | Current season $\%$ of pre-war | Last season |  | Current season \% of pre-wa |
| Wheat... | Begins spring | Mn. Bush of 60 lb . | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | 6,240 | 104 | n.a. | n,a. | - | - |
| Fats and Oils | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | $\begin{gathered} 21,400 \\ \text { (oil equiv.) } \end{gathered}$ | 101 | (106) | n.a. | - | - |
| Sugar ... | Begins Sept. | 000 tons | 1934-8 | $\begin{gathered} 30,674 \\ \text { (raw value) } \end{gathered}$ | 105 | 108 | n.a. | n.a. | 105 |
| Tea ... | Calendar year | Mn. lb. | $\begin{aligned} & \text { Average } \\ & 1936-8 \end{aligned}$ | $\begin{gathered} 958 \\ \text { (exports) } \end{gathered}$ | 108 | n.a. | (absorption excl. local produce) | 105 | n.a. |
| Coffee ... | Begins July | Mn. bags of 132 lb . | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to } 1939 / 40 \end{aligned}$ | $\begin{gathered} 29 \cdot 9 \\ \text { (exportable) } \end{gathered}$ | 83 | n.a. | n.a. | - | - |
| Cocoa | Begins October | 000 tons | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 750 | 104 | 100 | n.a. | - | - |
| Cotton... | Begins August | Mn. bales $(478 \mathrm{lb}$. net) (k) | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to 1939/40 } \end{aligned}$ | 31.0 | 98 | n.a. | $29 \cdot 1$ | 104 | n.a. |
| Wool (apparel) | Begins July | Mn. lb. (greasy) | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 3,007 | 100 | n.a. | $(3,550)$ | (114) | n.a. |
| Jute ... | Begins July | 000 tons | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 1,430 | 85 | (105) | n.a. | - | - |
| Sisal ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 273(1) | 114 | (115) | n.a. | - | - |
| Rubber(m) | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ \text { 1936-9 } \end{gathered}$ | 1,927 incl. 1,487 natural | 193 | (205) | 1,887 incl. 1,437 | 180 | (190) |
| Copper... | Calendar year | 000 tons | Average 1937-8 | 2,420 (primary) | 113 | n.a. | 2,380 | n.a. | n.a. |
| Lead ... | Calendar year | 000 tons | 1938 | 1,540 | 94 | (77) | 1,470 | n.a. | n.a. |
| Tin | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936-8 \end{gathered}$ | 161.7 (tin in concentrates) (e) | 90 | 96 | 119.2 (e) | 70 | (75) |
| Zinc | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 1,800 | 136 | (133) | 1,440 | 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 $2,240 \mathrm{lb}$. n.a. $=$ not available. (a) in hands of principal exporters. (b) apparent supplies, excluding consumption of British wheat on farms. (c) \% of average 1936-9. (d) incomplete. (e) excluding U.S.S.R. Stocks exclude U.S. strategic stock pile.
(f) Price ratios are in terms of the currency in which quoted; the corresponding sterling ratios are added,

## WORLD COMMODITY SURVEY


marked (f), where necessary. (g) \% of early 1939. (h) \% of 1937. (i) Ministry of Food estimate of cocoa bean consumption, excluding beans transferred to oilseed stocks. (j) Civilian consumption. (k) U.S. in running bales. (1) Total consumption of sisal, henequen and abaca was about 465,000 tons in $1949,91 \%$ of $1934-8$ average. (m) U.S.S.R.-produced synthetic rubber excluded.

# THE FIRST HALF OF 1950 IN THE U.S.A. 

At this writing, the ultimate consequences of the events in Korea are not yet clear, but concern about their portent dominates economic as well as political life. Even before June 25th, the rapid pace of economic activity in the second quarter had caused fears of inflation in some quarters which the threat of war cannot but help to spread and intensify. However, in order to keep this report from becoming a (private) forecast, I shall refer only infrequently to the events of the past week and write the report for the most part as of June 25th.

The first half of 1950 was, with few exceptions, a period of marked prosperity. Fueled by ample supplies of credit and a large " National Service Life Insurance" dividend to war veterans ( $\$ 2,800 \mathrm{Mn}$.), Construction and Consumer Durables once again led the procession. "Soft goods" lagged behind somewhat and certain lines (e.g. apparel) made a poor showing in the first quarter. However, the continued improvement of general business conditions had, by June, spread even to these sectors. The boom in stock prices is perhaps as indicative as anything of the generally buoyant state of business opinion, especially during the second quarter.

## Production and Employment

In the first two months of the year unemployment rose considerably, reaching a post-war high of 4.7 Mn . in February. Since then the expansion in output has caused it to decline; by May, the number of jobless stood at $3 \cdot 1 \mathrm{Mn}$, or less than the number one year previous. (The increase in unemployment in June reflects the availability of students for summer work and the presence of new graduates, but has no other significance.) Together with the increase in employment, there has been a recrudescence of overtime work in the durable goods sectors.

In parts the first quarter rise in unemployment (as compared with 1949) reflected the high rate of accessions to the labour force; indeed, fears were expressed that, even with continued prosperity, there would be difficulty in absorbing the new job-seekers. But the continued increase in productivity also tended to hold down employment. Productivity increases are indicated both by the records of individual industries and by comparison of the overall index of industrial production with the volume of non-
agricultural employment. Industrial production itself has climbed steadily since February and by June was slightly above the post-war high of 1948. The record of Mining production has not been as satisfactory as that of manufacturing principally because of the declining output of bituminous coal (in April and May).

The attached Table (containing an analysis of Gross National Product and of Saving) suggests the major developments in expenditure and saving patterns. All components of consumer expenditure rose, as compared with the last quarter of 1949, but the major movement was in Durables. Set going by the record-breaking output of automobiles ${ }^{\star}$ and a very strong demand for housewares, this sector has once again proved the bell-wether of the economy. The explanation of the continued strong demand for durables would seem, in the case of automobiles, to run in terms of an as yet unfilled backlog of demand for new cars which is greatly reinforced by the current high level of income which is expected to continue. For furniture and household appliances, the aforementioned income factor, together with the flood of new houses, would appear to be the major ingredient in any explanation. (In addition there has been a strong market for television sets, which reflects, in a certain sense, a " backlog" of demand.) A glance at the financing of these expenditures provides further enlightenment ; instalment credit, especially for automobiles, has risen steadily since the first of the year. A frequently heard and, in my opinion, plausible hypothesis is that the veterans' insurance dividend was typically treated as a windfall and applied as a down payment on a durable good, the remainder being paid off in instalments. It should be noted that the high rate of output has been sufficient to prevent the reappearance of shortages, and/or price increases, despite the record demand.

Prior to the Korean affair, fears had been expressed that the consumer would be overburdened with instalment payments and be forced to reduce his current outlays in the second half of the year. Some business men even felt that competition from instalment payments had already unfavourably affected the demand for non-durables. Whatever the explanation, the non-durable sector did not share in the forward

[^60]march of durables until June; in general they remained at a more or less constant level with movements in the various lines offsetting one another. As compared with one year previous, sales at non-durable stores were down slightly (at least through April) and the Easter season (especially in clothing) was disappointing. Food sales accounted for about half of the small increase in non-durable purchases (between the last quarter of 1949 and the first quarter of 1950) while the slight rise in expenditure for services reflects a continuation of the upward trend (observable in 1949) in rents (including imputed rents), utilities and other costs of household operation.

All components of domestic investment surged forward from the levels of the last half of 1949. Residential construction has been little short of sensational ; since recovering from its temporary slump of last spring and early summer, it has risen sharply, running up to nearly onethird higher than in the second half of 1949. This construction boom has occurred mainly in low-cost single dwellings, the demand for which has been swollen by federal aid to home purchasers, especially veterans; over $40 \%$ of all one-family home sales in the first quarter of 1950 were financed under programmes of the federal government. The effect of these programmes is both to reduce the size of the down payment and to lengthen the amortization period of the mortgage, greatly facilitating purchase by low income families. A new and more liberal programme of federal aid (under the Housing Act of 1950) went into effect on April 20, which may boost demand even further. Public construction activity has also risen somewhat, but not spectacularly.

Producer durables climbed slightly above their fourth quarter levels. This interruption of a long-term down trend (resulting from the reduction of the post-war back-log of demand) was primarily caused by a strengthening of demand for industrial machinery, notably some types of agricultural equipment. This performance is especially impressive in view of the fact that some investment, planned for the first quarter, could not be executed because of material shortages resulting from the steel strike of last October and a coal strike in the first quarter. These deferred plans are for the most part being carried out in the second and third quarters.

It has become apparent that business firms understated (in the light of actual developments) their investment programmes for this year in answering the Securities and Exchange Commission and Department of Commerce question-
naire*. Second quarter investment plans now appear to be $6 \%$ greater than previously estimated and only $3 \%$ below those of the second quarter of last year; present plans indicate a third-quarter rate of expenditure appreciably higher than that for the corresponding period of last year.

The first quarter saw a reversal of the trend toward inventory reduction which had persisted through the preceding three quarters. (Indeed, the movement in inventories alone caused an investment increase of $\$ 5,400 \mathrm{Mn}$. between the final quarter of 1949 and the first quarter of 1950.) The inventory accumulation of the first quarter appears to have continued throughout the second and has probably been stimulated by the price increases of May and June. It is also worth noting that (on a seasonally adjusted basis) sales appear to have increased more rapidly (percentagewise) than inventories for both manufacturers and retailers; the reverse is true for wholesalers.

The trend towards net disinvestment in foreign assets, which began in the second half of last year, continued at an accelerated pace in the first quarter. This trend reflects partly a decline in exports and partly a rise in imports, although the former is the more important. The export decline resulted from the combination of continued dollar shortages and the increased availability of alternative sources of supply. The upturn in domestic business provided the principal impetus for the increased raw material imports, which are primarily responsible for the movement in over-all merchandise imports. (Part of the increase in imports may be reflected in the inventory accumulation previously noted above.) The sharp increase in the prices of coffee and certain other raw materials has also helped to raise the value of imports, while the military situation in the Far East is very likely to stimulate imports further in both real and money terms.

The decline in Government purchases reflects entirely the movement of Federal expenditure (since State and Local expenditures rose againas in every quarter since the end of the war although only very slightly). The decline reflects reductions in expenditures for defence and stockpiling as well as civilian relief in Germany and Japan ; it also reflects slightly lower farm-support prices. However, the movement in this item has not been appreciable.

About three-fourths of the rise in Disposable Income (between the last quarter of 1949 and 1950) is attributable to the (previously mentioned)

[^61]U.S. STATISTICS



DATES - Cols. $25,38-9$, end of month; cols. $27-9$, monthly average ; cols. $30-1$, mid-month; 32, 34, 36, average of Wednesdays; col. 35 , daily average.
SEE ALSO FURTHER NOTES ON PAGE 100 OF BULLETIN FOR AUG. 1947
"Special Insurance Dividend Payments" to veterans. $\ddagger$ All other components of Personal Income rose slightly except for Dividends (which fell only because of the fillip given to the fourth quarter figure by the payment of an unusually large extra dividend by one big firm). Apart from the special insurance dividend, it is likely that all major elements of Personal (and hence Disposable) Income have continued to rise throughout the second quarter. The special insurance dividend is also responsible for the sharp rise in personal saving, i.e. there was a lag between receipt and expenditure of the dividends which is reflected temporarily as personal saving.

The decline in Corporate Saving as compared with the first quarter of 1949 is due mainly to the fact that, despite the rise in accounting profits (after taxes) of $\$ 400 \mathrm{Mn}$., the inventory valuation adjustment was $\$ 2,900 \mathrm{Mn}$. less (algebraically) in the first quarter of this year. Dividends continued to flow rapidly in the first quarter, exceeding those paid in any post-war quarter except the fourth of 1949 (see above). Although the figures are not yet available, preliminary indications suggest that corporations have slackened neither their earnings nor disbursements to their owners in the second quarter (and may even have increased them).

## Wages and Prices

Average hourly earnings have continued to inch forward, but very slowly ; in Manufacturing, they averaged about $2 \%$ higher this spring than at the same time last year and, for the labour force as a whole, they rose by no more than $3 \%$ in the last 12 months. So-called fringe benefits (e.g. employer-financed pension plans, medical care and life insurance provisions, etc.) which are fairly costly to the employer have continued to spread throughout the field of collective bargaining; but wage increases, as such, have been small.

The tendency to relate private pension payments to the size of the pension paid by the Federal government from Social Security funds has been an important factor in inducing Congress greatly to expand the scale of pension benefits and to broaden (slightly) the coverage of the Act. There was little opposition to this reform, long over-due, in view of the drastic rise in prices, and it is widely agreed in Congress that further extension of the Act is needed.

Consumer prices have moved forward since February with foods, especially meat, being

[^62]front-runners. Apparel prices have been steady, but rents and utilities have continued to creep forward. Rent controls are scheduled to be abandoned the first of next year, but decontrolling in special areas (or granting increases under controls) has been going steadily forward with the aforementioned consequence. Public utility regulating commissions have tended to grant rate increases on account of increased costs ; further increases in this component of living costs are clearly to be expected.

The "All Commodities" index of wholesale prices has climbed steadily since last December and by mid-June stood about $3 \%$ above its January level ; however, about two-thirds of the total increase came in May and June. Prices of foods and other farm products have been especially buoyant; the farm products index rose about $6 \%$ during the first half of the year, most of the increase coming in the late spring reflecting movements in livestock and meat. Industrial raw material prices also began to climb in late spring. Major movements in the prices of manufactured goods have not yet appeared, but increases are definitely expected. The construction boom has hoisted material prices generally upward, although there are divergences among the various materials. In fine, the general price picture strongly suggests continued advances.

## Money and Finance

In the first quarter, the federal cash surplus was $\$ 1,500 \mathrm{Mn}$. as compared with $\$ 3,200 \mathrm{Mn}$. in the corresponding quarter of 1949.* This is due to (a) a drop of $\$ 900 \mathrm{Mn}$. in receipts, resulting principally from the lower tax rates applicable to 1949 Personal Income as compared with 1948, and (b) to an increase of $\$ 800 \mathrm{Mn}$. in expenditures.

The money supply contracted in the first quarter because of federal income-tax payments, but began an expansion in April which has probably continued into May and June. Commercial bank loans increased somewhat, with real estate and consumer instalment loans showing the way. There were partially offsetting declines in commercial loans, but these declines seem to be less than seasonal and are appreciably less than those of one year ago.

Both commercial and Federal Reserve banks reduced their holdings of Federal securities markedly during the first half of the year, although this policy appeared to be coming to an end

[^63]in the first week of July, possibly in anticipation of increased Treasury sales consequent upon the Korean affair. Yields on government bonds rose a bit under the pressure of bank sales, and the yield on corporate securities moved in sympathy, but with considerably less amplitude.

Spurred on by a continued flow of large dividends and high earnings together with "splits" and rumours of more to come, stock prices continued the climb begun last June. Prior to the outbreak of hostilities they had climbed well over $10 \%$ beyond December levels and were being traded in great volume. The reaction to the Far Eastern situation, together with a desire to take profits, caused a very sharp decline during the last week in June, but there is no sign of any panic, and in view of the general situation, it is quite likely that the " bull market" will revive.

## Second Half Prospects

At the beginning of the year, there was a general feeling of cautious optimism tinged with doubt about the outlook for the second half of 1950. But by mid-June, optimism for the next 6-9 months appeared unbounded. The threat of war, despite the stock market reaction, has definitely reinforced this optimism, as far as
business activity is concerned. (Needless to say, no one here relishes the idea of another war.) Government officials have been uttering nervous pronouncements to the effect that " there is no inflation in sight" which probably do more harm than good.

The U.S. economic situation is fairly simple. It has an economy which is virtually at full employment and whose current effective demand is likely to be expanded by a sizeable increment of military orders. To make matters worse, it is the heavy, durable, steel-using goods for which current demand is most urgent. In addition, consumers still have sizeable holdings of liquid assets and marketable securities.

At present, Congress is putting the finishing touches on a bill to slash war-time excises and to make up the lost revenue by raising corporate income-tax rates slightly. However, it is quite possible that tax rates will soon have to be raised sharply and more stringent anti-inflation measures may also be required ; one of the first steps would be to restrict consumer credit. Of course, this is an election year and it is foolish to expect unpleasant measures before the November elections except under extreme duress. But it is impossible to feel confident that severe economic exertion will not be demanded.

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

|  | Annual Totals |  |  | Quarterly Estimates, Seasonally Adjusted |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 1947 | 1948 | 1949 | 1948 |  |  | 1949 |  |  |  | $\frac{1950}{I}$ |
|  |  |  |  | II | III | IV | I | II | III | IV |  |
| Personal Consumption : <br> Durable Goods <br> Non-Durables <br> Services <br> Total |  |  |  |  |  |  |  |  |  |  |  |
|  | $22 \cdot 0$ | 23.5 | $24 \cdot 4$ | $23 \cdot 8$ | 24.8 | $22 \cdot 9$ | 23.0 | $23 \cdot 6$ | $25 \cdot 7$ | $25 \cdot 2$ | 26.9 |
|  | $96 \cdot 2$ | $102 \cdot 2$ | 98.9 | 102.4 | 101.8 | $103 \cdot 3$ | $100 \cdot 4$ | $99 \cdot 8$ | $97 \cdot 6$ | 97.7 | $98 \cdot 1$ |
|  |  | $53 \cdot 1$ | $56 \cdot 1$ | 52.5 | 53.7 | $54 \cdot 8$ | $55 \cdot 3$ | $55 \cdot 9$ | 56.5 | 56.9 | $57 \cdot 7$ |
|  | 166.9* | 178.8 | $179 \cdot 4$ | $178 \cdot 7$ | $180 \cdot 3$ | 180.9* | 178.7 | $179 \cdot 3$ | $179 \cdot 7$ | $179 \cdot 8$ | 182.7 |
| Domestic Investment (Gross) : <br> New Construction <br> Producers' Durables <br> Net Growth in Inventory | 13.8 | $17 \cdot 9$ | $17 \cdot 3$ | $18 \cdot 1$ | 18.7 | $17 \cdot 9$ | 16.8 |  |  |  |  |
|  | 17.2 | 20.7 | $19 \cdot 7$ | $20 \cdot 8$ | 21.0 | $17 \cdot 9$ 21.2 | 16.8 20.7 | 16.4 20.0 | 17.4 19.6 | 18.7 18.7 | $20 \cdot 1$ $19 \cdot 3$ |
|  | $0 \cdot 1$ | 6.5 | $-2.3$ | . $5 \cdot 3$ | $7 \cdot 4$ | $9 \cdot 0$ | $2 \cdot 5$ | $-3.2$ | $-5.0$ | $-3.7$ | 1.7 |
| Total | $31 \cdot 1$ | 45.0* | $34 \cdot 7$ | $44 \cdot 2$ | $47 \cdot 1$ | $48 \cdot 0$ | $40 \cdot 0$ | $33 \cdot 2$ | $32 \cdot 1$ | $33 \cdot 7$ | $41 \cdot 1$ |
| Foreign Investment (Net) Government Purcheses of Goods and Services | $8 \cdot 9$ | $1 \cdot 9$ | $0 \cdot 4$ | $2 \cdot 8$ | $-1.0$ | $1 \cdot 0$ | $1 \cdot 0$ | $1 \cdot 2$ | $-0.3$ | $-0.5$ | $-2.1$ |
|  | 28.8 | $36 \cdot 7$ | $43 \cdot 4$ | $35 \cdot 9$ | $39 \cdot 2$ | $40 \cdot 3$ | $42 \cdot 3$ | $44 \cdot 2$ | $43 \cdot 2$ | $43 \cdot 7$ | $42 \cdot 2$ |
| Gross National Product | $235 \cdot 7$ | $262 \cdot 4$ | $257 \cdot 8$ | $261 \cdot 6$ | $266 \cdot 5$ | $270 \cdot 3$ | $262 \cdot 0$ | $257 \cdot 9$ | 254.6 | $256 \cdot 7$ | $263 \cdot 9$ |
| Consumers' Disposable Income Consumers' Saving | $172 \cdot 0$ | $190 \cdot 8$ |  |  |  |  |  |  |  |  |  |
|  | $5 \cdot 1$ | $12 \cdot 0$ | 11.8 | 10.8 | $15 \cdot 0$ | $15 \cdot 3$ | 14.8 | $12 \cdot 1$ | 189.5 | 10.8 | $\begin{array}{r} 2.3 \\ 18.6 \end{array}$ |
| Corporate Net Saving ex-Inventory Adjustment | $6 \cdot 1$ |  |  |  |  |  |  |  |  |  |  |
| Depreciation, etc. <br> Treasury Cash Surplus | $6 \cdot 1$ 13.7 | $15 \cdot 7$ | $11 \cdot 6$ 16.8 | 11.6 $15 \cdot 6$ | 11.0 15.9 | $\begin{aligned} & 13 \cdot 8 \\ & 16 \cdot 4 \end{aligned}$ | 11.8 16.4 | $\begin{aligned} & 11.9 \\ & 16.9 \end{aligned}$ | $\begin{aligned} & 12 \cdot 7 \\ & 16.9 \end{aligned}$ | $10 \cdot 0$ $17 \cdot 2$ | 9.0 17.5 |
|  | $5 \cdot 7$ | 8.0 | 16.8 -1.3 | (a) | (a) | $\begin{gathered} 16 \cdot 4 \\ (a) \end{gathered}$ | (a) | $\begin{gathered} 16.9 \\ (a) \end{gathered}$ | $16 \cdot 9$ <br> (a) | $\begin{array}{r} 17 \cdot 2 \\ -\quad(a) \end{array}$ | 17.5 <br> (a) |

* Components do not add precisely to total because of rounding.

[^64]FINANCE

| $\begin{aligned} & \text { Mouthly } \\ & \text { Avorags } \\ & \text { Nonthen } \\ & \text { Months. } \end{aligned}$ | ks a |  |  |  | abr |  |  |  | кı |  |  |  |  |  |  |  |  |  | $\underbrace{\text { REASURY }}$ BILS． |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | vistrials．${ }_{\text {d }}^{\text {F }}$ |  |  |  |  |  |  |  | $\underset{\substack{\text { Rank of } \\ \text { England．}}}{ }$ |  | earing Ban |  |  |  |  |  |  |  |  |  |
|  | $\begin{aligned} & \text { 算 } \end{aligned}$ |  |  | 1938 |  |  | $\mid$ |  |  |  |  | $\varepsilon$ Mn． |  | 咅 | $\begin{aligned} & \text { ar } \\ & \text { 號 } \end{aligned}$ |  | 星 | 妾 |  |  |
| Moiths． |  |  |  | ${ }_{1}^{1938}$ | cock |  |  | ${ }_{8}^{8.5}$ |  | $\begin{aligned} & 8 \mathrm{xIn} . \\ & \begin{array}{c} 10 \\ 29 \pm \end{array} \end{aligned}$ |  | ${ }^{1} \mathrm{IN}$ | ${ }_{13} \mathrm{Mn}^{\text {Mn }}$ |  |  |  |  |  | ${ }_{\text {E Mn．}} 19$ |  |
|  |  |  |  | ${ }_{16}^{13}$ |  |  |  |  |  | 411 |  |  |  |  |  |  |  |  |  |  |
|  | （6） |  | 7 | ${ }_{\substack{167 \\ 193 \\ 120}}$ |  |  |  |  |  |  |  | 1768 | 1720 |  |  |  |  |  |  |  |
| ${ }_{\text {l }}^{1922}$ | ${ }_{(82)}^{(67)}$ |  | 81 | cin |  | 2． 2.78 |  |  |  | 9 |  |  | 1699 1586 |  |  |  | 21．4． | 42， | 48 |  |
|  | ${ }^{81}$ |  | 79 | 127 |  | ${ }_{\substack{3.45 \\ 4.15}}^{\text {a }}$ |  |  |  | 38 | ${ }_{75}^{75}$ | 1632 1623 180 | 1584 |  |  |  |  |  |  |  |
|  | （ |  | ${ }_{76} 7$ | ${ }_{1}^{131}$ |  | ＋ |  | 9．4 |  | cos | ${ }_{75}^{75}$ | 11623 |  |  |  |  |  |  | 4 |  |
|  | 1101 <br> 115 <br> 15 |  | ${ }_{78}^{76}$ | ${ }_{128}^{131}$ | ＋${ }_{4}^{4 \cdot 57}$ | 4．16 |  | ${ }_{11.9}^{10.7}$ | 66 | ${ }_{372}^{373}$ | ${ }_{80}^{77}$ | ${ }_{1729}^{1675}$ | ${ }_{1672}^{1623}$ |  |  |  |  |  |  |  |
|  | 113 |  |  |  |  |  | 13.3 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | ${ }_{7}^{9}$ |  |  |  |  |  |  |  |  | ${ }_{\substack{358 \\ 354}}$ |  |  |  |  |  |  |  |  |  |  |
|  | ${ }_{68}^{68}$ |  |  | ${ }_{\text {102．1 }}^{114 .}$ |  | ${ }_{17}^{1.94}$ |  |  | （81 | 360 | 81 <br> 85 | 52 | ${ }_{1867}^{1707}$ |  | 24．0 |  |  | ${ }^{77.6}$ | 539 |  |
|  | 102 <br> 113 <br> 113 |  |  |  | cis | ． 81 |  | ${ }^{1.7}$ | ${ }_{102}$ | ${ }_{3}^{378}$ | 85 85 81 |  | 砤 |  |  |  |  |  | － |  |
|  |  |  |  |  | 2．94 | ${ }_{\text {．}}^{61}$ | 13.5 | 1.7 | 5 | ${ }^{394}$ | ${ }_{97}^{91}$ | ${ }_{2104}^{1961}$ | ${ }_{2046}$ | 10.8 10.3 |  |  |  |  | 473 |  |
| ${ }_{\text {lig }}^{193}$ | 122 100 |  | ${ }_{91}^{100}$ | ${ }_{109}^{100}$ | 3：37 | 5 |  | 6  <br> 7  <br> 7 $2 \cdot 1$ <br>   <br> 8  | 4 |  | 100 |  | 22 |  |  |  |  |  |  |  |
|  |  |  |  |  | 3．72 |  | ${ }^{3} 3$ |  | $\begin{aligned} & 103 \\ & 107 \end{aligned}$ | ${ }_{507}^{507}$ | ${ }^{98}$ | 48 |  | 10.918 |  |  | 27.0 |  | 488 588 <br> 793  <br> 915  <br> 18  |  |
|  | ${ }_{82}^{77}$ |  |  |  |  | 1.04 |  | ：0 |  |  |  | $\underset{\substack{2970 \\ 3292 \\ \hline 297}}{2}$ |  |  |  | $\underset{\substack{2.9 \\ 10.6}}{\text { cos }}$ |  |  |  |  |  |
|  | ${ }_{110}^{92}$ |  |  |  | ${ }_{\substack{3.03 \\ 3.10}}^{\substack{\text { a }}}$ | （1031.03 <br> 1.03 <br> 1 |  |  |  | cos |  |  | 485 | 10.4 10.4 10 10 | （12．31．6 |  |  |  | （rer |  |
|  | 120 |  |  |  | － 3.14 | 1．93 | 1.4 |  | ${ }^{176}$ | ${ }^{11254} 1$ | 181 <br> 205 <br> 20 | 31753 4692 | ${ }_{4}^{4099}$ |  |  | 8．5 |  |  | cise |  |
| ${ }_{19}^{19}$ |  |  |  |  | 2．60 | ${ }_{-93} \cdot 9$ | 9，3 |  |  |  | ${ }^{202}$ |  |  |  |  |  |  |  |  |  |  |
|  | （139139 <br> 132 |  |  | 96 | ${ }_{3} 3$ | － 58 |  | cos | cos | 1382 |  |  | 5454 | ${ }_{\substack{8.2 \\ 8.2}}^{8.4}$ | 235 | 1－5 |  |  |  |  |
|  | ${ }_{-3.9}^{+3.6}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 25. |  |  |  |
|  |  |  |  | $\begin{aligned} & 95 \cdot 2 \cdot 7 \\ & 93 \cdot 7 \end{aligned}$ | $\begin{aligned} & 3: 28 \\ & 3: 27 \\ & 3 \cdot 27 \end{aligned}$ | $\begin{aligned} & .56 \\ & .56 \\ & .56 \end{aligned}$ |  | ${ }_{\text {P }}^{2}$ | $\begin{array}{\|c} 302 \\ 302 \\ 302 \\ 305 \end{array}$ | $\begin{aligned} & 1242 \\ & 1240 \\ & 1250 \end{aligned}$ |  | $\begin{aligned} & 5861 \\ & 5899 \\ & 595959 \end{aligned}$ | $\substack{5665 \\ 56722 \\ 5721}$ |  | $\begin{aligned} & 21 \cdot 2 \\ & 20.1 \\ & 19.0 \\ & 121 \\ & 21 \end{aligned}$ |  |  | $\begin{gathered} 22 \cdot 3 \\ 22 \cdot 6 \\ 22 \cdot 5 \end{gathered}$ | $\begin{gathered} 2160 \\ \hline 2510 \end{gathered}$ | 2750 <br> 2644 <br> 2609 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | $\begin{aligned} & 93.8 \\ & 93.1 \\ & 99.8 \\ & 99.1 \\ & 99.6 \\ & 90.6 \\ & \hline 1.6 \end{aligned}$ | $\begin{aligned} & 3.218 \\ & 3.196 \\ & 3.1 \end{aligned}$ | $\begin{aligned} & .56 \\ & .56 \\ & .56 \\ & .56 \\ & .56 \\ & .56 \end{aligned}$ |  |  | $\begin{aligned} & 330 \\ & \begin{array}{l} 300 \\ 300 \\ 303 \\ 3031 \\ 313 \\ 301 \end{array} \end{aligned}$ | $\begin{aligned} & 1272 \\ & 1278 \\ & 1244 \\ & 1236 \\ & 1234 \\ & 1287 \end{aligned}$ | $\begin{aligned} & 258 \\ & \hline 258 \\ & 258 \\ & 250 \\ & 261 \\ & 261 \\ & 261 \end{aligned}$ |  |  | $\begin{aligned} & 8 \cdot 3 \\ & 8: 4 \\ & 8: 3 \\ & 8: 0 \\ & 8: 2 \\ & 8: 1 \end{aligned}$ |  | ${ }_{22.4}^{22.3}$ | 25．0 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 24 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 23.8 |  |  |  |  |
|  | 144 | $\begin{aligned} & +1.4 \\ & -1.9 \\ & -6.9 \\ & +0.3 \\ & +10.7 \\ & +11 \cdot 5 \end{aligned}$ | $\begin{aligned} & 110 \% \\ & 110 \\ & 110 \% \\ & 10.4 \\ & 10.6 \end{aligned}$ | $\begin{aligned} & 9 \cdot 2 \cdot 2 \\ & 90.6 \\ & 90.9 \\ & 99.0 \\ & 99.0 \\ & 92 \cdot 3 \end{aligned}$ |  | $\begin{aligned} & .56 \\ & .56 \\ & .56 \\ & .56 \\ & .56 \\ & .68 \\ & \hline 82 \end{aligned}$ |  |  | $\begin{aligned} & 311 \\ & 300 \\ & 296 \\ & 290 \\ & 288 \\ & 289 \end{aligned}$ |  | $\begin{aligned} & 260 \\ & 257 \\ & 258 \\ & 259 \\ & 250 \\ & 260 \\ & 262 \end{aligned}$ | 6057 <br> 5817 <br> 5815 <br> 5887 <br> 5872 <br> 6025 |  |  |  |  |  | 2.64.64.04.44.44.34.04.04 | 2220 <br> $\begin{array}{l}2210 \\ 2210 \\ 2210 \\ 2210 \\ 2210 \\ 2210\end{array}$ |  |
|  | ${ }^{136}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 12512313112912412812712712712713113813313 | ${ }_{-0}^{+0.8}$+0.5-2.5+2.4+4.6-0.8+0.8+1.1+1.2+1.2+4.9-4.6 | $\begin{aligned} & 104.1 \\ & 9.9 .9 \\ & 99.9 \\ & 99.1 \\ & 99.3 \\ & 98.0 \end{aligned}$ | $\begin{gathered} 96.0 \\ 10.1 \\ 101.1 \\ 100.1 \\ 100.9 \\ 102.9 \\ 102.1 \end{gathered}$ |  | $\begin{aligned} & .82 \\ & .89 \\ & .69 \\ & .69 \\ & .69 \end{aligned}$ |  |  |  | $\begin{aligned} & 289 \\ & \begin{array}{l} 288 \\ 281 \\ 391 \\ 301 \\ 3960 \end{array} \\ & 295 \end{aligned}$ | $\begin{aligned} & 129991290 \\ & 12970 \\ & 12762 \\ & 126060 \\ & 1312 \end{aligned}$ | 26125925926226226326 |  | 5784 <br> 5730 <br> 5799 <br> 5858 <br> 5854 <br> 5953 <br> 953 |  | $\begin{aligned} & 11.4 \\ & 1.9 \\ & 4.8 \\ & 8.4 \\ & 9.1 \\ & 7.1 \end{aligned}$ |  |  |  | $\begin{aligned} & \begin{array}{l} 2210 \\ \hline 2260 \\ \hline 2490 \\ \hline 2790 \\ \hline 2900 \\ 2990 \end{array} \\ & \hline 290 \end{aligned}$ |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | （ex |  |
|  |  |  | ${ }_{95} 9$ | 104 | ${ }^{\text {a }}$ | ${ }_{\text {c }}^{69}$ | ${ }^{6}$ |  | ${ }_{294}^{289}$ | 1288 | 20 |  | 3575 | 8.4 |  |  |  |  |  |  |  |
|  |  |  |  |  |  | ${ }_{\text {l }}^{69}$ |  |  |  |  | ${ }_{2}^{259}$ |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 98.0 | $102 \cdot 0$ |  |  |  | ${ }_{4} 4$ |  | 1291 |  |  | 5723 |  |  |  |  |  |  |  |  |
|  |  |  | $96.7 \quad 103.4$ |  | 3．60 | ． 69 | 12．8 | 1.0 | 83 | 1308 | 261 | 5774 |  |  | 32.7 | 5 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |


| Monthly Averages or Months． | RETAIL PRICES． |  |  |  | WhoLesale prices． |  |  |  | PRICES TO FARMERS． |  |  |  | UNEMPLOYMENT＊ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | $\begin{aligned} & \text { 흥 } \\ & \text { 芯 } \end{aligned}$ |  | $\begin{aligned} & \text { rd of Tri } \\ & \text { idex Nos } \end{aligned}$ |  | Statist． Index． |  |  | ச் |  | 會: | Perce Indus | ge of $1 \quad \mathrm{P}$ <br> mplo | sured ation |
|  | $\begin{aligned} & \text { झु } \\ & \stackrel{y}{\circ} \end{aligned}$ | $\begin{aligned} & \text { Oु } \\ & \text { 8 } \end{aligned}$ |  |  |  |  |  |  | $\begin{aligned} & \text { O} \\ & \text { B } \\ & 0 \\ & \text { d } \\ & \text { a } \end{aligned}$ |  | $\begin{aligned} & \text { D } \\ & \text { 品 } \\ & \text { 官 } \\ & \text { م } \end{aligned}$ |  |  | 䔍 品 或 岕 | $\begin{aligned} & \dot{B} \\ & \stackrel{y}{y} \end{aligned}$ |  |
|  | \％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 | 156 182 |  |  | $253 \cdot 7$ | $220 \cdot 8$ |  | 233 277 | $\ldots$ |  | ． | （105） $(125)$ |  |  |  |  |
| 1920 ．． | 160 145 | 182 | 107 110 |  | $253 \cdot 7$ $162 \cdot 2$ | $169 \cdot 6$ |  | 161 |  |  | ． | （137） |  |  |  |  |
| 1922 | 117 | 125 | 109 |  | $131 \cdot 1$ | $134 \cdot 0$ |  | 138 |  |  |  | （105） |  |  |  |  |
| 1923 | 111 | 120 | 102 |  | $131 \cdot 1$ | 125.5 |  | 139 |  |  |  | （94） | 1191 | 11.6 | 6.4 | 14.3 |
| 1924 | 112 | 121 | 99 |  | 137.1 | 134．9 |  | 153 |  |  | ． | 96 | 1067 | $10 \cdot 2$ | $8 \cdot 6$ | $12 \cdot 4$ |
| 1925 | 118 | 122 | 99 |  | 131.3 | $135 \cdot 1$ |  | 149 |  |  | $\cdots$ | ${ }_{96}^{96}$ | 1171 | 11.0 | 16.5 | $15 \cdot 2$ |
| 1926 | 110 | 117 | 99 99 |  | 122.2 116.9 | $125 \cdot 6$ 123.4 |  | 137 134 134 |  |  |  | 96 96 | 1326 | 12.3 9.6 | 18.0 19.5 | 16.4 10.6 |
| 1927 ． | 107 106 | 114 112 | 99 100 |  | 116.9 115.8 | 123.4 123.6 |  | 134 130 |  |  | ． | 96 | 1150 | $10 \cdot 7$ | $23 \cdot 0$ | 11.7 |
| 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 |  | $86 \cdot 2$ | $90 \cdot 9$ | $82 \cdot 5$ | 85 | 101 | 81 | 93 | 93 | 2532 | $21 \cdot 1$ | $32 \cdot 4$ | 26.6 |
| 1932 | 92 | 90 | 112 |  | $84 \cdot 4$ | $90 \cdot 1$ | $76 \cdot 1$ | 83 | 88 | 82 | 83 | 92 | 2621 | $21 \cdot 9$ | 36.5 | $27 \cdot 7$ |
| 1933 | 90 | 85 | 104 |  | $84 \cdot 5$ | $85 \cdot 2$ | $86 \cdot 3$ | 86 | 86 | 92 | 82 | 90 | 2391 | $19 \cdot 8$ | $34 \cdot 6$ | $26 \cdot 1$ |
| 1934 | 90 | 87 | 101 |  | 86.9 | $87 \cdot 3$ | $94 \cdot 7$ | 88 | 91 | 99 | 85 | 90 | 2021 | 16.6 | $32 \cdot 3$ | $23 \cdot 1$ |
| 1935 | 92 | 89 | 101 |  | $87 \cdot 7$ | $89 \cdot 2$ | $95 \cdot 0$ | 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 | 13.0 | $29 \cdot 4$ | 18.7 |
| 1937 | 99 | 99 | 100 |  | $107 \cdot 2$ | $105 \cdot 1$ | $132 \cdot 4$ | 114 | 101 | 111 | 94 | 97 | 1349 | 9．7 | 20.7 | 14.0 |
| 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 | $101 \cdot 4$ | $100 \cdot 0$ | 107．4 | 108 | 101 | 112 | 101 | 101 | 1408 | $9 \cdot 6$ | $17 \cdot 8$ | $12 \cdot 6$ |
| 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 | 150.5 | $150 \cdot 2$ | $179 \cdot 5$ | 162 | 147 | 202 | 161 | 122 | 260 | $2 \cdot 3$ | $5 \cdot 8$ | 3.5 |
| 1942 | 139 | 125 | 197 | 173 | 157．1 | 161.1 | 181.8 | 168 | 159 | 251 | 179 | 131 | 100 | $1 \cdot 0$ | $2 \cdot 2$ | 1.5 |
| 1943 | 143 | 125 | 225 | 171 | $160 \cdot 4$ | $164 \cdot 4$ | 187.2 | 176 | 160 | 236 | 172 | 138 | 69 | $\cdot 7$ | 1.8 | 1.2 |
| 1944 | 146 | 125 | 237 | 175 | $163 \cdot 7$ | $162 \cdot 4$ | $198 \cdot 3$ | 187 | 162 | 239 | 189 | 146 | 64 | － 6 | 1.8 | 1.3 |
| 1945 | 148 | 127 | 235 | 176 | 166.7 | 162.5 | $202 \cdot 2$ | 191 | 161 | 238 | 194 | 154 | 140 | 1.2 | $4 \cdot 3$ | $2 \cdot 1$ |
| 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 | $246 \cdot 1$ | 299 | 218 | 237 | 225 | 175 | 468 | $3 \cdot 0$ | 6.8 | $4 \cdot 2$ |
| 1948 ．．． | 173 | 149 | 311 | 196 | 216.2 | 185.8 | $322 \cdot 3$ | 341 | 237 | 280 | 239 | 188 | （310） | 1.7 | （5．5） | （3．5） |
| $\begin{aligned} & 1949 \\ & 1948 \end{aligned}$ | 178 | 157 | 308 | 205 | $226 \cdot 8$ | 201.7 | $320 \cdot 0$ | 347 | 254 | 278 | 253 | 1931 $\frac{1}{2}$ | 308 | 1.5 | $4 \cdot 0$ | $3 \cdot 0$ |
| APR．．．． | 174 | 151 | 316 | 192 | 216.2 | 187.1 | 319.6 | 338 | 245 | 272 | 220 | 187 | 301 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 5$ |
| MAY ．．． | 174 | 150 | 316 | 194 | 217.3 | 187.3 | $324 \cdot 9$ | 344 | 248 | 272 | 179 | 187 | 290 | $2 \cdot 0$ | $5 \cdot 5$ | $3 \cdot 0$ |
| JUNE ．．． | 177 | 157 | 316 | 195 | 219.0 | $189 \cdot 3$ | $327 \cdot 4$ | 347 | 246 | 271 | 179 | $187 \frac{1}{4}$ | $274 \ddagger$ | 1.5 | $5 \cdot 5$ | $3 \cdot 0$ |
| JULY ．．． | 174 | 149 | 316 | 196 | 218.7 | 188.9 | $327 \cdot 1$ | 344 | 244 | 271 | 190 | $188 \frac{1}{4}$ | 282 | （1．5） | （5－5） | （3．5） |
| AUG．．．． | 174 | 148 | 316 | 198 | $217 \cdot 9$ | 187.9 | $324 \cdot 3$ | 342 | 240 | 279 | 211 | 188 | 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） |  | － |
| OCT．．．． | 175 | 148 | 316 | 201 | 216.7 | 184.8 | 322.5 | 344 | 232 | 285 | 261 | $191 \frac{1}{4}$ | 314 | （1．5） |  |  |
| NOV．．． | 175 | 149 | 316 | 202 | 217.4 | 185.6 | 324.4 | 346 | 232 | 285 | 292 | $191 \frac{1}{4}$ | 328 | （1．5） |  |  |
| $\begin{aligned} & \text { DEC. } \\ & 1949 \end{aligned}$ | 175 | 149 | 316 | 202 | $217 \cdot 7$ | 183.0 | 331.4 | 350 | 237 | 285 | 302 | $191 \frac{1}{6}$ | 327 | （1．5） | ． | $\ldots$ |
| JAN．．．． | 175 | 149 | 316 | 203 | 218.2 | 183.1 | $331 \cdot 0$ | 352 | 242 | 283 | 298 | 191震 | 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 | 326.8 | 347 | 259 | 283 | 266 | 193 | 340 | 1.7 | $4 \cdot 2$ | $3 \cdot 2$ |
| APR． | 176 | 150 | 306 | 205 | 223.5 | 191.0 | 323.7 | 343 | 272 | 283 | 242 | 193 | 325 | $1 \cdot 6$ | $4 \cdot 0$ | $3 \cdot 1$ |
| MAY ． | 178 | 158 | 306 | 205 | 228.1 | $204 \cdot 3$ | 322.2 | 337 | 274 | 283 | 185 | 1931 $\frac{1}{2}$ | 304 | 1.5 | $3 \cdot 9$ | $2 \cdot 9$ |
| JUNE． | 179 | 159 | 306 | 206 | 228.7 | $207 \cdot 5$ | 319.2 | 330 | 269 | 285 | 184 | 193 $\frac{2}{2}$ | 264 | $1 \cdot 3$ | $3 \cdot 6$ | $2 \cdot 5$ |
| JULY ．．． | 179 | 159 | 306 | 206 | 226－2 | $207 \cdot 4$ | 302.4 | 324 | 262 | 272 | 199 | 1931 $\frac{1}{2}$ | 243 | $1 \cdot 2$ | $3 \cdot 5$ | $2 \cdot 5$ |
| AUG．${ }^{\text {SEPT}}$ | 179 180 | 160 | 306 | 206 | 226.3 | $208 \cdot 0$ | $302 \cdot 0$ | 325 | 259 | 273 | 228 | $1933^{\frac{2}{4}}$ | 261 | $1 \cdot 3$ | 3.6 | $2 \cdot 6$ |
| SEPT．．．． | 180 181 | 161 | 306 | 206 | 227.5 | 206.3 | 311.7 | 359 | 252 | 274 | 248 | 194 | 268 | $1 \cdot 3$ | $3 \cdot 6$ | 2.7 |
| NOV．． | 181 | 164 | 306 | 204 | $233 \cdot 9$ 236.9 | 216.3 218.8 | $318 \cdot 2$ $325 \cdot 2$ | 366 365 | 246 | 278 280 | 291 | 195 | 300 | 1.5 | $3 \cdot 9$ | $2 \cdot 8$ |
| $\begin{aligned} & \text { DEC. } \\ & 1950 \end{aligned}$ | 182 | 165 | 306 | 204 | ${ }_{237.6}$ | 217.7 | $325 \cdot 2$ 331.0 | 365 369 | 247 251 | 282 | 323 334 | 195 | 324 330 | 1．6 | $4 \cdot 1$ $4 \cdot 0$ | 3.0 3.2 |
| JAN．． | 182 | 166 | 306 | 204 | 241.4 | $220 \cdot 4$ | 344.0 | 373 | 256 | 282 | 329 | 195｜｜ | 372 | 1.8 | 4－2 | $3 \cdot 4$ |
| FEB．． | 183 | 166 | 306 | 206 | 241.7 | 221.0 | $344 \cdot 4$ | 376 | 261 | 281 | 310 | $195 \frac{1}{2}$｜i | 373 | 1.8 | $4 \cdot 2$ | $3 \cdot 4$ |
| MAR．．． | 183 | 167 | 306 | 206 | $242 \cdot 1$ | 221.1 | $346 \cdot 6$ | 378 | 268 | 282 | 282 | 195 ${ }^{\frac{1}{2}}$ | 347 | 1.7 | $3 \cdot 9$ | 3－3 |
| APR． | 184 | 168 | 306 | 207 | 246.3 | 227.0 | $360 \cdot 0$ | 380 | 282 | 287 | 237 | $195 \frac{1}{2}$ | 329 | $1 \cdot 6$ | $3 \cdot 8$ | $3 \cdot 2$ |
| MAY ．． | 184 | 172 | 296 | 207 | 251－0 | 231.0 | 374－0 | 384 | 285 | 290 | 187 | 195 $\frac{1}{2}$ | 315 | 1.5 | $3 \cdot 7$ | $3 \cdot 0$ |
| JUNE．．． | 183 | 170 | 296 | 208 | $252 \cdot 3$ | $229 \cdot 7$ | 383.0 | 382 | 280 | 289 | 187 | 195 $\frac{1}{2}$ | 282 | $1 \cdot 4$ | $3 \cdot 4$ | $2 \cdot 7$ |
| JULY．．． |  |  |  |  | $255 \cdot 3$ | 228.6 | $400 \cdot 0$ |  |  |  |  |  | 272 | $1 \cdot 3$ | $3 \cdot 4$ | $2 \cdot 7$ |
| Sources． <br> Figures in | －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> ${ }_{33}$－Prof．Bowley＇s Index，calculated for LCES． <br> （Ministry of Labour）． <br> in Cols．21－24， $32-26$ relate to mid－month；Cols．25－27，29－31，average for month；Col．28－end of month．＊Cols． $33-36$ 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．$\ddagger$ Or 286,000 including uninsured unemployed to correspond with later flgures． § July，1914．UProvisional．（ ）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
$\dagger$ The quarterly movements are interpolated for each year from the B/T import and export current price series.
If 12 chief countries only. For other notes on this table, see Bulletin, February, 1949, p. 29.

FINANCE


## POPULATION \& EMPLOYMENT

|  | U.K. |  | POPULATION, GREAT BRITAIN |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Total |  | Working |  | Employed |  |
|  |  |  | $\begin{aligned} & \stackrel{0}{\omega} \\ & \stackrel{y}{4} \end{aligned}$ |  | $\begin{aligned} & \text { 盛 } \end{aligned}$ |  |  |  |
|  | 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 | 12.0 | 21.9 | 23.7 | .. | .. | . | .. |
|  | 15.3 | 12.3 | 22.0 | $23 \cdot 8$ |  | . |  |  |
| 1937. | 15.3 15.5 | 12.6 11.8 | 22.1 22.2 | $23 \cdot 9$ $24 \cdot 0$ |  |  |  |  |
| 1939 | 15.3 | 12.2 | 22.3 | $24 \cdot 1$ | 14.66 | $5 \cdot 09$ | 17.92 | 6.82 |
| 1940 | 14.9 | 14.0 | $22 \cdot 6$ | 24-3 |  |  |  |  |
| 1941 | 14.6 | 13.0 | $22 \cdot 6$ | $24 \cdot 3$ | 15.22 | $6 \cdot 11$ | 17.37 | $7 \cdot 40$ |
| 1942 . | 16.0 | 11.6 | 22.7 | $24 \cdot 4$ | $15 \cdot 14$ | 6.91 | 17.49 | 7.75 |
| 1943. | 16.6 | 12.0 | 22.8 | 24.5 | 15.03 | 7.25 | 17.12 | 7.75 |
| 1944 | 17.8 | 11.7 | 23.0 | 24.7 | 14.90 | 7-11 | 16.68 | $7 \cdot 43$ |
| 1945 | 16.3 | 11.5 | 23.0 | 24.8 | 14.88 | 6.77 | 16.29 | 6.82 |
| 1946 | 19.4 | 11.6 | $23 \cdot 1$ | 24.7 | 14.64 | $5 \cdot 89$ | 17.33 | 6.59 |
| 1947 | 20.8 | $12 \cdot 1$ | $23 \cdot 3$ | 24.9 | 14.63 | 5.74 | 18.56 | $7 \cdot 10$ |
| 1948 | 18.1 | $10 \cdot 9$ | $23 \cdot 6$ | $25 \cdot 1$ | \{ 14.63 | 5.73 | 18.97 | 7.25 |
| 1949 | 17.0 | 11.7 | $23 \cdot 8$ | $25 \cdot 2$ | $\xrightarrow{\text { § }}$ \$16.02 | $\$ 7.09$ 7.17 | $\underbrace{21.93}_{22.15}$ | $\underset{8.25}{88.11}$ |
| 1948 |  |  |  |  |  |  | 22.15 | 8.25 |
| 3 rd Qr . | 17.9 | 9.5 |  |  | 16.09 | $7 \cdot 12$ | 22.05 | $8 \cdot 17$ |
| 4th Qr. | 16.7 | 11.5 | 23.7 | $25 \cdot 2$ | 16.07 | $7 \cdot 12$ | 22.01 | 8.20 |
| $1 \mathrm{st} \mathrm{Qr}^{\text {r }}$ | 17.4 | 14.8 |  |  | 16.05 | $7 \cdot 11$ | 22.01 | 8.22 |
| 2nd Qr. | 17.9 | 11.0 | 23.8 | $25 \cdot 2$ | 16.02 | $7 \cdot 17$ | 22.15 | 8.25 |
| 3 rd Qr. | 17.0 | ${ }_{1} 9 \cdot 3$ |  |  | 16.07 | 7.21 | 22.23 | 8.31 |
| ${ }_{1950}^{\text {4th } \mathrm{Qr}}$. | 15.8 | 11.7 | $23 \cdot 9$ | $25 \cdot 3$ | 16.07 | $7 \cdot 24$ | $22 \cdot 22$ | $8 \cdot 37$ |
| 1st Qr . | 16.7 | 13.8 |  |  | 16.07 | 7.23 | $22 \cdot 24$ | $8 \cdot 40$ |

PRODUCTION, CONSUMPTION, ETC.

|  | SoftwoodSupplies |  | Textile Woven |  | $\begin{aligned} & \text { Retail Sales } \\ & \text { (Value) } \end{aligned}$ |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { In } \\ & 0 \\ & 0 \end{aligned}$ | $\begin{aligned} & \text { 흘 } \\ & \text { 。O } \end{aligned}$ | $\begin{aligned} & \text { J. } \\ & \stackrel{1}{0} \end{aligned}$ | $\begin{aligned} & \stackrel{\circ}{\circ} \\ & \stackrel{0}{4} \end{aligned}$ |  |  |  |  |
|  | $\begin{aligned} & \text { Thousand } \\ & \text { Standards } \\ & \hline \end{aligned}$ |  | $\begin{aligned} & \text { Ann. Rates } \\ & \text { Mn. yds. } \end{aligned}$ |  | Index Numbers$\%$ of 1947 |  |  |  |  |  |
|  | 80 2530 | 81 | 88 | ${ }^{83}$ | 84 | ${ }^{85}$ | 86 | 87 |  |  |
| 1938 | 1860 |  |  |  | 65 | 68 | 63 64 | 53 51 | . |  |
| 1939 | 1596 |  |  |  | 66 | 71 | 65 | 49 |  |  |
| 1940 | 87 I | 698 |  |  | 69 | 73 | 71 | 47 |  |  |
| 1941 | 855 | 467 | 2150 | $\because$ | 67 | 72 | $\frac{71}{65}$ | 47 |  | 465 |
| 1942 | 758 | 347 | 1772 | $\cdots$ | 68 | 72 | 67 | 42 |  | 491 520 |
| 1943 | 679 | 510 | 1793 | 236 | 67 | 6 | 59 | 38 | 79 | 528 |
| 1944 | 858 | 372 | 1648 | 194 | 71 | 9 | 68 | 37 | 80 | 555 |
| 1945 | 921 | 445 | 1539 | 193 | 76 | 83 | 73 | 49 | 79 | ${ }_{600}$ |
| 1946 | 1082 979 | 215 | 1626 1623 | 232 | 88 | ${ }^{91}$ | 88 | 79 | 93 | 679 |
| 1948 | 1111 | 466 | 1900 | 267 | 114 | 112 | 123 | 100 | 100 105 | 75 |
| 1949 | 1150 | 416 | 2000 | 285 | 125 | 122 | 142 | 118 |  |  |
| 1948- |  |  |  |  |  |  |  |  |  |  |
| 2nd Qr. | 1074 | 412 | 1940 |  | 112 | 109 | 121 | 103 | 100 | 805 |
| 3 rd Qr. | 1120 | 451 | 1790 | 260 | 112 | 112 | 121 | 101 | 113 | 826 |
| 4th Qr. | 1149 | 466 | 2000 | 275 | 128 | 119 | 149 | 124 | 100 | 843 |
| ${ }^{1949-}$ 1st Qr. | 1256 | 325 | 2030 | 280 | 112 | 113 | 119 |  |  |  |
| 2nd Qr. | 1102 | 206 | 2020 | 262 | 125 | 121 | 148 | 112 |  | 836 |
| 3 rd Qr. | 1143 | 277 | 1860 | 267 | 120 | 121 | 125 | 113 |  | 853 |
| ${ }^{4}$ th Qr. | 1098 | 416 | 2110 | 285 | 144 | 132 | 175 | 147 |  | 891 |
| $\begin{aligned} & \text { 1st Qr. } \\ & \text { 2ndQr. } \end{aligned}$ | 1068 | 279 | 2150 | 290 | $\begin{aligned} & 123 \\ & 136 \end{aligned}$ | 126 135 | $128$ | $116$ |  | 838 |

## 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 Trada:

- Years ending 3 months after calendar year. . = Not available. † Imports only, prior to 1940. † $\dagger$ (77) relates (approx.) to date of earning profits, (78) to dato of declaring dividends. § New series, see footnote on p. 107, Aug., 1949. $\ddagger$ Figures below in square yards. For other notes see Bulletin, Feb., 1949, p. 29.30.

Printed by
Sh. Clements Press, Lid.

## Portugal St., Kingsway.

## London, W.0. 2



## BULLETIN IV. VOL. XXVIII.

NOVEMBER, 1950.

Copyright.

## EXECUTIVE COMMITTEE

Sir A. M. Carr-Saunders (Chairman) - - - London School of Economics. Sir Otto Niemeyer, G.B.E., K.C.B. (Hon. Treasurer).
R. G. D. Allen

- London School of Economics.

Sir Arthur L. Bowley -

- London School of Economics.
F. W. Paish - - - - - London School of Economics.

Sir Arnold Plant

- London School of Economics.
D. H. Robertson
- University of Cambridge.
E. A. G. Robinson
- University of Cambridge.
G. L. Schwartz
J. R. N. Stone
- University of Cambridge.

The Editors
G. S. Dorrance

- (Secretary).


## EDITORIAL COMMITTEE

R. G. D. Allen - - - - - London School of Economics.
E. H. Phelps Brown - - - - - London School of Economics.
S. R. DENNISON - - - - - University of Cambridge.
H. MAKOWER - - - - London School of Economics.
F. W. PAISH - - - - London School of Economics.

Sir Arnold Plant - - - - - London School of Economics.
A. R. Prest

- University of Cambridge.
L. C. Robbins
- London School of Economics.
D. H. Robertion
- University of Cambridge.
E. A. G. Robinson
- University of Cambridge.
J. R. N. Stone
- University of Cambridge.


## EDITORS

C. F. CARTER
W. B. Reddaway
R. C. Tress (Managing Editor).
G. S. Dorrance (Assistant Editor © Secretary).

STATISTICIAN
K. C. SMITH

Annual Subscription, 61 .
Single Copies, 7/6 each.

For particulars, apply to the Secretary, LONDON \& CAMBRIDGE ECONOMIC SERVICE, HOUGHTON STREET, ALDWYCH, LONDON, W.C.2. TeI.: HOLBORN 7686.

## LONDON \& CAMBRIDGE ECONOMIC SERVICE

## TABLE OF CONTENTS

## Page

The Economic Position105Some Aspects of Transport Policy Today (C. F. Carter, A. R. Prest and A. D. Roy) ..... 107
The Upward Trend of Prices (R. G. D. Allen) ..... 114
Industrial Production:
Monthly Index (Table) ..... 119
Comparison of Monthly and Annual Index Numbers (A. A. Adams and W. B. Reddaway) ..... 120
Building and Civil Engineering in the First Half of 1950 (I. Bowen) ..... 122
Wage Rates and Earnings (A. L. Bowley) ..... 124
Home Finance: The Rise in Bank Deposits (F.W. Paish) ..... 125
International Finance (G. S. Dorrance) ..... 126
World Commodity Survey (C. F. Carter) ..... 130
Statistical Tables, United Kingdom ..... 134-8

## THE ECONOMIC POSITION

November 1st, 1950.
Unless changes occur within the next few weeks, the year 1950 will be recorded as one of marked prosperity. Industrial output in each of the first three quarters has been higher by about $7 \%$ than output in the corresponding quarter of 1949, and this has been largely the result of a greater output per head : the number employed in industry has risen by less than $1 \frac{1}{2} \%$; in the last twelve months, unemployment has averaged less than 320,000 ; the number of working days lost by trade disputes has been fewer than in any other of the last 15 years. This high level of output has enabled the economy to meet the heavy losses of real income imposed by the adverse turn in the terms of trade-originating in the devaluation of sterling but now being worsened by rises in world prices affecting our imports more than our exports-without reducing total home investment, government demand or private consumption to any measurable extent. The average standard of consumption has, in fact, improved; for while total consumption does not appear to have increased much, relaxation of rationing and the general easement in supplies of both rationed and unrationed goods have given the average consumer a better choice. Only where the initial expenditure of resources is very high relative to the current benefit derived
therefrom-houses and, less serious, private cars -has widespread and serious stringency persisted ; this will not be overcome for some years.

The bases of prosperity have been three : first, stability in wages and other internal prices; secondly, and partly arising from this, a better balance between supply and demand in the home market ; and, thirdly, an improvement in the gold and dollar reserves of the sterling area, which obviated the need for the further restrictions on internal supply and demand which many feared would be necessary.
(1) The stability of internal prices is easily demonstrated. In the first twelve months after devaluation wage rates rose only $1 \%$ : the wages for all but two occupations included in the wage index did not rise at all. Despite the rise in import prices of $25 \%$, the retail price index rose by only $2 \%$.
(2) Wage restraint, coupled with higher returns from export sales (particularly to dollar areas) and expanding output, produced a growth in profits which, dividends being restricted, provided a principal source of non-inflationary investment finance-aided by a (perhaps temporary) Budget surplus instead of the forecast deficit. But direct evidence of an internal balance between supply and demand is necessarily frag-
mentary even when official national income estimates are available-which, for the current period, will not be until next spring. In the field of consumption goods, besides the reduced area of rationing already referred to and the existence of a general stability in the quantitative data, there have been such positive facts as rising retail clothing stocks, falling betting tax receipts and more genuine clearance sales. In the industrial field, physical controls are likewise fewer, notably over steel.
(3) Net earnings of gold and dollar reserves by the sterling area in the third quarter of 1950 amounted to $\$ 187 \mathrm{Mn}$. There was thus maintained (possibly with the aid of some speculative elements) the rate achieved in the second quarter and, with an additional $\$ 147 \mathrm{Mn}$. from E.R.P., the total of gold and dollar reserves was brought up to $\$ 2,756 \mathrm{Mn}$., higher than at any time since the end of the war and $\$ 1,436 \mathrm{Mn}$. higher than on 18th September, 1949, when sterling was devalued. The United Kingdom's overall trade account was practically in balance in the third quarter and exports to the dollar area showed a confirmation of the upward trend which has been evident since the beginning of the calendar year. Nevertheless, the primary source of the recovery of reserves has lain outside the United Kingdom ; first, in the sharp reduction by nearly one-third in the dollar imports of the rest of the sterling area (compared with the $25 \%$ cut which the principal governments undertook administratively to impose), and latterly, in the greater receipts from exports consequent upon the high prices received for wool, rubber, tin and other primary products.

How long it will be possible to maintain the present stable prosperity remains to be seen :

## The Editorial Committee regrets that printing difficulties have delayed publication of this Bulletin.

As a result of this delay, an unusually large number of statistics has become available between the time of the writing of some of the articles and their going to press. Statements in the articles have been checked against these new data wherever possible, but, in general, the later figures have only been put into the text where their insertion had already been provided for (e.g. in a few of the tables) or where the latest information affected the substance of the argument.
on each of the above three points the future is obscure.

First, as to prices and wages. Since June, import costs have been rising rapidly, and though the end of the Korean war would most probably slow down the rate of their advance, world-wide rearmament is likely to maintain some upward trend. The Board of Trade index of wholesale prices has risen by $6 \%$ since June. It will, of course, take time for those movements to affect retail prices, and as they pass through the production process, their impact will be greatly softened. Nevertheless, it is quite impossible for retail prices to remain permanently insulated from all the increases which have occurred since devaluation. It can surely be only a matter of time-time to use up accumulated stocks bought at old prices and time to reach the limits to the squeezing of distributors' profit-margins begun last autumn-before some advances take place, even though there may be a partial offset if productivity continues to rise. Meanwhile, though it cannot be said that the policy of wage restraint has broken down, a return to at least the more elastic interpretation of the doctrine which was current before devaluation seems now certain. Claims for increases in wage rates are already becoming louder.

Secondly, besides these threatened rises in costs, the magnitudes of demand and possibly supply must also be expected to change. Whilst there is practically no slack in the economy at the present moment, resources have to be found for the new defence programme and to carry fresh burdens arising from a further worsening in the terms of trade. If account is taken of the changes in the value of work in progress in addition to the expenditures falling on the Budget, it appears likely that the defence programme will require extra resources worth (at current prices) some $£ 50 \mathrm{Mn}$. in the remainder of 1950 and $£ 300 \mathrm{Mn}$. during 1951. It is impossible to measure with any degree of accuracy the burden which will be imposed by the worsening of our terms of trade. Of course, the defence programme will involve a diversion of resources from capital investment and exports. Technical limitations and the immobility of resources, at least in the short-run, make that essential. Further, if wages and other money incomes rise there will be some automatic transfer of resources to government control : indeed, with the present level of taxation and restricted dividend payments, it is possible for as much as $60 \%$ of an increase in private money incomes to pass into either government or capital account. But these facts may not be sufficient
to maintain equilibrium especially if, as seems possible from the figures of " ordinary expenditure," some of the easement to inflationary pressure in the last few months has come from the release of government stocks. Rightly, the government sets much store by increased output to make good the balance: this is the most desirable way. But it is risky in the extreme to rely upon it when a very likely result of the defence programme may be at least temporarily to reduce productivity in the engineering industries (where the most spectacular increases have been hitherto) by creating bottle-necks and shortages of drop-forgings, electric motors, electrical equipment, etc., production of which is already at full capacity. Industrial disputes, another coal crisis, or widespread floods, all of which are less improbable this winter than they have been in either of the last two, could quickly increase the difficulties.

Thirdly, and most difficult of all to forecast, is the effect of all these changes upon our overseas position. For the sterling area as a whole, immediate prospects are good : a level of prices favourable to primary producers is likely to exist for some while and the gold and dollar reserves of the area should go on accumulating. The increase in dollar receipts, however, will
encourage new demands to expand dollar purchases, and those demands will be the stronger if the United Kingdom, though maybe quoting competitive prices, is unable to deliver the goods.

The position of the United Kingdom in the sterling area is not in any case altogether comfortable if we have to depend continuously on a willingness of the other members to go on accumulating sterling balances. Now, fresh difficulties are emerging. Our imports will be more expensive; our exports may be fewer. Unless, therefore, there is a sharp rise in our export prices, which there are few grounds for assuming, our balance of payments, overall and very probably with the dollar area, is likely to be considerably less satisfactory next year-when, incidentally, we are due to begin payment of dollar debts and charges amounting to some $£ 50 \mathrm{Mn}$.-than it is at the present time. Assistance from the United States towards compensating for our diversion of resources to defence has been offered and accepted, but it would be difficult at this stage to gauge the adequacy of this aid to our problem even if its size had been revealed.

There can be no doubting the seriousness of the problems which we shall have to face in 1951.

# SOME ASPECTS OF TRANSPORT POLICY TODAY 

By C. F. Carter, A. R. Prest and A. D. Roy

The British Transport Commission is now nearly three years old. It is time to assess its progress. Hitherto, it has been an expensive acquisition for the nation, not only giving rise to an annual deficit, but being a large claimant on investment resources. It would be useful to be able to assess whether this investment is being rightly directed, and whether the transport system is being developed so as to carry a rising national output without burdening exports or home consumption with excessive costs. But any attempt to discuss such matters returns very quickly to an unresolved question. We do not know the shape to which we are trying to mould the transport system-in particular, we do not know just what place road and rail transport will take within it. The decisions of policy on this matter will largely be enshrined in the charges scheme which is likely to be submitted to the Transport Tribunal within a few months. The problem of transport charges is thus in a real sense the first transport problem of 1951-it embodies the question which must be answered before all other questions.

In the first section we try to sketch a rough outline of the "road-rail" problem as it has developed over the past half-century. The second part sets out some recent suggestions of economic theorists on pricing policy and considers the limitations of their practical application. The third discusses the difficulties inherent in some of the "common-sense" solutions of the problems of transport charges. The fourth examines the Transport Commission's recent report and statements to see if they show how in fact policy is developing. Finally, the fifth section contains a few suggestions of our own. It is assumed here that the Transport Commission has to operate within its present legal framework.

## I

The outstanding feature of the history of transport in the United Kingdom since 1900 has been the decline of the railways and the emergence of road transport for both freight and passenger traffic. The change in the overall position of the railways is illustrated in Table 1, where it can be seen that although between 1913 and

1938 national income doubled in terms of current prices, main line railway receipts increased by only about $35 \%$.

TABLE 1
UNITED KINGDOM MAIN LINE RAILWAY RECEIPTS AND NATIONAL INCOME

|  | Total Traffic Receipts |  | National Income (net, factor cost) |  |
| :---: | :---: | :---: | :---: | :---: |
|  | £ Mn. | $\begin{gathered} \text { Index } \\ (1907=100) \end{gathered}$ | £ Mn. | $\begin{gathered} \text { Index } \\ (1907=100) \end{gathered}$ |
| 1900 | 99 | 89 | 1,756 | 86 |
| 1907 | 112 | 100 | 2.035 | 100 |
| 1913 | 120 | 108 | 2,368 | 116 |
| 1924 | 203 | 182 | 3,919 | 192 |
| 1930 | 176 | 158 | 3,957 | 194 |
| 1935 | 156 | 140 | 4,109 | 202 |
| 1938 | 163 | 146 | 4,638 | 228 |
| 1947 | 296 | 265 | 9,071 | 446 |
| 1949 | 322 | 288 | 10,226 | 501 |

Sources: Return of Capital, Traffic Receipts and Working Expenditure of Railway Companies of Great Britain, and Monthly Digest of Statistics. National Income figures from Economic Journal, March, 1948, and from National Income White Papers.
Notes:-

1. Figures include Southern Ireland before 1920.
2. Rough adjustments were made to eliminate effects of revised forms of statistics.

Although Table 1 gives us some sort of overall picture it is clearly not an indicator of the position of railways relative to other forms of transport, for it does not enable us to refute the suggestion that transport as a whole was of declining importance during this period. Some demonstration of the changes in the position of the railways as freight and passenger carriers is therefore given in Tables 2 and 3.

Table 2 shows the amount of Minerals and Heavy Merchandise (i.e., all goods, except coal, entering into Classes 1-6 of the Standard Railway Classification) carried by the railways in each of a number of years and the corresponding "amount produced" in each year. The "amount produced " is rather an artificial concept, as the note to Table 2 makes clear, but it is probably good enough for the purposes in hand here. It obviously would be desirable to have a table of this sort covering all freight traffic, but the statistics at our disposal do not permit this. In a sense, the figures given here are more revealing than overall freight statistics as they relate precisely to those heavy, low-value goods for which railways have traditionally charged low rates. The fact that the heavy tonnage carried by railways actually fell from 64 Mn . tons in 1907 to 47 Mn . tons in 1938 whereas the " amount produced" rose by $55 \%$ can probably be regarded as an indication of an even steeper contraction in general traffic. Moreover, the "amount produced" of each of the main constituents of this group increased but the
amount conveyed by rail decreased; this fact gives no support whatever to the well-known thesis that the trouble has been solely the changing structure of British industry and the railways' inability to take advantage of it.

TABLE 2
UNITED KINGDOM TRANSPORT OF MINERALS AND HEAVY MERCHANDISE


Sources: United Kingdom Statistical Abstract and Monthly Digest of Statistics.
Notes:-

1. Railway tonnage adjusted to "originating basis" throughout. It was assumed that before 1913 the ratio of coal carried to coal output was the same as in the inter-war period. Hence the split for "All Minerals" was derived for the early years.
2. "Amount produced". is United Kingdom output of minerals (except coal) plus imports plus steel output. Bricks were not included on the assumption that they are adequately represented by the output of clay, their raw material.

From Table 3, we can see the main changes in the relative position of the railways' passenger carrying activities. Whereas personal (i.e. nonbusiness) expenditure on rail transport was $39 \%$ of total travel expenditure in 1900, it had declined to $18 \%$ by 1938 . Conversely, expenditure on buses, coaches and trams was $10 \%$ and $32 \%$ of the total at these two dates.

TABLE 3
UNITED KINGDOM PERSONAL CONSUMERS' EXPENDITURE ON TRANSPORT ( $£ \mathrm{Mn}$.)

| Year | Railways | Buses, <br> Coaches <br> and <br> Trams | Other <br> Forms <br> of <br> Travel | Total <br> Travel <br> Expendi- <br> ture | Railways <br> as \% <br> of <br> Total |
| :--- | :---: | :---: | :---: | :---: | :---: |
| $1900 \ldots$ | 32 | 8 | 42 | 82 | 39 |
| $1907 \ldots$ | 35 | 14 | 46 | 95 | 37 |
| $1913 \ldots$ | 40 | 19 | 55 | 114 | 35 |
| 1924 | 68 | 62 | 106 | 236 | 29 |
| $1930 \ldots$ | 57 | 87 | 111 | 255 | 22 |
| $1935 \ldots$ | 52 | 83 | 136 | 271 | 19 |
| 1938 | $\ldots$ | 56 | 97 | 150 | 303 |
| 1947 | 101 | $(180)$ | $(164)$ | 445 | 18 |
| $1949 \ldots$ | 101 | n.a. | n.a. | 463 | 23 |

Source: Unpublished material at Department of Applied Economics, Cambridge, and National Income White Paper.
Note :-
Total Travel Expenditure includes taxis, cabs, air travel, motor cars and cycles, bicycles, carriages, steamer travel, as well as railways, buses, coaches, trams.

From these tables, we can obtain a rough idea of the decline of railway transport, both in terms of the actual amounts of tonnage conveyed
and numbers of passengers carried*, and relatively to other forms of transport.

Unfortunately, it is not possible to delineate the reverse side of the medal, the growth of road transport, nearly as clearly. Table 3 shows us something about the growth of personal expenditure on road passenger transport, and, in fact, private cars on the roads numbered 8,500 in 1904 and $2,200,000$ in 1950. The number of mechanically-propelled goods vehicles on the roads has grown from practically none in the early years of the century to some 500,000 in 1938, 700,000 in 1947, and 850,000 today. A very rough estimate shows that the ton-miles carried by these vehicles, excluding local delivery vans, is now of the same order of magnitude as the ton-miles on the railways.

At this stage, we are not concerned with the causes of the railway decline and road increase, but we do need to enumerate the most important consequences. The first is, of course, the effect on the financial position of the railways. The "standard net revenue" permitted under the Act of 1921 (equivalent to aggregate net revenues in 1913, with an allowance for additional investment since then) was never earned in peacetime; and the annually published average rate of dividend (\%) on ordinary railway shares was well below any general average throughout the inter-war period. None of the various devices for raising rates and fares (as in 1937) or for lowering them (as in the extended use of exceptional rates for freight traffic and the proliferation of special excursion fares for passengers) seems to have affected the issue. The dominating importance of British Railways among the constituent activities of the British Transport Commission makes the required overall balance of receipts and expenditure a hard task indeed.

The second main consequence of the roadrail position is the multiplicity of services. In a sense, the wheel has turned full circle. From the fears of our grandfathers about one solitary method of transport and monopoly we now move to the spectacle of excess capacity and imperfect competition. For it seems to be quite clear, as Prof. Gilbert Walker has often pointed out, that the road hauliers do not only, or even mainly, handle short-distance or light goods in small consignments; rather, they ply with a high load-factor on main routes between large

[^65]towns which normally have a railway connection. And, if anything, the position since the end of the war is even worse, for the large growth of "C" licences $\dagger$ shows an anxiety on the part of private traders to carry their own goods rather than send them by public road carriers.

Such is the background to the plea and the plans for an " efficient, adequate, economical and properly integrated " system of inland transport.

## II

The principal method by which the Transport Commission can hope to find a solution to these problems is by introducing*a new charges scheme. What help can we derive from recent theoretical writings on such matters ?

The Transport Commission is a purveyor of a vast range of services, sold to a very large number of purchasers, and its relation to those purchasers varies from complete monopoly to active competition with " $C$ " licence and other transport. It is open to the Commission to fix rates at different levels for different classes of purchasers, since the possibilities of escaping such discrimination by shifting into a more favourable class are small. Where it is a monopolist, the Commission can vary its charges to each class of purchaser, and the ratio of its road and rail charges to that class, so as to maximise its profit from the performance of services for that class. So also where the Commission's monopoly becomes imperfect, shading off in various ways into direct competition (though never into " perfect" competition), it could in a rough experimental way push its charges to each class to the point where the additional profit from a higher charge would be more than offset by the resultant leakage of traffic to its competitors. No one suggests that "charging what the traffic will bear" is a precise process; the indivisibility of certain services, the fluctuations of output, and the joint supply of outward and return transport, lead to difficulties in defining the marginal cost of rendering a service. The point that we wish to make is that it would be perfectly feasible for the Commission to adopt "charging what the traffic will bear" as a general and rough rule for its operations, and this possibility is not invalidated by the fact that the Commission purveys a double set of road and rail services. This principle is best thought of as a process of successive approximation, varying rates little by little with a view to maximising profit ; and a result of this process might be the closing down of particular road or rail services.

[^66]It is, however, certain that a rule aimed solely at maximising profit would not be regarded as a proper guide for a nationalised industry. An alternative criterion is at hand, in the proposal that the price of each unit of each type of transport (i.e., a seat from London to Edinburgh, or a ton of coal from Cambridge to Newmarket) should be equated to the cost of the factors employed in producing that unit of transport at the margin. This is the rule which, universally applied in association with a perfect market in the sale of products and of factors of production, would lead to an optimum distribution of productive resources. It is familiar to every motorist who "prices" an additional mile run solely at the cost of the petrol and oil employed. But, both for road and for rail transport, the cost of the marginal factors employed depends on whether the marginal unit " fills up " a load or involves the addition of an extra lorry, an extra truck, an extra train, or even an extra tunnel. Since the loading factor is not usually $100 \%$, it is common for the cost of the marginal factors to be small or even zero ; and the rule would therefore lead to large and regular financial losses, which are not permitted by the Transport Act [see S. 3 (4) ], and would still further overload the taxation system. Nor could the rule be applied in practice-as we shall see below.

This principle is really only appropriate if it is universally adopted. If we are content to consider the Transport Commission's operations in isolation, an alternative principle would be to make the charges for each class of service not equal but proportional to the cost of the marginal factors employed in producing it. The rough application of this rule would ensure at least a reasonable distribution of the resources currently absorbed by the Transport Commission; and it gives us another variable, with the aid of which we can hoist the whole system of prices up or down. It therefore only remains to make charges just high enough to enable the Commission to cover its financial needs, including "adequate" provision for depreciation. We will call such a position, for short, one of zero profit.

It does not follow, however, that a position of zero profit can be reached by these means. By varying the general level of its charges, the Commission could somewhere reach a point of " maximum" profit, but the profit at this point might be insufficient to cover all the outgoings of the Commission. In other words, it may well be impossible for the Commission, faced with the present degree of outside competition, to balance
its books without " discriminating" or " charging what the traffic will bear." (Indeed, losses might still be made even if discrimination were practised.) But even if, given the general rule of proportionality to marginal cost, the level of charges could be so fixed as to give zero profit, there are three reasons why the rule could never be applied precisely. Firstly, there are theoretical difficulties in defining the marginal cost of a service, particularly on the railways. Secondly, it is probable that no system of costing exists which would yield the relevant facts. Thirdly, the results obtained would almost certainly not accord with the public sense of justice, which has always been an important factor in determining transport rates.

A final theoretical solution would be to fix both road and rail charges on an average cost basis. This would mean that the road and rail sections would each run at a "zero profit." As we have seen, however, there may not be any uniform sets of charges which will produce this result: it may be impossible to cover overhead costs by raising rates, because traffic would fall off too rapidly. Morever, the fundamental objection to marginal-cost pricing applies in this case too. Is the "average" to be computed over the day or the year, over all the track mileage in the country or separately for each mile of line ? The vast multiplicity of transport services makes it fundamentally impracticable to adhere closely to the cost principles, whether average or marginal, in all the complexities which theory demands.

## III

So much for the theoretical proposals of recent years. For one reason or another none seems to provide a satisfactory solution. Let us therefore examine some other commonly held views on the matter. They may be set down as follows :-
(a) The Transport Commission should seek to make a "zero profit" in the special sense defined above; this probably means a moderate surplus in the present form of accounts. The Act does not permit a continuing loss, and it must be supposed that the public would not allow a continuing profit. It should be noted that the pre-war argument for relieving the railways of some capital charges on the grounds that they were over-capitalised has largely lost its force; the capital of the transport system was in effect written down to something like an appropriate market value at the time it was taken over by the Commission.
(b) The plain man has an idea that the cost of conveying goods 200 miles cannot differ very much from twice the cost of conveying them 100 miles. He will recognise the validity of apparent discrimination due to the fact that some goods are much more expensive to handle than others; he will be intolerant of discrimination which obviously goes beyond what can be so justified.
(c) The charges system must be simple, and must, broadly speaking, follow uniform principles over the country. There are considerable commercial advantages in simplicity and uniformity.
(d) The charges scheme should not be so like the present system as to continue the present problems; but neither should it involve such radical departures as to throw too heavy a burden of adjustment on to industry, or to lead to excessive losses of social capital through the shifts it would cause in industry and population.
The first point to note about these " commonsense" views is that, although telling us something about relative rates for different mileages and for different areas, by road or by rail, and about the overall financial operations of the Commission, no unique solution is offered on the ratio of road to rail charges for similar services. If there is any system of charges capable of yielding " zero profit," there will in general be an infinity of such systems. To provide any criterion of choice the "commonsense" views have to be reinforced by consideration of the relative social costs of road and rail transport. This means that the Transport Commission must not only take into account its own costs of providing road or rail services but also such considerations as the increased danger of road accidents if we allow much more traffic on our present road system, the defence argument that certain railway lines have to be kept open to provide alternative transport routes in wartime, and the balance of payments argument that railways using British coal are to be preferred to road vehicles using imported petroleum. Clearly such considerations as these are incapable of precise formulation.

Even if the " commonsense " principles could be completed in this way, we should still be brought no nearer to a solution than we were by the economic principles discussed in Section II. The main difficulty is the requirement of uniformity of rates, which conflicts with the reality of widely differing costs for apparently similar services. The range of costs for corresponding
distances on heavily and lightly used routes are considerable with road transport ; on the railways they are enormous. If there were a requirement of uniformity it would not be open to the railways to fix a rate which would undercut an independent road operator between Manchester and London, even though their costs were less; for they would then be required to carry merchandise at comparable rates from Inverness to Thurso, and in doing so would make a large loss. As long as the Transport Commission is a common carrier with a uniform nation-wide rates structure, while the " C " licence holder can select what business he will take for himself and what he will leave to the Commission, it would seem well-nigh impossible to balance the Commission's books.

## IV

What, then, has the Commission to say about the integration of road and rail, and in particular about this all-important matter of the principles of a charges scheme, which in effect determines the whole future shape of the transport system ? Originally, it had been hoped that a charges scheme would be presented to the Transport Tribunal within two years of the passing of the Transport Act, but owing to the extreme complexity of the task of drawing up such a scheme the time limit has had to be extended to four years. The Commission has had to conduct considerable and laborious research to obtain the information which will form the necessary basis of such a scheme. At the end of 1949 the Commission produced a draft outline of the principles of their charges scheme in order to test the reaction of industry and the public.

This document* states that "the best practicable foundation for achieving these ends is to provide a Classification, together with Conditions of Carriage, Regulations and Chargeable Distances, which, as far as possible, shall be common to all three services [i.e., Road, Rail and Inland Waterways]. The charges by the respective forms of transport may, however, differ but should be so framed as to encourage traffic towards the service which can convey it most conveniently and economically." The classification and scales of rates for different goods is to depend in the main on their loading capability, with the risk of damage and their value playing important but subsidiary roles. Chargeable distances are likely to be based on the distances between the centres of squares of

[^67]the National Grid as measured along A or B roads. Where the strict application of these principles is likely seriously to affect industries, the location of which has been determined by the transport charges of the past, special dispensations may be granted, but if the purpose of the scheme is not to be frustrated such exceptions will have to be rare.

In this exploratory pamphlet the Commission has emphasised that its suggestions are not a radical departure from the charges system as at present operated by the Railway Executive, but represent an attempt to improve upon it. One aim is the ending of the widespread "exceptional" railway rates which at present prevent the actual charges levied from bearing any obvious connection with the classification to which particular classes of goods were originally assigned. The practice of disintegrating charges, i.e., breaking them down and allocating them to particular services, is to cease and consequently rebates will no longer be allowed where a consignor or consignee himself performs part of the service usually rendered by the Transport Commission. The system of " agreed charges," under which contracts are made to carry a specified proportion of a trader's traffic, is unaffected by the new proposals and will be applicable to all the transport services controlled by the Commission. A subsidiary alteration proposed is the introduction of a limit to the Railway Executive's liability for loss or damage to goods in transit, thus bringing its practice into line with that most common in road haulage. The general effect of these modifications is clearly to lessen somewhat the obligations of the railways as carriers and thus improve their position relatively to the road hauliers.

The classification scheme is designed to encourage the despatch of goods in economical loads and to this end the charges per ton will vary both with the kind of goods and with the size of the consignment relative to the capacity of the normal loading unit. Very small consignments are to be subject to especially stiff rates and, since the relative importance of loadability and value is now to be reversed, there will probably be a substantial increase in charges for returned empties.

So far, little indication has been given of the relative levels of charges for similar consignments by road and rail which will eventually be determined. However, in its statement of policy on the Integration of Freight Services by Road and Rail, the Commission has discussed the proper complementary roles of its two main services. Briefly, goods requiring transport (and storage
at terminals) in bulk or destined for long hauls are considered suitable for transport by rail while road transport should concentrate on goods requiring short hauls and on acting as a feeder to the railway system, although it must continue to carry over long distances those sorts of goods for which rail transport is unsuitable or excessively costly. Furthermore, the Chairman of the Commission has expressed his own preference for a charges scheme in which, for simplicity's sake, the charges for medium distances are in general equal both by road and rail.* For short distances rail charges would be higher than road charges, while for long distances their positions would be reversed. No precise definition of a " medium" distance seems to have been given, however. Such limits as these do not provide more than a vague outline of the Commission's intentions with regard to goods traffic. Owing to the diversity of local conditions the time is not considered ripe even for the consideration of a unified scheme of passenger fares except in the London area.

Preoccupation with the charges scheme has not prevented the Commission from initiating local transport schemes in areas where the Commission controls a substantial proportion of all forms of transport. The general aim in such schemes is a much closer co-operation and co-ordination between the road and rail transport services offered in the areas by the Commission and by private operators. More generally, consultation on the problems common to all kinds of transport now takes place at frequent intervals between officials of the various executives and the representatives of the various transport interests outside the Commission (for example, coastwise shipping and the Road Haulage Association). Such liaison has not been confined to general policy but has included the levels of more detailed planning.

It is difficult, however, to resist the conclusion that any complete view of the system as a whole will not be possible until the Charges Scheme has been formulated in detail and sanctioned by the Transport Tribunal. Some indication of the future shape of the system is given by the gradual development of railhead distribution and the concentration of goods traffic on fewer stations, but for the most part the changes enumerated by the Commission in its Annual Report for 1949 are small.

[^68]
## V

In the light of the preceding discussions, can we make any recommendations on future policy ? We have so far rejected the usual solutions advocated by economic theorists and the plain man. Before advancing suggestions of our own, we must state quite specifically what we conceive to be the main objective of any proposals. The fundamental aim is surely to be found in the Transport Commission's proposals that the railways should concentrate on long-distance trunk route traffic, leaving feeder services and short hauls to the roads. Or perhaps more generally still, the aim should be to divert traffic in such a way as to minimise the amount of current productive resources used. This implies not only the concentration of railways on long-distance traffic rather than shortdistance, but also some closing down of high-cost routes and high-cost stations. It is quite true that the line of historical development (as we have pointed out in Section I) runs counter to the concentration of road hauliers on shortdistance traffic. It is also true that the political difficulties of closing down particular routes and particular stations might well be tremendous. Nevertheless, there seems no question that policy should be orientated in these directions, with the exception of the London area where the congestion on the roads is so great that it is desirable to increase the carrying capacity of the suburban railways, at least for passengers.*

If we are to re-orientate road and rail traffic in accordance with a rough cost basis of this sort, we clearly have to get away from the principle of a uniform rates structure, for (as we saw above) with such a system the Commission cannot easily prevent traffic leaking away to "C" licence vehicles, even if it were to arrange that its own road services were only available for short distance work.

There are four possible ways of mitigating or avoiding the consequences of a uniform rates structure.
(i) To restrict the freedom of " C " licence holders, and perhaps of private motoristswhich would be to enforce the substitution of more expensive for less expensive methods of transport.
(ii) To make a drastic reduction in the ratio of lightly-used to heavily-used routes, withdrawing the Commission's rail and road services from remote and thinly populated areas. But the Act requires

[^69]an" " adequate" system of public inland transport, so this policy cannot be carried far.
(iii) To have a uniform public rates system, but to grant special privileges in some cases to traffic on trunk routes. This hardly seems desirable.
(iv) To undermine as far as possible the public insistence on uniformity.
As between these methods, we believe that the chief emphasis should be on the last. One device which might be considered is the adoption of percentage rebates on the normal rates for consignments sent by rail between large cities. But, in essence, what is needed is a two-part tariff for each class of goods carried by the railways, under which the charge for a consignment of a given weight would be made up of one part proportional to distance and another independent of it. This tariff can both provide for the encouragement of long hauls, and, by variation of that part of the charge which is independent of distance, according to the stations of origin and destination, it can in a rough way discriminate between trunk routes and others. The Commission's proposals give an excuse for such a two-part tariff, which could be achieved by providing for a separate handling charge, to be fixed low where costs are low and high where costs are high. In the assessment of costs, two items have to be taken into account, i.e., both the costs of operating any particular route and the costs of running any particular station. For it may well be true that the high-cost stations do not lie on the high-cost routes, that the small branch line station is run more cheaply than the medium-sized station on the main line. In other words, we conceive that the low-cost station on the high-cost route might be assessed as having a similar " handling charge" to the high-cost station on the low-cost route. Finally, freight rates by road might be made directly proportional to distance, becoming equal to the rail rates at (say) about 75 miles of trunk route or 150 miles of cross-country routes, and thereafter being higher.

We do not see why the same principles should not apply to railway passenger fares. Suppose that the difference per mile between single and monthly return tickets were abolished (a long overdue reform, for there can be little revenue gained by this discrimination, which does not exist in most other countries). It might then be possible to adopt a 3rd class charge of (say) 2 s. 6 d . per journey (with possibly some variation of this fixed charge in the way suggested for freight traffic) plus 1d. per mile. This would
greatly reduce the attractiveness of rail travel over distances of less than about 50 miles and on high-cost branch lines; and the Railway Executive could examine these traffics, and decide which should be encouraged and which choked off to other means of transport. Those to be encouraged could be granted special rates modelled on the London Region rates, competitive with bus fares.

It seems to us impossible, on the data available to the public, to come to any conclusion on the relative rates for different types of freight or passenger traffic. It is not, for instance, obvious that a new rates structure should charge more than at present for transporting basic materials by rail and less for transporting finished goods, in order to attract back to the railways traffic lost to the roads. No doubt less should be charged for some finished goods; but others may normally have a length of haul which renders them unsuitable for conveyance by rail. The Commission has made a survey of consignments in a particular week which will no doubt have given information of this kind. On the passenger side, we must content ourselves with expressing a doubt as to whether there is any rhyme or reason about some of the cheap tickets
on Wednesday evenings and Saturday afternoons (or the like) which are now offered by the railways. Nor is it obvious why there should be more cheap fares in the summer: after all hotels raise, and do not lower, their prices in the "season." The first-class fare also needs reexamination; it is probably unprofitable and perhaps first-class passengers ought to pay more for their privileges.

To summarize these suggestions, we do not believe that any system of uniform mileage charges applicable to all routes on any one service would enable the Transport Commission to pay its way. It should, therefore, be the aim of the Commission to secure recognition of the fact that transport costs are very different on different routes and acceptance of the principle that charges should vary in accordance with these differences of cost. There should be a systematic attempt to estimate the relative costs of handling traffic on different routes and to divert traffic from road to rail, or vice versa, in the light of this. To effect this diversion, one element in the composition of railway rates should be a fixed charge which should reflect the high or low costs of handling traffic on particular routes or at particular stations.

# THE UPWARD TREND OF PRICES 

By R. G. D. Allen

The signs of renewed upward pressure on prices are unmistakable. The pressure is mainly due to increases in world prices of materials acting through the prices of British imports. The first phase of the rise in wholesale prices following devaluation came to an end in January and the Board of Trade index then moved scarcely at all for some months. Even import prices, of materials as well as of foodstuffs, remained almost stationary from April to June. Since June, prices of materials on import and at wholesale have been rising once more, and rising rapidly-though there has as yet been little change in the general level of prices of foodstuffs, seasonal declines in some items offsetting increases in others. The upward movement in import and wholesale prices has not had time to show itself in the official index of retail prices. Indeed, the retail price index for September was the same as that for April ; seasonal declines, particularly in food and coal
prices, counterbalanced the general upward movement in prices during this period.

The facts behind these data are easily summarised. World prices, and particularly prices in the United States, were falling in the middle of 1949. A corresponding fall in British import prices would have shown itself later in the year had not devaluation intervened. In assessing the increase in sterling prices in the last quarter of 1949, we must remember that the effects of devaluation were to some small extent offset by this general downward movement in world prices.

Business in the United States began about February to recover from the previous mild recession. Recovery turned into boom with the invasion of South Korea and the introduction of a large defence programme. Increases in the prices of basic materials spread rapidly to a wider range of commodity prices on world markets, and these are now beginning to be
translated into higher prices of British imports and into a rising level of wholesale prices. An end to the war in Korea might slow up the price rise, but there is little sign yet that the American administration and public are taking a less urgent view of the defence programme. In particular, stockpiling continues at a high rate.

Finally, there is the expansion in the British defence programme and in those of other Western European countries. These programmes might conceivably be so adjusted that they can be substantially met out of increased productivity. Such may be the intention, and concerted action in Western Europe, with encouragement from O.E.E.C., might make it just possible. However, in view of the strained state of the economy here and in Western Europe, it would be rash to assume that the requirements of defence can be met without increasing the pressure on prices, even if the volume of civil consumption and investment can be maintained.

From the middle of 1950, therefore, the effects of devaluation have merged with those of the upswing in American business and of the mounting defence expenditures and programmes of the Atlantic Powers. There is little or no slack to take up and it would be surprising if, in these circumstances, there were no increases in price levels.

The Terms of Trade. It was estimated (this Bulletin, November, 1949) that the direct effects of devaluation would be to raise import prices by about $15 \%$, whilst there would be an
additional rise due to indirect effects. In fact, despite the continued fall in dollar prices, the sterling prices of British imports increased from August, 1949, by nearly $20 \%$ before levelling off in the second quarter of 1950 (Table 1). Clearly, the indirect effects of devaluation have been large and the prices of many goods originating in sterling countries have risen. ${ }^{\star}$ The increase in import prices since June has been largely confined, so far, to prices of materials. Though the rise in prices of imported materials was $10 \%$ over the three months from mid-June to midSeptember, this scarcely begins to reflect the extensive writing-up of commodity prices on world markets which has occurred during the last few months. Purchases at the higher prices are presumably reaching this country only now.

Following devaluation, it was to be expected that prices of United Kingdom exports would rise neither so immediately nor so fast as import prices, as long as domestic inflation was kept under control. The increased cost of imported components would in time work through to raise in some degree the prices charged for most exports, while in some instances, such as whisky, the export price might be substantially maintained in dollars, and so raised in sterling. In fact, the increase in British export prices has been very modest, if fairly steady, and amounts to about $7 \%$ in the year following devaluation.

Expressed in terms of dollars, however,

[^70]TABLE 1
WHOLESALE PRICE INDEX NUMBERS (Average $1947=100$ )

|  | 1948 | 1949 |  |  |  | 1950 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Aver. | Feb. | May | Aug. | Nov. | Feb. | May | Aug. | Sept. |
| External Trade |  |  |  |  |  |  |  |  |  |
| Average Values, Total Imports | 111 | 11212 | $111 \frac{1}{2}$ | 1071 $\frac{1}{2}$ | 1161 | 121 | 128 | 131 | 133 |
| U.K. Exports | 109 | $111{ }^{2}$ | 112 | $112{ }^{2}$ | $113{ }^{2}$ | 115 | 118 | 120 | 120 |
| Terms of Trade ... ... . | 102 | 101 | 100 | 96 | 103 | 105 | 1082 | 109 | 111 |
| Food and Tobacco |  |  |  |  |  |  |  |  |  |
| Average Values, Imports | 108 | 111 | 108 | 105 | 114 | 116 | 122 | 123 | 122 |
| Wholesale Prices, B. Trade | 110 | 108 | 121 | 123 | 129 | 131 | 136 ${ }^{\frac{1}{2}}$ | 132 | 134 |
| Materials |  |  |  |  |  |  |  |  |  |
| Average Values, Imports Wholesale Prices : | 118 | 121 | 124 | 115 | 122 | 13412 | 144 | 153 | 159 |
| Raw Materials, Statist | 114 | 117 | 113 | 109 | 122 |  |  |  |  |
| Ind. Materials, B. Trade ... | 117 | 119 | 121 | 118 | 123 | 126 | 131 | 140 | 146 |
| Materials used in Elect. Mach. Ind., B. Trade | 105 | 106 | 107 | 102 | 1121 | 113 | 118 | 126 | 146 132 |
| U.S.A.-B.L.S. Commodities other than farm products and food | 112 | 113 | 109 | 10712 | 107 | 108 | 109 | 115 |  |

[^71]British export prices were still, in August, 1950, not quite $75 \%$ of the pre-devaluation level. This represents a competitive position slightly improved in comparison with some of the other exporting countries of Western Europe, as indicated by the following figures :

|  | $\begin{gathered} \text { 3rd Qtr. } \\ 1949 \end{gathered}$ | $\begin{gathered} \text { 1st Qtr. } \\ 1950 \end{gathered}$ | $\begin{gathered} \text { 2nd Qtr. } \\ 1950 \end{gathered}$ |
| :---: | :---: | :---: | :---: |
| Export prices in : |  |  |  |
| U.K. sterling | 100 | 103 72 | 105 |
| Belgium dollars | 100 | 77 | 76 |
| Netherlands dollars | 100 | 79 | 77 |
| France dollars | 100 | 83 | ... |

The terms of trade, representing changes in the volume of exports needed to pay for a given volume of imports, had become considerably lower (i.e., more favourable) by August, 1949, than at any time since the end of 1946. Inevitably, the effect of devaluation was to worsen the terms of trade since the almost immediate increase in import prices was only partially offset by rising export prices. The actual change in the terms of trade was a worsening of about $13 \%$ by April of this year, after which there was little further change for some months. However, this cannot be the end. Commodity prices on world markets have greatly increased and are not to be expected to show much, if any, decline in the coming months. Import prices must reflect, and in fact are beginning to reflect, the new high level of world prices. Even if export prices continue their modest rate of increase, it seems certain that the terms of trade will become increasingly unfavourable for some time to come.

Commodity Prices. The course of prices of foodstuffs since the war has been difficult to interpret. Import prices are largely determined by the outcome of bulk buying by the Ministry of Food; wholesale prices are, in addition, conditioned by subsidies and the prices agreed with domestic farmers. Even so, in the nine months after devaluation (August-May), import prices of food increased by $16 \%$ and wholesale food prices by $11 \%$; these rises are rather larger and more rapid than might have been expected purely as a direct effect of devaluation. Since June, import prices of food have scarcely varied, while wholesale prices have shown a seasonal decline (particularly in fruit and vegetables).

Prices of materials are less restricted and better indicators of underlying conditions. The price level of imported materials increased by $25 \%$ between August, 1949, and May of this year. The marking up of sterling prices was
clearly not restricted to commodities from dollar sources ; indeed, the analysis given in the August Bulletin showed that goods produced in the sterling area and largely sold to America increased in price quite as much as dollar commodities. On the other hand, there have been practically no price changes for domestic materials such as coal, iron and steel. This is seen in the slower increase in the general index numbers of wholesale prices of materials. The index numbers agree, however, in showing a rapid rise in materials prices since May ; in the four months to September the recorded rise in these prices at wholesale was of the order of $12 \%$.

A new index has been compiled by the Board of Trade as a first instalment in a complete revision of their wholesale price index. This index relates to prices of materials used in the electrical machinery industry, with weights determined from purchases in 1948 (iron and steel products, $54 \%$; non-ferrous metals and products, $30 \%$; other materials, $16 \%$ ). Despite the large weight for iron and steel, with little price movement, the index rose by $10 \%$ in the last quarter of 1949, levelled off and then rose again by more than $15 \%$ between April and September. Under present conditions, the index is little more than a damped indicator of non-ferrous metal prices.

The most recent increases in prices have been in the basic imported materials, non-ferrous metals, textile materials, rubber, and some others. These were often (but not always) the commodities most affected by devaluation. Table 2 shows the movements in the sterling prices of some of the more important commodities.

TABLE 2
BRITISH WHOLESALE PRICES, CERTAIN COMMODITIES

|  | \% Increase in Price |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Total \% Increase since D'valuation ( 14 months) |
| Copper, electro | 42 | 32 | Nil | 88 |
| Lead, soft | 2 | 45 | 6 | 56 |
| Tin, cash (buyers) | 5 | 28 | 67 | 124 |
| Zinc, g.o.b. | 35 | $72 \frac{1}{2}$ | Nil | 138 |
| Jute, Daisee | 30 | $-3$ | 2 | 27 |
| Sisal,AfricanNo.1(spot) | 35 | 15 | 10 | 72 |
| Cotton, Mid-Americanl | 33 | 27 | 5 | 77 |
| Wool, tops, 64's | 39 | 71 | Nil | 138 |
| Rubber, R.S.S. (spot) | 46 | 200 | 31 | 472 |

Retail Prices. A close examination of the course of retail prices is needed and the available data are set out in Table 3. Two questions
require to be answered. First, why have retail prices, according to the official index, risen so little since devaluation ? Secondly, why did the official index actually decline slightly between May and August, when there was a widespread impression of generally rising retail prices ? The second question is quickly answered. In the first place, the index of the Ministry of Labour is published more than a month after the date to which it relates, whereas announcements of price increases are often made well in advance of their becoming effective in the shops. So, in looking at the index for mid-September when issued towards the end of October, what one sees is a figure no higher than in April or May whereas what one has in mind is a series of price increases announced during September and October. Further, the slight fall from May to August is to be attributed to seasonal factors offsetting a generally rising trend in retail prices. This is the first post-war year in which seasonal declines in prices have occurred on any scale during the summer. Some items, such as fish and oranges, have been taken off control; vegetable prices have been more variable; a differential has been introduced between summer and winter prices of coal. The obverse of this is that, even if no further price rises are announced, the index must be expected to rise in the next few months-as increases already announced are recorded and as seasonal declines are succeeded by rises.

In attempting to answer the first question, about the small rise in retail prices since devaluation, we must take a wide view of underlying conditions. In the first place, wage rates and purely domestic prices have been very
stable over the past year. Index numbers of wage rates have scarcely moved this year, nor have prices of coal, iron and steel. There have been increases, e.g., in freight rates, but they have not yet had time to spread through the structure of costs. All prices at retail have a large domestic element even when the items are basically imported commodities. Consequently, the increases in import prices are very heavily damped when they appear in retail prices. Secondly, with effective limitations on wages, increases in productivity are sometimes translated into lower prices or price margins. Moreover, there have been attempts, successful at least in part, to use price control to squeeze distributors' margins and manufacturers' profits, particularly in the clothing field.

Finally, there is an extraordinarily long timelag between changes in prices of materials and the corresponding (damped) changes in retail prices. There must always be some lag, but it is greatly lengthened by the operation of price controls. Generally, for price-controlled goods, price increases are made, not when a rise occurs in materials, but only when the goods comprising the higher-priced materials pass over the retail counter. It is estimated, for example, that this lag is of the order of 12 months for wool.

The direct effects of devaluation on retail food prices were estimated to amount to an increase of rather over $5 \%$ (this Bulletin, November, 1949). In fact, the food component of the Ministry of Labour's index rose by more than $5 \%$ from August, 1949 until April of this year, before the seasonal rise in May and the subsequent seasonal fall. Early increases were permitted in the prices of bread, flour and break-

TABLE 3
RETAIL PRICE INDEX NUMBERS
(June or Average $1947=100$ )

|  | -1948 | 1949 |  |  |  | 1950 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Aver. | Feb. | May | Aug. | Nov. | Feb. | May | Aug. | Sept. |
| M. Labour Index (Working-class) : |  |  |  |  |  |  |  |  |  |
| All Items ... ... ... | 108 | 109 | 111 | 111 | 112 | 113 | 114 | 113 | 114 |
| All Commodities (except Drink and | 109 |  |  |  |  |  |  | 119 | 120 |
| $\begin{array}{ccccc}\text { Food } & \cdots & \cdots & \cdots & \cdots \\ \text { Focco }\end{array}$ | 109 108 | $109{ }^{110 \frac{1}{2}}$ | 114 114 | 115 | $116{ }^{1}$ | 118 121 | $120 \frac{1}{2}$ | 119 121 | 120 |
| Clothing ... ... ... ... | 109 | 117 | 118 | 119 | 117 | 117 | $119{ }^{2}$ | 120 | 121 |
| Household Durables, Fuel and Miscellaneous | 109 | 111 | 1101 $\frac{1}{2}$ | 111 | 111 | 113 | 113 | 114 | 115 |
| C.S.O. Index (All Consumers) : |  |  |  |  |  |  |  |  |  |
| All Items .... ... ... | 108 | 108 $\frac{1}{2}$ | $110 \frac{1}{2}$ | 111 | 110 | 112 | 114 | . . | $\ldots$ |
| All Commodities (except Drink and | 108 | 108 | 113 | 113 | 111 | 115 | 119 |  |  |
| Food $\ldots$... | 107 | $104 \frac{1}{2}$ | 113 | 113 | 110 | 116 | 123 | . |  |

Ministry of Labour index as published, June $1947=100$. C.S.O. index is the implicit price index derived from data now published quarterly (Monthly Digest of Statistics) on personal expenditure on consumers' goods and services at current and at 1948
prices. The index is switched from the 1948 base to $1947=100$, and the figures shown under months relate to quarters around prices. The index is switched from the 1948 base to $1947=100$, and the figures shown under months relate to quarters around
the months named.
fast cereals. Among other subsidised items, butter and bacon have been selected for price rises sufficient to keep down the total bill for subsidies. The effect on the index might have been somewhat different if price rises had been permitted over a wider range of items, in proportion to the increased costs to the Ministry of Food ; but there is no question of their having been selected to minimise the rise since both of them feature more largely in the index than in current consumption. Large increases in prices of fish and oranges occurred on de-control, followed by smaller declines. Eggs were allowed to fall in price and then rise by an equal amount.

The retail price index in total, according to the same estimates, should eventually have risen by rather more than $3 \%$ as a direct result of devaluation, without counting in the important indirect effects. Between August, 1949 and April, 1950, the total index increased by only $2 \frac{1}{2} \%$, while the level of the index in September was no higher than in April. The reasons for the slowness and small size of the rise have been given in general terms above, but two measures imposed by the Government are worthy of note. The beer price in the index was reduced following the Budget of 1950, and utility clothing prices were forced down in October, 1949 by a reduction in distributors' margins. Otherwise, the main changes over the past year for items other than food have been steady increases in prices of clothing and soft furnishings, an increase of 3\% in coal prices (in May) almost immediately offset by the lower summer price, and increases in the prices of petrol and lamp oil. Price declines, apart from seasonal changes, have been fewsoap (in May) and cosmetics (in March) are perhaps related examples.

Table 3 also shows the price index for all consumers implicit in the calculations of consumers' expenditure in the National Income White Papers. The index can now be derived quarterly but can only be relied on for large groups of items. The total index has moved in a manner very similar to the all-items index of the Ministry of Labour for working-class families. What differences there are indicate that the price rise for middle-class families since 1947 has probably been less than for working-class families, reducing slightly the differential which developed during the war. This is supported
by other evidence, since many of the important price rises of late have been for items (bread, butter, utility clothing) more important in working-class than in middle-class consumption.

Conclusion. Prices of commodities on world markets have reached high levels and are likely to remain there for some time; this must be accepted as a condition beyond control in this country. Consequently, though with time lags, import and wholesale prices, for materials if not for food-stuffs, have been rising since the war began in Korea in June. Even if there are no further increases in basic-materials prices-which certainly cannot be assumedwholesale prices are likely to continue to rise as the increases of the past few months spread through the price structure. But what is far more important is that retail prices must increase quite considerably as seasonal declines give way to seasonal rises and as changes announced since September take effect. Recent price increases not included in the mid-September index are as varied as eggs, carpets, utility clothing and London Transport fares. Further increases, particularly in prices of clothing and soft furnishings, are almost inevitable.

Hence, both wholesale and retail prices must be expected to rise during the coming months. This is so even if wage restraints continue to be effective and if internal costs do not rise. But the very fact of an increasing level of retail prices, particularly if it is expected to go on rising, makes it more difficult to maintain restraints on wages and to keep internal costs under control. There is no reason to expect a run-away rise in prices, but the threat of a slow, progressive advance is evident.

The risks, both economic and political, of these conditions were fully appreciated at the recent Conferences of the political parties. A resolution was passed at Margate requiring from the Government the " most energetic action" to stem the upward trend of prices. A reduction is beyond the power of any government as long as prices are booming in the United States, but it may be possible to keep the rise under some kind of control. There is so far no indication from Cabinet Ministers, at Margate, in the King's Speech or elsewhere, that the Government has in mind any effective action, energetic or otherwise.

## INDEX OF INDUSTRIAL PRODUCTION (Excluding Finished Munitions) <br> Average weekly rate of production in $1946=100$

| Period | Rate of Production per working wrek |  | Rate per working day (adjusted for holidays) |  |  |  | $\begin{array}{r} \text { g } \\ \text { g్ } \\ \text { S. } \\ \text { og } \\ \text { on } \\ \text { n } \end{array}$ |  |  |  |  | $\begin{aligned} & \text { y } 0 \\ & \text { B } \\ & \text { A } \\ & 0 \\ & 0 \\ & 0 \\ & 0 \\ & 0 \end{aligned}$ |  | Building, <br> Building Materials \& Furniture |  |  | $\begin{aligned} & \text { suybuisd } \\ & \text { pus seded } \end{aligned}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | A | B | A | B |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weight . | 1000 | 1009 | $\ldots$ |  | 71 | 48 | 57 | 26 | 29 | 107 | 109 | 111 | 55 | 169 | 178 | 134 | 47 | 36 | $\ldots$ |
| Av. 1835* | 98 | 97 | $\ldots$ | $\ldots$ | 142 | (123) | 76 | 47 | 108 | 76 | (84) | 94 | 69 | (153) | (138) | 87 | (127) | (90) | $\cdots$ |
| Av. 1946 ... | 100 | 100 | 104 | 104 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | $\ldots$ |
| Av. $1946 \ldots$ | 109 | 108 | 113 | 112 | 105 | 107 | 101 | 96 | 119 | 123 | 107 | 100 | 100 | 117 | 110 | 103 | 106 | 115 | $\ldots$ |
| Av. 1948. | 121 | 118 | 125 | 122 | 122 | 107 | 113 | 99 | 133 | 151 | 109 | 101 | 117 | 137 | 121 | 111 | 108 | 138 | $\cdots$ |
| $\begin{gathered} \text { Av. } 1949 \ldots \\ 1946 \end{gathered}$ | 129 | 126 | 134 | 131 | 129 | 116 | 118 | 98 | 164 | 161 | 110 | 107 | 125 | 145 | 133 | 116 | 134 | 140 | $\cdots$ |
| 1st Qr. ... | 92 | 93 | 93 | 93 | 97 | 93 | 98 102 | 96 104 | 73 | 90 | 90 98 | 99 100 | 99 100 | 77 91 | 82 94 | 103 97 | 93 95 | 91 98 | $\ldots$ |
| 2nd Qr. ... | 97 | 98 | 101 | 102 | 99 98 | 99 101 | 102 98 | 104 | 97 101 | 98 | 98 100 | 100 97 | 100 98 | 91 110 | 94 108 | 97 91 | 95 97 | 98 100 | $\ldots$ |
| 3nd Qr. ... | 99 | 99 110 | 108 | 108 113 | 98 106 | 101 | 96 105 | 101 99 | 128 | 97 115 | 100 113 | 97 104 | 98 103 | 1122 | 115 | 91 107 | 97 115 | 112 | $\ldots$ |
| $\begin{aligned} & \text { 4TH Qr. } \\ & 1947 \end{aligned}$ | 111 | 110 | 114 | 113 | 106 | 107 | 105 | 99 | 128 | 115 | 113 | 104 | 103 | 122 | 115 | 107 | 115 | 112 | $\ldots$ |
| 1st Qr. ... | 97 | 97 | 98 | 97 | 91 | 95 | 93 | 96 | 92 | 107 | 96 | 92 | 89 | 91 120 | 88 | 109 99 | 100 | 101 | $\cdots$ |
| 2nd Qr. ... | 110 | 109 | 115 | 113 | 107 | 110 | 105 99 | 89 | 134 | 120 | 110 | 102 | 102 99 | 120 | 116 | 99 92 | 1104 | 114 | $\ldots$ |
| 3nd Qr. ... | 108 | 107 | 117 | 115 | 106 | 110 | 99 109 | 91 110 | 122 | 118 | 119 | 102 | 99 112 | 124 | 122 | 92 111 | 104 | 129 | $\ldots$ |
| $\begin{gathered} \text { 4TH Qr. } \\ 1948 \end{gathered}$ | 120 | 118 | 123 | 121 | 117 | 113 | 109 | 110 | 128 | 147 | 119 | 103 | 112 | 134 | 122 | 111 | 106 | 129 | $\cdots$ |
| 1 st Qr . | 119 | 116 | 122 | 119 | 120 | 111 | 115 | 81 | 130 | 144 | 116 | 96 | 115 | 131 | 116 | 113 | 106 | 142 | $\ldots$ |
| 2nd Qr. | 122 | 119 | 124 | 121 | 123 | 107 | 115 | 106 | 137 | 154 | 110 | 101 | 116 | 139 | 121 | 108 | 108 | 142 | $\ldots$ |
| 3RD Qr. | 115 | 113 | 125 | 122 | 117 | 100 | 106 | 89 119 | 126 | 143 | 99 112 | 100 | 114 124 | 137 | 121 | 101 | 105 113 | 128 | $\ldots$ |
| $\begin{aligned} & \text { 4TH Qr. } \\ & 1949 \end{aligned}$ | 127 | 124 | 131 | 127 | 127 | 109 | 117 | 119 | 140 | 164 | 112 | 106 | 124 | 143 | 120 | 129 | 123 | 140 |  |
| JAN. .. | 124 | 122 | 125 | 123 | 127 | 110 | 119 |  | 162 | 158 | 107 | 97 98 | 124 130 | 133 | 120 | 122 | 123 | 140 | 238 |
| FEB. | 131 | 128 | 131 | 128 | 133 | 118 | 125 | 96 | 162 | 170 167 | 112 | 98 101 | 130 | 142 | 127 | 125 | 130 | 151 | 22 |
| MAR. | 132 | 128 | 132 132 | 128 | 132 121 | 117 | 125 |  | 164 | 167 160 | 111 | 101 105 | 131 122 | 144 | 128 | 125 | 138 | 147 | 25 |
| MAY | 134 | 131 | 134 | 131 | 134 | 116 | 123 | 102 | 172 | 175 | 114 | 115 | 127 | 149 | 136 | 115 | 138 | 139 | 24 |
| JUNE .. | 128 | 125 | 135 | 132 | 124 | 110 | 117 |  | 164 | 164 | 107 | 112 | 122 | 147 | 132 | 109 | 131 | 135 | 24 |
| JULY | 120 | 117 | 133 | 130 | 116 | 107 | 100 |  | 129 | 153 | 98 | 111 | 112 | 142 | 132 | 100 | 128 | 123 | $23 \frac{1}{2}$ |
| AUG. | 118 | 116 | 133 | 131 | 121 | 103 | 107 | 103 | 154 | 138 | 99 | 107 | 113 | 137 | 128 | 99 | 134 | 120 | 25 |
| SEPT. | 132 | 130 | 134 | 132 | 133 | 126 | 124 |  | 174 | 159 | 113 | 110 | 128 | 156 | 144 | 113 | 138 | 135 | 24 |
| OCT. | 137 | 134 | 137 | 134 | 139 | 130 | 123 |  | 186 | 160 | 120 | 111 | 134 | 156 | 145 | 120 | 141 | 156 | $23 \frac{1}{2}$ |
| NOV. | 140 | 138 | 140 | 138 | 143 | 134 | 125 | 91 | 187 | 171 | 123 | 110 | 134 | 154 | 144 | 130 | 151 | 157 | 24 |
| $\begin{array}{r} \text { DEC. } \\ 1950 \end{array}$ | 130 | 127 | 141 | 138 | 128 | 118 | 115 |  | 164 | 164 | 113 | 105 | 125 | 141 | 129 | 126 | 137 | 144 | $24 \frac{1}{2}$ |
| JAN. | 134 | 131 | 135 | 133 | 139 | 120 | 122 |  | 187 | 164 | 113 | 102 | 130 | 145 | 134 | 129 | 153 | 150 | 24 |
| FEB. | 139 | 137 | 139 | 137 | 145 | 137 | 126 | 87 | 206 | 174 | 120 | 99 | 135 | 149 | 138 | 131 | 162 | 160 | 22 |
| MAR. | 143 | 140 | 143 | 140 | 146 | 139 | 130 |  | 205 | 184 | 120 | 109 | 138 | 153 | 140 | 129 | 164 | 159 | 25 |
| APR. | 132 | 130 | 142 | 139 | 132 | 122 | 121 |  | 188 | 165 | 108 | 103 | 132 | 145 | 135 | 118 | 157 | 146 | $22 \frac{1}{2}$ |
| MAY | 136 | 135 | 142 | 141 | 142 | 124 | 125 | 111 | 206 | 168 | 113 | 115 | 133 | 148 | 137 | 122 | 163 | 152 | 25 |
| JUNE | 141 | 138 | 142 | 140 | 141 | 121 | 128 |  | 192 | 188 | 120 | 115 | 138 | 155 | 143 | 114 | 163 | 157 | 24 |
| JULY | 129 | 127 | 144 | 141 | 126 | 109 | 118 |  | 202 | 165 | 108 | 107 | 125 | 148 | 136 | 110 | 150 | 142 | $23 \frac{1}{2}$ |
| AUG. | 122 | 120 | 137 | 135 | 130 | 99 | 106 | 92 | 151 | 149 | 100 | 106 | 125 | 139 | 130 | 101 | 148 | 137 | 25 |
| SEPT. | 138 | 136 | 141 | 139 | ... |  | 128 |  | 184 | ... | $\ldots$ | 110 | $\ldots$ |  | ... | 121 |  | $\ldots$ | $23 \frac{1}{2}$ |

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.
$\dagger$ 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: 1949-Good Friday and Easter Monday in April, Whit Monday in June, Bank Holiday in August, Christmas holiday in December; 1950-Good Friday and Easter Monday in April, Whit Mondey in May, Bank Holiday in August.

The index shown in the above table includes the effect of one major revision, which has had the result of increasing the total index by one or two points in most months since 1947, and which has also altered the relative weights shown at the head of the table. This revision is the substitution, in the "building" sections of the "Building, Building Materials, and Furniture" group, of series based on the value of all kinds of building and civil engineering work in each quarter, adjusted for changes in prices. This information was not available when our index
was started, and the alteration enables us to extend the scope of the index to cover building repair work, road work, work done by the staffs of public utility undertakings and certain other items, all of which were previously omitted; and it means that the building series now used are similar to those used in our annual Real Product calculations.

The Clothing index is now largely based on a deflated value series, in place of two series showing physical inputs, which are no longer available.

## INDUSTRIAL PRODUCTION

# Comparison of Monthly and Annual Index Numbers 

By A. A. Adams and W. B. Reddaway

In the August Bulletin an account was given of the annual index numbers of the real product of the United Kingdom. The industrial section of that index was based on an entirely fresh calculation which made use of additional information which is only available annually, or which was considered too unimportant to justify the work of including it in the repeated calculations necessary for the monthly index. It is useful, therefore, to compare the results of that calculation with those shown in the monthly index; corresponding figures for the official index have been included, so as to continue the comparison made in the Bulletin for August, 1949.

The extent of the changes in methods used for the annual index as against the monthly may be seen from the following summary. The total number of series used has been increased from about 250 to over 500 ; of the series used in the monthly index about 170 have been carried over into the annual one because, with the data available, no improvement seemed possible; about 35 of the series have been split into greater detail, giving over 100 for the annual calculation; and the remaining 45 have been replaced by over 200 new series which approach the problem of representing movements in output from a different angle (e.g., an employment series might be replaced by a number of series for things produced by that industry).

These changes have produced a number of alterations in the subsidiary index numbers, which in some cases are fairly substantial, but the effect on the index as a whole has been very slight, as may be seen from Table 1. This Table gives the annual figures on the basis of the year $1948=100$, with munitions production excluded from the annual index so as to make it more nearly comparable with the monthly. It also gives the figures for the annual index including munitions, so that comparison can be made with the official index computed by the Central Statistical Office.

TABLE 1
TOTAL INDEX NUMBERS

|  | 1946 | 1947 | 1948 | 1949 |  |
| :--- | :--- | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
| "Monthly ", (excluding munitions) | 85 | 91 | 100 | 107 |  |
| "Annual ", (excluding munitions) | 85 | 92 | 100 | 107 |  |
| "Annual " (including munitions) | 86 | 92 | 100 | 107 |  |
| C.S.O. (including munitions) | 83 | 89 | 100 | 107 |  |

For the annual index the weights were all re-calculated, essentially by the same method as was used for the monthly, starting from the net output shown by the 1935 census of production, and using the movement in the wage bill between 1935 and 1948. The result was to give a slightly different set of weights from those implicit for 1948 in the monthly index; but the differences were not very great and a calculation showed that if the subsidiary index numbers for the various orders shown by the monthly index were re-weighted with these weights the combined index was unaffected.

It is in the subsidiary index numbers that the effects of the revisions appear and in the more detailed figures for particular industries. Table 2 shows the index numbers for each Order of the Standard Industrial Classification, giving first the " monthly" index, then the " annual," and then the C.S.O., all with $1948=100$. Some notes on the results for particular Orders are given in the final section of this article.

It is of some interest to consider the results of changes which cannot be seen directly even in the subsidiary index numbers. Where a single series used in the monthly has been broken down into a number of components the effect is sometimes negligible, but in other cases quite substantial ; thus the replacement of one coal series by 9 separate ones for different types of coal made only a trifling difference, and similarly with the division of rubber consumption into 14 categories of uses instead of 5 ; but the greater subdivision of the series for petroleum refining reduced the steepness of its upward trend quite substantially because of the increasing proportion of the cheaper products.

In 11 cases an employment series which had previously been used to cover the whole of an industry was replaced by a number of series representing the output of various products or the input of materials ; in individual cases the effect was of some importance, but on balance the aggregate change was negligible, despite the fact that the adjustments for changes in productivity used with the employment series were inevitably very rough.

## Comments on Orders

This section deals with some points on individual Orders which are of interest. It will be understood that differences between the three

TABLE 2
PRODUCTION INDICES FOR STANDARD INDUSTRIAL CLASSIFICATION ORDERS.
$"$ Monthly $"=$ Bulletin's regular index; "Annual" $=$ new index described in Bulletin, August, 1950; "C.S.0." $=$ offcial interim index.

|  | 1946 | 1947 | 1948 | 1949 | 1946 | 1947 | 1948 | 1949 | 1946 | 1947 | 1948 | 1949 | 1946 | 1947 | 1948 | 1949 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | II Mining |  |  |  | III Brioks, China, Glass, etc |  |  |  | IV Chemioals, etc. |  |  |  | V Metal Manufatiture |  |  |  |
| Monthly | 92 | 94 | 100 | 103 | 75 | 88 | 100 | 107 | 84 | 84 | 100 | 109 | 85 | 89 | 100 | 103 |
| Annual | 92 | 95 | 100 | 103 | 78 | 88 | 100 | 106 | 85 | 87 87 | 100 | 110 | 85 | 91 | 100 | 102 |
| C.S.O. |  | 93 | 100 | 103 | 70 |  |  |  |  |  |  | 103 | 86 | 91 | 100 | 103 |
|  | VI Engineering, etc.* |  |  |  | VII Vehicles*§ |  |  |  | VIII | Metal | Goods N |  | IX Instruments, Etc.* $\ddagger$ § |  |  |  |
| Monthly Annual C.S.O. | $\begin{aligned} & 78 \\ & 76 \\ & 73 \end{aligned}$ | $\begin{aligned} & 90 \\ & 88 \\ & 85 \end{aligned}$ | $\begin{aligned} & 100 \\ & 100 \\ & 100 \end{aligned}$ | $\begin{aligned} & 105 \\ & 106 \\ & 103 \end{aligned}$ | 72 | 85 | 100 | 114 | 87 | 93 | 100 | 102 | 90 | 95 | 100 | 111 |
|  |  |  |  |  | 82 | 93 91 | 100 100 | 113 124 | 93 90 | 97 94 | 100 100 | 107 103 | 89 | 98 89 | 100 | 107 |
|  |  |  |  |  | 83 |  |  |  |  | 94 | 100 | 103 | 78 | 89 | 100 | 121 |
| Monthly <br> Annual <br> C.S.O. | X Textilles |  |  |  | - XI Leather, etc. |  |  |  | XII Clothing§ |  |  |  | XIII Food, Drink and Tobacco |  |  |  |
|  | 82 | 87 | 100 | 106 | 94 | 106 | 100 | 97 | 93 | 99 | 100 | 110 | 99 | 99 | 100 | 106 |
|  | 81 | 85 | 100 | 106 | 92 | 101 | 100 | 95 | 90 | 96 | 100 | 108 | 95 | 97 | 100 | 102 |
|  | 79 | 85 | 100 | 107 | 99 | 103 | 100 | 102 | 89 | 95 | 100 | 109 | 91 | 93 | 100 | 105 |
| Monthly <br> Annual <br> C.S.O. | XIIIa Food only |  |  |  | XIIIb Drink and Tobacco |  |  |  | XIV | Wood | AND | Cork | XV Paper and Printing |  |  |  |
|  | 93 | 95 | 100 | 112 | 107 | 104 | 100 | 98 | 92 | 90 | 100 | 115 | 93 | 98 | 100 | 124 |
|  | 89 | 93 | 100 | 105 | 106 | 103 | 100 | 98 | 92 | 91 | 100 | 113 | 90 | 96 | 100 | 117 |
|  | 89 | 91 | 100 | 106 | 94 | 95 | 100 | 103 | 93 | 90 | 100 | 114 | 90 | 96 | 100 | 126 |
|  | XVI Other Manufacturing |  |  |  | XVII Building, eto. |  |  |  | XVIII Gas, Elec. \& Water $\dagger$ |  |  |  | Total* |  |  |  |
| Monthly | 69 | 82 | 100 | 100 | 82 | 91 | 100 | 109 | 91 | 94 | 100 | 105 | 85 | 91 | 100 | 107 |
| Annual | 67 | 80 | 100 | 103 | 84 | 92 | 100 | 108 | 92 | 94 | 100 | 104 | 85 | 92 | 100 | 107 |
| C.S.O. | 67 | 83 | 100 | 98 | 82 | 91 | 100 | 104 | 92 | 95 | 100 | 104 | 83 | 89 | 100 | 107 |

* Monthly and Annual indices do not include munitions.
t The Monthly index for Order XVIII does not include water undertakings.
$\ddagger$ The indices in this order are very unreliable as there are insufficient good indicators.
$\S$ In these orders the Annual index differs in principle from the Monthly by including repairs.
series of index-numbers are sometimes due to differences in the field which they are trying to cover (e.g., the exclusion of most repair work from the scope of the " monthly" index) as well as to differences in their treatment of a common field ; moreover in some cases the monthly index has not been revised to take account of revisions in the basic data, published at a much later date.

Where the three series agree it must not, of course, be assumed that they all give the " right" answer: they may all have taken the same inadequate data and used them in the same way.
Engineering, etc. (Order VI)
The rather steeper rise shown by the annual index is due to the use of a different system for eliminating the effect of price changes, which relies partly on export average values and partly on the movements in material prices and wages. It is not certain that this is really an improvement, and until proper information about price movements is collected this index will. always be uncertain.

## Vehicles (Order VII)

The annual index includes repair work within its scope, using a rough series based on trade advice. This showed a marked peak in 1947, and its subsequent fall in 1948 largely accounts for the smaller rise shown in the annual index
between 1947 and 1948. The higher figure shown by the C.S.O. for 1949 is partly explained by their including tractors under engineering instead of here, since the output of these fell markedly in 1949.

For Orders VI and VII together it is possible to make a better comparison between the annual index and the C.S.O. by including the estimates for munitions in the former.

Apart from 1946 (for which the data are much less adequate) the agreement is closer than might have been expected in a field where so many orders vi and vii, including munitions

|  | 1946 | 1947 | 1948 | 1949 |
| :---: | :---: | :---: | :---: | :---: |
| L.C.E.S. "Annual " | 84 | 89 | 100 | 108 |
| C.S.O. .. | 76 | 87 | 100 | 109 |

differences in treatment are possible (notably over price-adjustments).

## Clothing (Order XII)

The monthly index for this period was based largely on the yardage of cloth available for home use. This information is no longer collected, and the annual followed the C.S.O. index, which is based on the value of output returned by a sample of firms. The two methods are quite independent, but neither is very satisfactory, and the divergences might well have been much greater.

## Food, Drink and Tobacco (Order XIII)

The annual index uses more series for different kinds of manufactured foods, which had previously been assumed to move with other foodstuffs, and the food component now agrees closely with the C.S.O.; the big rise shown in the monthly index for 1949 is a warning of the dangers inherent in assuming that products will show similar trends (sweets and bacon having shown exceptional increases). Our reasons for regarding the C.S.O. index for the drink and tobacco component as unreliable were
discussed in the Bulletin for August, 1949.
Paper and Printing (Order XV)
The annual index shows a smaller rise in 1949 than either of the others because it does not regard the output of newspapers as adequately measured by their tonnage. In effect a compromise between " tons" and "copies" is used. Building, etc. (Order XVII)

The revised monthly index, which is described on page 119, uses the same output figures as the annual, but does not attempt to allow for changes in the ratio of input to output.

# BUILDING AND CIVIL ENGINEERING IN THE FIRST HALF OF 1950 

By I. Bowen

The building output of the country is now running level, or even climbing a little; the effect of rearmament upon it is, of course, still uncertain. The manpower employed shows no tendency to decline, and the amount of new work authorised and licensed is still large in relation to the current capacity of the industry. The arrears of work are diminishing very slowly, if at all, and, even without any new constructional demands from the arms programme, the industry looks like being in over-full employment for some time to come, unless material shortages limit its activity.

Except for some seasonal reductions in the months from December to March each year, employment in the building and civil engineering industries has remained relatively very stable since the end of 1947. Thus the estimated number of employed male operatives aged 16 and over at the end of September, 1950 was $1,009,000-n o t$ significantly less, in view of the errors of estimate involved, than the $1,013,000$ employed in September, 1949. With this man-power the industries are producing a quarterly total gross output of $£ 226 \mathrm{Mn}$. in value, as is shown in the table on p. 123, which is the highest quarterly figure yet recorded.

Although the increase in the value of work done is partly due to rising materials' and wages' costs, such figures as are available (for instance, the numbers of houses completed, begun and under construction) do suggest that productivity, which was low and slow to increase from 1945 to 1948, showed a much more encouraging rise in 1949. In the two summer quarters of 1950, however, there were 99,355 houses completed and 108,130 houses begun, with a labour force averaging 233,000 men; in the corresponding
period a year previously output was 94,554 completed and 105,676 begun, with a labour force of 225,000 . These crude figures suggest that there has been little change in productivity this year, but they do not reflect, of course, the work done on houses under construction and it would be unwise to press this argument too hard until the full results for the year 1950 are available. However, the number of houses completed has been rising and it appears that it may yet be possible to attain the target of 200,000 houses completed in the year.

The average monthly value of building and civil engineering work authorised and licensed in Great Britain in 1949 was $£ 66.6 \mathrm{Mn}$., and for the first eight months of 1950, $£ 66.3 \mathrm{Mn}$.* (The basis of the 1950 figures has, however, been changed by alterations in the limit of permissible unlicensed work.) If about $£ 14-£ 15$ Mn . a month is added to this figure to represent unlicensed work in 1949, and perhaps a little less for 1950 (these figures can only be guesses based on the man-power series), it would appear that some $£ 81 \mathrm{Mn}$. a month of work was coming forward in 1949, and perhaps $£ 3-£ 4 \mathrm{Mn}$. less the following year. Even allowing for the fact that some of the authorised works would be carried out by various types of " direct labour" it seems likely that the industry was still being slightly overloaded in relation to its monthly capacity which was about $£ 75 \mathrm{Mn}$. These calculations cannot be made accurately enough to warrant a statement that the unfinished " backlog" of work was increasing, but at least they make it clear that it was not being very rapidly reduced.

[^72]The re-armament proposals will impose an added strain next year. In most cases the Government Departments concerned do not appear to have had ready schemes that could be authorised at a month's notice. The highest monthly figure so far recorded has been the $£ 53.6 \mathrm{Mn}$. authorised by all Departments in June, 1950. But this consists for the most part of civilian projects; re-armament schemes were stated in the recent Housing debate to total $£_{0} 35 \mathrm{Mn}$. for next year.

The building industry is now threatened with shortages of certain important materials. The softwood position is once again becoming critical, and only slightly less serious is the position with regard to bricks. Stocks of imported softwoods had declined to 175,000 standards at the end of July, 1950, that is, to the equivalent of two and a half weeks' supply at the current rate of usage. The amount imported in the autumn will determine the position for 1951. Stocks must be built up by some $400-500,000$ standards if there is not to be yet a further cut in new building.

Stocks of building bricks in the hands of manufacturers had declined to less than a week's normal supply by the end of August. In this case the remedy at least lies within our own
domestic control ; here too, everything now depends upon how far the autumn and winter build-up of stocks is successful. But at the present rate of output a warm spell of weather in January and February would almost inevitably mean a brick shortage in March and April.

Because of these shortages of key materials a substantial improvement in building productivity is not likely to be attained. There may be some renewed official interest shown in the now flagging programme of non-traditional houses, since some important " traditional" materials will be in short supply.

In view of this situation the issue will no doubt be debated early next year whether there is not too much man-power tied up in this industry-not that the need for new buildings is not urgent, but because the materials' bottlenecks prevent the available man-power from being properly occupied. This may lead to a fall in the manpower attached to the industry ; but it may equally well lead to a transfer of resources to the less materials-using types of work (perhaps by means of a further relaxation of the licensing regulations), and to a bigger proportion of the labour available being employed on small repair jobs and the like.

OUTPUT OF THE BUILDING AND CIVIL ENGINEERING INDUSTRIES. ( $£ \mathrm{Mn}$.)

|  |
| :--- | :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |

[^73]
# WAGE RATES \& EARNINGS 

By A. L. Bowley

## Wage Rates

There were no changes that affect our index numbers significantly from February to


* Provisional.
$f$ 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.

September inclusive, but there are some slight amendments in the detail in the Table annexed.

|  | Wage-rate Index Numbers End of Month |  |  | Retail <br> Prices Index <br> Mid-Month |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{array}{r} \text { Bul } \\ \text { General } \end{array}$ | etin Excluding Coal | Ministry of Labour |  |
| $\begin{gathered} 1947 \\ \text { June } \end{gathered}$ | 100 | 100 | 100 | 100 |
| 1948 |  |  |  |  |
| October ... | $109 \cdot 5$ | 108.6 | 107 | 108.4 |
| 1949 |  |  |  |  |
| January... | $109 \cdot 6$ | $108 \cdot 6$ | 108 | $109 \cdot 0$ |
| February | $109 \cdot 8$ | $108 \cdot 9$ | 108 | $109 \cdot 2$ |
| March ... | $110 \cdot 5$ | $109 \cdot 6$ | 108 | $108 \cdot 9$ |
| October ... | 111.7 | $110 \cdot 5$ | 109 | $112 \cdot 3$ |
| 1950 |  |  |  |  |
| January $\dagger$ | $112 \cdot 0$ | $110 \cdot 8$ | 110 | $112 \cdot 9$ |
| February | $112 \cdot 3$ | 111.1 | 110 | $113 \cdot 2$ |
| May ... | $112 \cdot 3^{*}$ | 111.1 | 110 | $11+2$ |
| June ... | 112.3 | $111 \cdot 1$ | 110 | $113 \cdot 6$ |
| July $\quad .$. | $112 \cdot 3$ 112.3 | 111.2 | 110 | 113.6 113.2 |
| August ... | 112.3 112.4 | 111.2 111.2 | 110 | 113.2 113.9 |
| October ... | 112.4 | 111.2 |  | $115 \cdot 0$ |

[^74]The increase announced in the minimum agricultural wage, from 94 s to 100 s , will raise the agricultural index from 270 to 288 in November, and the general average by about half a point. The average county minimum for ordinary agricultural labourers in England and Wales was about 35s in 1938, 28s in 1924.

## EARNINGS

The usual Report on Earnings and Hours is published, for April, 1950, in the Ministry of Labour Gazette, Sept., 1950.

Since October, 1949, men's earnings in all the main industrial groups had risen, the general average increase being about $2 \%$. The annexed Table shows the salient results.

PRINCIPAL INDUSTRIES IN UNITED KINGDOM

|  | $\begin{aligned} & \text { April } \\ & 1947 \end{aligned}$ | Oct. $1947$ | $\begin{gathered} \text { April } \\ 1948 \end{gathered}$ | $\begin{gathered} \text { April } \\ 1949 \end{gathered}$ | $\begin{aligned} & \text { Oct. } \\ & 1949 \end{aligned}$ | $\begin{gathered} \text { April } \\ 1950 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Av. weekly earnings : |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Men | 123.4 | $128 \cdot 1$ | $134 \cdot 0$ | $139 \cdot 9$ | $142 \cdot 7$ | 145.8 |
| Women | $67 \cdot 3$ | $69 \cdot 6$ | $72 \cdot 9$ | $77 \cdot 2$ | $78 \cdot 7$ | $80 \cdot 5$ |
| Youths | $47 \cdot 3$ | $51 \cdot 8$ | $57 \cdot 2$ | 58.5 | $60 \cdot 1$ | $60 \cdot 4$ |
| Girls | $40 \cdot 2$ | $43 \cdot 7$ | $48 \cdot 3$ | $50 \cdot 2$ | $51 \cdot 7$ | 51.8 |
| Av. hourly earnings : |  |  |  |  |  |  |
|  |  |  | pence p | r hour |  |  |
| Men | $32 \cdot 0$ | $33 \cdot 0$ | $34 \cdot 6$ | $36 \cdot 0$ | $36 \cdot 6$ | $37 \cdot 2$ |
| Women | $19 \cdot 5$ | $20 \cdot 1$ | $21 \cdot 0$ | $22 \cdot 2$ | $22 \cdot 7$ | $23 \cdot 1$ |
| Youths | $13 \cdot 0$ | $14 \cdot 1$ | $15 \cdot 6$ | $16 \cdot 0$ | $16 \cdot 4$ | $16 \cdot 7$ |
| Girls | 11.5 | 12.5 | $13 \cdot 7$ | $14 \cdot 2$ | $14 \cdot 6$ | $14 \cdot 6$ |
| Av. weekly earnings: |  |  |  |  |  |  |
|  |  |  | centage | oveme |  |  |
| Men | 100 | 104 | 109 | 113 | 116 | 118 |
| Women | 100 | 103 | 108 | 115 | 117 | 120 |
| ALL | 100 | 105 | 110 | 115 | 118 | 120 |
| Av. wage rates* 100 105 100 |  |  |  |  |  |  |
|  | 100 | 100 | 1051 $\frac{1}{2}$ | 109 | 110 | 111 |

* Bulletin Index, exoluding Railways, Coal, Agriculture.

Here, the year 1947 is taken as the start, since the new wage and retail price index numbers are based on June of that year.

In the three years, 1947 to 1950, average earnings increased $20 \%$, wage-rates for the same groups* about $11 \%$ and retail prices $14 \%$.

It will be seen that earnings gained slowly on wage-rates in each year. For the 12 years from 1938 to 1950, the Ministry of Labour estimates that average wage-rates increased $76 \%$ in these industries while average earnings increased $133 \%$. (Gazette, September, 1950, p. 297.)

[^75]
## HOME FINANCE

# The Rise in Bank Deposits 

By F. W. Paish

The most notable development during the third quarter of 1950 was a renewal of the rise in bank deposits, which had been almost entirely checked during the preceding two years. Net deposits of the eleven clearing banks rose by $£ 125 \mathrm{Mn}$. during the quarter, as compared with rises of $£ 42 \mathrm{Mn}$. and $£ 5 \mathrm{Mn}$. in the corresponding quarters of 1948 and 1949, and Lloyds Bank's seasonally-adjusted index of net deposits rose in September to 263, as compared with 259 a year before.

This rise in deposits was entirely due to increased Government borrowing, for Advances fell by $£ 47 \mathrm{Mn}$., mainly as the result of repayments by the Electricity Board out of the proceeds of calls on its new loan. The main increase was in T.D.R.s, which rose by $£ 137$ Mn ., while Call Money and Discounts rose by


The increase in Government borrowing from the banks was not due to any deficit on their "above the line" accounts, for the Exchequer returns continue to show unexpectedly favourable results, with a surplus of $£_{3} 3 \mathrm{Mn}$. for the quarter, as compared with a deficit of $£ 12 \mathrm{Mn}$. for the corresponding quarter of last year. This improvement was almost entirely due to the continued fall in Supply Expenditure, which for the first half of the financial year was $£ 83$ Mn . less than last year, whereas the original

TABLE 1.

estimates for the year as a whole showed an increase of $£ 82 \mathrm{Mn}$. over the actual results for 1949/50. The discrepancy seems too great to be ascribed wholly to changes in the distribution of expenditure over the year, and it has been suggested that stocks of food and materials in the hands of trading Departments, which a year ago had been increasing substantially, have this year been allowed to run down.

Equally, the increase in Government borrowing from the banks cannot be attributed to "below-the-line" expenditure, which (omitting the $£ 300 \mathrm{Mn}$. of sterling issued to the Exchange Equalisation Account) continues to run at rather over $£ 100 \mathrm{Mn}$. a quarter, for this was covered partly by the "above-the-line" surplus and partly by unusually large receipts of $£ 69 \mathrm{Mn}$. from the sale of Tax Reserve Certificates.

TABLE 2.
EXTRA-BUDGETARY PAYMENTS, 1950. £Mn.

|  | $\begin{gathered} \text { July } \\ \text { (29 days) } \end{gathered}$ | Aug. (28 days) | Sept. (35 days) | Total (92 days) |
| :---: | :---: | :---: | :---: | :---: |
| Net E.P.T. Refunds | $0 \cdot 6$ | $1 \cdot 1$ | 0.9 | $2 \cdot 6$ |
| Post-war Credits ... | 1.5 | $1 \cdot 3$ | $1 \cdot 6$ | $4 \cdot 4$ |
| Net War Damage |  |  |  |  |
| Payments : |  |  |  | 21.0 |
| W.D.C. | $6 \cdot 0$ | $9 \cdot 0$ | 6.0 | 21.0 2.0 |
| Bd. of Trade | $1 \cdot 0$ |  | $\xrightarrow{1 \cdot 0}$ | $2 \cdot 0$ 61.9 |
| Housing | $22 \cdot 1$ | $15 \cdot 5$ | $24 \cdot 3$ | $61 \cdot 9$ |
| Coal Nationalisation | $2 \cdot 0$ | $1 \cdot 0$ | - | $3 \cdot 0$ |
| Cotton Buying ... | $-0.6$ | 1.5 | $6 \cdot 5$ | $7 \cdot 4$ |
| $\begin{array}{cl}\text { Overseas } & \text { Develop- } \\ \text { ment } & \ldots\end{array} \quad \ldots$ | $1 \cdot 0$ | $1 \cdot 7$ | $1 \cdot 4$ | $4 \cdot 1$ |
| Films ... . | $0 \cdot 2$ | $0 \cdot 3$ | - | $0 \cdot 5$ |
| Exchange Equalisation Account | $300 \cdot 0$ | - | 2 | $300 \cdot 0$ |
| Other | $5 \cdot 9$ | $1 \cdot 9$ | $-2 \cdot 3$ | $5 \cdot 5$ |
|  | 339•7 | $33 \cdot 3$ | $39 \cdot 4$ | $412 \cdot 4$ |

Repayments of other long-term debt were covered by the rise of $£_{44 \mathrm{Mn} \text {. in " Other Debt }}$ -Internal," which reflects receipts under E.R.P., and the total rise in the Floating Debt (apart from the $£ 300 \mathrm{Mn}$. of "tap" bills issued to the Exchange Equalisation Account) was only $£_{6} \mathrm{Mn}$. 중

It is to changes within the structure of the Floating Debt that we must look for the cause of the rise in Government short-term borrowing from the banks. The combined total of "tap" Treasury Bills and Ways and Means Advances from Government Departments (apart from the issue to the Exchange Equalisation Account) fell by about $£ 155 \mathrm{Mn}$., involving an increase of the same amount in T.D.R.s. Some part of the increase in T.D.R.s was, no doubt, used to provide for calls on the part of the Electricity

TABLE 3.
GOVERNMENT BORROWING, 1950. £Mn.

|  | $\begin{gathered} \text { July } \\ \text { (29 days) } \end{gathered}$ | Aug. (28 days) | Sept. (35 days) | $\begin{gathered} \text { Total } \\ \text { (92 days) } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| Nat. Savings Certs. | $-4.7$ | $-4.0$ | -4.8 | $-13.5$ |
| $2 \frac{1}{2} \%$ Def. Bonds Other Debt: | -0.6 | $-0.7$ | -0.8 | -2.1 |
| Internal ... | +27.3 | $+9 \cdot 0$ | +7.3 | + 43.6 |
| External ... | $-1.3$ | $-3.6$ | $-4.3$ | -9.2 |
| Repayments | $-3.3$ | -4.8 | -4.8 | $-12.9$ |
| Total Long. and Medium-term borrowing | +17.4 | -4.1 | $-7 \cdot 4$ | $+5 \cdot 9$ |
| Tax Reserve Certs. | +14.7 | +19.8 | + 34.8 |  |
| T.D.R.'s Treas Bill :Tender | +55.0 +30.0 | +10.0 +450.0 | $+55.0$ | $\begin{array}{r} +155.0 \\ +1 \end{array}$ |
| Treas. Bills : Tap ... | +30.0 +222.7 | -10.0 -48.8 | $-\overline{44} \cdot 7$ | $\begin{array}{r} +20.0 \\ +99.0 \end{array}$ |
| W. \& M. Advances Govt. Depts. Bank of England | $\begin{aligned} & -21.4 \\ & -12.5 \end{aligned}$ | +18.4 | + 49.8 | $\begin{aligned} & +46.8 \\ & -12.5 \end{aligned}$ |
| Total Short-term borrowing | +288.3 | + $24 \cdot 4$ | + 64.9 | +377.6 |
| Total Borrowing | +305.7 | $+20.3$ | $+57.5$ | $+383.5$ |

Board's loan taken up by Government Departments, and as these payments served to reduce the Electricity Board's own overdrafts, no net expansion of bank deposits would result. But the rise in T.D.R.s is much too large to be accounted for by this means alone. One explanation of the difference would be that the whole of the $£ 118 \mathrm{Mn}$. of gold bought by the Exchange Equalisation Account during the quarter had been paid for with money borrowed from the banks. This in turn would be rather surprising, for it is generally believed that overseas balances in London have increased by a large fraction of the increase in gold holdings, and a large part of such balances is usually invested in Treasury Bills and would thus help to finance the increase in the gold reserves.

If, however, it is true that much of the
quarter's increase in overseas-owned sterling balances is due to speculative purchases of sterling, it is possible that a large part of them is held in the form of idle bank deposits. In this case, it would not promote inflationary tendencies to create the additional deposits for foreigners to hold. If, on the other hand, any substantial proportion of the incoming funds has been invested, not in bills but in medium- or long-dated securities, then the finance of the Exchange Equalisation Account's gold purchases with money borrowed from the banks would have exactly the same inflationary implications as the "cheap money policy" of 1946/47. In any case, the figures of bank deposits will be watched with some anxiety during the coming months.

## Postscript

The rise in bank deposits has been carried further in October, when net deposits rose by an additional $£_{1} 148 \mathrm{Mn}$. The issue on November 3rd, 1950, of a $£ 250 \mathrm{Mn} .3 \%$ Funding Loan, 1966-68, seemed at first sight to show that the authorities were taking steps to reverse the rise in bank deposits ; but, while it is impossible to be definite until the November clearing bank returns appear, the fact that the resulting fall in floating debt during the week ending November 4th occurred almost entirely in tap Treasury Bills and Ways and Means Advances from Departments suggests that the great bulk of the loan was taken up by the Departments and that little has been available for paying off Government debt to the banks. It may well be, of course, that the Departments will gradually sell the stock on the market and use the proceeds to restore their holdings of Treasury Bills.

# INTERNATIONAL FINANCE 

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

## General Review

Any survey of international finance made at the present time is subject to more than the usual number of imponderable considerations. In the first place, the scene has changed so much during the last twelve months that it is impossible to have any satisfactory guide posts for future consideration. The British gold and dollar reserves have more than doubled since the devaluation of sterling was announced twelve

[^76]months ago. This increase has so changed the picture that if the International Monetary Fund interprets its statutes strictly, and considers the British reserves as attributable to the United Kingdom alone and not to the entire sterling area, then we shall be required to repay our previous purchases of U.S. dollars from the Fund. Such a development would have been considered quite unlikely twelve months ago. Another change is to be found in the recent decision to set the Canadian dollar free, which would have appeared impossible last autumn. The second difficulty, if one wishes to make a satisfactory survey, is the fact that the circum-
stances have been changing so rapidly that any complete statistical examination is impossible. For instance, the latest Balance of Payments White Papert shows that the British foreign accounts which had been in deficit by $£ 54 \mathrm{Mn}$. in the last six months of 1949 were in surplus by $£ 52 \mathrm{Mn}$. in the first half of this year. This swing is equal to more than $7 \%$ of our total payments.

The overall Sterling Area position is outlined in Table 1 from which it can be seen that the sterling area had a net surplus of $\$ 187 \mathrm{Mn}$. during the last quarter. These receipts plus $\$ 147 \mathrm{Mn}$. from E.R.P. brought about an increase of $\$ 334 \mathrm{Mn}$. in the gold and dollar reserves.

TABLE 1
STERLING AREA GOLD AND DOLLAR NET RECEIPTS S U.S. Mn.

|  | $\|$Net <br> Receipts <br> exclud- <br> ing <br> next 3 <br> Cols. | Drawings on U.S. and Canadian Credits | Drawings on International Monetary Fund | Receipts under E.R.P. | Change in Gold and Dollar Holding |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1946. | -908 | 1,123 | - | - | $+215$ |
| 1947... | $-4,131$ | 3,273 | 240 | - | -618 |
| 1948... | $-1,710 *$ | 352 | 128 | 682 | -223 |
| 1949- |  |  |  |  |  |
| 1st Half . | -962 | 60 | 32 | 665 284 | -205 |
| 3rd Qr. | -539 -31 | 29 27 | 20 | 284 246 | -225 +263 |
| $1950-$ |  |  |  |  |  |
| 1 lst Qr. | $+40$ | 27 | - | 229 | $+297$ |
| 2nd Qr. ... | $+180$ | 18 | - | 240 | +438 |
| 3rd Qr. | +187 | - | - | 147 | +334 |

Source : Monthly Digest of Statistics.
*Includes $+£ 80 \mathrm{Mn}$. ( $\$ 325 \mathrm{Mn}$.) gold loan from South Africa.
The figures in this summary must be treated with more than the usual caution. In the first place, it is not clear that they represent a true picture of our increase in dollar assets. The receipts from E.R.P. are considerably less than those in the preceding quarter ( $\$ 240 \mathrm{Mn}$.). Such a decline was to be expected with the transfer to a new E.R.P. financial year. However, they are more than one quarter of our allocation of Marshall Aid for $1950 / 51$ ( $\$ 500 \mathrm{Mn}$.). It therefore appears possible that E.C.A. have paid off some of the amounts previously outstanding on this account. Therefore, our true liquid dollar assets have increased somewhat less than is indicated by looking only at changes in our gold reserves and dollar balance. Secondly, the comparability of the net gold and dollar surplus with that of previous quarters is open to some doubt. This figure shows the total net receipts of the Sterling Area on all counts, including both current and capital transactions. There have been rumours of a considerable inflow of hard currencies for investment in the United Kingdom which may have expanded this total.

[^77]Twelve months ago one of the reasons why our gold and dollar assets were melting away was that a considerable amount of speculation against the pound was taking place through commercial channels. Recently, speculation has been taking place on the possibility of an upward valuation of the pound, with the result that our reserves may well have been increasing at a faster rate than would be regarded as normal. It therefore appears quite probable that the true net surplus of the Sterling Area on current account during the quarter was somewhat less than in the preceding quarter despite the fact that the statistics show a rise of $\$ 7 \mathrm{Mn}$.

Looking at the United Kingdom's position, the results of the last quarter appear to have been quite satisfactory. The overall trade figures which are outlined in Table 2 show a considerable improvement during the third quarter over the first half of the year ; and it appears likely that our overall balance of payments showed a considerable surplus if allowance is made for the increase in invisible receipts. It is possible that, in so far as approximately half of the improvement in the net position results from a decrease in imports, these figures give an unduly optimistic picture. There is some evidence that we have been running down stocks of imported commodities, particularly those held on Government account $\ddagger$. In addition, one of the most immediate results of the new defence programme will be a rise in stocks of work in progress. Thus, if we do no more than cease drawing down stocks it is probable that the volume of imports will tend to rise in the next few months. In any event, the rise in world prices is likely to make future returns less cheerful than they have been for the last few months.

TABLE 2
UNITED KINGDOM'S BALANCE OF TRADE* ( $£ \mathrm{Mn}$.)

|  | $\begin{aligned} & 1948 \\ & \text { Year } \end{aligned}$ | $\begin{aligned} & 1949 \\ & \text { Year } \end{aligned}$ | 1950 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{aligned} & \text { lst } \\ & \mathrm{Qr} . \end{aligned}$ | $\begin{aligned} & \text { 2nd } \\ & \text { Qr. } \end{aligned}$ | $\begin{aligned} & \text { 3rd } \\ & \text { Qr. } \end{aligned}$ |
| $\underset{\text { e.i.f. }}{\text { IMPORTS }}$ | 2,078 | 2,273 | 604 | 676 | 629 |
| $\stackrel{\text { f.o.b. (approx.) }}{\text { EXPOR }}$ | 1,787 | 1,966 | 525 | 592 | 554 |
| f.o.b. ... ... ... | 1,648 | 1,944 | 534 | 526 | 566 |
| SURPLUS ( + ) DEFICIT ( - ) | $-139$ | $-22$ | $+9$ | -66 | $+12$ |

[^78][^79]When the trade figures are broken down on an area basis, as is done in Table 3, they also give general grounds for satisfaction.

TABLE 3
DISTRIBUTION OF U.K. TRADE, $£ \mathrm{Mn}$.

|  |  |  |  | 50 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Year | 1st Qr. | 2nd Qr. | July | Aug. | Sept. |
| United States : |  |  |  |  |  |  |
| Imports ... | 222 | 53 | 52 | 11 | 15 | 18 |
| Exports ... | 62 | 22 | 24 | 13 | 13 | 13 |
| Canada : |  |  |  |  |  |  |
| Imports | 225 | 43 | 46 | 17 | 16 | 12 |
| Exports | 82 | 26 | 32 | 11 | 12 | 10 |
| Total American : <br> A/c Countries : |  |  |  |  |  |  |
| Imports ... | 500 | 107 | 109 | 37 | 38 | 38 |
| Exports . | 177 | 59 | 66 | 27 | 29 | 26 |
| Sterling Area : 8050 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Exports | 935 | 266 | 245 | 84 | 95 | 81 |
| O.E.E.C. |  |  |  |  |  |  |
| Countries : |  |  |  |  |  |  |
| Imports | 547 | 147 | 168 | 60 | 54 | 54 |
| Exports | 451 | 148 | 142 | 49 | 47 | 47 |

Source : Board of Trade, Report on Overseas Trade. Imports valued c.i.f.; Exports valued f.o.b. include Re-exports.

With the dollar area, our transactions continue to show improvement. With the sterling area as a whole, we appear to be in reasonable equilibrium on trade account.

## Reserve Position

Looking to the immediate future, the first problem that must be faced is the question of a revaluation of the pound. Reference has already been made to the increase in our gold

TABLE 4
GOLD AND DOLLAR RESERVES

|  | Date | Actual Reserves in terms of: |  | Revalued* by Price Indexes of : |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | £ Mn. | \$ Mn. | U.K. <br> Imports $\dagger$ $£ \mathrm{Mn}$. | U.S. Exports $\ddagger$ § Mn. |
| 1939 | Aug. 31 ... | 560 | 2,623 | 1,523 | 5,123 |
| 1945 | Dec. $31 \ldots$ | 610 | 2,476 | 1,077 | 3,191 |
| 1946 | Dec. 31 ... | 664 | 2,696 | 1,038 | 2,710 |
| 1947 | Dec. 31 ... | 512 | 2,079 | 689 | 1,764 |
| 1948 | Dec. $31 \ldots$ | 457 | 1,856 | 531 | 1,771 |
| 1949 | June $30 \ldots$ | 406 | 1,651 | 489 | 1,637 |
|  | Sept. $18 \ldots$ | 330 | 1,340 | 408 | 1,362 |
|  | Sept. $30 \ldots$ | 509 | 1,425 | 629 | 1,448 |
|  | Dec. 31 .. | 603 | 1,688 | 672 | 1,744 |
| 1950 | March 31 | 709 | 1,984 | 753 | 2,084 |
|  | June 30 ... | 865 | 2,422 | 891 | 2,566 |
|  | Sept. $30 .$. | 984 | 2,756 | 984 | 2,756 |

[^80]and dollar reserves and to the speculation which is taking place. While attention has already been drawn to the qualified nature of our improved position, there is an even more significant point. In Table 4 our gold and dollar reserves have been revalued in two ways.

From this it appears that our reserves expressed in dollars are double what they were twelve months ago and at a higher level than they were at the outbreak of war. Yet when allowance is made for price changes during the period it appears that in "real" terms they are not yet back to the level which they reached at the end of 1945 and are only at slightly more than half the level which they attained immediately prior to the war. In the event, neither of these totals proved to be really adequate. Therefore we cannot really consider that our reserve position is beyond the danger point. This view is further strengthened when one thinks of the imponderables facing us in the next twelve months. There is one other point of a more general nature which must be facing those responsible for the future of the pound as an international currency. One reason which led to the devaluation of sterling was the effect of adverse speculation.

## TABLE 5

FACTORS AFFECTING CHANGES IN THE STERLING AREA'S GOLD AND DOLLAR RESERVES January, 1946 to June, 1950. (£ Mn.)

|  |  |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
|  |  | 1946 | 1947 | 1948 | 1949 |

It appears that one of the things which led to the recent Canadian decision was the effect of speculation on the future of the Canadian dollar. If speculation regarding a revaluation of the pound were to be satisfied there would be a strengthening of the view that speculation paid. Surely all the influences which led to the drawing up of the International Monetary Fund as an institution to prevent the flow of hot money have not been forgotten ?

## Balance of Payments White Paper

The new White Paper has considerably more detailed information than its predecessors and some revision of earlier figures. Certain of the figures have been extracted and used in Table 5 to summarize the factors behind the Sterling Area's gold and dollar balance since 1946.

TABLE 6 FACTORS AFFECTING CHANGES IN
UNITED KINGDOM OVERSEAS LIABILITIES January, 1946 to June, 1950. ( $£$ Mn.)

|  | 1946 | 1947 | 1948 | 1949 | $\begin{aligned} & 1950 \\ & \text { 1st } \\ & \text { Half } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Sterling Balances increased by : |  |  |  |  |  |
| U.K. Current non-dollar payments. | 1,201 | 1,444 | 1,773 | 1,978 | 1,161 |
| U.K. Capital non-dollar payments | 72 | 691 | 240 | 454 | 73 |
| Purchases of gold from |  |  | 240 | 454 | 7 |
| R.S.A. ${ }^{\text {a }}$. | 82 | 84 | 135 | 68 | 53 |
| U.K. and R.S.A. drawinge on I.M.F. | - | 60 | 32 | 33 |  |
| Gold and dollar receipts from non - dollar, non sterling countries | 95 |  |  |  | 7 |
| R.R.P. and I.E.P.A. ... |  | - | 6 | 106 | 47 |
| Total | 1,450 | 2,279 | 2,186 | 2,639 | 1,341 |
| Sterling Balances decreased by : |  |  |  |  |  |
| U.K. Current non-dollar receipts | 1,185 | 1,460 | 1,966 | 2,242 | 1,265 |
| U.K. Capital non-dollar receipts | 140 | 36 | 263 | 52 | 18 |
| R.S.A. deficit with dollar area | 64 | 273 | 82 82 | 94 | 18 -65 |
| R.S.A. and U.K. gold and dollar subscription to L.M.F. and Bank | 7 | 58 | 6 |  |  |
| Gold and dollar payments to non-dollar, non-sterling countries | 22 | 173 | 77 |  |  |
| Grants to U.K. from |  |  | 7 | 72 |  |
| R.S.A. | - | 30 | - | 16 | 8 |
| Total | 1,418 | 2,030 | 2,394 | 2,476 | 1,226 |
| Net Change ${ }_{\text {Change in }}$ Sterling Area |  | +249 | -208 | +163 | +115 |
| liabilities to dollar area | 1 | - 14 | + 3 | + 12 |  |
| Change in U.K. Overseas |  |  |  |  |  |
| Liabilities ... | +31 | $+235$ | -205 | $+175$ | +115 |

Similar calculations are contained in Table 6 to summarize changes in the overseas liabilities of the United Kingdom.

## Prospects

Regarding the more general future problems, it is almost impossible to forecast at the present moment. Undoubtedly the new defence programme will draw resources away from the export industries and will increase our demands for imports. Thus, in the absence of strong measures to support the export drive, it is possible that the future returns will not be as satisfactory as those of the last twelve months. In addition, the world-wide demand for many of our raw material imports has driven their prices up during the last few months and there seems at present to be no end to this process. Unless there is active co-operation on the part of national purchasing agencies it seems likely that prices will stay at, close to, or even above, their present levels, even if rubber at 6 s . per lb . and tin at $£ 1,000$ per ton seem fantastic. Such developments will tend to worsen our terms of trade further. As it is, we have not yet seen the effect of recent price rises on our level of import prices.
Only when commodities which have recently been purchased in foreign markets reach this country shall we know the full effect of the present level of prices. It therefore appears certain that our import prices will rise in the near future. How much higher they will go it is impossible to say.

On the other hand, one effect of the domestic policies of price restraint, even with rising wages and raw material costs, may be to keep the prices of our exports lower than what they could command in world markets. As a result, our terms of trade may be unduly worsened and a further strain put on our balance of payments, even though high prices for primary commodities will raise our income from overseas investments.

This development means that it is most likely that the United Kingdom will face fresh balance of payments difficulties, of a rather different nature, in the near future. The problem will be, not for the Sterling Area to secure dollars, but rather for the United Kingdom to pay for its total imports. If the Sterling Area is prepared to use the proceeds of its highpriced exports partly to build up balances in London there will be no sudden crisis. But we cannot regard mounting debts of this kind as satisfactory.

# WORLD COMMODITY SURVEY 

By C. F. Carter

## Sugar

The changes in the sugar market over the last six months have been remarkable. At the time when our May review appeared, it was becoming known that the $1949 / 50$ Cuban crop would be larger than the previous year, and larger than many of the estimates which had been current. Prices were accordingly hesitant, around $\$ 4 \cdot 25$, and there was talk of a substantial increase in the carry-over at the end of the crop year. But the Korean war brought with it a heavy buying movement-partly in anticipation of a price rise, partly to provide reserve stocks in case supplies were interrupted, and partly for distribution to satisfy public hoarding. On 13th July the U.S. Domestic Supply Quota was increased by 350,000 short tons, and on 23rd August by a further 850,000 short tons. At the end of July the U.S. bought the whole of the remaining Cuban reserve stocks, for use either for her own purposes or for resale on the basis of the purchase price of $\$ 5 \cdot 38$. The small remaining stocks of sugar were quickly mopped up, prices up to $\$ 5.90$ f.a.s. being paid for Cubas in late July and August. In the scramble for supplies, the majority of the buying countries could probably do no more than cover normal requirements, against heavy competition; the effective additional stockpiling appears to have been mostly by American housewives and manufacturers, distribution in the U.S.A. at the end of August being over 630,000 tons ahead of the total to the same date in 1949 .

By September panic buying had largely died down, and 75,000 tons of the U.S. purchase was resold to the British Government. But at this point the sugar market had a new set of things to consider. The success of the United Nations forces in Korea might make stockpiling seem less urgent; even those nations which still intended to carry a larger stock of sugar would be waiting to catch favourable moments for their purchases. The U.S. housewife might get tired of storing a big bag of sugar, and reduce current purchases so as to use it up. On the other hand, those countries whose sugar purchases have been restricted by the dollar shortage might now feel free to increase their consumption a little. The resultant of these forces on the demand side is quite uncertain.

The influences on the supply side are more definitely bearish. To the $1949 / 50$ crop or about $31 \cdot 4 \mathrm{Mn}$. tons can be added an increase approaching 1.5 Mn . tons in the European beet
crop ; some extra sugar is expected to come from the Philippines, and from the U.S. beet crop ; while the prospects in Cuba, though somewhat affected by drought, are still of a crop larger than in the past season. It seems possible, therefore, that in the 1950/51 season, which began in September, the total production of sugar might amount to 34 Mn . tons-over $15 \%$ more than in 1937/38. It is these speculations which caused a gentle sagging in the price for new crop sugars through September, culminating in a steep plunge in the price for mid-1951 shipments to $\$ 4 \cdot 60$ at the close of the month, steadying to about $\$ 4.50$ in October.

## Cotton

The world production of cotton in the year ended 31st July, 1950 is estimated as $30 \cdot 9 \mathrm{Mn}$. bales, against 28.8 Mn . in the previous year. Small increases were shown by the Argentine and Brazil, and by Asian producers, but the major influence was an increase in the U.S. crop from 14.6 Mn . running bales for the 1948 plantings to 15.9 Mn . for the crop planted in 1949. This was due to an increase in the acreage planted from 23 to over 27 Mn . acres, partly offset by a fall in yield from 308 to 281 lbs . per planted acre. It must be remembered that these average yields are much higher than anything shown before the war.
U.S. domestic consumption increased somewhat, to 8.9 Mn . bales, with the recovery from the recession of the previous year ; but there was (up to July) no sign that consumption would rise much above this level, towards the $9 \frac{1}{2}-10 \mathrm{Mn}$. bale annual offtake of the years 1945-48. Net exports from the U.S.A. were 5.8 Mn . bales, $25 \%$ more than in the preceding season. This still left, however, a net addition to stocks of 1.2 Mn . bales, and those stocks still held over 3 Mn . bales "bought in" under the price support programme from the 1948 crop. As a result, farm prices from August, 1949 until June, 1950 never departed far from the "loan rate," about $29 \frac{1}{2}$ cents for Middling 15/16", at which cotton could be deposited with the Commodity Credit Corporation. The spot market price firmed up gradually, as it often does, to about 33 cents in May.

But for the 1950/51 crop year acreage restrictions were introduced, and the cotton growers took the hint, actually planting only 19 Mn . acres, 2.7 Mn . less than the acreage permitted without penalty. This restriction was really a delayed result of the 1948 surplus; but, most
unhappily, it coincided not only with a fall in yield (the boll-weevil having been at work) but with the pressure of demand created by the Korean war. The crop is now estimated at less than 10 Mn . bales, and the withdrawal of 6 Mn . bales from the market atatime of increased demand has had a serious effect throughout the world.

On the announcement of the reduced acreage in July, American prices rose sharply from 34 cents to 39 , and by October had exceeded 40 cents. It is the intention of the U.S. Government to restrict cotton exports in the current season, and this, together with calmer thoughts about the internal demand, presumably accounts for the sideways movements of the American price shown at the time of writing. But the American restriction merely causes world demand to spill over into other markets, and there have been substantial price rises in Mexico, Brazil, Peru, Pakistan and Egypt.

The prospects for production outside the U.S. are not yet clear ; an early estimate is 17.3 Mn . bales, an increase of 2.3 Mn . bales over the $1949 / 50$ season. It is believed that India and China will both show substantial increases. In Egypt the first official estimate of area planted shows an increase of $17 \%$. But even if the world crop in the current season attains a full 27 Mn . bales, it will have to meet a consumption of 29 or even 30 Mn . bales, and the resultant draft on stocks will bring them lower than at any time since the early 1930's.

## Wool

In September and October, 1950, the prices of Dominion merino wools were some eight times the 1934-38 average, and $35 \%$ dearer than in July of this year, at the end of the last selling season ; while the coarser crossbred wools stood at over 10 times the pre-war average, and had practically doubled in price since July. These increases attracted world-wide attention, with results ranging from moderate buying pressure from the public for woollen goods in Britain to serious signs of inflation in Australia. The U.S. Government, becoming suddenly convinced that this time free enterprise was too much of a good thing, is said to have proposed, first the abolition of free auctions, and later the setting aside of wool before the auctions to provide for defence needs.

The vigour and size of the price increase is undoubtedly due to the Korean war, foreshadowing a need for increased stocks and an increase in the use of wool for military uniforms. Hence also the reaction in prices at the end of September, as the prospects of continued peace grew brighter.

But the economic background for the rise in prices has been known for a long time past : July, 1950 happens to have seen the virtual exhaustion of the stocks of wool piled up during the war, and the reduction of the world carry-over to something like normal commercial levels. Even without extra stockpiling, consumption is running more than $10 \%$ above production. The demand has a low price-elasticity-or else, at a time of rising prices, the effect of rising real incomes largely offsets the discouragement of high prices. The supply can, for agricultural reasons, only change slowly from year to year ; indeed, it does not look like catching up with the recent rates of consumption until 1953 at the earliest.

The following statistics, taken from the Commonwealth Economic Committee, summarise the position:-
$\left.\begin{array}{lll|r|r|r}\hline \begin{array}{c}\text { Production of raw w ool } \\ \text { (Mn. lb., greasy) }\end{array} & & \begin{array}{c}1949 / 50, \\ \text { est. }\end{array} & \begin{array}{c}1950 / 51, \\ \text { est. }\end{array} & \begin{array}{c}\text { Increase, } \\ \text { 1950/51, } \\ \text { over average } \\ \text { for 1934-38 }\end{array} \\ \hline & & & & & \\ \begin{array}{l}\text { Australia } \\ \text { New Zealand }\end{array} & \ldots & \ldots & 1,165 \\ \text { South Africa... } & \ldots & \ldots & 1,190 & 195 \\ \begin{array}{l}\text { Rest of Commonwealth }\end{array} & \ldots & 185 & 372 \\ 220\end{array}\right)$

The very large proportional reduction in the U.S. clip since pre-war is clearly important in absolute terms as well ; and it must be noted that the small rise shown between 1949/50 and 1950/51 is the first since the great decline in U.S. domestic wool-growing began in 1942. It is surely likely that, under the influence of present prices, this rise will be continued. Australian production continues its climb from the low level of the drought years, and the New Zealand estimate is a record. South African production, however, is depressed by the effects of the recent drought, while the U.K. clip is still not back to the levels known before the disastrous winter of 1946/7. The short-term problem of the wool market is one of paring off up to 400 Mn . lb. of demand to fit the inflexible realities of supply; and it would be a bold man who would prophesy the level of prices necessary to achieve this.

## WORLD COMMODITY SURVEY

| Commo-dity | Season | Unit | Pre-war base | WORLD PRODUCTION |  |  | WORLD CONSUMPTION |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Last season | Last season$\begin{array}{c}\% \text { of } \\ \text { pre-war }\end{array}$ | 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 . | $\begin{gathered} \text { Average } \\ 1935-9 \end{gathered}$ | 6,270 | 104 | 106 | n.a. | - | - |
| Fats and Oils | Calendar year | 000 tons | Average 1934-8 | $\begin{gathered} 21,400 \\ \text { (oil equiv.) } \end{gathered}$ | 101 | (106) | n.a. | - | - |
| Sugar ... | Begins Sept. | 000 tons | 1937-8 | $\begin{gathered} 31,394 \\ \text { (raw value) } \end{gathered}$ | 108 | 117 | n.a. | - | - |
| Tea | Calendar year | Mn . lb. | $\begin{gathered} \text { Average } \\ 1936-8 \end{gathered}$ | $\begin{gathered} 958 \\ \text { (exports) } \end{gathered}$ | 108 | n.a. | 920 <br> (absorption excl. local produce) | 105 | n.a. |
| Coffee ... | Begins July | Mn. bags of 132 lb . | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to 1939/40 } \end{aligned}$ | $\begin{gathered} 30 \cdot 3 \\ \text { (exportable) } \end{gathered}$ | 84 | (81) | n.a. | - | - |
| Cocoa . | Begins October | 000 tons | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 745 | 103 | n.a. | n.a. | - | - |
| Cotton... | Begins <br> August | Mn. bales ( 478 lb . net) (k) | $\begin{aligned} & \text { Av. 1935/6 } \\ & \text { to } 1939 / 40 \end{aligned}$ | 30.9 | 98 | 85 | 29.5 | 105 | 106 |
| Wool (apparel) | Begins July | $\mathrm{Mn} . \mathrm{lb}$. (greasy) | $\begin{aligned} & \text { Av. } 1934 / 5 \\ & \text { to } 1938 / 9 \end{aligned}$ | 3,124 | 105 | 105 | $(3,530)$ | (114) | n.a. |
| Jute ... | Begins July | 000 tons | $\begin{aligned} & \text { Av. 1934/5 } \\ & \text { to } 1938 / 9 \end{aligned}$ | 1,400 | 83 | (100) | n.a. | - | - |
| Sisal ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 273(1) | 114 | (115) | n.a. | - | - |
| Rubber(m) | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1936-9 \end{gathered}$ | 1,927 incl. 1,487 natural | 193 | (222) | $\begin{gathered} 1,887 \text { incl. } 1,437 \\ \text { natural } \end{gathered}$ | 180 | (207) |
| Copper... | Calendar year | 000 tons | $\begin{aligned} & \text { Average } \\ & 1937-8 \end{aligned}$ | 2,420 (primary) | 113 | n.a. | 2,380 | n.e. | n.a. |
| Lead | Calendar year | 000 tons | 1938 | 1,540 | 94 | (77) | 1,470 | n.a. | n.a. |
| Tin | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ \text { 1936-8 } \end{gathered}$ | $162 \cdot 3$ (tin in concentrates) (e) | 90 | 94 | 118.9 (e) | 70 | (82) |
| Zinc ... | Calendar year | 000 tons | $\begin{gathered} \text { Average } \\ 1934-8 \end{gathered}$ | 1,800 | 136 | (133) | 1,440 | 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 $2,240 \mathrm{lb}$. n.a. = not aveilable. (a) in hands of principal exporters. (b) apparent supplies, excluding consumption of British wheat on farms. (c) \% of average 1936-9. (d) incomplete. (e) excluding U.S.S.R. Stocks exclude U.S. strategic stock pile. (f) Price ratios are in terms of the currency in which quoted; the corresponding sterling ratios are added,

## WORLD COMMODITY SURVEY

| WORLD STOCKS |  |  | U.K. CONSUMPTION |  | PRICES |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Amount | \% of pre-war | Last season | $\%$ of pre-war | Date | Representative Price | $\begin{gathered} \% \text { of } \\ \text { pre-war (f) } \end{gathered}$ |
| July, 1950 | 783 (a) | n.a. | 225 (b) | 103 | $\begin{gathered} \text { Nov. } 2, \\ 1950 \end{gathered}$ | Chicago Dec. futures $\$ 2.26$ per bush. | $\begin{gathered} 235 \\ 403(f) \end{gathered}$ |
| - | n.a. | - |  | - | July 1950 | U.S. Dept. of Labor index (Year $1926=100) \quad 125 \cdot 7$ | $\begin{aligned} & 211 \text { (c) } \\ & 372 \text { (f) } \end{aligned}$ |
| - | n.a. | - | 2,048 (raw value, calendar year 1949) | 89 | $\begin{aligned} & \text { end Oct. } \\ & 1950 \end{aligned}$ | Raws, f.o.b. Cuba, spring shipment $\$ 4.50$ per 100 lb . | $\begin{gathered} 317 \\ 556(f) \end{gathered}$ |
| - | n.a. | - | 403 (j) | (92) | Sept. 25-6, 1950 | Calcutta average for export leaf. New season, $3 / 3 \mathrm{lb}$. | (340) |
|  | n.a. | - | 0.80 | (205) | $\begin{gathered} \text { Nov. } 2, \\ 1950 \end{gathered}$ | New York spot, Brazilian Santos, No. 2 (nom.) $52 \cdot 50 \mathrm{c}$, per lb. | $\begin{aligned} & (585) \\ & (985)(\mathrm{f}) \end{aligned}$ |
|  | n.a. | - | 131 (i) | n.a. | $\begin{gathered} \text { Nov. 2, } \\ 1950 \end{gathered}$ | Accra, c.i.f. New York $34 \cdot 9$ c. per lb. (nominal) | $\begin{gathered} (570) \\ (1000)(\mathrm{f}) \end{gathered}$ |
| $\begin{aligned} & \text { Aug. 1, } \\ & 1950 \end{aligned}$ | $16 \cdot 3$ | 89 | $2 \cdot 1$ | 79 | $\begin{gathered} \text { Nov. } 2, \\ 1950, \end{gathered}$ | New York spot, middling将" 40.8 c . per lb. | $\begin{gathered} 383 \\ 647 \text { (f) } \end{gathered}$ |
| June 30, 1950 | $(2,550)$ . n.8. | (140) | 845 108 (imports) | 125 65 | Sept. 1950 (Oct. prices similar) <br> Oct. 1950 | Dominions wool, average clean delivered cost out of London Sales $\begin{aligned} & 64 \text { 's.- } 206 \mathrm{~d} . / \mathrm{lb} . \\ & 48 \text { 's. }-135 \mathrm{~d} . / \mathrm{lb} \text {. } \end{aligned}$ <br> First Marks, c.i.f. London <br> Pakistan $£ 107$ per ton | $\begin{array}{r} 802 \\ 1015 \\ 585 \end{array}$ |
|  | n.a. |  | 59 incl. Henequen 64 incl. Abaca too | $\left.\begin{array}{c} 190 \\ 90 \end{array}\right\}$ | Oct. 1950 | No. 1, c.i.f. Antwerp, £165 per ton | 985 (g) |
| July 31, 1950 | $\begin{gathered} 795 \text { incl. } 717 \\ \text { natural } \end{gathered}$ | 120 | 187 incl. 184 nat. | 168 | $\begin{gathered} \text { Nov. } 2, \\ 1950 \end{gathered}$ | London R.S.S. spot 60 d . per lb. | 715 |
| $\begin{aligned} & \text { Aug. } 31 \text {, } \\ & 1950 \end{aligned}$ | 186 refined (d) | (53) (h) | 319 | 114 | $\begin{aligned} & \text { Nov. } 2, \\ & 1950, \end{aligned}$ | U.S. electro, New York $24 \cdot 5 \mathrm{c}$. per lb. | $\begin{gathered} 208 \\ 365 \text { (f) } \end{gathered}$ |
| - | n.a. |  | 157 (refined) | 44 | Nov. 2, $1950$ | New York 17c. per lb. | $\begin{gathered} 358 \\ 625(\mathrm{f}) \end{gathered}$ |
| $\begin{aligned} & \text { June } 30, \\ & 1950 \end{aligned}$ | 118.5 (e) | (205) | 20.8 | 95 | Nov. 2, 1950 | London, Standard, Cash. $£ 1,040$ per ton | 490 |
|  | n.a. | - | 199 | 95 | $\begin{gathered} \text { Nov. } 2, \\ 1950 \end{gathered}$ | U.S. Prime Western (East St. Louis) $17 \cdot 5 \mathrm{c}$. per lb . | $\begin{gathered} 380 \\ 670 \text { (f) } \end{gathered}$ |

marked (f), where necessary. (g) \% of early 1939. (h) \% of 1937. (i) Ministry of Food estimate of cocoa bean consumption, excluding beans transferred to oilseed stocks. (j) Civilian consumption. (k) U.S. in running bales. (l) Total production of sisal, henequen and abaca was about 465,000 tons in $1949,91 \%$ of 1934.8 average. (m) U.S.S.R.-produced synthetic rubber excluded.

FINANCE



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 National
21-24 since June, 1947: based on Interim Index of Retall Prices
(Ministry of Labour). not insured under the current Unemployment Insurance Acto. § July, 1914. || Provisional. ( ) Approx

25-27-Board of Trade.
28 - "The Statist.
29-31-Ministry of Agriculture
32 - Prof. Bowley's Index, calculated for LCES.
$3_{33}$-36-Mrinistry of

PRODUCTION \& RAILWAY TRAFFIC


Sounces :- $\mathbf{3 7 - 4 2} \begin{array}{ll}\text { Ministry of Fuel and Power. } \\ & \text { British Iron and Steel Federation }\end{array}$
46-47 Board of Trade. 48 Ministry of Supply.


SOURCE : Board of Trade throughout.
(Board of Trade Journal and Accounts of Trade.)

II 12 ohief countries only. For other notes on this table, see Bulletin, February, 1949, p. 29.

FINANCE

| 74．75，78： Av．for period；76， 79 ：Totals ； 77 ：Av． Rates | Yiel <br> Govt．S <br>  | urities |  <br> £Mn． | $\begin{aligned} & \text { 雲 } \\ & \text { 㤟 } \\ & \text { o } \\ & \text { 品 } \\ & \text { \% of } \\ & 1938 \end{aligned}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 74 | 75 | 76 | 77 | 78 | 79 |
| 1935 | 2.46 | $3 \cdot 03$ | 60 | 84 | $7 \cdot 4$ | － 6 |
| 1936 | 2.45 | $2 \cdot 99$ | 64 | 97 | $8 \cdot 2$ | 17 |
| 1937 | $2 \cdot 92$ | $3 \cdot 32$ | 53 | 108 | （9－9） | － 39 |
| 1938 | $2 \cdot 73$ | $3 \cdot 27$ | 55 | 100 | （9－8） | － 140 |
| 1939 | $3 \cdot 30$ | $3 \cdot 66$ | 98 | 93 | （8．5） | $-781$ |
| 1940 | $2 \cdot 78$ | $3 \cdot 26$ | 474 | 92 | 10.9 | －2489 |
| 1941 | 2．47 | 2.95 | 611 | 92 | $10 \cdot 6$ | －2794 |
| 1942 | $2 \cdot 32$ | $2 \cdot 89$ | 603 | 93 | 10.0 | －2894 |
| 1943 | 2.45 | $\overline{3 \cdot 03}$ | 722 | 97 | 10.6 | $-2827$ |
| 1944 | $2 \cdot 37$ | 3.02 | 710 | 101 | 11.6 | $-2910$ |
| 1945 | $2 \cdot 44$ | $2 \cdot 99$ | 651 | 109 | $11 \cdot 2$ | －2261 |
| 1946 | 2.09 | 2.55 | 547 | 133 | 12.4 | $-862$ |
| 1947 | $2 \cdot 18$ | $\underline{2 \cdot 67}$ | 124 | 168 | $15 \cdot 5$ | ＋ 117 |
| 1948 | 2.02 | $\overline{2.79}$ | 36 | $\overline{183}$ | $14 \cdot 6$ | ＋ 545 |
| 1949 | 1.94 | $2 \cdot 83$ | 67 | 188 | $14 \cdot 5$ | ＋ 364 |
| 1948 |  |  |  |  |  |  |
| 3rd Qr．．．． | 1．90 | 2.79 | $-10$ | 184 | $13 \cdot 3$ | － 30 |
| 4th Qr．．．． | 1.78 | $2 \cdot 65$ | － 1 | 186 | $12 \cdot 6$ | － 54 |
| 1st Qr．．．． | 1.63 | 2.61 | 67 | 187 | $17 \cdot 3$ | ＋ 482 |
| 2nd Qr．．．． | 1.82 | $2 \cdot 60$ | 16 | 189 | $13 \cdot 8$ | ＋ 47 |
| 3rd Qr．．．． | 2.38 | 3.04 | －8 | 191 | $13 \cdot 3$ | 57 |
| 4th Qr．．．． | 2.00 | $3 \cdot 09$ | － 8 |  | $14 \cdot 2$ | － 92 |
| 1950－13t Qr．．．． | $2 \cdot 22$ | $3 \cdot 11$ | 29 |  | 17－1 |  |
| 2nd Qr．．．． | 2．09 | $2 \cdot 98$ | $-\frac{8}{8}$ |  | 13.4 | ＋ |
| 3rd Qr．．．． | 1.98 | $3 \cdot 00$ | $-15$ |  |  | － 6 |

POPULATION \＆EMPLOYMENT


PRODUCTION，CONSUMPTION，ETC．


INDUSTRIAL EARNINGS \＆HOURS

| Last pay． week of months | Earnings per week |  |  | Hours per week |  |  | Hourly Earnings |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { M } \\ & \stackrel{y}{\circ} \\ & \text { 5 } \\ & \text { 5 } \\ & 0 \\ & 0 \\ & \text { Z } \end{aligned}$ |  |  | ₹ | 砍 | \％ | そ | $\frac{\square}{0}$ | In 吕 |
|  | 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 |  |  |  | $\ldots$ | $\cdots$ |  |
| 1942 July | 85／2 | 111／5 | 54／2 |  |  |  |  |  |  |
| 1943 July | 93／7 | 121／3 | 62／2 | $50 \cdot 0$ | 52.9 | $45 \cdot 9$ | 163 | 158 | 181 |
| 1944 Ja | 95／7 | 123／8 | 63／9 | $49 \cdot 2$ | 52.0 | $45 \cdot 2$ | 170 | 164 | 189 |
|  | 96／8 | 124／4 | 64／3 | $48 \cdot 6$ | 51.2 | $44 \cdot 6$ | 174 | 168 | 193 |
| 1945 Jan | 93／9 | 119／3 | 63／2 | 47.0 | $49 \cdot 4$ | $43 \cdot 1$ | 174 | 167 | 196 |
|  | 96／1 | 121／4 | 63／2 | $47 \cdot 4$ | 49.7 | $43 \cdot 3$ | 177 | 169 | 195 |
| 1946 Ja | $92 / 7$ | 114／1 |  |  | $47 \cdot 4$ |  | 177 | 166 | 189 |
|  | $101 /-$ | 120／9 | 65／3 | $46 \cdot 2$ | $47 \cdot 6$ | $42 \cdot 6$ | 191 | 175 | 205 |
| 1947 AP | 103／6 | 123／5 | 67／4 | $45 \cdot 0$ | $46 \cdot 3$ | 41.5 | 201 | 184 | 217 |
|  | 108／2 | 128／1 | 69／7 | $45 \cdot 2$ | $46 \cdot 6$ | 41.5 | 209 | 190 | 224 |
| 1948 Ap | 114／－ | 134／－ | 72／11 | $45 \cdot 3$ | 46.5 | 41.6 | 220 | 199 | 234 |
|  | 117／4 | 137／11 | 74／6 | $45 \cdot 3$ | 46.7 | $41 \cdot 6$ | 226 | 204 | 240 |
| 1949 A | 119／4 | 139／11 | 77／2 | 45．3 | $46 \cdot 6$ | 41.8 | 231 | 207 | 247 |
|  | 121／9 | 142／8 | 78／9 | $45 \cdot 4$ | 46.8 | 41.7 | 235 | 210 | 252 |
| 1950 Apr． | 124／1 | 145／9 | 80／6 | $45 \cdot 6$ | 47－0 | $41 \cdot 9$ | 239 | 214 | 257 |

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 89 Central Statistical Office． 90.93 Registrars－General． 94.106 Ministry of Labour．
－Years ending 3 months after calendar year．$\ldots=$ Not available．† lmports only，prior to 1940．††（77）relates（approx．）to date of earning profits，（78）to date of declaring dividends．§New series，see footnote on p．107，Aug．，1949．$\ddagger$ Figures below in square yards．For other notes see Bulletin，Feb．，1949，p．29．30．

Printed by
9r. Owiments Press, Ltdi, Portugal St., Kingsivay,

## London, W.C.2.





[^0]:    * Thus Mr. Paul Hoffman: " European countries . . . supplied $1 \%$ of the American National Consumption 20 years ago, but only $0.5 \% 10$ years ago, and they should be able to supply $1.5 \%$. American tariffs ,"to-day are as low as in 1914 and much lower than 1929." (Speech at Frankfurt, August 22nd, 1949 ; reported in The Times, August 23rd, 1949.)

[^1]:    $\star$ Mainly raw materials, crude foodstuffs, etc. The ratio for imports from the sterling area is somewhat greater than for the world as a whole.

[^2]:    $\star$ On the basis of 1948 weights the overall figure is $13.7 \%$ (at 1949 duty rates).

[^3]:    Notes:-
    1947 prices and weights used.
    1949 duty rates are for January 1st, 1949.
    Figures in column (4) are $50 \%$ of duty rates at January lst, 1945.

    Import processing taxes excluded.
    Source : U.S. Tariff Commission, Trade Agreement Concessions of the U.S., Loc. cit.

[^4]:    * Specific and partly specific duties (the former being much the more important) are levied on about two-thirds of the value of U.S. dutiable imports.

[^5]:    * The recent case of the rejection of the Ferranti tender for the Seattle transformer station (The Times, January 25 th, 1949) illustrates the powerful nature of these restrictions even when no legal obstacles exist.
    $\dagger$ Total imports of woollen and worsted piece-goods in 1947 were 2.5 Mn . lbs., the U.K. share being nearly $90 \%$ of this figure. Total sales in the U.S.A. were 398 Mn . lbs.
    $\ddagger$ Non-dutiable imports from the U.K. are usually negligible.

[^6]:    * 1948 edition, p. 942 . Similar data are not yet available for later years.
    $\dagger$ Report of the E.C.A.-Commerce Mission, October, 1949. Obviously this list is not exhaustive but there seems no reason to believe that it is a poor sample.

[^7]:    * Although we are dealing here with the U.K. only, the relevant elasticity is that for all U.S. imports as it must be assumed that any tariff cut would apply to imports from any origin.
    $\dagger$ "International Comparison of Demand for Imports." Review of Econ. Studies, 1945/6.

[^8]:    * cf. p. 5 above.
    $\dagger$ On the basis of Post-war Imports and Domestic Production of Major Commodities.
    $\ddagger$ This may not in fact be quite true if the high distribution margins are due to the strangeness and unfamiliarity of imported goods in the U.S. market.

[^9]:    * Allowance made for increase of population by $4 \frac{1}{2} \%$.
    $\dagger$ Including preserves and confectionery.
    + In terms of milk solids.
    $\$$ Egg products in terms of "shell egg equivalent."
    Sources: Cmd. 7649, April, 1949, p. 28; Cmd. 7842, December, 1949, p. 9.

[^10]:    * Including catering services.

[^11]:    * During the first nine months of 1949, the comparable figure was $29 \%$.
    $\dagger$ Cmd. 7862, Jan. 1950.

[^12]:    * Index of prices of manufactures Index of prices of foodstuffs
    In relation to future conditions, comparisons with a 1927-9 base are more pertinent than those with any base in the 1930s.

[^13]:    $\star$ The movement of interest rates over recent years is shown in col. 4 of the regular Finance tables (see pp. 32) while the latest developments are further commented upon on p 18 .

[^14]:    * cf, the comparison of 1947 and 1948: W. B. Reddaway, Industrial Production and Productivity, Bulletin, February, 1949, p. 11.
    $\dagger$ Bulletin, November, 1949.
    $\ddagger$ The figures given are calculated before rounding and so may appear to conflict with those in the main table.

[^15]:    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 verage 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: 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, Christmas holiday in December.

[^16]:    * Owing to the operation of the E.R.P. accounting arrangements it is probable that this figure of $\$ 31 \mathrm{Mn}$. overestimates the "true" deficit.

[^17]:    Source: Board of Trade Journal. Imports valued c.i.f. ; Exports valued f.o.b. include Re -exports.

    * Not available owing to changing classification of American account countries.

[^18]:    * Components do not add precisely to total because of rounding.
    $\dagger$ Preliminary estimates by the Council of Economic Advisers.
    (a) Not available. (b) No seasonally-adjusted series available.

[^19]:    Farm outlays on Plant and Equipment were virtually the same in each half of 1949 as in the corresponding period of the preceding year.
    $\dagger$ This decline could have been (and was) predicted from the returns of the Securities Exchange CommissionDepartment of Commerce questionnaire on 1949 Investment Plans for Plant and Equipment.

[^20]:    * Corporate Profits (after taxes) were as follows in each quarter (annual rates seasonally adjusted) : ( $S^{\prime} 000 \mathrm{Mn}$ ).

    |  |  |  |  |  |  |  |  |  |  |  |
    | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
    | 1948 | $\ldots$ | $\ldots$ | $20 \cdot 2$ | $21 \cdot 3$ | $22 \cdot 2$ | $20 \cdot 9$ |  |  |  |  |
    | 1949 | $\ldots$ | $\ldots$ | $17 \cdot 9$ | $15 \cdot 8$ | $17 \cdot 0^{1}$ | $16 \cdot 1^{1}$ |  |  |  |  |

    Source : Department of Commerce.
    The 3rd quarter (of 1949) increase would probably have continued into the 4th quarter had it not been for the shut-down in steel (with its repercussions on automobiles).
    $\dagger$ Dividend Payments were as follows in each quarter (annual rates seasonally adjusted): ( ( $S^{\prime} 000 \mathrm{Mn}$.).

    |  |  |  | I | II | III | IV |
    | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
    | 1948 | $\ldots$ | $\ldots$ | $7 \cdot 6$ | $7 \cdot 7$ | $7 \cdot 9$ | $8 \cdot 3$ |
    | 1949 | $\ldots$ | $\ldots$ | $8 \cdot 4$ | $8 \cdot 4$ | $8 \cdot 4^{1}$ | $8 \cdot 5^{1}$ |

    Source : Department of Commerce.
    ${ }^{1}$ Estimated by the Council of Economic Advisers.

[^21]:    * In recent months coffee prices have soared, bringing wails of protest from consumers and touching off demands for Congressional investigation of speculation, marketrigging, etc.

[^22]:    (a) The years are O.E.E.C. years, July 1st to June 30th.
    (b) Assuming interest ( $\$ 109 \mathrm{Mn}$.) and amortisation ( $\$ 65$

    Mn.) of U.S. and Canadian oredits and loans. (See Cmd. 7862.)

[^23]:    * November, 1949.

[^24]:    * The estimates of the increases of working capital exclude the allowances made in the official estimates of disinvestment by the Government in war stores. The figures for 1946 and 1947 are very uncertain.

[^25]:    * Based on London and Cambridge Economic Service index of production.
    $\dagger$ Based on National Income White Paper revaluations of expenditure on consumption. The consumption is that of all classes and not only that of wage-earners.

[^26]:    $\star$ See Cmd. 7915, paragraph 115 and Table 2 of Cmd. 7933, which puts the increase in domestic fixed capital formation at $£ 145 \mathrm{Mn}$.
    $\dagger$ See the table below, based upon Table 85 of the Monthly Digest of Statistics for March, 1950. The figure of $£ 219 \mathrm{Mn}$. for new housing is difficult to reconcile with the Survey figure for all housing, and may perhaps be an unduly low estimate.
    $\ddagger$ Cmd. 7915, Appendix, paragraphs 40 and 60. Figures are for Great Britain.

[^27]:    * When later information becomes available "Other work" can again be shown separately.

[^28]:    ${ }^{*}$ ) This item covers repair and maintenance of houses (including conversion and adaptation) and war damage repairs to houses. In previous issues these types of work were listed separately as items 3 and 4.
    $(\ddagger)$ From 1 August, 1949, work included under "Other housing work" relates to family dwelling units only. Before this date, work on other living accommodation, such as hostels, barracks, etc., is included ; after this date, such work appears under "Other work."
    (8) This residual item includes all non-housing work carried out under annual maintenance licences and local authority lizences and all non-housing work exempted from authorisation and licensing. This item is included here since, in the 4th Qr. of 1949, it cannot be separated from housing work.
    $(\dagger)$ Items $5 \cdot 11$ exclude work carried out under annual maintenance licences and local authority licences, and work exempted from authorisation and licensing. The extent of the work so excluded has varied with changes in exemption limits ; changes in certain of the limits occurred at 1 November, 1948. The 1946 figures exclude war damage repairs.
    (II) Including $£ 17 \mathrm{Mn}$. for war damage repair work other than repairs to houses. After 1946 war damage repairs are included in the appropriate type of work.

[^29]:    *F.o.b. import estimates $15 \%$ less than c.i.f.
    Sources: Accounts Relating to Trade and Navigation of the United Kingdom.

    * 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 note.

[^30]:    * It should be remembered that these figures reflect gold and dollar transactions converted at the rate of $£ 1=84.03$ up to September 18 th, and $£ 1=\$ 2.80$ after that date. Therefore, they do not necessarily reflect the same relative magnitude as those indicated in Table 1.
    + See Home Finance, pp. 55.6.

[^31]:    Exchange rate : July-September $18 \quad £ 1=\$ 4.03$
    Source: Derived from data in United Kingdom Balance of Payments 1946 to 1949, April, 1950, Cmd. 7928.

[^32]:    * Including expenditure under the Defence Loans Acts, 1937 and 1939.

[^33]:    * See International Finance, pp. 51-3.

[^34]:    * The Prospect for Interest Rates, Feb., 1950.

[^35]:    *See Professor Robinson's article, pp. 46-7, and The Economic Position.

[^36]:    * For a fuller explanation, see the article by F. W. Paish and R. C. Tress in this Bulletin, May, 1949, pp. 43-5. For comparability, National Debt interest ( $£ 533 \mathrm{Mn}$. in 1949) has been excluded from revenue and expenditure in both accounts.

[^37]:    * Provisional from October, 1949.
    $\dagger$ Amended.

[^38]:    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 1935 figure for chemicals and allied trades has been revised in the light of data about the value of output in 1946 obtained at the partial census of production, and a special investigation into the movement of prices. The 1935 figure for sundry trades has also been revised on the basis of the census data for the output of plastic materials and a corresponding estimate of the amount consumed in making plastic goods. These revisions alter the total index figures for 1935.
    $\dagger$ 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 : 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, Christmas holiday in December; 1950-none before April.

[^39]:    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 $2,240 \mathrm{lb}$. n.a. $=$ not available. (a) in hands of principal exporters. (b) apparent supplies, excluding oonsumption of British wheat on farms. (c) average 1936-9. (d) incomplete. (e) excluding U.S.S.R. Stocks exclude U.S. strategic stock pile. (f) Price ratios are in terms of the currency in which quoted; the corresponding sterling ratios are added,

[^40]:    Notes. $\because=$ not available. () Figures partly estimated by L.C.E.S. [ ] Other figures liable to a considerable margin of error General-Annual Abstract, Monthly Digests of Statistics. Series 1-15- National Income White Papers and Fionomic Sur Agricultural Statistics. $30-2,35,37-8$-StatisticalPise. Series 1-15-National Income White Papers and Economic Survey for $1950.18-29-$ available from these sources or from the Service on request. National Income Report (Scotland) of the Registrars-Gencral. Detailed definitions National Income figures for 1945 differ slightly in deflnition from other years.

[^41]:    * O.E.E.C. has been described as an international conference in permanent session. During 1949 there were over 2,000 meetings of committees, sub-committees, etc., not counting informal meetings.
    $\dagger$ These provided for closer associations between (a) Britain and Scandinavia, (b) France, Italy and the Benelux countries. The former led to a limited freeing of transactions between member countries, the latter to few, if any, results.

[^42]:    * This Study Group, which is still working in Brussels, has collected much useful information about tariff structures, etc.
    $\dagger$ Customs unions have in the past been a recognised exception to the M.F.N. rule, and they are now a recognised exception to the rule of non-discrimination in the Havana Charter. The reasons why this extreme form of discrimination has been regarded as non-discriminatory may be (1) that it is less likely to reduce total world trade than mere preferential arrangements-the latter may be achieved largely by raising barriers against non-members, while the customs union must at least mean a major reduction of barriers between members; (2) that a customs union is unlikely to be achieved without political union, in which case it becomes no more discriminatory than national tariffs applied equally to all foreigners.

[^43]:    * See Customs Unions, U.N. 1947 and J. Viner, The Customs Union Issue, for useful surveys.

[^44]:    * The percentage of actual imports represented by goods freed from control also tends to exaggerate the degree of liberalisation because imports effectively restricted form a small percentage of the total. A country that prohibited a wide range of imports but allowed the rest in freely could claim $100 \%$ liberalisation!

[^45]:    * One odd result is that a country could, in theory, fulfil its obligation by transferring items from private to government account, e.g., if its trade were wholly private, with $40 \%$ free and $60 \%$ restricted, by transferring one-third of the restricted trade to government account.

    A fourth alternative would have been to determine for which items government importing was equivalent to free private importing, but this would have raised formidable problems.
    $\dagger$ Britain and certain other countries felt unable to extend their liberalisation measures of 1949 to Belgium, Germany and Switzerland. When E.P.U. restores transferability of currencies, such discrimination will in general cease.
    $\ddagger$ An earlier agreement between a number of Western European countries had dealt with compensations only. This, and the first two O.E.E.C. agreements, are well described in the 18th, 19th and 20th Annual Reports of the Bank for International Settlements, which acted as agent for all the agreements.

[^46]:    * The estimated gap of $\$ 200 \mathrm{Mn}$. was filled as follows : Belgium gave an extra $\$ 112 \frac{1}{2} \mathrm{Mn}$. multilateral drawing rights (against which Marshall dollars were set aside, subtracted from the allocations of all other countries) and a further $\$ 87 \frac{1}{2} \mathrm{Mn}$. in lines of credit to France, the Netherlands and Britain. In fact, Belgium's European surplus has been far less than $\$ 400 \mathrm{Mn}$., partly as a result of the revaluations of September 1949 and of the loosening of the market for steel and capital goods.

[^47]:    * The sum of the credits available to all countries is about $\$ 2,400 \mathrm{Mn}$. (This is $60 \%$ of the sum of the quotas.) Purely to illustrate the order of magnitude, the gold and foreign exchange reserves of members totalled approximately $\$ 7,000 \mathrm{Mn}$. at the end of 1949.
    $\dagger$ Every two months for the first six months.
    $\ddagger$ If, for example, the Belgian franc were very scarce, the possibility of paying for a deficit with Belgium through a surplus elsewhere might lead countries unnecessarily to restrict imports from each other as severely as imports from Belgium.
    § The Netherlands received no drawing rights from Italy in $1949 / 50$, but sho was a net receiver from the group while Italy granted drawing rights and received none.

[^48]:    * It might disappear earlier if creditors expected their quota to be exhausted in the fairly near future.

[^49]:    * This absorbed much of the Organisation's time during its first 18 months, but for the last two years of Marshall Aid the division will be made by E.C.A., in principle in the same proportions as in 1949/50.
    $\dagger$ It has been argued that the failure of O.E.E.C. to make a " master plan" for Western Europe in 1952/53 out of the national forecasts submitted in 1948 proves the futility of such long-term analyses. But a " master plan " would have given quite a misleading impression of accuracy and perhaps a false impression that the problem was solved just because the figures added up, although in fact the "plan " could not be implemented. Instead, the O.E.E.C.'s Interim Report drew attention to the inconsistencies and impossibilities in the national programmes and pointed the way to policy. Though it said little not already contained in, for example, the earlier E.C.E. Survey, it had the advantages (a) of being an official statement of governments (in which every word was carefully weighed), and (b) of showing that national governmental plans were incapable of fulfilment. If approached in this way an analysis of national long-term programmes can be of considerable value.

[^50]:    O.E.E.C. $=$ Organisation for European Economic Cooperation, comprising Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, United Kingdom, Western Germany and Trieste, established by Convention of 16th April, 1948 (see Cmd 7388).
    E.R.P. = European Recovery Programme (" Marshall Aid "), financed under the United States Economic Co-operation Act (Title I of the Foreign Assistance Act of 1948).
    E.C.A. $=$ United States Economic Co-operation Administration, the American body set up under the

[^51]:    $\dagger$ See, for example, the article by Professor Devons in Lloyds Bank Review for April, 1950.

[^52]:    * The phrase " in the United Kingdom" is, strictly speaking, an over-simplification, since we include certain other activities (e.g., shipping and aviation) carried on "under the British flag," which seem to belong to the output of the United Kingdom rather than that of any other country; but, basically, we are concerned with output produced in a certain geographical area.

[^53]:    * The 1946 and 1947 figures for capital formation were adjusted for inventory revaluation in the way described in the foornote to the table on this page.

[^54]:    * For a description of these see Carter, Reddaway and Stone: The Measurement of Production Movements.

[^55]:    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
    $\dot{-}$ 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: 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, Christmas holiday in December ; 1950-Good Friday and Easter Monday in April, Whit Monday in May.

[^56]:    * Provisional from January, 1950.

[^57]:    * See "World Commodity Survey," pp. 90-1.

[^58]:    * Board of Trade fournal, June 24th, 1950, p. 1312.
    $\dagger$ The unit values for individual commodities upon which this analysis is based and upon which other comments in this note are made have been obtained from Board of Trade records.

[^59]:    * Largely owing to the relative importance in the sample of certain raw materials which rose considerably in price during 1947 and 1948.

[^60]:    * Achieved despite a prolonged strike at the Chrysler Corporation which normally produces about one-fifth of the industry's output of passenger cars.

[^61]:    * A questionnaire sent to business firms, asking information about their future investment plans.

[^62]:    $\ddagger$ Although the dividend was only $\$ 2,800 \mathrm{Mn}$., when it is converted to a "seasonally adjusted at annual rate" basis it raises first quarter Personal Incomes by approximately $\$ 8,000 \mathrm{Mn}$.

[^63]:    * The Federal government almost always shows a first quarter surplus because personal income tax payments (on the previous year's income) are concentrated in that quarter.

[^64]:    (a) No seasonally-adjusted series available.

[^65]:    $\star$ 1,209 Mn. in 1913 (journeys originating), 849 Mn . in 1938: a decline not compensated by any great increase in the average length of journey. Season ticket holders are not included in the above figures, as they have not been uniformly treated in the statistics.

[^66]:    $\dagger$ In Dec., 1945 there were 306,000; in Dec., 1949 there were 672,000 .

[^67]:    * Draft Outline of Principles proposed to be embodied in a Charges Scheme for Merchandise Traffic, December, 1949.

[^68]:    * These suggestions were put forward by Lord Hurcomb in an address to the British Railways' Western Region Lecture and Debating Society on 6th October, 1949.

[^69]:    * This is the rationale of the recent equalisation of the road and rail rates over the area.

[^70]:    * See Bulletin, August 1950, p. 89, for an analysis of the rise in import prices.

[^71]:    Index numbers of average values, as computed annually by Board of Trade, interpolated by months in 1949 and extrapolated into 1950 by means of monthly index numbers of import and export prices. Terms of trade as ratio of index numbers of average values (total imports to U.K. exports).

    Index numbers of wholesale prices, as computed by Board of Trade (base 1930) and Statist (base 1867-77) and switched to $1047=100$. The index of prices of materials used in the electrical machinery industry is a new computation (Board of Trado
    Journal, 16 Sept., 1950).

[^72]:    * Monthly Digest of Statistics, October, 1950, Table 87.

[^73]:    (*) This item covers repair and maintenance of houses (including conversion and adaptation) and war damage repairs to houses
    ( $\ddagger$ ) From 1 August, 1949 work included under "Other housing work" relates to family dwelling units only. Before this date work on other living accommodation, such as hostels, barracks, etc., is included ; after this date, such work appears under "Other work."
    (§) This residual item includes all non-housing work carried out under annual maintenance licences and local authority licences and all non-housing work exempted from authorisation and licensing. This item is included here since, in the 4th Qr. of 1949, and subsequently, it cannot be separated from housing work.
    ( $\dagger$ ) Items 5 -11 exclude work carried out under annual maintenance licences and local authority licences and work exempted from authorisation and licensing. The extent of the work so excluded has varied with changes in exemption limits ; changes in certain of the limits occurred at 1 November, 1948, and at 1 February, 1950. The 1946 figures exclude war damage repairs.
    (II) Including $£ 17 \mathrm{Mn}$. for war damage repair work other than repairs to houses. After 1946 war damage repairs are included in the appropriate type of work.

[^74]:    * Provisional from May, 1950.
    $\dagger$ First 2 columns amended slightly.

[^75]:    * In these groups there was no significant change in wage rates between April and October, 1947. Those for Railways, Coal and Agricultu'e, however, taken together rose $8 \%$.

[^76]:    * The author is indebted to Mr. F. F. Land, of the Economic Research Division, London School of Economics, for much of the preparatory work in connection with this article.

[^77]:    $\dagger$ United Kingdom Balance of Payments, 1946 to 1950. Cmd. 8065.

[^78]:    Source: Accounts Relating to Trade and Navigation of the United Kingdom.

    * F.o.b. import estimates $14 \%$ less than c.i.f. in 1948 ; $13 \frac{1}{2} \%$ in $1949,13 \%$ in lst Qr. 1950, $12 \frac{1}{2} \%$ in 2nd Qr. and $12 \%$ in 3rd Qr. It should be noted that this is a different basis from that used in previous notes and is based on the figures contained in Cmd. 8065.

[^79]:    $\ddagger$ See Home Finance, p. 125 :

[^80]:    * To show how much the reserves at any date would have purchased in terms of 1950 prices.
    $\dagger$ On the basis of Board of Trade Indexes of average value of imports.
    $\ddagger$ On the basis of index of unit value of exports, U.S.A. Dept. of Commerce, Survey of Current Business. (September, 1950 assumed to be 125.)

