The Economists' Assault on Socialist Planning

The socialist conception of the planned economy has received much of its inspiration and most of its technique from the economist. While it is true that without the work of the practical labour politician and trade union official, socialism would have remained a text-book curiosity, it is also true that without the economist, socialism could never have become a practical programme of political action commanding widespread sympathy and support. It is this fact which makes labour governments lean so heavily on economists in their administration, and it is this fact also which accounts for the rather lukewarm attitude toward the economic profession manifested in certain business circles and among the political opponents of socialism.

It has, indeed, over the past ten years, not been easy—in Australia at any rate—to find economists to contest the socialist view of society and to espouse the cause of free enterprise. And, in fact, during the war, when post-war planning was all the rage, economists professing to see virtues in old-time liberalism would have been regarded with rank astonishment by their fellow intellectuals. It was assumed at that time that the old order was so utterly discredited as not to be worth a moment of any sane person's thought, that the war-time
methods of economic planning had, beyond all serious dispute, revealed the way to full employment, social security and everlasting prosperity and progress in peace; had, in other words, provided the long-sought key to the kingdom of economic Utopia.

UNANIMOUS DENUNCIATION

The three years of chaos, confusion and crisis, since the war, must, however, now have surely shaken the convictions and aroused disquiet in the minds of even the most hardened planners. At anyrate, it is of no great consequence. What is much more important than any signs of a change of heart, or confession of error, on the part of the socialist doctrinaire, is that from the highest and most impartial levels of economic thought is coming a virtually unanimous denunciation of the kind of total planning that has been preached by a large section of the economic profession, and practised in the post-war years by labour governments in Britain and Australia. Those of the liberal faith can take heart in the fact that this new high-level intellectual assault on the citadels of socialist thought cannot fail to have — sooner or later — a profound effect on the future.

THE ATTACKERS

For the attack on the current conception of the "planned economy" proceeds from men, all of whom have risen not only to national but to international eminence in their profession. There is D. H. Robertson, Professor of Political Economy at the University of Cambridge; Lionel Robbins, the Professor of Economics at the University of London; R. H. Harrod, Lecturer in Economics at Oxford, and John Jewkes, Professor of Economics at Manchester University. These are considerable names. Robertson is generally regarded as the successor of Lord Keynes in the academic world of Cambridge, the home of economic thought, and as one of the most distinguished economists in Britain. Lionel Robbins began his career as a socialist. He served under Lord Keynes at Bretton
Woods and at other international negotiations, and, as head of the Economic Section of the British War Cabinet during the war, gained direct experience of government planning at the top level. Jewkes also acquired first-hand knowledge of planning during the war as Director of the Economic Section of the War Cabinet Secretariat and Director-General of Statistics and Programmes in the Ministry of Aircraft Production. He assisted in drafting the famous White Paper on Employment Policy for the Churchill coalition government in 1944, and was a member of the Working Committee appointed by the Labour Government to investigate the cotton textile industry. Harrod is Joint Editor of "The Economic Journal," and is at present engaged in writing the life of Lord Keynes. His book, "Are These Hardships Necessary?" published toward the end of last year, is a smashing indictment of the British Labour Government’s economic policy and of the current theories of economic planning.

BELIEF IN ECONOMIC LIBERALISM

In the views of these men there is a remarkable measure of unanimity. Naturally enough there are differences of detail and emphasis—Harrod, for instance, probably goes further in his criticism than the others, indeed, further than most would be prepared to go—but in each case the broad lines of the argument against State planning run very nearly parallel. In the writings of all men, there is, either by direct assertion or by unmistakable implication, a profession of belief in the fundamental tenets of economic liberalism. In a day when academic thought and teaching has swung to the very opposite extreme to old-time traditional doctrines of the laissez-faire school of economists, this new development must be regarded as not merely of academic significance, but of profound political importance. It would be surprising if it did not in time restore the balance in many a university school of economics, and in those places where practical political programmes are conceived.
This development in top-level economic thinking will, let it be said, eventually exert a far wider and more decisive influence than Professor Hayek's renowned work, "The Road to Serfdom." And this is not only because the combined intellectual weight of the people concerned is necessarily far greater than that of Hayek alone. Hayek's attack on the planned economy came before we had had close experience of its operation under peace-time conditions. It was, in addition, based primarily on the incompatibility of total planning with individual freedom and political democracy. But this new assault comes as a direct consequence of observation and experience of government planning in peace. Moreover, it is concerned, in the main, not with the abstract—although none the less important—territory of individual liberties and democratic rights, but with the more concrete ground of the sheer economic inadequacies and inefficiencies of government planning of the type we have experienced in the post-war years. For this reason it is likely to be more compelling and convincing to the mass of the ordinary people who, rightly or wrongly, are more interested in bacon and eggs than in political rights. The latter they—again rightly or wrongly—tend to take for granted.

**FULL EMPLOYMENT AND SOCIAL SECURITY**

Lest there be any misunderstanding, it needs to be emphatically stated that the views of the four economists mentioned do not add up to a plea for a return to the pre-war relationship between private enterprise and the State. With the new developments in the field of full employment and social security, and with the increased scope for government investment and responsibility which these objectives entail, these four men are, one might say with confidence, wholly in accord. The use of budgetary policy and of broad financial and monetary controls to counteract the inherent tendency of the economic system to move from boom to slump and back again to boom, would also receive their full support.
The continuous adjustment and improvement of the broad legal framework governing the operation of private business enterprise would be regarded by them as eminently necessary. It is not a static economy, or a reversion to the pre-war status quo, that they visualise, but a progressive and flexible adaptation of economic and financial policies to meet the needs of the moment and of long-term goals established beyond question as desirable. As D. H. Robertson says: "These would in any event be positive and arduous tasks, well begun by those who have gone before us, but of their nature never complete."

SOCIALIST PLANNING

But this kind of government planning is a very different thing from that practised in Britain and Australia since the war, and to that advocated by modern socialist thinkers. The essence of present-day socialist planning lies in the belief that the government should concern itself not merely with the total level of industrial activity, and thus of employment, not only, in other words, with the volume of production, but with the kind and quantity of things produced. It should do this by establishing, just as in war, national and social priorities and by setting targets or goals in the main fields of production. And, just as in war, it must carry out—or rather, endeavour to carry out—its programme by the central allocation of materials and labour, by rationing, and by detailed controls over investment, prices and finance.

RATIONING RAINDROPS

Now this is a vastly different conception of government planning from one which aims to guarantee employment and social security through influencing fluctuations in total economic activity by public works, overall monetary and fiscal controls and social services. And it is one which in the opinion of all four economists is bound to fail, not only because it tends to put economic motive and individual initiative in a strait-jacket, but because of the sheer administrative impracticability of any single centre of intelligence successfully directing the details of production and distribu-
tion in the way that such a conception envisages. In general they would all agree with "The Economist's" viewpoint that: "The State should seek its ends by trying to influence the economic weather, not by trying to ration raindrops."

CENTRAL PLANNING FACES IMPOSSIBLE OBSTACLES

The mistakes of the planners during, and particularly since, the war, have been legion. This is not because of any constitutional incapacity on the part of the planners—the great number of whom are probably men of more than ordinary competence—but because of the colossal magnitude and complexity of the problems with which they have to contend. In Harrod's words: "The problems are too complex for the human intellect, too complex for a hundred Einsteins duly divided up among the appropriate sub-committees." In war—when there is one over-riding objective to which everyone subscribes—some measure of effectiveness may be possible. But in the peace there is no single straightforward objective to which all subscribe. There is a multiplicity of objectives varying from group to group, from class to class, almost from individual to individual. And everyone will continue to pursue their own purposes, regardless of whether or not these purposes are opposed to those of the government. The planners in peace are, in effect, attempting the impossible task of achieving team work and co-operation when the members of the team are all pulling in different directions, and many in a diametrically opposite direction to that called for by the plan. In this fact, in this refusal to co-operate, lies the reason for black markets in materials, consumer goods and labour; for the evasion of regulations and taxation; for the clamour for shorter hours and higher wages when the success of the plan may call for harder work and wage stabilisation; for the pressure for increased government hand-outs when the situation may actually demand a reduction in government expenditure; for the maldistribution of labour between essential and inessential
occupations; for the demand for more and more goods for
consumption in the home market when the plan may require
the curtailment of consumption expenditure and the provision
of more goods for capital purposes and for exports. The
structure of any national plan, however tidy and logical on
the blueprint chart, will inevitably be torn and rent asunder
by conflicting strains and stresses. All this is quite apart from
the loss of personal initiative and responsibility and of freedom
of movement and choice which a detailed national plan must
involve.

DISPERAL OF DECISIONS

But the greatest weakness, the fatal flaw, in total planning
lies in its concentration of power and of all major decisions in
a few hands. A mistake by the central planning committees
can thus have catastrophic consequences for the whole
economy (Jewkes gives several examples of this for Great
Britain since the war—notably the 1946 fuel crisis when the
great part of British industry was dislocated for nearly three
weeks and probably £200m. of exports were lost to Britain).

A single miscalculation, an error of commission or of fore-
sight, a failure to realise the anticipated target in a basic item
such as, for instance, coal or steel, necessitates complex and
costly readjustments to the entire plan, throws practically all
the government programmes out of gear, reverberates, in fact,
in every nook and cranny of the economy. Private business
management has its own way of meeting crises such as these.
Anticipating a shortage of supply, it will raise prices, warn the
consumers of its products, search for substitutes or alternatives,
will, early in the piece, cast about for ways around its problem.

But governments, as experience shows, will, until the last
moment, keep hoping against hope for a turn in the tide rather
than take the arduous or unpopular course. They will not take
the trouble to cover themselves against possible errors of judg-
ment. There are, after all, no direct penalties for failure.
Government officials are usually appointed for life and politicians may not have to face the electors for three or four years. But the business man may have to run the gauntlet of an angry Board tomorrow morning, and the directors themselves meet the shareholders at an extraordinary meeting next week. Since they are accountable to shareholders, business managements are more likely to take a realistic view than governments who are eternally optimistic—they have to be. The voting public is much more gullible than the small group of shareholders who feel the effects of mistakes directly in a reduction in their own personal incomes. The public can be fobbed-off with excuses, and massive miscalculations can be concealed under mountains of misleading statistics.

When economic power and decision are widely dispersed, errors of judgment do not have such dire results; moreover, they can be offset by decisions made at other points of the economy. For instance, the refusal of financial accommodation to a budding Nuffield by an officer of the nationalised banking system proposed for Australia, would be a decision highly unfortunate for the Australian people. But under the present banking structure where decisions are widely dispersed there is clearly far less likelihood of the occurrence of such a contingency.

All four economists lay strong emphasis on the importance of this matter of decentralisation of decision. Thus Robertson says: "The dispersal of economic judgment commended by the liberal philosophy—was not merely a device for promoting administrative efficiency, but a recipe for securing that all eggs should not be in the same basket—that in this highly uncertain world the fortunes of a whole trade, or a whole area, should not depend on the foresight and judgment of a single centre of decision." And Jewkes: "It is inconceivable that any democratic system can operate effectively unless the great mass of economic decisions are left to individual consumers and producers acting within the price framework."
Thus, quite apart from whether or not it is consistent with political democracy and personal responsibility, the centrally planned economy based upon social priorities determined by the State and involving detailed controls over the producer and consumer, must, by its nature, be inefficient, wasteful, slow-moving, and be fatally exposed to errors of judgment which must have disastrous effects on the mass of the people.

"THE BEAUTIFUL MECHANISM"

What, then, is the alternative? If it is unwise for the government to attempt to decide how the national resources in capital, materials and labour shall be applied, who or what is to decide? The answer is the free price market. Harrod makes a dramatic plea for the reintroduction of what he calls "this beautiful mechanism" as soon as possible. "There is no solution to the problem of central allocation. It is bound to be very inefficient. . . . But there is a device known to man, a very ancient device, a wonderful mechanism almost magical in its effects, an eternal talisman, a little round piece of metal, of gold, if you like, in fact, money. This, acting through what is known as the price mechanism, has the power of stripping away all padding, of distinguishing the more urgent requirements from the less urgent, the immediately necessary from the postponable." He admits that it would have been impossible to rely on the free price market during the war. "But now the war is over it is highly desirable to reintroduce this beautiful mechanism. It is likely to increase output per man-hour by far more than all the ministerial exhortations, and other devices, now under discussion." "This social invention," he says, "has surely greater subtlety and flexibility than any mechanism devised by the physical scientists. It is one of the greatest human inventions, comparable to the wheel or the steam engine. . . . It cannot surely be thought by any reasoning person that the methods of a central materials allocations committee can possibly be an improvement on this marvellous product of man's inventiveness—money."
"FIRST THINGS FIRST"

Thus, the alternative to the planned economy is the much-abused and now long-suspended free price market. It is nearly ten years, let it be noted, since prices were free to move of their own accord in response to the competition of producers and the demands of consumers. The beauty of the free price market is that it carries out exactly what the government planners are attempting to do through the system of national priorities, but infinitely more efficiently, infinitely more delicately and more accurately. The root principle on which government planning is based is that of "first things first." But the price system is capable of putting this principle into effect automatically, and without the inevitable confusion, the endless application forms, the wastes and evasions and miscalculations of government planning. The free market registers the order of preferences of consumers for the things they want to purchase. Robbins describes it as "that process of election which not only allows proportionate registration of minority opinion, but also continuous review of producers' decisions by those immediately concerned with their ultimate results."

It is true, of course, that the preferences of consumers as expressed through the price market may not coincide with the views of the government planners on what is nationally desirable. But who is to prevail in this matter—the planners or the people? Does anyone seriously think that any self-respecting people with a spark of independence are, for long, under conditions of peace, prepared to acquiesce in handing over their sovereignty of choice to a few government officials. The question has only to be asked to be answered. This is the classic conflict between what the planners think the people should have and what the people actually want. And it is this conflict which makes the failure of total planning certain.

THE FREE MARKET AND INCOME DISTRIBUTION

The standard retort of the socialist planner to this kind of argument is that the free price mechanism, because of the
existence of great inequalities of income, does not result in a
distribution of resources which satisfies either elementary
morality or economic common sense or need. It puts luxury
homes and picture theatres before low-cost housing, the Rolls
Royce before "the people's car," after-dinner brandies before
milk for school children. But the answer to this surely is that
these things are not in fact an inevitable consequence of the
free price mechanism at all; they are the outcome of a certain
distribution of income and wealth among consumers. If it is
felt that this distribution is unfair, then it can be changed
through redistributive taxation and family allowances. To
attempt to achieve justice in the distribution of wealth by
clumsy interference with the free price mechanism through
government planning of resources, price control and subsidies,
is equivalent to choosing an ocean liner to cross the River
Yarra.

"If," as Robbins argues, "it is felt that the working of the
market results in distribution of goods which is not equitable,
the remedy is to be found, not in suspending the market or in
falsifying the system of prices, but rather in direct operation
on the level of net incomes and property either by way of
taxation or by way of subsidies to persons. But Robbins
cautions: "If you hold that for reasons of incentive and per-
haps of decentralisation of initiative and power, some differ-
entiation (in incomes) is necessary, then you must not
grumble if the market transforms inequality of net money
incomes into inequality of real incomes."

It can be further contended, however—and has been by
many people favouring planning of this kind—that even under
an ideal distribution of income many people will fail to spend
their incomes in the way most likely to lead to material and
moral well-being. For instance, some mothers may choose to
purchase cosmetics and lipstick instead of fruit for the chil-
dren, or some fathers beer instead of books. This sort of thing,
of course, does occur, and will occur whatever the distribution
of income. The remedy does not, however, lie in the arrogant
assumption of divine wisdom and dictatorial authority by government planners to tell the people how they must spend their money, but rather in argument, persuasion and education in the duties of good citizenship.

There is, of course, a large class of communal services and goods to which the principles of the free market should not apply. Education, sanitation, the provision of roads and communal transport, water and electricity are examples. All this would be conceded by the strongest supporter of free enterprise, but the free enterpriser would not say, as the socialist tends to say, that because this principle has advantages in a limited field it should therefore be applied to the whole range of economic activity. On the contrary, he would argue that over the greater part of the economy which covers goods of a private and personal rather than public and communal character, the free market best ensures economic efficiency and best guarantees the consumers freedom of choice.

**POLICY IN THE TRANSITION**

It should be clearly understood, however, that none of these four men — while they are all stern critics of the planned economy as a permanent basis for peace-time society — would advocate the immediate removal of government controls over all materials and prices. All recognise that, while the inflationary situation persists, controls in some degree are inevitable. Where they differ from the policies at present being pursued in Great Britain and Australia is that they would advocate a much more forthright programme to deal with the inflationary pressure which make controls necessary, a more discriminating use of essential controls and their relaxation wherever reasonably feasible. As Robertson says in discussing the views of Robbins: "Not a precipitate return to laissez faire, but a reconsideration of inflated programmes and a progressively increasing use of market mechanisms — these were his prescriptions for the period of transition through which inevitably we have to pass."
“THIS AND THAT”

Unless there be any mistake, it needs to be emphatically stated that the present conflict over economic policy is not whether we should have price control or no price control, price subsidies or no subsidies, rationing or no rationing, government controls over resources or no government controls, but whether we should move away from the present tight and comprehensive system of controls and restrictions to a looser system in which the free play of economic forces and the free price market occupy a bigger part. The problem of economic policy is seldom a simple, crude issue between black and white or “this and that.” It is almost invariably a matter of much of this and little of that, or more of that and less of this.

In Australia the Commonwealth Government has done little since the end of the war three years ago toward relaxing wartime controls. On the contrary, in some directions—notably in the price field—control has been more rigidly applied. On the other hand, there is little sign that the Government has yet achieved much success in reducing the inflationary pressure since 1945, despite the great improvement in the supplies of goods since that time. It is still being argued that controls must be retained because of the shortages caused by the war. That is less true today than 12 months ago, and very much less true than two years ago. Today controls are necessary, not so much because of the war, but because of the persistence of inflationary pressure attributable in large part to misguided financial policies. It is on the reduction of this pressure that economic policy should now be concentrating.

We have in the work of these four economists the beginnings of an intellectual revolt against government planning which cannot fail to affect profoundly the shape of the future economic structures of the democratic nations.
IT HAS recently been argued that increasing industrial costs arising from the 40-hour week and from mounting wage levels can be paid for out of profits; in other words, can be absorbed by industry without being passed on to the consumer in higher prices. This argument is, of course, rendered absurd by the simple logic of arithmetic. If all the costs accruing from the 40-hour week, recent increases in wages, and from other causes, were to be met from company profits, there would soon be no profits at all, but losses throughout the length and breadth of industry.

Moreover, this kind of argument plainly springs from a fundamental misconception of the contribution made by profits to the industrial virility and progress of the nation.

Private enterprise, which comprises probably about 80% of all economic activity in Australia, is undertaken for the purpose of profit. Whilst it is true that that is not its sole, nor even its main, purpose, it is true also that without the incentive of profit there would be no private enterprise at all. As wages are the reward for work, profits are the reward for risk and enterprise. When profits are high there is a much greater inducement for people to undergo risks and to participate in enterprise than when profits are low. Out of the productive activity which springs from those who serve the community by maintaining and launching new industrial enterprise, wages are paid.

It is completely false to think that wages and profits are mutually antagonistic; that if profits are high, wages must be low and conversely, that if wages are high, profits must be low. The truth is just the opposite. Good profits are the complement of high wages and high wages of good profits.

The United States' economy at the present time provides a unique demonstration of this truth. Wages and profits are both at record levels, because, and only because, economic activity and production are at record levels.

Good profits are, of course, not the same thing as profiteering, which should be fought with every weapon that the State can command. Nor are profits identical with the incomes of rich men. Whilst many rich men derive part of their income from profits, multitudes of people, including many in retirement, who by no stretch of imagination could be regarded as wealthy, also draw income from profit.

When people speak of profits they think usually of those earned by industrial companies. Now, all the recognised statistics published by authorities such as the Commonwealth Statistician, and the Commonwealth Bank, prove three things:—

*This article, prepared by the Staff of the Institute, appeared in the "Age" of May 14.*
First, that company profits are today taking a much smaller share of the total national income than before the war, while wages and salaries together are taking a much larger share; second, that if it were practicable without destroying initiative and enterprise (and of course it is not) to divide up among the community the income from company profits, the position of the individual would be little improved; and third, that the level of real profits is today much lower than before the war.

The first contention is proved by the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Company Income After Tax.</th>
<th>Undistributed Profits (Residents in Australia)</th>
<th>Dividends before Tax on Shareholders (Residents in Australia)</th>
<th>Wages and Salaries before Tax.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938-9</td>
<td>9.1</td>
<td>3.0</td>
<td>4.2</td>
<td>54.3</td>
</tr>
<tr>
<td>1946-7</td>
<td>6.9</td>
<td>2.8</td>
<td>3.1</td>
<td>59.8</td>
</tr>
</tbody>
</table>

The suggestion, therefore, that increasing costs should be met without any rise of prices involves, in effect, a still smaller share of the national cake for profits and a still larger share for wages.

In any case, it is a mathematical impossibility for industry as a whole to pay these costs without increasing prices. It has been authoritatively estimated that the cost of the 40-hour week will approximate to £50m. a year and recent basic wage increases to about £30m. But the National Income statistics published by the Commonwealth Treasurer show that total net profits of companies, after taxation has been paid, to be about £80m.

Of the £40m. distributed in dividends to shareholders about one third is paid away in taxation, leaving, say, a net £30m. Spread equally over the whole population this sum would provide an extra 1/6 a week for every man, woman and child; spread over all workers about an extra 4/- or 5/- a week.

The remaining profit (£40m.), put aside to reserves and used for plant modernisation and development, could, of course, not be distributed under any system without catastrophic effects on the standard of living. These profits eventually add to the capacity of industry to pay high wages by improving productive efficiency. The industrial predominance of the United States is in large part due to the exceptionally large savings out of profits applied to purposes of capital development. These profits or any large part of them could only be distributed among consumers, either directly or in the form of lower prices, at the cost of industrial progress and future standards of living.
The latest report of the Income Tax Commissioner shows profits earned by all companies engaged in manufacturing to be as follows:—

<table>
<thead>
<tr>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Income</td>
<td>62m.</td>
</tr>
<tr>
<td>Less Company Taxation</td>
<td>20m.</td>
</tr>
<tr>
<td>Net Company Income</td>
<td>42m.</td>
</tr>
</tbody>
</table>

Assuming, as the National Income statistics suggest, that half these profits are ploughed back into industry, £21m. remains for distribution to shareholders. But the Income Tax Commissioner only allows them on average to retain about two-thirds of this; therefore, a net £14m. is paid to shareholders in manufacturing companies. Distributed among the 760,000 people employed in secondary industries, this sum would increase their pay by 7/- a week, but wages would eventually be drastically reduced because of the destruction of enterprise over a large part of the economy. In the light of these facts, is there anything in the glib statements by soap-box orators and extremist agitators of the mythical millions robbed from the workers in profits.

The comparatively minor proportion of profits comprise of the total costs of industry may be gauged from the following figures showing the actual distribution of each £1 of company turnover for three large companies.

<table>
<thead>
<tr>
<th>Company</th>
<th>Wages</th>
<th>Materials</th>
<th>Other Expenses</th>
<th>Taxation</th>
<th>Divs.</th>
<th>Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holeproof Ltd.</td>
<td>6/11(^\frac{1}{2})</td>
<td>10/−</td>
<td>1/8</td>
<td>9d.</td>
<td>4d.</td>
<td>3(\frac{1}{4})d.</td>
</tr>
<tr>
<td>Felt &amp; Textiles Ltd.</td>
<td>3/7</td>
<td>13/2</td>
<td>2/3</td>
<td>5(\frac{1}{4})d.</td>
<td>6(\frac{3}{4})d.</td>
<td></td>
</tr>
<tr>
<td>E. T. Brown Ltd.</td>
<td>7/−</td>
<td>7/3(^{1/2})</td>
<td>3/7</td>
<td>11d.</td>
<td>6d.</td>
<td>8(\frac{1}{4})d.</td>
</tr>
</tbody>
</table>

Similar figures published by the Commonwealth Statistician for secondary industry show the following break up of each £1 of turnover.

<table>
<thead>
<tr>
<th></th>
<th>Wages</th>
<th>Fuel and Materials</th>
<th>All Other Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938-9</td>
<td>4/3</td>
<td>11/10</td>
<td>3/11</td>
</tr>
<tr>
<td>1945-46</td>
<td>4/9</td>
<td>11/10</td>
<td>3/5</td>
</tr>
</tbody>
</table>

The margin for all other items includes allowances for depreciation, all overhead expenses such as insurance, advertising, and interest, and profits and taxation. It will be observed that for every £1 of sales, wages have increased their share from 4/3 to 4/9 since 1939 at the expense of the third item.
The amounts of the individual cost actors which go to make up the sum of his third item cannot be exactly assessed. An examination of company accounts suggests, however, that net profits and taxation absorb about 50% of this sum, while depreciation and overhead account for the remaining 50%. The split up of every £1 of turnover of secondary industry in 1945-6 would therefore be something like this:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>4/9</td>
</tr>
<tr>
<td>Materials, etc.</td>
<td>11/10</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1/9</td>
</tr>
<tr>
<td>Taxation</td>
<td>8d.</td>
</tr>
<tr>
<td>Dividends</td>
<td>6d.</td>
</tr>
<tr>
<td>Reserves</td>
<td>6d.</td>
</tr>
</tbody>
</table>

It is clear that if wages were increased without any increase in prices, some other item would have to be reduced—that is, assuming productivity remains the same as at present. If the cost of fuel and materials were reduced owing to more efficient production, wages could be increased without raising prices. Similarly, if taxation were cut down wages could be increased without any rise in prices. But if taxation and the cost of materials are not reduced, then any increase in wages could only be paid for out of profits. And as the reserve section of profits could not be seriously disturbed without affecting industrial productivity and progress, dividends would have to bear the brunt of the wage increase. A rise in wages of 10% would be sufficient to wipe out completely the shareholders' return. Since taxation on average takes about one-third of shareholders' dividends, there is really little, if any, scope for increasing wages by this method, without destroying the whole foundations of enterprise in this country.

There is one way, and one way only, that a really worthwhile increase in wages can be achieved without higher prices, and that is by increased productivity.

Statistics compiled by the Commonwealth Bank which show that the percentage rate of company profits on shareholders' funds—after provision for income tax—has declined from an average of 7% for the three years 1937-39 to 6% for the three years 1944-46. Allowing for the fall in purchasing power of the £1 since the pre-war year, this represents a reduction in the real rate of profits of over 40%.
THE most significant and the most spectacular fact in world economics since 1939 is the astonishing increase in the productivity of the United States. Money national income has nearly trebled. The physical output of goods and services is today 76% above the average for the three years immediately preceding the war and 52% above the 1939 level.

This phenomenal improvement in the production position of the United States affords a vivid and disturbing contrast with the situation in the United Kingdom and Australia. In both these countries national income in money terms is roughly 60% higher today than in 1939, but after reasonable allowance has been made for the fall in the purchasing power of money, physical output is only slightly above the pre-war output. The war, which impoverished practically all other belligerent countries, vastly strengthened the economic position of the U.S.A. In 1947, U.S. production constituted over 50% of the known industrial production of the world, compared with 30% before the war.

The United States is the most productive and, in the material things of life, the richest nation in the world’s history. The war could not have been won without the productive machine of the United States, which poured out an awe-inspiring stream of munitions, guns, ships, planes, tanks, and of all the complex paraphernalia of modern armed combat. But the most astonishing fact was that this feat of production was achieved with comparatively little sacrifice of the normal standards of consumption of the American people. The United States was, in effect, able to superimpose on the normal production of peacetime goods and services the gigantic output of war materials and supplies which contributed so largely to the eventual overthrow of the dictatorship powers. By contrast, the standards
of consumption of both the English and Australian peoples were very drastically cut down as a result of the concentration of resources on war production.

Since the end of the war the United States has achieved a much more rapid advancement in production than either Australia or Britain. And just as in the war the democratic world was dependent in a unique sense upon the productive capacity of the United States for the ultimate destruction of the dictatorships, so in the post-war period the war-battered democracies are leaning heavily on American resources for short-term relief and for the long-term work of industrial and economic recovery.

Paradoxically, the United States economy is one of the most abused and criticised of any country; it is the fashion of economists to call it the most unstable and unpredictable in the world. That may or may not be so. But the cardinal fact remains that without the aid of the productive power of the country in which free enterprise receives its fullest and most uninhibited expression, the war could not have been won, post-war recovery would have been indefinitely delayed, and Communist Russia would by this time no doubt have brought all Europe within its grip. The peoples throughout the democratic world sleep more soundly in their beds in the knowledge of the massive industrial potential of the U.S.A.

In the modern world economic power gives political and military supremacy. Today the U.S.A. dominates the shaping of international economic and political policy basically because of its industrial strength and because its capacity in the production of material things is so superior to other nations.

Two questions can, therefore, be profitably asked. What are the essential economic factors which make the United States the world’s most efficient productive mechanism?

Why has United States production improved to a much greater extent than that of Britain and Australia since 1939?

These questions can be conveniently examined under four heads—natural resources, labour, productive capacity, and the economic and political background—comprising the main factors which determine industrial productivity.
The United States is fortunate in the possession of rich and varied natural resources; approximately of the same size as Australia, the area under crop is fourteen, and the area covered by forests twenty-four, times greater. In addition to the production of basic staple crops, such as cotton and wheat, the United States produces a major proportion of the world's supply of minerals—about one-third of all iron ore, one-quarter of copper and zinc ores, and about one-fifth of all lead ores mined.

The following table shows comparative pre-war outputs of coal, petroleum and basic metals.

**PERCENTAGE OF WORLD OUTPUT—PRE-WAR.**

<table>
<thead>
<tr>
<th>Mineral</th>
<th>U.S.A.</th>
<th>U.S.S.R.</th>
<th>U.K.</th>
<th>Aust.</th>
<th>All Other Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>25</td>
<td>9</td>
<td>16</td>
<td>1</td>
<td>49</td>
</tr>
<tr>
<td>Pig Iron</td>
<td>30</td>
<td>15</td>
<td>8</td>
<td>1</td>
<td>46</td>
</tr>
<tr>
<td>Steel</td>
<td>36</td>
<td>13</td>
<td>10</td>
<td>1</td>
<td>40</td>
</tr>
<tr>
<td>Copper</td>
<td>31</td>
<td>5</td>
<td>—</td>
<td>1</td>
<td>63</td>
</tr>
<tr>
<td>Lead</td>
<td>25</td>
<td>3</td>
<td>—</td>
<td>16</td>
<td>56</td>
</tr>
<tr>
<td>Zinc</td>
<td>28</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>61</td>
</tr>
<tr>
<td>Petroleum</td>
<td>61</td>
<td>10</td>
<td>—</td>
<td>—</td>
<td>29</td>
</tr>
</tbody>
</table>


Mineral production in 1947 relative to 1937 is as follows:— (1937 = 100).

<table>
<thead>
<tr>
<th>Mineral</th>
<th>U.S.A.</th>
<th>Rest of World</th>
<th>World,*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>133</td>
<td>81</td>
<td>102</td>
</tr>
<tr>
<td>Fuel and Energy, including Petroleum</td>
<td>142</td>
<td>61</td>
<td>95</td>
</tr>
<tr>
<td>Pig Iron</td>
<td>147</td>
<td>65</td>
<td>101</td>
</tr>
<tr>
<td>Steel</td>
<td>103</td>
<td>96</td>
<td>99</td>
</tr>
<tr>
<td>Copper</td>
<td>108</td>
<td>72</td>
<td>82</td>
</tr>
<tr>
<td>Lead</td>
<td>144</td>
<td>72</td>
<td>96</td>
</tr>
<tr>
<td>Zinc</td>
<td>138</td>
<td>100</td>
<td>118</td>
</tr>
</tbody>
</table>

* U.S.S.R. figures not available.

Source: Survey by U.N. Department of Economic Affairs.

The United States, however, is obliged to import all her tin, natural nitrates and graphite, and much of her bauxite, nickel and certain other strategic minerals. She is also a large-scale importer of rubber and wool.

The self-sufficiency of the U.S.A. in raw materials and foodstuffs contrasts strongly with the British economy, which is substantially dependent on imports. An abundant supply of
basic power and fuel resources, such as coal and petroleum, is of vital importance to a highly-industrialised economy, and in this respect the United States is more advantageously situated than the United Kingdom or Australia, where petroleum is virtually non-existent and coal output inadequate. In 1938 the U.S.A. consumed 147 million tons of petroleum compared with 11 million tons in the United Kingdom, and in 1947, 254 million tons compared with 16 million tons for the United Kingdom.

Available statistics indicate that during the war the output of essential industrial metals and minerals was rapidly expanded in the United States, whereas in the U.K. and Australia little, if any, improvement was accomplished. It has been estimated that the U.S.A. today produces 40% of the world's black coal and nearly 60% of the world's steel. The following table shows the changes in the production of black coal, pig iron and steel since 1939.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Coal</td>
<td>398 602</td>
<td>231 196</td>
<td>13.5 14.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pig Iron</td>
<td>32 53</td>
<td>8.1 7.8</td>
<td>1.2 1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ingot Steel</td>
<td>48 75</td>
<td>13.5 12.7</td>
<td>1.2 1.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


It is apparent that the immense output of war supplies in the United States was achieved by the fullest exploitation of basic resources of coal, iron and oil. Between 1939 and 1947 the United States production of coal increased by over 50%, while British production fell by about 15%. Australian output of black coal increased by approximately 10%.

The decline in coal output in the United Kingdom, contrasted with the vast increase in the United States, epitomises the change that has taken place in the relative position of the two economies since before the war. The figures of steel production reveal a situation very unfavourable to Australia and Britain. Whilst American output increased by 52%, British and Australian outputs were roughly the same as before the war—the latter largely because of inadequate and sporadic coal production. “The British Economic Survey for 1948” describes
the shortage of steel as the major obstacle to the recovery of the British economy — apart from the scarcity of dollars. Despite valiant attempts at a solution, it is difficult to see how Britain is to regain her pre-war eminence in the heavy industries. The prices of base metals have also for the present turned alarmingly against Britain.

LABOUR

The great increase in the effective labour force of the U.S.A. since 1939 provides one of the basic reasons for the immense expansion of American production. The following table clearly brings out the advantage which has accrued to the United States in the utilisation of its labour force as compared with the United Kingdom.

<table>
<thead>
<tr>
<th>LABOUR FORCE (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural, etc.</td>
</tr>
<tr>
<td>Non-Agricultural</td>
</tr>
<tr>
<td>Total Effective</td>
</tr>
<tr>
<td>Unemployed</td>
</tr>
<tr>
<td>Armed Forces</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Commonwealth Statistician, Economic Report of the President (1948), Ministry of Labour U.K.

Since 1939 the effective labour force of the United States has increased by 26% compared with 4% for the United Kingdom and 18% for Australia. This has been made possible mainly by the absorption into industry of people previously unemployed — unemployment in the United States has been reduced from 16% to 3%. It is clear that the large margin of unemployed resources of labour and capital which existed in the United States before the war has played a big part in the great increase in production since that time. The advantage of the United States over Britain is all the more significant when it is realised that British industry relies to a greater extent on manpower than the United States, where mass production based upon large-scale equipment and mechanical aids to labour is more widespread. The proportion of women to men
in the total labour force has increased in all countries since 1939, and is roughly the same for all countries (about 75% males and 25% females):

Whereas the tendency in Australia and Britain is toward some reduction of hours of work, in the United States average hours have increased from 38 in 1939 to 40 in 1948. In the U.K. the standard working week has been reduced from 48 hours to 44 or 45 in most important industries, although this has been offset to some extent by the greater overtime now being worked. But on balance there seems to be little doubt that the hours worked in the U.K. are now less than before the war. The introduction in Australia of a standard 40-hour week almost certainly means that, even when allowance is made for overtime, the average working week is substantially shorter than in 1939.

Apart from the duration of working time, industrial observers are generally agreed that labour in the United States works more intensely than in Australia or the United Kingdom. By and large, there is a different mental approach to work, a desire to get on with the job and complete it as speedily as possible. The tempo of work is apparently more rapid in America. It has been frequently stated that British and other European workers when transplanted to the American environment become imbued with a different mental attitude, fit in with the faster swing of American work, and unconsciously apply themselves more vigorously than in their native land.

**CAPITAL EQUIPMENT AND INDUSTRIAL RESEARCH**

The extent and efficiency of capital equipment is in the modern age unquestionably the predominant factor in determining the standard of productivity. It is here that American industry has a very pronounced advantage over all other countries.

The well-known statistician, Mr. Colin Clark, has calculated that even by 1913, capital equipment per head in the United States was 44% greater than in Britain; the disparity would, of course, be much wider now.
According to estimates made by Dr. Fabricant, of the United States Bureau of Economic Research, the U.S. real national income trebled in the 40 years preceding World War II, although employment only increased by about one-third. Manhour output just about doubled. The vast improvement in the range and quality of the mechanical aids to production, accompanied by a parallel increase in horsepower per worker, was obviously the decisive factor in this achievement. Official government data shows that horsepower in the U.S.A. in 1939 was 6 1/2 units per worker as compared with about 3 units in Australia and United Kingdom, and, as a natural corollary, U.S.A. easily leads in output per man-hour. Before the war, Mr. Colin Clark estimated real production per head in secondary industry in international units of purchasing power as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>1925-35</td>
<td>2380</td>
</tr>
<tr>
<td>Great Britain</td>
<td>1924-36</td>
<td>975</td>
</tr>
<tr>
<td>Australia</td>
<td>1924-33</td>
<td>925</td>
</tr>
</tbody>
</table>

Source: Colin Clark—"Conditions of Economic Progress."

It will be observed that, according to Mr. Clark's figures, productivity per worker in the U.S.A. is more than double that in the United Kingdom or Australia. Mr. Clark's conclusions have been supported by investigations—which aroused world-wide interest—made by Dr. Rostas, of the National Institute of Economic Research in Britain. Dr. Rostas calculated comparative outputs per operative over a wide range of industries. In practically every instance the United States held a marked superiority over Britain.

Examples are given in the following table:

<table>
<thead>
<tr>
<th>Industry</th>
<th>United Kingdom 1935</th>
<th>United States 1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron and Steel</td>
<td>100</td>
<td>249</td>
</tr>
<tr>
<td>Engineering</td>
<td>100</td>
<td>254</td>
</tr>
<tr>
<td>Textiles</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>Food and Drink</td>
<td>100</td>
<td>156</td>
</tr>
<tr>
<td>All Manufacturing</td>
<td>100</td>
<td>225</td>
</tr>
</tbody>
</table>

Source: The Economic Journal—April, 1943.
British commissions of enquiry have also been very alive to the inferiority of manhour output in Britain to the U.S.A. The U.K. Technical Committee on Coal Mining notes that the U.S. output of coal per man-shift was more than four times that of Great Britain. Although much of this arises from the fact that the British mines are older and more difficult to work, the Committee concluded that the absence of modern mechanical equipment was a serious drawback. In comparative European mines, where mechanisation has proceeded further, output per man-shift was higher than in the U.K. Again, the British Textile Mission to the United States in 1944 reported on the superior mechanisation of the U.S. cotton industry which enabled the U.S. worker to produce 2-3 times that of his British counterpart. Other factors such as technical management, layout of plant, better labour conditions, also contributed towards the higher U.S. output. The U.K. Boot and Shoe Working Party Report noted that output per manhour in U.S.A. was twice that of the British industry.

Manhour output is, of course, not the only factor to be considered in assessing productive efficiency. Partly because of the more limited home market, mass production is not nearly so widely developed in Britain as in the United States. Britain has excelled in the production of unstandardised high quality products for export—fine quality textiles, cutlery, the more complex types of engineering equipment and machinery. The comparative advantages of mass production in the matter of sheer output are well illustrated in the motor car industry. Last year the number of cars produced in the United States in one month equalled the total British output for the whole year. Nevertheless, because of their special qualities, certain makes of British cars are finding a growing market in the U.S.A.

The war brought about an immense expansion in the productive capacity of the United States. Large numbers of huge mass production plants, planned on the most modern lines, were erected. America derived great advantage from the fact that she did not enter the war until over two years after its commencement and was, therefore, able to proceed with the development of her war-production in a calmer atmosphere, and with more of an eye to the future than the hard-pressed
people of Britain, who were compelled to improvise in every possible way. British development of war capacity had to proceed regardless of cost and the effect on industries catering for civilian needs, and with speed in erection as the first and overriding requirement.*

Britain was in the war from the first day to the last—as she was in the first World War, which took an incalculable toll of her people. Work over six years from 1939 to 1945 was carried on under terrific nervous and mental tensions caused by large-scale bombing attacks and the constant threat of more to come. The flow of production was interrupted and disorganised by the destruction wrought by the German "blitz" on homes, offices and factories. America was fortunate to escape all this; the advantage was all her way.

Lewis C. Ord, a British industrial consultant, in a book, "Secrets of Industry," which created much comment, stated in 1944:

"More has been accomplished in the expansion, re-organisation and re-equipment of American industry since 1938 than was accomplished in the previous fifteen years. More will be done in the next few years." And that . . . "American capital expenditure on industry from 1938 to date has been estimated at some £4,000m. as against Britain's £650m."

RESEARCH

American expenditure on pure and applied research is on a greater scale than in Britain, even when all allowances are made for the different size of the two countries. This fact was giving concern to many sections of informed British opinion during the war when plans for post-war reconstruction were being discussed. The figures suggested that expenditure on research in the United States before the war was

* The British White Paper, "Capital Investment in 1948," states: "The nation deliberately diverted to war production manpower and materials which would normally have been invested in the maintenance, repair and extension of capital equipment such as railway tracks, locomotives, rolling stock and equipment, electricity stations and gas works, roads, schools, houses, factories and public buildings. Whereas before the war the United Kingdom was devoting (at pre-war prices) about £300 million a year to additions to the nation's capital equipment, during the war not only did this accumulation cease, but our capital stock was run down by an average of £300 million a year by under-maintenance."
roughly ten times that of Great Britain. There has been considerable improvement in the latter country since the pre-war years, but the magnitude of industrial research still compares unfavourably with the United States. While Britain probably has no rivals in the quality of its research—many of the outstanding discoveries of the war emerged from British laboratories—in America research is on a much vaster and more highly-organised basis and much more advanced in its technological adaptation to the needs of industry.

THE ECONOMIC AND POLITICAL BACKGROUND

The economic and political institutions and background of a country exert a decisive influence on its industrial development and the level of productivity it achieves. Nations comparatively poor in resources, and unsuited for the mass production of standardised articles, have yet attained to a high standard of living because of their social institutions and the character of their peoples.

In this respect the United States has clear advantages over most of the other nations of the world. In the first place there is no fundamental divergence of opinion as to the basic structure of the economy. Both great political parties, however much they differ in degree, firmly believe in and are wedded to the support of the free enterprise system. In the industrial sphere, whereas the labour unions in Britain and Australia favour the cause of socialism, in America the great national unions, such as the American Federation of Labour and the Congress of Industrial Organisations, strongly support the free enterprise way of life and resolutely oppose socialism.

In 1947, Mr. Philip Murray, the President of the C.I.O., said: "The best way to preserve the American system of democracy and free enterprise is to make that system work better than it ever has before." This might have been a sentence from one of the publications of the Committee of Economic Development representing an influential section of American employer opinion, or even from a policy pronouncement by the more conservative National Association of Manufacturers.

This unhesitating acceptance of free enterprise as the central feature of the American system by the major industrial and
political groupings contrasts with the position both in Britain and Australia, where a bitter struggle is being waged over the fundamental character of their economies. In both countries the Labour Parties are antagonistic to private enterprise and desire to replace it by a planned economy, involving a great enlargement of Government ownership and State direction of private business. The remarkable similarity between the broad professions of faith of the leaders of labour and capital in the United States must confound Australians accustomed by long experience to the apparently inevitable, and often bad-tempered, disagreement on almost every substantial aspect of national affairs.

Whatever the respective merits of private enterprise or socialism, this conflict over the essential nature of the economic system, while it continues, must inevitably be detrimental to the attainment of the highest standards of productivity and of life.

While taxation in the United States has increased appreciably since 1939, it is probably true to say that there is no other country in the world where the encouragement to individual enterprise is greater and where there are more attractive prizes for the successful. Before the war 25% of the British national income was absorbed in taxation, compared with 18% in the United States and 17% in Australia. Latest estimates indicate that at present one-third of the national income of Australia and the United Kingdom are absorbed by taxation compared with one-quarter in U.S.A. Company and personal income tax rates are heavier in Australia and the U.K., especially on companies and the upper income groups which provide the savings for investment. Money and real wages are, of course, much higher in the United States, and there is considerable scope in American industry for obtaining lucrative earnings through piece-work systems. Latest statistics show the average weekly earnings of the factory-worker to be about $52 a week. Converted at the official rate of exchange this would be roughly £16 a week in Australian money. Even when all allowances are made for the abnormally high prices at present ruling in the United States for many types of consumer goods, for conditions of work, and perhaps for the greater long-term security of the Australian worker, the difference is striking.
Competition is probably much more actively encouraged and protected by Governments in the United States, by such measures as the Sherman Act, than in Great Britain where between the two world-wars there was a strong tendency on the part of some businessmen to restrict and eliminate competition by means of associations and trade agreements.

Mr. Wason (Chairman of the Board of Directors, U.S. National Association of Manufacturers) is reported in the “New York Times” of July 20, 1947, as having declared that:

“The economic decline of Great Britain began with the disappearance of competition. British businessmen tried to guarantee their profits against business losses and failures, and establish security for themselves through monopolies and cartels. The absence of competition made it unnecessary to mechanise and modernise industrial plant and equipment. New products, new methods, and new companies were kept out. Wages and production were kept down, prices were kept up, and the standard of living fell. Meanwhile, British labour kept pace with British industry in the imposition of feather-bedding and exclusive restrictions on production, in an effort to establish its security.”

These remarks probably suffer from over-emphasis and are not altogether fair to Britain. Nevertheless, there is more than a small grain of truth in them.

It is undeniable that America possesses great and fortuitous advantages over other countries in its endowment of rich and varied resources, in its massive population which provides unrivalled possibilities for the large-scale economies of standardisation, specialisation and mass production, and up till recently, in its distance and freedom from the contentions, feuds and insecurities of the old world. Notwithstanding these advantages, however, the United States has important lessons to teach the peoples of the world in the economics of industrial efficiency and high standards of living. And one stands out clearly—that whatever its drawbacks, whatever its defects, the system of free enterprise is manifestly superior to other methods of economic organisation in the basic matter of industrial production upon which material standards of living, in the last analysis, depend. It is under free enterprise, and
because of free enterprise, that the United States has grown to be the richest and the most powerful nation in history and is today supreme in the economic councils of the world.

POSTSCRIPT

This article must not be taken as a criticism of Britain. There are more important things in life than economics, and Britain is still, in many ways, the spiritual, moral, and political leader of the world. If, during this century, Britain has lost ground industrially, relative to the United States, that is largely because of forces outside her own control. The two World Wars not only destroyed the economic and financial structure which Britain had built up over centuries by toil, adventure and enterprise, but took a tragic and irreplaceable toll of the cream of British youth.

Western civilisation owes an incalculable debt to Britain. It is one of the greatest ironies in history that the people, who saved the world in 1940, should, as a "reward," be reduced to their present desperate straits. If there is such a thing as gratitude left in the world, then no effort and no sacrifice should be considered too great to assist in restoring Britain to that state of material prosperity in which she can continue to exert her wise and beneficent influence for the benefit of the human race. We should all bear in mind that what a great American, Emerson, said a hundred years ago, is just as true today: "The stability of England is the security of the modern world."
U.S. AND WORLD PRODUCTION IN 1947
COMPARSED WITH 1937' (1937=100)

The graph, which shows percentage increases and decreases in production in 1947 as compared with 1937, should be read from the heavy vertical line 1937 = 100. For example, coal output in the U.S.A. is shown by the graph to have increased by about 30% since 1937, whereas in the rest of the world, to have dropped by 20%. The graph illustrates that total world output has changed very little. It will be noted that in every item U.S. production has risen, whereas in all cases, with the exception of electricity, world output excluding the U.S.A. has fallen.

PHYSICAL OUTPUT IN U.S.A. IN 1947
1935-39 AVERAGE = 100

100  150  200  250  300

ALL INDUSTRIAL PROD'N
ALL MANUFACTURES
ALL DURABLE MANUF'S
ALL NON DURABLE MANUF'S
MACHINERY
AUTOMOBILES
TIMBER PRODUCTS
CLAY & GLASSWARE
FOODS
LIQUORS
TOBACCO
TEXTILES
LEATHER PRODUCTS
PAPER PRODUCTS
PRINTING & PUBLISHING
CHEMICALS
RUBBER PRODUCTS