EDITORIAL

THIS number of "Review" completes the second year of its publication.

We believe that "Review" has now passed beyond the stage of experimentation and has become an established part of the machinery which goes to form and shape public opinion in Australia. In view both of its nature and source, it is fair to claim that the contribution which "Review" makes to this process is distinctive and individual. This contribution is, in brief, to use the results of painstaking, objective, academic research for an intensely practical purpose: to throw some new light on the political, economic and social problems of the nation; to stimulate thinking; to influence political and industrial policy; and to combat false propaganda by presenting in unbiased fashion the basic facts and verities of our economic life.

In the two-year period of publication of "Review," about 50 articles, practically all of them of considerable length and most involving careful and prolonged factual research, have appeared. The impact which "Review" has made on public thinking, as shown by the letters we have received,
many from the most influential quarters of the land, and by the gratifying amount of space given to its articles in leading daily newspapers, testifies to the value of the work which the Institute is doing. If these results can be achieved with a small staff, and a comparatively insignificant expenditure of money, one is led to conjecture what would be possible if finance and other conditions were such as to make feasible an expansion and intensification of this type of work.

The distribution of "Review" now approaches 20,000 copies per issue. We are repeatedly asked whether this distribution is as effective as it might be, or whether it is not, in a sense, only "preaching to the converted." There are broadly two ways in which you can aim to mould public opinion. Either you address your message to the entire community; in that case your material has to be written down to the level of understanding of the least-educated and has to be distributed far and wide to the public at large — an extremely difficult and expensive task. Or, you can address your material to those sections comprising most of the leaders of thought, the kind of people whose thinking forms and influences the opinions of great numbers of other people. This is the policy we are following and it is by far the most practicable and effective. We have little doubt that it would be almost impossible to better the present pattern of distribution of "Review."

It is worth noting, too, that part of the matter that appears in "Review" is brought to the attention of a much wider circle of readers, than could be covered directly by "Review," through re-publication in the daily press and periodicals.

While the articles published in "Review" have embraced a wide variety of topics, through all there have run a consistent theme and policy. This policy is to advance the cause of free business enterprise and conversely to oppose the spread of socialism as being inimical to the best interests of the Australian people.
Our approach to this problem is inspired by one basic conviction—that if free enterprise is to survive in the democratic communities it can do so only by eradicating its weaknesses, by correcting its faults, by "playing the game" by its consumers and employees, by contributing in a responsible manner to the solution of national problems, by endeavouring in every way to serve the public interest. Unless the leaders of private enterprise are animated by this spirit, all the propaganda and all the politics in the world would be futile. What good purpose would reams of propaganda serve, if large sections of business were making exorbitant profits? What ultimate hope would there be for a non-socialist political party unless employers work conscientiously and unremittingly to improve their relationships with their employees?

That is why the Institute has placed such repeated emphasis on the need for private business to explore every conceivable avenue for improving industrial relationships, and for building a real sense of partnership in industry. Such a goal cannot be won in a day, but it can be achieved, and will be achieved, if there is sufficient determination and goodwill among the leaders of industry and labour. We believe there is.

Free enterprise has much of which it can be proud. Properly modified and inspired by a great purpose and a sense of national responsibility, it can "deliver the goods" in a way that no other system can. We have no fears which way, in the final judgment, the Australian people will cast its choice, so long as this spirit and this responsibility prevail.

C. H. Grunwade

Chairman, Editorial Committee.
THE Australian public is being offered two sharply contrasting views on the state of the national economy.

On the one hand it is contended that Australia has never been more prosperous and the Australian people never better off. This view emphasises that for the first time in our peace-time history we are enjoying full employment—in fact, that there are more jobs to go round than there are people to fill them; that national income and consequently personal incomes—particularly wages and primary producers' returns—are at record levels; that business is exceptionally buoyant with soaring turnovers and profits and with private investment reaching a high peak. In addition to these highly favourable factors, an unprecedented expansion in expenditure on social services ensures for large numbers of people a greater measure of long-term economic security than they have ever previously enjoyed.

The other view of the Australian economy is as dark as this one is rosy. According to this view, the position has seldom if ever been more dismal. In many fields serious shortages continue. The lack of housing, or for many families even reasonable accommodation, is deplorable. Production overall is lagging, and productive efficiency—output per manhour—dangerously low. The Australian people are working less than ever before—because of the premature reduction in the standard working week, longer holidays, the abuse of sick pay provisions, excessive absenteeism and labour turnover, and general industrial irresponsibility. Taxation is a dead weight on the economy, and, combined with soaring living costs, is making it increasingly difficult for vast numbers of people to balance the family budget. While, in the background, the menaces of Communism and of the socialist programme of nationalisation are undermining business confidence internally.
and deterring overseas investors from investing in Australian industry.

Within the space of a few days expressions of these two diametrically opposed views of the economy were reported in the daily press. On September 30, the Prime Minister was reported to have said: “The speeches of the Acting Leader of the Opposition and of Mr. Fadden seemed to suggest that Australia was in dire distress. The real position was that for the first time there was almost full employment, profits were at a higher level than ever before, and the workers’ savings had increased by £200 million ... most taxpayers had had their tax assessments reduced by more than half since the war.”

Three days later, on October 3, the Acting Premier of Victoria said: “Australia’s reliance on war-wrecked Britain for houses, clothing, tobacco and cigarettes was ludicrous and humiliating. It was an admission that Australians were becoming a decrepit, lazy and irresponsible people, too tired to fend for themselves. The spirit of levity and indifference in Australia was largely due to artificial prosperity.”

Which, then, of these two directly opposed views is correct? And if neither is correct, where does the truth lie? What are the real facts of the economy and how prosperous are the Australian people in this year of grace—1948?

It can be said at once that neither the exceedingly rosy picture drawn by one school of thought, nor the dark depressing view taken by the other, would be accepted by the dispassionate observer of national affairs, or by the economist using with scientific impartiality the techniques and measurements of his trade. Both extreme views are frankly political and should be regarded as such. Neither give an accurate representation of the state of the nation.
What, then, is the true story? What degree of real prosperity are the Australian people at present enjoying? How sound is the economy and how encouraging, or how forbidding, are the prospects confronting us?

These are not easy questions to answer. They involve complex and, to the ordinary person, tiresome economic analysis and difficult economic measurements. We will attempt to simplify the answer by posing three fundamental tests:

1. How productive of real wealth is the economy?
2. How stable is it?
3. Is the wealth produced being justly distributed?

**HOW PRODUCTIVE IS IT?**

This is the bedrock test to be applied to any economy. There is little consolation in having a stable economy—that is, an economy in which all those seeking work are assured of a job—or in having a broad measure of economic justice, unless there is an ample production of real wealth. There can only be the grimmest of satisfactions in knowing that the cake is divided up equitably, if the shares of most of the participants amount to no more than a few crumbs. The size of the cake is all-important. An unproductive community—no matter whether or not all its members are employed—is a poor community. A productive community, even though all its members may not be employed, can be a rich community.

Australia has made no great strides in the production of economic wealth since 1938-9. The output of basic materials such as black coal, steel, iron and base metals, is not greatly above pre-war levels. Building materials show some slight increase, but in the key item of bricks, production is far below the 1938-9 output. In primary industry production would seem to be on the whole below the pre-war level. An informed
guess might be that total Australian production, despite improved mechanisation in some industries, is somewhere around 10 per cent. above pre-war production. But this production has now to serve a greater number of people—the Australian population having increased by 9 per cent. Moreover, it is produced by the employment of many more workers—close to 600,000, or about 20 per cent. more than in 1938-9. Production per man is lower, and production per man-hour possibly lower, than before the war. No gains of any significance have been made in the fundamental matter of productive efficiency.

The situation therefore is not one in which we can take any particular pride. It affords a depressing contrast with the United States and Canada, where, in both countries, production is probably something like 50 per cent. to 70 per cent. above pre-war production. Moreover, the pattern of production is seriously distorted. We are using resources for the production of comparatively inessential luxury goods and services while industries—such as coal, iron and steel, building materials, food—which could contribute most to the raising of real standards of living and to the stability of the Australian economy are desperately short of equipment and labour.* In fact, from many points of view this is the most serious immediate problem of Australian economics—the problem of diverting resources away from the production of relative inessentials into more important channels, and particularly those which could contribute most to the improvement of industrial efficiency. It is a problem brought about by the post-war inflation of demand and the consequent condition of over-full employment. Although it has many times been mentioned in official quarters and in authoritative economic documents such as the 1947-8 report of the Commonwealth Bank, there has not as yet emerged even the

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*One reason is that there is far too great a turnover of labour in many industries due to workers changing their occupation in search of easy jobs.
beginnings of a policy to cope with it. It hardly needs to be
said that whatever solution may be possible—and there may
be no solution—direction of labour would be utterly unwise,
and, in any case, politically impracticable.

So far, therefore, as the first test is concerned, the verdict
must be on the whole unfavourable. The economic practitioner
would find himself compelled to refrain from giving the Aus-
tralian economy a clean bill of health.

Australia has been fortunate in escaping some of the con-
sequences that might have flowed from her comparatively
poor record in the field of production. That this is so is due
to the extraordinary incomes being received by exporters, par-
ticularly over the last two years, because of the abnormally
high prices being obtained abroad for commodities such as
wool and wheat. Income from exports in 1938-9 amounted
to £122m. In 1946-7 it reached a record peak of £309m.
But the record was short-lived; it was easily surpassed in
1947-8 when export returns reached the remarkable figure of
£402m. This increase and the measure of prosperity it has
contributed to the Australian economy have been entirely
fortuitous; they owe nothing to the efforts of the Australian
people themselves. The quantities of the main primary pro-
ducts exported are actually below 1938-9 levels.

The terms of trade have been extremely kind to Australia.
While the prices we pay for our imports have risen markedly,
they have not risen nearly so much as the prices we receive
for our exports. This means that for a given quantity of
exports we are able to obtain a greater quantity of imports
for our own use and enjoyment than was possible before the
war.

How fortunate Australia has been in this respect is illus-
trated by the British position. Whereas Australia is an exporter
mainly of food and raw materials, such as metals, and an
importer mainly of manufactured goods, Britain is an exporter of manufactured goods and an importer of food and raw materials. But since 1938-9 prices of manufactures have risen much less than prices of food and raw materials. Britain, by contrast with Australia, is, therefore, for a given quantity of food, forced to export a greater quantity of manufactured goods. This is one of the chief reasons why the recovery of Britain from the post-war economic crisis is proving so arduous and prolonged.

HOW STABLE IS IT?

One of the greatest curses of the modern economic community has been the irregular manner in which progress has taken place. This is the familiar problem of the trade cycle. Instead of a steady trend of progression, national income and employment have fluctuated widely, and sometimes wildly, from year to year. Critics of the United States, although prepared to concede the extraordinary productivity of the American economy, have usually concentrated their attacks on this point.

There are pronounced elements both of stability and instability in the post-war Australian economy. Present economic conditions are to a large degree artificial and impermanent. National income, spending and investment are all being pushed to exceptionally high levels by the immense proceeds being obtained from exports. But this cannot last. As world scarcities are overcome, world prices, particularly for primary products, will fall, and could fall precipitously. The very high level of overseas prices is a strong economic stimulant, but as with most stimulants, it could produce a very unpleasant hang-over. The more these high prices are allowed to stimulate and influence internal conditions the more difficult will it be to control the recession when it occurs. If we permit ourselves to rise on the crest of the wave, the deeper is the trough into which we can ultimately fall.
One of Australia's leading economic authorities, Professor Copland, made much of this point in a paper to the Economic Society of Victoria. He pointed out that the Australian economy was steadily moving towards a new state of values, costs and prices, established in the main by the level of export prices. Australia, of course, cannot altogether free itself from the influence of external conditions, but criticism might justly be levelled on the ground that much more might have been done to prevent overseas prices from having such a large and dangerous internal inflationary effect on the economy.*

Professor Copland likened the position to the years preceding 1929 when somewhat the same external conditions existed. There are, however, elements making for stability which were not present to the same extent in 1929. In the first place we have accumulated a comfortably, high—but not too high—reserve of overseas funds which can be used to cushion the effect on the Australian economy of a collapse in overseas price levels.

In the second place, the internal financial and banking position is very different from 1929. The role of the central bank in controlling the volume of credit and in maintaining, in time of need, the liquidity of the trading banks, is now more thoroughly understood. In addition, the banking position is at present extremely sound; the banks have ample cash resources, and the ratio of their advances to their deposits is reassuringly low. In 1929 the position was very different. Then the banks' resources were strained almost to breaking point and the advance-deposit ratio was threateningly high. Moreover, economic knowledge has not stood still over the last twenty years. Due largely to the influence of the late Lord Keynes,

* This matter has been dealt with at some length in an article entitled "Inflation," appearing in the August, 1948, number of the I.P.A. "Review."
there is a far better appreciation of the steps which governments can take, through increasing their expenditures and through public works policies, to maintain economic stability. While there is some doubt as to how far government spending of this kind will prove to be effective in practice, nevertheless we are at least entitled to feel greater confidence today in our economic understanding than say twenty years ago. There are thus elements of stability in the Australian economy which should not be under-rated. Undue pessimism about the future would be as unnecessary and as foolish as over-optimism. The most disquieting feature is the continued and rapid rise in internal costs and prices, which has already become dangerous, and could in the near future become critical, unless adequate measures are taken to prevent the overseas inflation from exerting its full effect on the Australian economy. The reduction of price subsidies, while wholly desirable from the standpoint of long-term policy, is temporarily aggravating the soaring trend of living costs and leading to an increased reluctance on the part of buyers to purchase goods at some of the fantastic prices prevailing.

IS THE DISTRIBUTION JUST?

A revolutionary change has taken place in the distribution of the national product since 1939 in favour of the lower income groups. This has been brought about by three main causes—a much greater percentage rise in money wages than in most other forms of income; a vast increase in government expenditure, particularly in expenditure on social services and social payments; and the exceptionally heavy taxation imposed on the middle and upper incomes by comparison with the lower. Under the tax rates proposed in the recent Budget,
incomes up to £350 (for a man, wife and two children) a year will actually pay less taxation than in 1938-9, while incomes up to £500 will pay little, if anything, more in tax. From £800 upwards, however, the disparity between present taxation and pre-war taxation becomes most pronounced. Incomes of £1,500 and over will pay double or more than double the amount of tax paid in 1938-9.

The lower incomes are now enjoying a much larger share of the cake, at the cost of very much smaller shares for other sections—for the middle incomes particularly, a catastrophically smaller share.

There are very few people who would question that some change in the general pre-war pattern of distribution of the national income was justified. At the same time, anyone capable of thinking seriously and sincerely on economic matters must now have grave doubts whether the process of redistribution has not gone too far. The scales today are loaded heavily in favour of the unskilled and against the skilled, in favour of the drones and against the workers, in favour of the less well-educated and against the highly-educated, in favour of the ultra-cautious and against the risk-takers, the enterprising and the adventurous. Sometimes, it must be suspected that the commendable passion for improving the lot of the under-dog has degenerated into the unworthy passion for pulling down the successful and the more fortunate. Present social policies appear to be inspired not so much by the desire to level up as the desire to level down—at all costs. And the cost is proving considerable—the cost of low production and inefficiency, a more or less stationary real national income, and unsatisfactory living standards. The pursuit of economic equality—which is a different thing from economic justice—is being given precedence over the pursuit of greater production and the Australian economy is suffering and will continue to suffer until the order of precedence is reversed.
TO SUM UP

The answer to the question posed at the head of this article must therefore be something like this:—

The Australian economy is not in a desperate position. Neither is it in a position in which we can feel wholly secure and about which we can feel unreservedly proud. The present high level of employment, investment and spending is almost entirely due to the fortuitous circumstances of a heavy overseas demand for our main exports and the extraordinary prices that these exports are bringing. Because of this we are enjoying a measure of temporary economic prosperity; but this prosperity is due to factors beyond our control and is not the result of any strengthening of our internal economic resources. Australian production has made little or no headway since 1939, and, moreover, there is a serious distortion of production away from the things which could best contribute to long-term stability and welfare. We have not been very successful in controlling the pressure of inflation overseas on internal conditions and, unless stern action is taken, the inflation of internal costs and prices within the next twelve months or two years could have serious consequences. There are some features, however, particularly the strong banking position, which must be taken into account in any assessment of long-term stability. The revolutionary change in the distribution of the national income, while in some cases to be commended, has proceeded too far and now constitutes a threat to efficiency and a brake on economic progress and the improvement of living standards.
A Report upon the 40 Hour Week

The main conclusions to be drawn from a survey conducted by the Institute of Public Affairs—Victoria into the economic consequences of the 40-hour week, so far as they can at present be assessed, are here summarised. They are analysed in some detail in the article itself.

- Production has fallen.
- So far there is little evidence to suggest that shorter hours have acted as "a stimulus to better effort."
- Output per man-hour has, in general, remained at previous levels.
- A great deal of overtime is being worked in secondary industry in an attempt to maintain production.
- The 40-hour week has not been accompanied by a full 40-hours of productive work. The resultant waste time is a serious economic loss.
- Costs have increased steeply, almost without exception.
- The 40-hour week has created a new interest in incentive schemes and is stimulating management to adopt improved methods to increase production and reduce costs.
- The labour shortage has been intensified, particularly in the under-manned primary industries.
- There has been no significant change in absenteeism, labour turnover or industrial discipline, although the general industrial atmosphere is somewhat more settled.
- The 40-hour week, owing to an increase in overtime and casual work, has not meant additional leisure for many sections of the community.
IN January, 1948, as a consequence of a judgment by the Commonwealth Arbitration Court, 40 hours became the standard working week for Australian industry, with the exception of the rural industries. Prior to that, in July, 1947, the 40-hour week had been adopted in N.S.W. for industries subject to State awards. At the present time, therefore, a great part of Australian industry has had close on twelve months’ experience with the 40-hour week, while a substantial number of N.S.W. industries have operated under the shorter working week for nearly eighteen months.

Has the new standard working week been beneficial or detrimental to the Australian economy? Have the high hopes which were held for it by some sections of the community been realised, or do the facts and evidence so far available suggest that its introduction was premature, and that it is in some respects a serious embarrassment to the post-war recovery of the Commonwealth and to our overseas obligations, particularly to the mother country?

In order to ascertain how the 40-hour week has worked in practice the I.P.A. has made a broad survey in Victoria and New South Wales embracing the following industries: iron and steel, non-ferrous metals, engineering, chemicals, glass, bricks, tiles and pottery, rope, furniture, printing, tobacco, textiles and clothing, food processing, railways, road transport and retail trade.

Prior to the introduction of the new standard working week, a state of over-full employment already existed in Australia which showed itself in an acute shortage of labour, a high and costly incidence of absenteeism and labour turnover, laxities and indiscipline, an industrial effort considerably below capacity, and a rising level of costs and prices. The difficulty of isolating the economic effects of the 40-hour week from these other factors, tending to higher costs and lower output, is apparent. Because of this difficulty, and also because insufficient time has elapsed to permit a conclusive assessment of the 40-hour week, this survey is in the nature of an interim report on significant trends which have become apparent, rather than a final judgment.

PRODUCTION

Although the majority of the manufacturing companies interviewed were working a considerable amount of overtime, approximately 70 per cent. reported a lower total volume of production since the advent of the 40-hour week. This reduced output varied from only a slight falling off to a drop of 10 per cent. The loss of four hours of normal production has contributed to this shrinkage in the volume of output and in many instances production has not responded satisfactorily to overtime.* In the remaining 30 per cent. of manufacturing companies, among which were a number of continuous process industries, output has been maintained at previous levels chiefly by the working of a large amount of overtime, and, to a lesser extent, by the recent application of incentive wage systems. Three companies reported that increased production had occurred in some—but not all—departments since the introduction of the 40-hour week.

The Arbitration Court in its judgment stated that the fulfilment of the unions’ demand for a shorter working week “might operate as a stimulus to better effort.” At this early stage there is little indication that this hope has been borne out in practice. The future may, perhaps, hold a different story.

* The prevailing shortages of fuel, raw materials (particularly steel), labour and dollars are other important factors in addition to the 40-hour week, which have aggravated the decline in output for some time past.
PRODUCTION PER MAN-HOUR

It is not easy to measure the difficult concept of output per man-hour, but the majority of companies visited were of the opinion that PMH has remained unchanged since the introduction of the 40-hour week. There are many factories where productivity depends primarily on the operation of machines and processes at set speeds. In these instances, PMH is to some extent independent of the operative and does not vary appreciably with the length of the working week, although the volume, as distinct from the rate, of production is, of course, adversely affected.

Only a small percentage of the companies interviewed, considered that PMH had improved since the 40-hour week. The reason given by one of these companies was, that it had introduced the 40-hour week three months in advance of the effective date of the Federal award, in return for a quid pro quo by the union and the employees that they would cooperate by harder work. Since then, in spite of the fact that overtime is not worked, total production has been maintained by greater PMH. The remainder of these companies said that higher PMH has been achieved because of the introduction of incentives, stricter discipline, and improved managerial efficiency.

A unanimous opinion was expressed that if there has been any lessening of industrial fatigue following the 40-hour week, this had not resulted in an improvement in the efficiency of labour.

OVERTIME

One of the most significant facts revealed by our investigation is the very considerable extent to which overtime is now being worked in Australian factories. The reasons are the continued existence of the sellers' market, shortages, and the fact that the 40-hour week and the labour scarcity have made overtime necessary in order to maintain production. It would appear that very few manufacturing companies are not working some overtime, and it may not be far from the truth to say that the majority of male breadwinners engaged in manufacturing are working up to four hours overtime per week. One company reported that since the 40-hour week was introduced overtime had increased by 15 per cent. to 20 per cent.; another stated that payments for overtime had doubled; and a third that some of their men were working 75 hours per week. There is, however, a noticeable disinclination among female operatives to work overtime. While the 40-hour week has meant extra leisure for women workers, very many males employed in factories prefer the higher earnings possible through overtime work to more leisure.
In the railways, and particularly in the operating divisions—because of an acute staff shortage—the main effect of the 40-hour week has been to increase overtime and costs. Very few railway employees today are working less than 44 hours per week. For them the Court's decision has, on the whole, meant higher wages rather than increased leisure.

It is obvious that many men, particularly those with family responsibilities, are eager for jobs where overtime is freely available, chiefly because of rising living costs.

During the course of our investigation the unfavourable effect of overtime on costs was frequently mentioned. In some instances there has been a noticeable tendency for "go slow" tactics and a slackening of effort during the day in order to make a certainty of overtime. In others, although the amount of overtime worked was far greater than the hours lost in the change from 44 to 40 hours, there had been no appreciable improvement in production.

**COSTS, SELLING PRICES AND PROFITS**

The chief, and the most ominous, effect of the 40-hour week has been to accelerate the pronounced upward movement in costs which was already taking place long before hours were reduced. The 40-hour week has increased costs in several ways: By involving more pay for each hour of work; by increasing overtime payments; by necessitating more labour to perform the same amount of work; by reducing production; and by accentuating shortages of raw materials. In addition, there is a tendency for fixed costs (for example, depreciation, insurance and rentals) to be forced up per unit of output, because these costs are spread over a lower volume of production.

Very few companies are yet in a position to estimate the precise extent of the cost increase resulting from the 40-hour week itself because of the difficulty of segregating these costs from increases in the basic wage, margins, and other factors.

The 40-hour week has involved higher labour costs for public utilities as well as for private enterprise. For example, this is the first time for many years that the accounts of the P.M.G.'s Department and the M.M.T.B. in Victoria have disclosed deficits. It is well known that higher costs arising out of the 40-hour week have been one of the factors responsible.

Many industrialists believe that prices have by no means reached their peak, as some increases have yet to be passed on. It is expected that the incorporation of 40-hour week costs into the price structure of goods which have not already been decontrolled will be a gradual process extending over a considerable period.

It was noticeable that a few businesses, owing to the existence of a sellers' market and the absence of real competition, had not given the problem of rising costs very much thought. This policy is regrettable and short-sighted. Unless costs are kept closely under supervision the process of eventual adjustment will be severe and fraught with far-reaching consequences.

The effect of the alteration in the standard hours of work is undeniably inflationary in that costs and incomes are rising, without any corresponding increase in production. The tendency of price control authorities is still to refuse to recognise 40-hour week costs as a reason for granting higher selling prices, and many companies have had no alternative but to absorb increased costs. It was encouraging to discover several companies which were seized with the necessity for restraint in raising their selling prices and determined to find ways of reducing costs. Since the 40-hour week commenced
profits have risen, but so have wages, the cost of materials, and other components of the cost of production. It is only natural to expect higher sales turnover and increased money profits while the sellers' market continues. But the price inflation means that the purchasing power of these profits is vastly less than in 1939.

**INCENTIVES**

The statement in the 40-hour judgment, that “given incentive systems Australian industry could take the 40-hour step in its stride,” showed that the Court was eager to see shorter hours accompanied by an increase in productivity through the widespread adoption of “payment by results.”

Several of the companies included in the Institute's survey introduced incentive wage systems into their factories shortly after the 40-hour week commenced. Other companies, which previously had incentives operating in some of their departments, indicated that they had extended, or proposed shortly to extend, their existing schemes. Some companies emphasised that, partly as a result of the 40-hour week, they are at present giving a great deal of thought to the adoption of suitable incentive schemes.

There is no doubt that the 40-hour week has given rise to renewed interest in the possibilities of incentive payments as a means of increasing output and reducing costs. A representative of a firm of industrial consultants stated that his organisation had been deluged with requests for information about incentive schemes. However, a general expansion in the use of incentive schemes in industry of the magnitude envisaged by the Arbitration Court is entirely dependent upon a change of attitude toward these methods on the part of the trade union movement.

**IMPROVED MANUFACTURING METHODS**

Almost without exception the companies interviewed stated that they were, as part of their normal programmes, constantly seeking improved manufacturing methods (for example, greater mechanisation, waste elimination, improved supervision, and better layout) to increase their efficiency. For most companies the arrival of the 40-hour week, combined with higher wages and the labour shortage, has acted as a spur to redoubled efforts in these directions.

The fact that wages and costs are rising is a challenge to management to find counters to the 40-hour week, to drive hard for greater efficiency and technical progress, to achieve more skilful administration, good workmanship, and better use of manpower.

**LABOUR RELATIONS**

The Arbitration Court in granting the shorter working week considered that it might be an important step along the road to industrial contentment, and “to that co-operation of the forces of production which is so desirable.” Any beneficial effects that the 40-hour week may have on labour relations will no doubt be more clearly visible in the long term than over the short period. But up to the present, with few exceptions, the organisations comprising our survey considered that there had been no significant changes in management-employee relationships since the 40-hour week commenced. Only two companies reported an improvement. One stated that it had noticed a better attitude to the job and that there had been an improvement in discipline which was reflected in reduced absenteeism. The other believed that the granting of the
40-hour week had eliminated one of the talking points of the unions and the men are, as a result, a little more settled. On the other hand, one organisation felt that "job interest" had eased off, possibly because so many employees are accepting "tax-free" week-end work.

Our investigation has shown that absenteeism is still a very real headache to management. Most organisations considered that absenteeism is as severe now as before the introduction of the 40-hour week. Six companies reported that absenteeism had increased, because of high overtime earnings and the acceptance of casual week-end work.

Labour turnover continues to be a very costly problem for industrialists, but the majority of organisations covered believed that turnover is no worse and no better since the revision of standard hours. However, several companies produced figures to show that labour turnover had fallen. Among the reasons given for this improvement were the abolition of Saturday work, the adoption of incentives, and higher male and female award rates for particular industries.

**DISTRIBUTION**

The 40-hour week has had some interesting repercussions in the field of distribution—more particularly in retail trade and transport. Department stores in the capital cities say that the main effect of the 40-hour week to date has been to cause a hectic buying rush on Saturday mornings, because stores are now closed half an hour earlier on week days, and many factories and business houses do not work on Saturday mornings. In three hours on Saturday morning one department store is now doing 75 per cent. of a normal day's trading. This trade represents chiefly purchases by industrial and commercial employees and, in order to cater for it, extra casual staff has to be engaged. It is essential for many retail stores to be open on Saturday mornings to provide for industrial employees. In present circumstances a five-day week throughout retail trade would undoubtedly produce a great increase in absenteeism in secondary industry.

The 40-hour week has been accompanied by a reduction in the time available for receiving goods into stores and warehouses, in excess of the four hours lost in the alteration of standard hours. Many firms will not now accept deliveries after 3.30 p.m.-4 p.m. on week days and not at all on Saturdays. This has created a serious problem for the railways and many road transport contractors. It has at times caused congestion of wharves and railway sidings and has delayed the turn-round of railway trucks. Some cartage contractors report that their men are unable to work more than five hours a day five days a week, and others are losing 1 to 1½ loads a day as a consequence of the reduced time available for deliveries. One cartage company has kept figures which show a definite downward trend in the tonnage transported since the 40-hour week was introduced. It attributes this to reduced production and the loss of more than four hours a week in which to employ its vehicles. The net result, of course, is higher costs and increased freight charges.

**LEISURE**

The Arbitration Court in its judgment said that it was "convinced of the sincerity and reality of the workers' claims for leisure", but the experience of recent months seems to indicate that the 40-hour week has not been accompanied by additional leisure for a very large proportion of employees. The 40-hour week has, on the whole, meant higher wages rather than more leisure. There are two reasons for this: First, the necessity in many
manufacturing and service industries for the working of overtime (a need which the Court foresaw); second, the marked willingness of numerous wage-earners to accept other jobs in their off-duty periods, particularly in the week-ends. People today are eagerly accepting additional work outside their normal working hours on a temporary or permanent basis. Some have two full-time jobs. There appears to be a great deal of week-end work available in garages, shops, restaurants, house construction, in the railways and in general repair work. This is supported by press reports of a stern reprimand by the Shop Assistants’ Union to its members who, by taking spare-time jobs, embarrass the case for shorter hours and no Saturday work. The 40-hour week may have brought some additional leisure to the majority of female factory employees, but it has certainly afforded no relief to the housewife, to the man on the land, to the many who are obliged to work overtime or to those persons who have accepted other jobs outside their normal occupations.

PRIMARY PRODUCTION

Following recent discussions between the Prime Minister and the British Cabinet in London it was announced that Australia should give priority to the production of food and raw materials, with steel and other secondary industries in second and third priorities respectively. The man on the land must necessarily work long hours, and a 40-hour week would be impracticable in most farming occupations. For example, the present award for the dairying industry provides for a 56-hour week.

One serious effect of the introduction of the 40-hour week in secondary and service industries has been to attract labour away from the land and thus to intensify the shortage of labour in rural areas. At a time when the maximum production of meat, dairy products, grain, wool and hides is so vital to Britain, and when Australia could help to relieve the dollar position by greater exports of primary products, the scarcity of farm labour has been responsible for an enormous amount of under-production. The labour shortage has contributed to an overall understocking of farms.

CONCLUSION

It is yet too soon to pass final judgment on the 40-hour week. A change of this magnitude takes time to be digested by the economic system and for the community to become psychologically adjusted to it. At the same time, it cannot be denied that the indications so far are, on balance, unfavourable rather than favourable. There is no question that the 40-hour week has imposed an additional and serious burden on the cost structure. And this has unfortunately come at a time when costs have been rising precipitously and threateningly under the influence of external prices and internal wage increases. It has not, up to the present, made any noticeable difference to industrial efficiency and the level of PMH. If anything, it has had adverse effects on the volume of production in secondary industry, and has further aggravated the difficulties of the under-manned primary industries. It has involved inconvenience for many sections of the community. Nor has it meant for large numbers of workers increased leisure. On the favourable side it has given some impetus to improved managerial efficiency and to the wider adoption of incentive payments. It may have calmed a highly unsettled and disturbed industrial atmosphere, and the best that can be said of it is that industrial relations in the general sense are probably better than they would have been had the Court’s judgment been adverse.
There is no doubt, of course, that with the co-operation of labour the 40-hour week can be made to work much better than it is at present doing. It is quite conceivable that as much and more can be produced in the new, shorter working week than was being produced under the 44-hour standard. The Court itself in its judgment strongly implied that the success of the 40-hour week was conditional upon a much more intense effort on the part of management and labour:

“It is easy to believe that the minutes lost by late arrival, and early knocking off; by early stopping and late starting at the morning, mid-day and afternoon breaks; by unnecessary absences; by lax work and inattention at machines, might, if recovered by a mutual determination to do better, very substantially mitigate, and perhaps even obviate, loss of production: Forty hours' work might easily equal 44 hours of the kind of work and management we have in our actual experience witnessed. Reasonable discipline, therefore, is essential and unions and employers owe a duty to the community to secure it.

“The Court's order in this case establishes a new industrial relation and implies that a full 40 hours should be worked in every case, less only prescribed or agreed upon remissions. Awards should be drawn to give full effect to this and to make clear that pro rata reductions of pay may be made for unauthorised omissions.”

The plain truth is that the 40-hour week has not, so far, been accompanied by this improvement in industrial discipline and responsibility. “A full 40 hours” is not being worked in every case. If it were, there would be little question that the 40-hour week would be consistent with Australia’s internal needs and external obligations.

After first-hand contact with the grave world position obtained on his overseas visit, the Prime Minister stated that Australia must work harder if she is to survive. That is no more than the stark truth. The post-war world is a stern, hard, menacing world, and there is no place or future in it for laggards or sluggards. The race, now as always, is to the strong.

It is doubtful, however, whether the answer lies in more overtime, as some people suggest, or in a return to the 44-hour working standard. Overtime is already being worked to a widespread extent and a return to a 44-hour week is probably impracticable and would usher in a period of calamitous industrial unrest. The solution unquestionably lies in a full 40 hours of work, free from obstructions and restrictions on output, and a new conception both by management and labour of their responsibilities to the community and to one another.
SINCE the end of the war the burden of taxation has been one of the most hotly-contested questions of economic policy. The Commonwealth Government has been continuously and bitterly criticised for maintaining in peace a level of taxation which, it is claimed, is destroying enterprise, curbing production and undermining the health and virility of the Australian economy.

The Government has now attempted a reasoned defence of its policy in a document entitled "Taxation and the Economy," which comprises one of a series of papers presented to Parliament by the Federal Treasurer when introducing the Commonwealth Budget for the current financial year.

"Taxation and the Economy" is in some ways a curiously unscientific and unsatisfactory document. For instance, it states that: "Propaganda about taxation is probably doing more harm than taxation itself." There is a measure of truth in this; some of the attacks made on the Government's taxation policy have been over-coloured and have neglected to pay proper regard to the true facts. But, ignoring the terms of its own reproof, the Government, in attempting to defend itself from these attacks, sometimes stoops to a level which is itself little above that of the propagandist. The public is entitled to expect something better in a Government economic paper.

THE STATE OF THE NATION

The paper rashly asserts that the soundness of the Government's policy is proved by the present state of the economy:—

"Clearly that policy has not checked—

(a) employment, which is everywhere at a maximum;
(b) production, which is increasing in practically all fields; and
(c) enterprise, which has never been more active."

It is true that taxation has not checked employment. But the level of employment has, under present conditions, nothing whatever to do with the level of taxation. It is due entirely
to the intense demand—both at home and abroad—brought about by the necessity of replacing the destruction and losses caused by the war. Practically everything that Australia can produce is in strong demand. Taxation has not made much impression on this demand. Why should it? A large part of demand, the overseas sector, is not affected by taxation in Australia. Also, the proceeds of taxation are for the most part spent, and its effect therefore is not to alter greatly total spending, but merely to change the source of demand from private individuals to governments or from the higher incomes to the lower.

TAXATION AND PRODUCTION

The other two claims are however highly questionable. If all were well with production, why is there such a clamour from all quarters for increased production? Why has the Government itself recently entered in consultations with the trade unions on the need for greater output? Why have economists of the standing of Professor Copland criticised the failure of production to respond to the high level of demand, and contrasted the post-war production position in Australia very unfavourably with that in the United States and Canada—countries, incidentally, in which taxation is very much lighter than in Australia?

A careful examination of statistical information leaves no doubt that Australia's record in production since the end of the war has been anything but inspiring. Many other factors besides taxation have contributed to this, but the weight of taxation has been at least partly responsible should be beyond argument. There seems to be arising in certain quarters a strange new theory that the level of taxation can be raised to almost any heights without seriously affecting the amount of work a man is prepared to do, or the responsibilities and risks he is prepared to undertake. Nevertheless, these theorists would find it extremely difficult to argue that heavy taxation has had no effect—to take one field of production in which the response has been noticeably poor—on the number of sheep the sheep-farmer is prepared to run, the number of acres the wheatgrower is disposed to sow, or the number of cows
the dairy farmer is willing to milk. It is time we returned to a little basic commonsense in this matter. Even so extreme and unrepentant a socialist as Dr. Hugh Dalton* in a standard text on taxation states: "... it is probably impossible to impose heavy taxation in a modern community without thereby causing some check to production." And it is probably safe to say that Dr. Dalton's conception of what constituted "heavy taxation"—his book was first published in 1922—fell far below the lofty heights which taxation has now reached in Britain and Australia.

EFFECT ON PERSONAL INCOMES

"Taxation and the Economy" deals first with the relief from taxation that has been granted the individual since the end of the war. It claims that the heavy reductions which have been made in rates of taxation, combined with the fact of rising incomes, mean that the net money incomes left to most people have greatly increased. This is not to be disputed. But it is noticeable that the annual income ranges selected to illustrate this point go no higher than £600. These incomes cover about 80 per cent. to 90 per cent. of all taxable income-earners. But what of the other 10 per cent. to 20 per cent.? Are they of no account? Or, on the contrary, does this class comprise most of those people who provide the enterprise and managerial leadership, carry the heaviest responsibilities, take the greatest risks, and provide most of the educational, professional and expert skill?

There is no question that reductions in taxation on the lower incomes since the end of the war have been considerable. But there has been no comparable relief for the upper incomes whose burden of taxation still makes the pre-war load seem a feather-weight. The upper 10 per cent. of income-earners earn one-quarter of total taxable income, but pay over half of the total income tax on persons. In 1938-9 personal taxation amounted to 4 per cent. of the total national income. In 1944-5, the war-time peak year of taxation, it reached 13 per cent. of the national income. In 1947-8 it was about 11 per

* Former Chancellor of the Exchequer in the British Government.
cent., or nearly treble the pre-war percentage.* The reduc-
tions in personal taxation since the war-time peak year, con-
sidered as a proportion of the total income of the community,
have therefore not been nearly so generous as the Government
paper contrives to convey. The concessions granted have been
very largely to the advantage of the lower incomes, while
those people on the higher and middle incomes have been
effectively "left out in the cold."

SOCIAL JUSTICE AND INCENTIVES

The fact that the paper is able to claim that a man with a
wife and two children earning £11/10/- now pays less tax
than in 1938-9 suggests the immense extent to which the
burden of taxation has been shifted from the backs of the
lower incomes on to those of the middle and higher incomes.
This can only mean that a very large part of the vast increase
which has taken place in personal taxation since before the war
is now being borne by the middle and upper incomes. This
represents the most striking and, in its implications, the most
far-reaching and profound difference between the pre-war
and post-war economy. It can be supported neither on the
grounds of social justice, nor of an economic policy calculated
to achieve maximum productivity and to advance standards
of living.

WHAT A SMALL CUT IN GOVERNMENT EXPENDITURE
WOULD MEAN IN TAX RELIEF

"Taxation and the Economy" suggests that it is impossible
to achieve any substantial measure of tax relief by cuts in
government expenditure, the great part of which is inescap-
able and cannot be reduced. It states: "Critics never face up
to the problem of meeting these post-war expenditures. They
talk of cutting expenditure, but only in cheese-paring ways,
the effect of which upon taxation is negligible."

This is quite misleading. It is not generally realised, and
apparently not by the authors of this paper, that a compara-

* See Table I on page 182.
tively small cut in government expenditure would enable quite material relief to be given to incomes above £600. For instance, if government expenditure, which is at present running at the rate of about £500 million a year, were reduced by £10 million, this would allow an average cut in taxation of about 30/- a week on incomes between £600 and £1,000, or of something like £1 a week on all incomes over £600. A reduction of £20 million in government expenditure would double the amount of relief—an average of £3 a week for incomes between £600 and £1,000, £2 for all incomes over £600. Cuts of this magnitude are not to be sneezed at. They would certainly be very welcome to the hard-pressed middle income-earners.*

A recasting of the method of financing social security on a straightout contributory basis would also help to relieve these people of their present excessive and unfair burden as well as to strengthen the motive-power of personal incentive.

DEVELOPMENT AND ENTERPRISE

A most unsatisfactory and unconvincing section of the Government paper deals with the effects of taxation on company profits. Figures of undistributed profits are advanced to prove that taxation has resulted in no shortage of investible funds for purposes of capital development, and of total net company profits to prove that taxation has not discouraged enterprise.

It is perfectly true that there has been a substantial increase in the total of undistributed profits and of total net company income—the former has moved from £45 million in 1938-9 to £64 million in 1947-8; the latter from £75 million in 1938-9 to £108 million in 1947-8. But that is only to be expected at a time of inflation of money values and when the amount of money held by the public has nearly trebled. The paper, however, omits to mention that the costs of new build-

* These calculations are made from figures published in the Quarterly Summary of Australian Statistics, March, 1948, and in the 27th Report of the Commonwealth Commissioner of Taxation. The calculations are not, of course, put forward as definite proposals, but only as an indication of the magnitude of the relief from taxation possible through comparatively small cuts in government expenditure.
ings and equipment have much more than doubled since 1938-9, and therefore that the figure of £64 million, representing profits set aside by companies, is worth less to those companies than £45 millions of profits set aside in 1938-9.

At the annual meeting of Australian Paper Manufacturers Ltd. last September, the Chairman of Directors stated that it would cost the company £10 million at today's prices to replace fixed assets valued at less than £3 million in the balance sheet. This is typical of most well-established companies. So far, therefore, from there being ample funds in the hands of companies for investment purposes, the real value of these funds has declined sharply by comparison with 1938-9.

Moreover, the number of companies and the capital invested in companies are today very much greater than before the war. The number of companies assessed for taxable income increased from 13,201 in 1938-9 to 16,082 in 1944-5. All companies in existence today would probably number around 17,000, about one-third of which are public companies. Thus, despite an increase of 30 per cent. in the number of companies, the real value of profits set aside by companies is in total less than in 1938-9.

A further important point is that in 1938-9 economic conditions were, if anything, below normal—unemployment was about 10 per cent.—whereas in 1947-8 economic activity was at a high level with most sections enjoying record money incomes. In the interests of economic stability companies should therefore now be in a position to put aside unusually large amounts of money to reserves in order to meet the inevitable recession from abnormal boom conditions. But taxation at present levels is obviously preventing this.

MONEY PROFITS IN MANUFACTURING LESS—DESPITE THE BOOM

Finally, much of the increase that has taken place in the money value of undistributed profits is accounted for by pastoral and mining companies enjoying record money incomes from peak overseas prices, and by wholesale and retail organ-
isations earning the greatest money turnovers in their history. On the other hand, many basic manufacturing industries are making lower profits than before the war and, in order to maintain dividend rates, are cutting into much-needed reserves.

The profit position of various industries is set out in Table II.* This Table tells a very different story to the figures of company profits in the Government paper which show an overall increase from 7.6 per cent. on shareholders' funds in 1939 to 8 per cent. in 1947. Actually this improvement is largely accounted for by a remarkable increase in the profits of mining and pastoral companies (these have risen from 6 per cent. to 13.5 per cent.). Profits in manufacturing have actually fallen from 8.5 per cent. to 7.9 per cent. Due largely to the effects of heavy company taxation, the proportion of the total national income taken by company profits has fallen. Dividends which comprised 3.7 per cent. of the national income in 1938-9 fell to 2.7 per cent. in 1947-8; undistributed profits fell from 5.5 per cent. to 3.9 per cent.

THE SOURCE OF RISK CAPITAL

The efficient functioning of the free enterprise system depends upon an adequate flow of risk capital into industry. Even if the claim made in "Taxation and the Economy" that there is no shortage of investible funds were conceded, this fact would still be due to four circumstances, three of which are entirely fortuitous and temporary and for which the Government paper makes no allowance:

First, savings which banked up during the war because of the shortage of consumer goods on which incomes could be spent:

Second, the scarcity of durable consumer goods—such as houses, furniture, motor cars—since the end of the war; this means that many people who intend to purchase these goods, when they are able, are forced meanwhile to find a temporary investment for their savings:

* See page 183.
Third, the increasing practice of life insurance companies and other institutions to invest in industrial stocks:

Fourth, the very high level of money incomes in general brought about by the post-war inflationary boom conditions.

It will, however, be an entirely different matter when these conditions change. Heavy taxation, that is, taxation of present proportions, would then have a very pronounced effect on funds available for investment in equity stocks and thus for improving the productive equipment of the community. These funds can come only to a small extent from workers in the low income brackets whose savings go mainly into savings bank deposits or Government bonds. The money for risk-taking industrial investment must still be very largely provided by those in the higher incomes and from business reserves.*

It is just plain nonsense to suggest that taxation of the present proportions can be levied indefinitely without having an adverse effect on the volume of funds available for investment, and especially for risk-taking investment.

* See Table III on page 184.
STATISTICS APPENDED TO
“TAXATION AND THE ECONOMY”

TABLE I

Proportion of National Income Absorbed in Taxation

<table>
<thead>
<tr>
<th>Year</th>
<th>Personal £m.</th>
<th>DIRECT Company £m.</th>
<th>Total £m.</th>
<th>INDIRECT £m.</th>
<th>TOTAL TAX £m.</th>
<th>NATIONAL INCOME £m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938-9</td>
<td>33</td>
<td>16</td>
<td>49</td>
<td>92</td>
<td>141</td>
<td>814</td>
</tr>
<tr>
<td>1944-5</td>
<td>166</td>
<td>60</td>
<td>226</td>
<td>153</td>
<td>379</td>
<td>1274</td>
</tr>
<tr>
<td>1945-6</td>
<td>171</td>
<td>56</td>
<td>227</td>
<td>171</td>
<td>398</td>
<td>1284</td>
</tr>
<tr>
<td>1946-7</td>
<td>167</td>
<td>54</td>
<td>221</td>
<td>216</td>
<td>437</td>
<td>1359</td>
</tr>
<tr>
<td>1947-8</td>
<td>177</td>
<td>70</td>
<td>247</td>
<td>227</td>
<td>474</td>
<td>1635</td>
</tr>
</tbody>
</table>

% National Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Personal %</th>
<th>DIRECT Company %</th>
<th>Total %</th>
<th>INDIRECT %</th>
<th>TOTAL TAX %</th>
<th>NATIONAL INCOME %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938-9</td>
<td>4.0</td>
<td>2.0</td>
<td>6.0</td>
<td>11.3</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>1944-5</td>
<td>13.0</td>
<td>4.7</td>
<td>17.7</td>
<td>12.0</td>
<td>29.7</td>
<td></td>
</tr>
<tr>
<td>1945-6</td>
<td>13.3</td>
<td>4.4</td>
<td>17.7</td>
<td>13.3</td>
<td>31.0</td>
<td></td>
</tr>
<tr>
<td>1946-7</td>
<td>12.3</td>
<td>4.0</td>
<td>16.3</td>
<td>15.9</td>
<td>32.2</td>
<td></td>
</tr>
<tr>
<td>1947-8</td>
<td>10.8</td>
<td>4.3</td>
<td>15.1</td>
<td>13.9</td>
<td>29.0</td>
<td></td>
</tr>
</tbody>
</table>

### TABLE II

**Company Profits**

<table>
<thead>
<tr>
<th>Industry</th>
<th>1939</th>
<th>1947*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing—</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food, drink and tobacco</td>
<td>9.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Clothing, boots, etc.</td>
<td>6.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Textiles, paper, chemicals, rubber, flour</td>
<td>7.0</td>
<td>7.9</td>
</tr>
<tr>
<td>and sugar mills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor cars, furniture and hardware,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>musical instruments, etc.</td>
<td>15.4</td>
<td>10.7</td>
</tr>
<tr>
<td>Bricks, glass, tiles, cement, timber, etc.</td>
<td>7.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Iron and steel and heavy engineering</td>
<td>9.3</td>
<td>6.9</td>
</tr>
<tr>
<td>Other metals and machinery</td>
<td>7.7</td>
<td>7.9</td>
</tr>
<tr>
<td><strong>Total Manufacturing</strong></td>
<td>8.5</td>
<td>7.9</td>
</tr>
<tr>
<td><strong>Mining—</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Silver, lead, zinc, tin, etc.</td>
<td>9.6</td>
<td>16.6</td>
</tr>
<tr>
<td><strong>Total Mining and Primary Production</strong></td>
<td>6.0</td>
<td>13.5</td>
</tr>
<tr>
<td><strong>Distribution—</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Softgoods and food</td>
<td>4.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Wool, hides and skins, oil, stationery, etc.</td>
<td>6.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Machinery, motor parts, furniture, etc.</td>
<td>7.5</td>
<td>11.2</td>
</tr>
<tr>
<td><strong>Total Wholesale</strong></td>
<td>5.6</td>
<td>8.7</td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Softgoods, shoes, food, drugs, etc.</td>
<td>8.1</td>
<td>9.2</td>
</tr>
<tr>
<td>Motor cars, furniture and musical instruments</td>
<td>6.6</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>Total Retail</strong></td>
<td>7.8</td>
<td>9.2</td>
</tr>
<tr>
<td><strong>Total Distribution</strong></td>
<td>7.1</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Total Services</strong> — Utilities, transport,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>newspapers, etc.</td>
<td>6.5</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>Total Finance</strong> — Banks, Trustees, Insurance, etc.</td>
<td>4.7</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>6.8</td>
<td>7.3</td>
</tr>
</tbody>
</table>

*The figures for 1947 refer to the same companies in 1939. The groups are not necessarily complete.

### TABLE III

Proportion of Total Savings Accounted for by Income Groups in U.S.A., 1947

<table>
<thead>
<tr>
<th>FAMILY INCOME GROUPS* (In order of size of income)</th>
<th>PERCENTAGE OF TOTAL SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Upper tenth</td>
<td>52</td>
</tr>
<tr>
<td>2. Second tenth</td>
<td>14</td>
</tr>
<tr>
<td>3. Third and fourth tenths</td>
<td>15</td>
</tr>
<tr>
<td>4. Fifth and sixth tenths</td>
<td>11</td>
</tr>
<tr>
<td>5. Seventh and eighth tenths</td>
<td>6</td>
</tr>
<tr>
<td>6. Remaining two tenths</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>


*Note.*—The above table clearly shows that the bulk of the savings in the U.S.A. in 1947 were made by the higher incomes. 60 per cent. of U.S.A. family units forming the lower income brackets were responsible for only 19 per cent. of total savings in 1947.

*Family Income Group is defined as all persons living in the same dwelling and belonging to the same family who pooled their incomes to meet major expenses.*