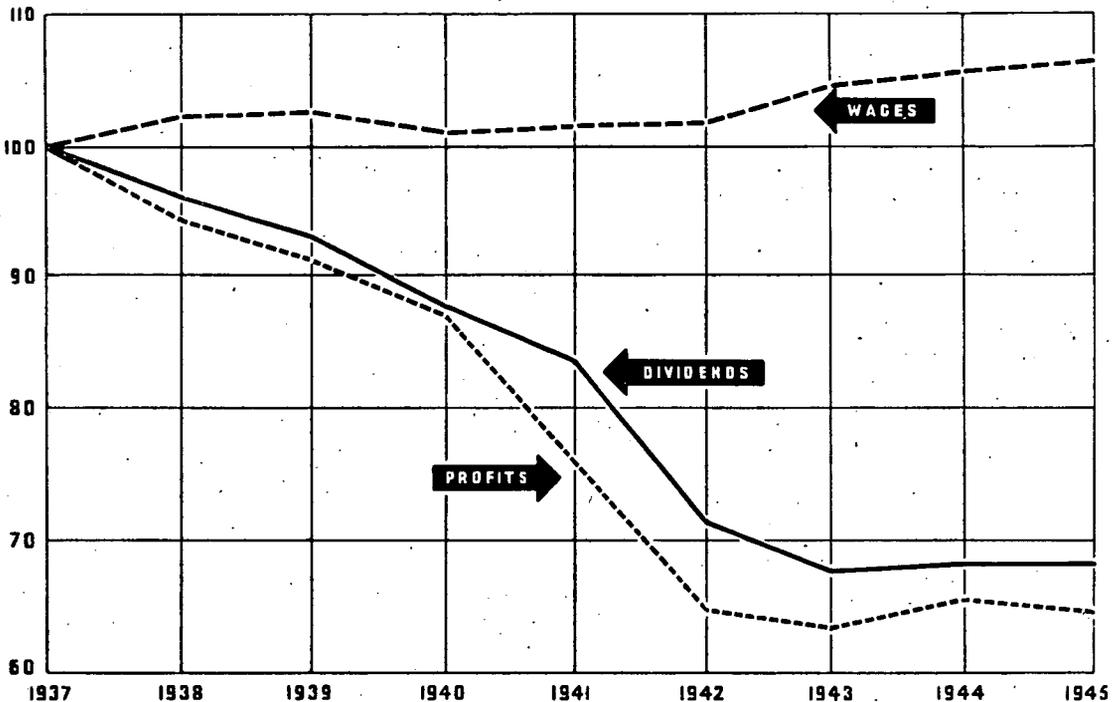


# WAGES, PROFITS & DIVIDENDS: 1937-1945

## Graph No. 2: Real Rates



1. The indices in this graph reflect the real values, i.e., purchasing power of the money values shown in the first graph. Real values are obtained by adjusting for changes in prices by the "C Series" index number published by the Commonwealth Statistician.

2. The "C Series" index number merely purports to demonstrate the change in the cost of a similar selection of commodities and services consumed by the average wage-earner between two periods of time, and for this reason has limited validity as an index of the purchasing power of money. Its application to money wages is much more exact than its application to money dividend receipts. It has been adopted in this analysis for want of a better alternative measure. This does not affect the general argument that there has been a fall in the real value of profits and dividends for the use of the "C Series" index has the effect of considerably underestimating the decrease in the purchasing power of most shareholders.

3. The base year 1937 = 100.

N.B.—Information published after this analysis was completed indicates that in 1946 there was a further rise in real wages and little change in real profits.

# WAGES, PROFITS & DIVIDENDS: 1937-1945

## Interpretation of Graphs on pages 17 & 18

**T**HE statistical analysis comprised in the two graphs depicts the trends in profits and dividends and wages since the pre-war years. The first graph suggests that there has been a fairly substantial increase in money rates of wages and some falling away in rates of company profits and dividends as measured by the percentage of profits and dividends on shareholders' funds.

But wage rates on the one hand and profit and dividend rates on the other have little significance to the wage-earner, company or shareholder, apart from the quantity of goods and services that they can purchase. It is necessary, therefore, to make some allowance for the changes that have taken place in the purchasing power of money since the pre-war years. It is the common practice to measure these changes by the "C Series" price index number which is the index adopted by the Commonwealth Arbitration Court for adjusting the basic wage to variations in the cost of living. While it is doubtful whether this index gives a true reflection of the rise in the cost of living or of general prices since the pre-war years, and while the index is not perfectly satisfactory for the purposes to which it has been applied in this analysis, it is probably the best available general indicator of price changes.

When rates of wages, dividends and profits have been adjusted for price changes

by this index it appears that real wages (before payment of tax)—i.e., wages in terms of the goods they could purchase—have risen by something like 6% since 1937, whereas dividend rates (before payment of tax) have fallen by 32%. Rates of company profits (after providing for tax) earned on shareholder's funds have fallen by 35%.

With the recent lifting of ceiling prices on shares, the shareholder's capital equity in money terms has increased substantially since 1937-8. However, when share values are adjusted for price increases by the "C Series" index (taking this index to measure the depreciation in the value of the £A) their average value has risen only very slightly.

No provision has been made in this survey for the effects of personal income tax or of social service expenditure on the real income of the wage-earner as against that of the shareholder. The rise in tax rates has been more severe on income from property than on income from personal exertion. In addition the heavy increase in social service expenditure in recent years has favoured the wage-earning sections at the expense of shareholders and those in the higher income brackets.

The statistical evidence suggests that since pre-war years there has been some improvement in the economic position of the wage-earner relative to that of the shareholder, public companies and other recipients of income.

