



The I.L.O. and World Economic Policy

by

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The League of Nations Union devoted its Annual Conference this year to the subject of "The I.L.O. and World Planning". At the opening session of the Conference, held in London on 18 February 1936, Mr. Lewis L. Lorwin, Economic Adviser to the International Labour Office, gave an address which is the basis of the present article. In interpreting the work of the International Labour Office and in trying to apply its principles to general international problems, Mr. Lorwin is, of course, expressing his personal views.

AN INSTRUMENT OF PEACEFUL CHANGE

SEVENTEEN years ago the world, chastened by the suffering and horrors of war and aroused by the westward march of revolutionary thought, declared that the new era which was coming must dedicate itself to two great ideas : universal peace and social justice. In this mood of idealism and under pressure of the social forces released by the war, the western world in 1919 made the greatest effort at conscious building of new institutions since the days of the eighteenth century, when the American and French people, gathered in popular assemblies, hammered out their democratic constitutions. Despite all their limitations which can be and have been criticised, the League of Nations and the International Labour Organisation are examples of political planning on a world scale without parallel in history. These institutions demonstrate that, in great critical moments, the human mind must and does rise to the task of using its rational energies in a systematic way in order to build up new agencies to meet the problems with which it is confronted.

This process of conscious construction is a manifestation of the planful procedure which has proved so significant in the political evolution of mankind, and the application of which to economic affairs is now one of the main issues of the day.

The general idea of international planning to-day is based upon a conception of world development which is both rational and hopeful. In discussing world planning we have in mind the fact that the world is grappling with difficult economic and social issues, and that a concentrated effort must be made to substitute peaceful and progressive change for mere drift or for arbitrary and violent action. Certainly, world planning is not to be thought of as a procedure of settling issues by a central Government Board directing the economic and political affairs of the sixty-odd nations of the world in a dictatorial fashion. Those who talk of planning as a process of carrying out a fixed programme on the basis of a blue print, by a central board giving orders and directions without regard to local or individual needs and rights, are painting consciously or unconsciously a caricature of planning. What we have in mind is a flexible process of international discussion, of concerted action by means of which a series of inter-related measures and policies may be carried out by all the countries of the world for a common end. Certainly, such world planning is all that we can hope for at the present time or may wish for ; and such planning, regardless of its limited character, calls for international agencies by means of which its purposes may be attained.

In this large sense the I.L.O. can and should be regarded as the most important agency of world planning within a given sphere, namely, in the sphere of industrial relations and social justice. The I.L.O. emerged in 1919 as a completely new departure, as an original international instrument of peaceful change for the purpose of building a new and just social order. In saying this I do not overlook the long history that lies behind the I.L.O., the early work of men like Robert Owen and Legrand, the pioneer work of the various people interested in labour legislation and of the preparatory work done by social organisations and the Socialist parties before the war. But though the separate elements entering into the I.L.O. evolved before 1914, the hammering out of the organisation in 1919 was a creative act of forging a new institution *in toto*, a manifestation of institutional planning *par excellence*.

At the same time, the I.L.O. is based on a Preamble,

Constitution and set of objectives which impart to it a high degree of concreteness, flexibility, and realism. The I.L.O. did not start out with a fixed programme of ultimate ends which were to be carried out all at once. It set out to realise a programme of immediately possible reforms as steps in successive stages of social evolution. In other words, the I.L.O. started out to move in a certain direction of economic and social re-organisation which was limited neither in time nor in character. Its large aim, the elevation of the standard of living and of the social status of labour, was to be accomplished through a series of successive approximations towards a final goal whose content was to be enlarged with every advance in the economic and social life of the world. To this fact the I.L.O. owes its positive and dynamic character—which is its most distinguishing feature to-day.

PRINCIPLES OF THE I.L.O.

As an agency of peaceful change in the sphere of labour and social relations, the I.L.O. performs its task primarily through draft Conventions and Recommendations which are adopted by its general Conference. The forty-nine Conventions adopted by the annual sessions of the Conference of the I.L.O. between 1919 and 1935 are concrete and practical measures to improve conditions of labour in specific ways. The larger significance of these draft Conventions, however, lies not in their concrete provisions, but in the general principles which they embody. These principles are important, in my opinion, because they give the I.L.O. its dynamic character and because they might be extended to other spheres of international action.

The first principle which underlies draft Conventions is that of *universality*. True, Conventions do not impose any definite obligations upon a country unless and until they are ratified. In this respect, Conventions are international treaties dealing with labour questions. But draft Conventions differ from other international treaties in that they set up *minimum social standards* which can serve as a pattern for national legislation and as a stimulus for labour reform in all countries, and especially in newly industrialised countries. The basic idea is that, whether a Convention is ratified or not, the standards which it sets up have been fixed by the common deliberation and substantially unanimous vote of *all* nations as a minimum required by modern industrial civilisation.

A second principle, closely related to the first, is that of *equalisation*. The standards set up by draft Conventions are meant to equalise labour conditions in different countries, to improve them simultaneously. It has often been said that the draft Conventions of the I.L.O. merely crystallise the lower standards capable of adoption by less developed countries. That is not correct. The advanced character of some of the provisions in the Conventions on Social Insurance, for instance, is illustrated by the fact that practically every country ratifying these Conventions has had to amend its national law and practice in order to bring them into conformity with the articles of the Conventions. Certainly, the Convention on the 40-hour week is an attempt to carry all countries together in a great forward move beyond their present condition.

But even if some draft Conventions embody standards below those in the advanced industrial countries, that does not change the situation. What is important is the recognition that a greater equalisation of labour standards throughout the world is a condition *sine qua non* of further labour advance in all countries. This principle means that the modern world is rapidly coming to a point where individuals and nations can enjoy the benefits they have, only by sharing them more and more with those that have not.

A third principle which seems to me important is that of functional representation. The I.L.O. is organised on a tripartite basis. In the Conference as well as in the Governing Body, Governments, employers and workers are represented by delegates. This occupational principle of representation in the I.L.O. was due to the special circumstances of 1919, particularly to the demand of the workers to participate in the formulation of Conventions. However, the principle has since proved of much wider potentialities. It is particularly adapted to overcome the difficulties in the field of world action due to divergencies of national points of view. The economic groups of workers and employers form units transcending national lines. They look at problems not so much from the point of view of one or another country but from the point of view of the economic interests which are inherent in modern industrial life. While this procedure has difficulties and limitations of its own, it is undoubtedly the most promising method for developing an international point of view and common international standards.

The principle of functional group representation embodied

in the I.L.O. is important also because of its flexibility. It lends itself to development under changing economic and social conditions. Under the present economic system the groups of workers and employers and the Governments represent, in part, property interests. But they also represent functional interests which would be valid under any system of economic and social organisation. The employers in essence represent the principle of management and direction, the workers the principle of execution, the Governments represent the interests of consumers and the people as a whole. These three major interests are basic in any modern society. They are evident, for instance, in the U.S.S.R., under a system of collective ownership.

Of course, no one who has observed the work of the I.L.O. can overlook the fact that the various groups are influenced by consideration for the interests of their respective countries. This is inevitable so long as the different countries of the world are at different stages of development, and cannot enforce the same standards of labour and social legislation. But the nationalistic element involved in such considerations is much less prominent, and must tend to become less determinative as the industrial development of the world proceeds towards a greater equalisation of methods and conditions.

Another principle of the procedure of the I.L.O. which is of great significance is its method of factual studies in preparation for the drafting of Conventions. It is unnecessary here to emphasise the fact that planning of any kind, whether within a given enterprise or on a national scale, and still more on a world scale, cannot proceed without adequate knowledge of the facts involved. Research is the handmaiden of planning. It helps to narrow the area of conflict within which compromise has to be achieved in order that any plan may be formulated. It is a mistake to think that planning implies complete agreement as to objectives and methods, or dictatorial power to enforce a decision. Even under dictatorial governments, planning is accompanied by considerable disagreement as to methods and policy. The democratic procedure of discussion and compromise is workable on two conditions: first, that our factual studies be as extensive as possible, so as to eliminate mere opinion and whim; and, secondly, that a certain degree of willingness to make adjustments be present. It is the merit of the I.L.O. that it has embodied these two ideas in its procedure.

Thus, by setting up universal standards tending to equalise labour conditions throughout the world and by throwing a bridge of economic adjustments across national frontiers, the I.L.O. is building an international labour and social code. In this way, it is performing a large function in planning the outlines of a new order in which the economic and social institutions will be geared to the ideals of peace and justice.

THE LABOUR-SOCIAL APPROACH

From its beginning, the I.L.O. was inclined to apply the general principles of its social policy to the sphere of economic problems. In general, however, it may be said that during the first ten years of its existence the I.L.O. was dominated by the idea of passive adaptation to existing economic conditions. International labour Conventions were a means of dealing with effects rather than with causes, and the establishment of uniform protective standards assumed that the main task was to eliminate as much as possible inequalities in labour conditions in different countries, in order to lift international competition to a plane more conducive to world peace.

In 1932, however, a turning-point was reached. The Great Depression brought to light the fact that even highly developed systems of social insurance did not prevent millions of workers throughout the world from falling into deep misery, and that international labour Conventions were not entirely adequate to meet the problems due to loss of income caused by cyclical movements of business. The I.L.O. faced the challenge of unemployment due to industrial depression, and the Conference in 1932 and 1934 adopted resolutions advocating large measures in the fields of monetary policy, credit, international trade and public works, for the purpose of stimulating economic recovery. These resolutions were the expression of an effort on the part of the I.L.O. to play a more active part in shaping the economic conditions which determine the scope and effectiveness of labour and social standards. This attitude was further manifested in the Director's Report for 1935.

The work of the I.L.O. along these new lines is only beginning. But it is already proving significant ; for it is bringing to light the fact that, in economic matters as in social policy, the I.L.O. has a distinctive contribution to make. The Conference resolutions of 1932-34 and the Director's Reports contain the

elements of what may be called a labour-social programme of economic recovery and reconstruction. Briefly, this programme is based on the following proposals :

(1) Expansionist monetary and credit policy in times of depression, in order to stimulate industrial activities ;

(2) Government support to programmes of industrial expansion having social significance, such as public works and low-rent housing for the people ;

(3) Development of social policies, including not only social insurance but measures for improving levels of nutrition and conditions of public health ;

(4) Reduction of hours of labour in key industries, with the idea of achieving a standard 40-hour week ;

(5) International agreement on trade policies for the fuller utilisation of economic resources.

The labour-social programme outlined above proceeds on the basis of economic concepts which have been making headway during the post-war period. These concepts—stressing the interaction of economic and social factors, the limitations of individualistic cost-accounting, and the dynamic value of collective guidance—unquestionably still need elaboration and precision. But they supply a point of departure for a policy which aims at the development of world economic resources for the purpose of establishing the highest material and cultural standards possible.

THE WIDER APPLICATION OF I.L.O. PRINCIPLES

It is not my purpose to develop here a detailed programme of international action. But in view of current discussion, it may be worth while to indicate how the principles of the I.L.O. might be applied to the solution of international problems generally.

After all, in essence the present tension in international economic relations is the result of the inter-action of four major tendencies. One is the dislocation of pre-war economic units as a result of the Versailles Treaty ; the second is the desire of small and new nations to maintain themselves politically by making themselves economically more self-sufficient ; the third is the movement of younger industrial countries, such as Japan, to establish themselves as great industrial powers in opposition to older countries, and the fourth is the effort to build up regional economies on the basis of new social and economic principles represented by the U.S.S.R. The inter-action of these

factors and tendencies has altered the old lines of the international division of labour, has changed the currents of international trade, and has played havoc with established methods of doing business between nations. The political currents and cross-currents created by these economic tendencies have resulted in the rise of the new doctrines of anti-democratic militarism. These economic and political tendencies are at the root of the current discussion of redistributing colonies, of greater access to raw materials and of other issues of a politico-economic character.

What seems to me the main defect in these discussions is the absence of any long-range conception as to what sort of a world we want to create and as to the system of international relations we should try to build up. What should be done first of all is to clarify the atmosphere of world relations, to disperse the clouds of distrust and conflict between nations. We need to give some assurance that a concerted effort will be undertaken to work out a solution that will be to the benefit of all.

The principles of the I.L.O. as applied in the particular sphere of industrial relations seem to me to point a way out. If the nations of the world, either in a new general conference assembled for the purpose of reviewing the present situation or through the present League of Nations, could adopt a simple statement of economic objectives based on the same principles which underlie the work of the I.L.O., namely, universality and the equalisation of conditions, they would make the first step towards a positive and dynamic programme.

It is with this in view that I would venture two suggestions. First, that a declaration be made to the effect that the objective of the nations of the world and of the League of Nations shall be the simultaneous improvement of the conditions of living throughout the world, and that for such purpose it would be necessary to equalise the opportunities of all countries with regard to raw materials, credits, markets, etc. Second, that for the purpose of developing a concrete programme for the realisation of these general objectives, a series of permanent expert committees be set up to study the application of these principles to such problems as migration, raw materials, and so on. Such committees would be required to prepare not only general factual statements, but specific proposals of policy based upon the principles indicated above.

It is not assumed that such a procedure can result either in an immediate change of the international situation or in the

complete acquiescence of the discontented nations. But it may be assumed that if the objectives set up and stated by the nations of the world are shown to be genuine, and if the work of the committees of experts proceeds rapidly enough and objectively enough, the effect should be to arouse public opinion to a realisation of the possibilities of peaceful change on a world scale. This would mean that the forces of peace and of intellectual co-operation would have a real argument in favour of their cause.

I make no special plea for any of the particular remedies which have been suggested within the last few months, neither for the re-distribution of colonies, nor for some system of international distribution of raw materials, nor for international mandates, etc. I think that all these ideas, while interesting and valuable, are the result more of immediate reactions to a serious situation than of careful thinking based upon adequate studies. These proposals are dictated more by the desire to pacify one or another discontented group, without regard to the effects which such policies may have upon those to whom they are to be applied. After all, the fate of the colonies is not only of interest to the white peoples of the world, but to the inhabitants of these colonies themselves. Besides, changes of territory and redistribution of colonies seem to me to be of less importance than the equalisation of benefits which come from the possession of colonies. What we must strive for is to find a programme which will help not only the white people to settle their quarrels but the less developed populations to prepare themselves for an independent part in the government and economic life of their own countries.

It is a sad commentary on the state of international affairs that all these problems which have been in the background of our international life for over a decade, in fact since the end of the World War, have not been studied systematically either by public or private institutions which presumably exist for such purpose. The world is always being confronted by surprise issues, partly because it fails to use that minimum of forethought and foresight in relation to its own development which would make such surprises impossible.

WORLD CONFLICT OR SOCIAL JUSTICE

The proposals made above will be criticised either as unnecessary or as impossible. Some critics will say that such attempts at "world planning" are not needed now that business

recovery is on its way and the world economic condition is improving. Others will claim that the proposals have no chance under present-day international conditions and are therefore utopian.

Undoubtedly, some of the economic optimism abroad at the present time seems justified. Business is on the upswing. With the exception of the gold bloc countries, there is increasing industrial activity, a greater volume of production, larger profits and some improvement in employment. But this optimism draws its force from an uncertain source. The present economic situation, despite all the improvements which are manifest, is full of danger because of its internal contradictions. Recovery for the time being tends to conceal underlying difficulties due to continuing inequalities in the relation of population to resources as between countries, and in the distribution of income within countries. Also, the profound changes in the structure of national economies—such as the further development of planned economy in the U.S.S.R., the industrial expansion of Japan and other countries, the increasing interventionism of government in economic life—make it less and less likely that the present recovery will result in the re-establishment of an automatic economic equilibrium on a pre-depression basis.

There is a special danger in the present economic situation—the growing tendency to try to assure recovery by means of increased armaments and preparations for war. We have here one of the most sinister signs of the times. For there can be no question that the more prosperity becomes dependent upon rearmament, the greater will be the temptation to increase armaments, the greater the difficulty of stopping them, with the result that armaments once made will eventually be used for their destructive purposes. If this competition in armaments continues, it is only a matter of a few years before the whole edifice will collapse and the smile of prosperity will be turned into the death-grin of war.

We can make this statement to-day, for our recent experience especially since 1930, has shown us more forcibly than ever the intimate relation between peace and social justice. It is not merely that if the masses of the people are allowed to live in poverty there is danger of social unrest which may lead to conflict between nations. That was the idea which underlay our thinking during 1918-1920. But in the last few years

we have realised that, while that is true, there is another even more subtle way in which peace and justice are inter-related. A social and economic régime which cannot hitch its wagon to the star of justice has no way of developing its energies and of guiding the dynamic impulses of its people. Without a wide and progressive programme of social advance the extremely dynamic forces of modern society must either be suppressed or find their outlet in external expansion leading to imperialistic adventure, which means war. This has long been recognised in the famous phrase of the American philosopher, William James, who demanded "a moral equivalent of war". The modern world must thus choose. It can either have peace based on social justice, or it must have war leading to social chaos and revolution.

But it will be said that the proposals made are utopian in view of the present state of international affairs. Undoubtedly in certain parts of the world there is but little desire to listen to rational proposals for peaceful change.

All we can say is that that does not change our task essentially. The danger that looms ahead makes it all the more necessary that we put forth every effort to stimulate international co-operation for peace and justice. We know from bitter experience that problems are less and less likely to be really solved by the clash of arms. If the course of peaceful change fails within the next few years and the world is again plunged into the madness of war, that will merely put off for a while and aggravate the problem of reconstruction. Our task is then to keep on preparing the minds and the hearts of people for such constructive work. The greater our own efforts towards a clarification of issues on a basis of factual studies, and the more concrete we can make our proposals for readjustment, the greater chance we shall have of proving to the world that the path of progress lies through intelligence, imagination, and co-operation in world planning.



House Building, the Business Cycle, and State Intervention: II¹

by

Leo GREBLER

THE EFFECTS OF HOUSING SUBSIDIES ON THE BUSINESS CYCLE

The British and German examples since the war show an elimination of the independence of house building with regard to the general business cycle. House building before the war was anticyclical. After the war, and so long as it was subject to the influence of State assistance, it was cyclical. This change in the position of house building in the business cycle is obviously connected with the granting of public funds. Both in Germany and in Great Britain (here, indeed, only up to 1927) the State subsidies for house building were greatest precisely in the period of the general prosperity, while they were rapidly reduced after the turning point of the cycle (in Great Britain, somewhat before). That this was so is to be ascribed primarily to the fact that the social problem of remedying the housing shortage was not seen in its relation to economic policy. The connection between the two was largely unrecognised.² Further, State assistance meant that house

¹ For the first part of this article, cf. *International Labour Review*, Vol. XXXIII, No. 3, March 1936, pp. 337-355.

² It is indeed astonishing how little attention the extensive post-war literature on housing pays to the rôle—not unknown in the theory of the business cycle—of house building in that cycle. In addition to the work of K. PRIBRAM, already mentioned, the following may be indicated: E. WAGEMANN, in the collective work “*Deutsche Siedlungsprobleme*”, publication of the *Forschungsstelle für Siedlung und Wohnungswesen* of the University of Münster (Westphalia), 1929, pp. 265-278. Wagemann, however, makes only a brief reference to the problem. A detailed investigation of pre-war movements in Germany, not only of house building but of building as a whole, appears in the frequently cited Supplement, No. 17, of the *Institut für Konjunkturforschung*, Berlin. The English publications certainly deal extensively with the antagonism between Government and private enterprise in housing, but not in relation to the cyclical effects. Only H. BARNES, *op. cit.*,

building became highly dependent on the budget situation in the countries concerned. And since Governments have not used their financial policy to smooth the business cycle, budget movements have hitherto always been cyclical, that is to say, they have followed, with a slight time lag, the general course of the cycle. There is a similar problem here to that of financing schemes for providing employment out of public funds. The flow of money from this source tends to be smaller in periods of depression, just when the provision of employment is most necessary and this is why every measure for providing employment that is financed solely out of the normal budget has so far proved more or less ineffectual.

The dependence of house building on the State budget on the whole intensified the fluctuations of the business cycle, instead of moderating them. Building thus came to follow the same cyclical rhythm as economic activity in general. In the case of Germany, for example, it is arguable that it would have been better to have refrained from subsidising building in the years when the general level of such activity was high, from 1926 to 1929, and to have had recourse to public funds only from 1930 onwards, after the turning point of the cycle. Such a housing policy, determined by the course of business, if properly financed might have checked the slump, and made it unnecessary later to provide employment on so large a scale in other fields than house building. Instead of this, the sudden withdrawal of the subsidies which until then had been pouring into house building probably intensified the slump. In Great Britain it is true that housing subsidies were reduced already in 1927; but this was repeated in 1929, at a time when the reverse policy would have been more expedient from the point of view of cyclical equilibrium. The maintenance of the housing subsidies, say at the level of 1928-29, might have helped to moderate the slump of 1930-32. It would in no way have crippled the development of private house building, since this, as has been seen, depends primarily upon the rate of interest, besides which, especially in Great Britain, the building that is financed out of public funds serves quite other aims than the building undertaken by private

makes a general statement concerning the opposite directions taken by building activity and economic prosperity as a whole, which, incidentally, he applies to the whole of the nineteenth century. For the American literature, see the first part of this article: footnote ² p. 354.

enterprise. For example, energetic Government action to clear the slums need in no way have hampered private enterprise in the domain of ordinary house building. In the meantime the view has come to prevail in Great Britain that more must be done than hitherto for slum clearance (cf. the new Housing Act passed in August 1935), and increased efforts are to be expected in this direction. It is worthy of remark that this intensification of Government action has once more set in at a time when the building market is in any case in full swing and business activity has reached a high level.

Both in Great Britain and in Germany, as has been shown, subsidies were granted in a period of high general business activity, that is to say, of high interest rates, high prices, and high wages. They in turn forced the interest level higher still. The subsidies and loans granted free of interest or at low rates placed builders, whether public bodies, public utility organisations or private contractors, in a position to pay rates of interest higher by that much on the rest of the capital required.¹ The demand for mortgage credit was thus artificially made effective; it reinforced the demand for capital of other branches of industry in times of rising prosperity and boom; and since the subsidies enabled it to reckon with less narrow margins than the other users of capital, its competition was hard for them to meet. The natural consequence was a rise in the interest level on the whole capital market. Moreover, private capital was in this way attracted into building, although at such a stage of the business cycle more productive forms of investment were available. The supply of capital for the rest of industry suffered, with the result that one of the many factors which usually determine the turning point of the cycle was brought into being or strengthened.

Further, this concentration of building activity often meant a loss, after that turning point had been passed, of the stimulus which provides a way out of the depression, for the demand for housing had already been met to a certain extent during the preceding period of prosperity. Many States therefore had recourse during the depression to other means of over-

¹ In Germany, for example, from 10 to 12 per cent. was sometimes paid for first mortgages, whereas usually only from 1 to 2 per cent., including amortisation, was due for the so-called rent-tax mortgages, which ranked second or third. The resulting average of interest charges could thus be substantially higher than before the war, thereby stultifying the cheap State loans in their aim of keeping average interest charges down to what could be borne.

coming the crisis. It is remarkable how small a part house building has played in the manifold measures for providing employment which have been resorted to in the last few years. Yet, from the point of view of productivity, it does not fall behind numerous other schemes for providing employment, such as road and bridge building, river regulation, and land improvement. Its labour costs are high. Moreover the very important condition that the goods produced by the scheme shall not circulate, because they would otherwise ruin the market and so "create" a demand for new schemes, is fulfilled by house building, provided the State assistance is confined to dwellings for the poorest classes, in other words to tackling a problem which, according to all experience up to now, cannot be solved in any other way. Further, house building has the advantage over many other schemes for the provision of employment that the State subsidies usually form only a small part of the total capital employed, whereas in the case of other public works the whole amount must be found by the State.

STATE ASSISTANCE IN RELATION TO ECONOMIC POLICY

A German investigator of the theory of the business cycle¹, who briefly touches on the subject of this study, has pointed to the almost grotesque circumstance that unregulated private enterprise apparently works more rationally than public authority in this matter. Without any desire to discuss the fundamental questions raised by this antithesis, the following observations should be made. Past experience, to judge from the available material, does not warrant the conclusion that State intervention in house building—whatever other effects it may have—must necessarily alter the place of housing in the business cycle and thus intensify cyclical fluctuations. On the other hand it affords certain indications as to what conditions must be satisfied by State intervention if it is to avoid the disturbances which have been described. Among these is the condition that it should be guided by the general policy adopted with regard to the business cycle and should take into account the special course followed by house building in relation to the cycle. Subsidies and other measures of assistance should therefore be initiated more particularly in periods of depression,

¹ E. WAGEMANN, *loc. cit.*, p. 273.

when interest rates and building costs are low. In its financial policy the State must aim in this matter too at smoothing cyclical disturbances. In a word, both the timing of State action and the methods of financing raise all the problems that are already familiar in connection with the provision of employment.¹

Many authorities have been content since the war with launching long-period housing programmes, without considering the question of the best date for carrying them out from the point of view of influencing the business cycle. It was only too obvious that both Governments and parliaments should in times of prosperity, with rising revenue receipts, be more inclined to provide State funds for housing, and it was equally natural to withdraw such funds from housing after the peak of the cycle had been passed. Yet exactly the opposite procedure is expedient from the point of view of influencing the business cycle. The desire that the State should subsidise house building is also frequently asserted when private initiative begins to fall off in the second stage of recovery. This is often due to the impression that if house building were to shrink at this stage, business in general must decline, and that therefore it would be advisable to maintain its volume by means of State assistance.² The idea of "stabilising" business also plays a part here. These arguments cannot be accepted as they stand. In times of prosperity house building is generally replaced by commercial and public building, so that its shrinkage does not necessarily involve a diminution of the total volume of building. Moreover, State assistance during such a period, as has been shown, usually only intensifies the cyclical fluctuations, without being able to prevent the change-over to depression, the causes of which are much more complex. Immediately after the war, when the housing shortage was most pressing, it was anyhow intelligible that all cyclical considerations should be outweighed by the desire to increase the supply of houses. Up to a certain point it was justifiable to build "many dwellings at high rents rather than few dwellings at low rents", as Pribram (*loc. cit.*) expresses it, regardless of the connection with the general movement of prices and interest rates. To-day, on the other hand, the

¹ Cf. INTERNATIONAL LABOUR OFFICE: *Public Works Policy*; Studies and Reports, Series C, No. 19; Geneva, 1935.

² Cf., for the present situation in England, "The Housing Boom", in *The Economist*, 26 Oct. and 2 Nov. 1935.

State housing problem is no longer a general one of quantity, of securing the greatest possible increase in housing accommodation, but a limited one of quality : how to provide adequately for the poorest classes. The solution of this problem calls in any case for the long view, and not only permits of making full allowance for cyclical factors, but must be unsatisfactory without it. By concentrating house building in periods of rising prosperity and boom the subsidies have led to a heavy increase in costs. In consequence the new buildings have only to a comparatively small extent benefited the classes on whose behalf the State primarily intervened, the low-paid workers. Both in Great Britain and in Germany it is rather the middle class that has enjoyed the benefit of the State subsidies. Cheap building is therefore not only a question of technique and of rational forms of building, but also one of timing.

The last question is that of the form State intervention ought to take to be adequate from the point of view of influencing the business cycle. From what has been said above, the most suitable measures are those, of whatever kind, which reinforce the mechanism for bringing capital into house building after the peak of the cycle has been passed. These include in a general way the policy of cheaper money, which has been so much refined in recent years. For house building in particular there is, further, the system of public guarantees for second mortgages, which in many countries has taken the place of direct capital subsidies by the State and has been found very effective. The usual obstacle to the building of cheap working-class dwellings is the lack of a certain margin for obtaining the customary yield, and this is often connected with the high cost of second and subsequent mortgages, which certainly exceeds that of first mortgages by fifty per cent. on the average. Even before the war there were difficulties in the way of obtaining these later mortgages in many countries. After the war the difficulties were at first overcome because State subsidies or loans, granted either free of interest or at very low rates, took the place of the mortgages. But the problem of second mortgages again became very acute when State financial assistance was withdrawn ; and it was therefore only logical that in several countries the ending of house-building subsidies was accompanied by the creation or extension of State and municipal guarantee institutes for second mortgages. A State guarantee has the great advantage of making

house production cheaper, for it reduces the risk on second mortgages, and therefore lowers their cost, without affecting the special position of house building in the business cycle—provided that the principles on which it is granted are fixed for the long run. During a period of depression it facilitates the flow of capital to house building, but in periods of prosperity it is not a sufficient incentive to lead to an uneconomic absorption of private capital in house building. Thus it does not interfere with the mechanism of interest as a whole, as do subsidies, whether towards capital or interest charges. From the point of view of the business cycle tax exemption, if spread over sufficiently long periods, is also a neutral measure. Such measures, however, are suitable only for the general promotion of house building for the poorest classes, and cannot serve other important aims of housing policy which the State will have to set itself in the immediate future. Slum clearance, in particular, calls for the direct contribution of State funds, and here it becomes necessary to pay special attention to cyclical considerations.

IS HOUSE BUILDING AS A DYNAMIC FORCE BECOMING PARALYSED ?

In conclusion it is necessary to examine a theory which was often put forward immediately after the war, when the revival of house building usual in a period of depression failed to make its appearance. This is the theory that the important function of stimulating a business revival which was patently performed by house building in the nineteenth century and up to the world war depended on certain very definite structural conditions in the movement of population. It has already been shown that the progress of house building during periods of depression was due to particularly favourable conditions, not only on the side of supply, but also on that of demand : the great and steady increase in population which set in with the industrialisation of Europe, and in addition the marked growth of urban population due to the rural exodus. These factors intensified the natural inelasticity of the demand for housing, and thus made possible the revival of house building during periods of depression.

These conditions have now changed. The increase in population in the older industrial countries has become paralysed.

The rural exodus, although large also after the war, has been held up in many States, whether for political reasons, or owing to a certain falling-off in the demand for industrial workers, or because of the return to an agrarian policy that appears to be in progress in industrialised Europe. The question therefore arises whether in any case the importance of house building as a factor in the business cycle has not declined, and whether, if only because of the changes in so many of the necessary conditions, some other force will not have to be used to initiate a business revival.

To a certain extent the experience of the last few years goes against this theory. In many countries house building has continued to act as a motive force and pillar of economic revival—on the whole, even without public assistance. That it has done so provides further evidence of the relation here described between general economic fluctuations and the fluctuations in house building. The following table ¹, which shows the movement of house building in England, Denmark, Sweden, Norway and Switzerland, indicates that in these States a revival set in as early as 1930 (in England 1931), that is, one or two years after the change-over to depression.

INDEX OF ACTIVITY IN THE BUILDING INDUSTRY :
HOUSES AND DWELLINGS COMPLETED
(Average 1925-1929 = 100)

Year	England and Wales	Denmark	Sweden	Norway	Switzerland
1928	84	98	109	101	107
1929	101	113	110	134	115
1930	86	136	148	141	129
1931	101	159	150	146	154
1932	101	128	136	208	155
1933	121	157	99 ¹	142	119
1934	155	226	127	195	132

¹ Dispute in the building industry.

Obviously this revival of house building was temporarily checked in some countries in 1932 by the effects of the Central European credit crisis (e.g. in Denmark and Sweden). But except in Switzerland it continued in 1933 and 1934. In all these

¹ Cf. LEAGUE OF NATIONS : *World Production and Prices 1925-1934*, p. 145. Geneva, 1935.

countries there is a clear agreement between the fall in the rate of interest and the growth of house building during the period under consideration.¹ In Switzerland, however, a setback began in 1933 which, after a temporary improvement, became even more marked in 1935. It was presumably due to a certain saturation of the demand for dwellings in this country, resulting from a deterioration of the general economic situation and the rigidity of the whole machinery of prices. Since 1933 the rate of interest has risen again, not owing to a greater demand for capital, however, but in connection with the increased lack of confidence created by the difficult position of the gold bloc countries.

The United States is in a special situation. Here, as in Germany, the policy of creating work turned primarily to other fields than house building. It is true that on several occasions the plans for combating the depression (e.g. the foundation of federal home loan banks, the National Housing Act) meant to begin with house building, but so far there cannot be said to have been any considerable State promotion of the industry. At the same time, in spite of the low rate of interest prevailing for years, there has been no development of private building enterprise, as will be seen from the following table²:

INDEX OF ACTIVITY IN THE UNITED STATES BUILDING INDUSTRY¹
(Average 1925-1929 = 100)

Year	Index
1928	112
1929	77
1930	45
1931	38
1932	15
1933	14
1934	13

¹ Residential buildings; number of contracts awarded.

Some writers ascribe this to a certain saturation during the previous boom period which led in its last few years to a very heavy fall in rents and a very high proportion of vacant

¹ For detailed figures, cf. LEAGUE OF NATIONS : *World Economic Survey 1934-35*, pp. 64-65. Geneva, 1935.

² Cf. LEAGUE OF NATIONS : *World Production and Prices 1925-1934*, p. 145.

dwellings. Further, the banking crisis delayed the necessary relief of the capital market. When it took place, building costs rose under the influence of the National Industrial Recovery Act, which thus offset to some extent the favourable effects of the fall in the rate of interest.¹ Consequently, private enterprise lacked the incentive to engage more actively in house building. It was not until the spring of 1935 that private house building showed a more favourable movement. For the months of the building season the index was about twice as high as the corresponding figure for the previous year.

Taken as a whole, no falling-off in the dynamic force of house building can be discerned. Even if the quantitative factor of the increase in population may have lost strength, there are still a number of qualitative factors which may acquire equal importance for house building in the next few decades. These include in particular changes and improvements in housing standards, slum clearance, the reconstruction of old quarters of towns, reduced housing density, and the demolition of obsolete buildings. Especially this last factor can play an important part. Since the war demolition has been much neglected, for it has been regarded as inefficient and unprofitable in view of the continued housing shortage. There is no doubt that much leeway must be made up in this respect. Moreover, in the industrial countries of Europe houses dating from the period of industrialisation during the middle and second half of last century, that is to say, from a period which was characterised by great activity in the building industry, will become ripe for demolition in the next few decades. There are further the changes in the structure of the population connected with the fall in the birth rate (more adults, fewer children), which will lead to considerable alterations in the demand for housing. Finally, the changes in the localisation of industry, which are a constant source of new housing demand, must not be forgotten. It appears that since 1932 house building in Great Britain, which shows perhaps the most marked tendencies in the period under review, has been considerably affected by some of these factors: the development of new industries in the south of England, the increasing preference for flats as against the former one-family houses, and replacement. It is very difficult to assess the strength of all these individual

¹ Cf. *World Economic Survey*, p. 65.

factors and balance them against each other. But at least it can be said that, in view of the small increase in population during the last ten years in Great Britain, the quantitative factor cannot have played any great part. All these facts are surely sufficient to show that the slowing down or even stagnation of the increase in population need by no means result in a paralysis of the dynamic force of the house-building industry.

Unemployment : International Index

The table and graph below give international index numbers of the general level of unemployment. Two series are given : (a) unadjusted ; (b) adjusted for seasonal variations by the method of moving averages. For the method of construction as well as for various problems arising in this connection, reference should be made to previous articles in this *Review*¹.

The index is based on selected series of unemployment statistics for 16 of the most important countries and is intended to show the relative *fluctuations* in the general level of unemployment among *industrial* workers ; it does not show the absolute height at a given date or the magnitude of the fluctuations of unemployment. It relates generally to the number of totally unemployed individuals, the definition of whom varies with time and circumstances, and does not directly show the fluctuations in the *time lost* through unemployment, as the number of unemployed is affected also by changes in the length of normal working hours and by the extent to which short time and other means of rationing work are applied, as well as by changes in the population of working age, and in the proportion of this population seeking gainful occupation. It is also influenced by changes in legislation, in administrative practice, and in the extent of registration of the unemployed. More weight should be attached to the direction of movement of the index than to the magnitude of the changes.

The international index, however, is useful as a standard of reference in comparing the movements of unemployment in different countries or groups of countries, and it serves as a general measure of the relative changes in industrial unemployment in the world at large. While wholly tentative and approximate in character it is less influenced by chance circumstances than the individual indexes of which it is composed, since the errors tend, in the average, to balance each other.

¹ Cf. *International Labour Review*, Vol. XXIX, No. 4, April 1934, pp. 557-571, *Ibid.*, pp. 471-499 : "Some Problems in the Construction of Index Numbers of Unemployment", by John LINDBERG.

STATISTICS OF UNEMPLOYMENT (cont.)

Date	NETHERLANDS			POLAND		RUMANIA *	SWEDEN		
	Unemployment insurance statistics ¹		Employment exchange statistics	Employment exchange statistics		Employment exchange statistics	Trade union returns		Statistics of local unemployment committees
	Unemployed		Un-employed registered	Applications for work registered		Un-employed registered	Unemployed		Applicants for relief registered
	Number	Per cent.		Number	Per cent.		Number	Per cent.	
1927	25,000	9.0	*	163,953	7.5	*	31,076	12.0	19,229
1928	20,300	6.8	*	125,552	5.0	10,373	29,716	10.6	16,662
1929	24,300	7.1	*	129,450	4.9	7,288	32,621 ^a	10.7 ^a	10,212
1930	37,800	9.7	*	226,659	8.8	25,335	42,016	12.2	13,723
1931	82,800	18.1	138,200	299,502	12.6	35,737	64,815	17.2	46,540
1932	153,500	29.5	271,092	255,582	11.8	38,890	90,677	22.8	113,907
1933	163,000	31.0	322,951	249,660	11.9	29,063	97,316	23.7	164,773
1934	160,400	32.1	332,772	342,166	16.3	17,253	84,685	18.9	114,802
1935	173,673	36.3	384,691	381,935	16.6†	13,852	81,385	16.1	61,581
1935 March	178,713	37.0	384,222	506,241	21.9	19,379	98,687	19.5	83,588
April	166,502	34.6	368,183	473,249	20.4	15,140	87,562	17.4	75,122
May	163,718	34.0	355,223	419,151	18.0	12,003	64,613	13.1	61,177
June	157,416	32.9	333,580	364,856	15.6	11,332	63,795	12.7	51,157
July	161,891	33.9	336,941	305,560	13.2	10,792	56,826	11.3	42,582
Aug.	164,068	34.5	353,076	270,158	11.8	9,392	58,782	11.6	41,723
Sept.	166,474	35.4	366,045	254,704	11.1	9,071	62,338	12.3	41,190
Oct.	166,479	35.2	381,936	263,211	11.3	8,667	71,652	14.0	47,045
Nov.	173,262	36.6	415,180	308,916	13.4	11,034	82,789	16.2	54,167
Dec.	192,273	40.7	471,924	402,814	17.5†	17,040	114,176	22.5	57,965
1936 Jan.	192,935†	41.6†	475,890	472,004	20.5†	—	93,708†	18.8†	61,400
Feb.	184,812†	40.0†	—	—	—	—	—	—	58,127
March	—	—	—	—	—	—	—	—	—
Base figure	462,598†		*	2,302,812 †		*	498,782 †		759 *

¹ Excluding agriculture.

* The figures relate to the 1st of the following month.

* From 1929 onwards, including forestry workers and timber floaters.

^a Number of relief funds.

Date	SWITZERLAND			CZECHOSLOVAKIA			YUGOSLAVIA
	Unemployment insurance statistics		Employment exchange statistics	Trade union fund returns		Employment exchange statistics	Employment exchange statistics
	Percentage unemployed		Applications for work	Unemployed in receipt of benefit		Applicants for work registered	Unemployed registered
	Wholly	Partially		Number	Per cent.		
1927	2.7	2.0	11,824	17,617	1.6	52,869	*
1928	2.1	1.1	8,380	16,348	1.4	38,636	5,721
1929	1.8	1.7	8,131	23,763	2.2	41,630	8,370
1930	3.4 ¹	7.2 ¹	12,881	51,372 ^a	4.5	105,442	8,198
1931	5.9	12.1	24,208	102,179	8.3	291,332	9,930
1932	9.1	12.2	54,366	184,555	13.5	554,059	14,761
1933	10.8	8.5	67,867	247,613	16.9	738,267	15,997
1934	9.8	6.1	65,440	245,953	17.4	676,994	15,647
1935	11.8	5.9	82,468	235,623	15.9	686,269	16,752
1935 March	13.3	6.6	82,214	283,398	19.4	804,794	27,058
April	10.6	6.2	72,444	262,481	17.6	734,550	16,112
May	9.1	5.5	65,908	236,532	16.0	666,433	12,619
June	8.3	5.4	59,678	212,786	14.3	605,986	10,935
July	8.3	5.2	63,497	203,787	13.6	566,559	11,215
Aug.	8.7	5.5	66,656	198,757	13.3	557,706	12,260
Sept.	9.2	5.4	69,123	194,063	12.9	573,362	12,544
Oct.	10.7	5.4	82,386	192,429	12.8	601,390	10,564
Nov.	12.8	5.8	95,740	203,626	13.4	678,870	11,917
Dec.	16.9	6.8	118,775	236,641	15.5	794,407	18,685
1936 Jan.	—	—	124,008	267,471	17.2	850,010	27,624
Feb.	—	—	119,795	—	—	860,239	—
March	—	—	—	—	—	795,500†	—
Base figure	500,133		*	1,552,202		*	*

¹ Up to 1929, quarterly statistics; afterwards, monthly statistics.

STATISTICS OF UNEMPLOYMENT (cont.)

Date	GREAT BRITAIN	HUNGARY	NETHERLANDS EAST INDIES	IRISH FREE STATE		ITALY	JAPAN ¹	
	Employment exchange statistics	Employment exchange statistics	Employment exchange statistics	Employment exchange statistics		Social insurance fund statistics ⁴	Official estimates	
	Applicants for work registered	Applications for work registered	Applicants for work registered	Applicants for work registered		Wholly unemployed	Unemployed	
				With claims to unem- ployment benefit	Total		Number	Per cent.
1927	1,091,271	13,881	*	13,728	21,284	278,484	*	*
1928	1,246,022	14,715	*	14,821	22,487	324,422	*	*
1929	1,237,880	15,173	*	14,679	20,702	300,786	*	*
1930	1,953,935	43,592 ¹	*	16,378	22,398	425,437	369,408	5.3
1931	2,636,805	52,305	6,964	17,852	25,230	734,454	422,755	6.1
1932	2,744,789	66,235	10,922	20,217	62,817 ¹	1,006,442	485,681	6.8
1933	2,520,616	60,595	14,576	19,897	72,255	1,018,955	408,710	5.6
1934	2,159,231	52,157	15,784	20,558	103,671	963,677	372,941	5.0
1935	2,036,422	52,048	17,418	18,410	119,498	*	—	—
1935 March	2,153,870	58,908	17,172	20,800	137,870	853,189	360,325	4.7
April	2,044,460	55,361	16,232	17,305	125,847	803,054	362,273	4.7
May	2,044,752	52,605	16,283	15,783	124,920	755,349	351,764	4.6
June	2,000,110	50,504	16,337	16,503	130,244	638,100	353,553	4.6
July	1,972,941	46,069	16,779	16,117	82,371 ²	637,972	349,880	4.6
Aug.	1,947,964	46,480	17,889	15,767	82,697 ²	628,335	346,758	4.5
Sept.	1,958,610	48,707	18,366	15,627	83,191 ²	609,094	348,229	4.5
Oct.	1,916,390	52,331	18,247	17,324	123,705	*	346,168	4.5
Nov.	1,918,562	52,674	19,524	17,407	129,403	*	348,719	4.6
Dec.	1,868,565	52,225	18,831	19,246	133,319	*	—	—
1936 Jan.	2,159,722	57,916	—	21,382	144,764	*	—	—
Feb.	2,025,021	—	—	20,136	141,858	*	—	—
March	1,881,531	—	—	—	—	*	—	—
Base figure	*	*	*	*	*	*	7,697,291 †	

¹ Since January 1930, including non-fee-charging private employment agencies.² Extended series.³ See note in *Review* for November 1935, p. 694.⁴ Since July 1933, employment exchange statistics.⁵ The figures relate to the 1st of the following month.

Date	LATVIA	MEXICO	NORWAY		NEW ZEALAND	PALESTINE	PORTUGAL
	Employment exchange statistics	Official estimates	Trade union fund returns		Employment exchange statistics	Official esti- mates	Employ- ment exchange statistics
	Applica- tions for work registered	Number unem- ployed	Unemployed		Unemployed (men) registered	Number unem- ployed	Un- employed registered
			Number	Per cent.			
1927	3,131	*	8,561	25.4	23,889	*	*
1928	4,700	*	6,502	19.2	21,759	*	*
1929	5,617	*	5,902	15.4	19,089	2,895	3,104
1930	4,851	75,689 ¹	7,175	16.6	19,353	5,003	4,833
1931	8,709	257,722	*	22.3	27,479	41,430 ⁴	24,083
1932	14,587	339,372	14,790	30.8	32,705	51,549	18,239
1933	8,156	275,774	16,588	33.4	35,591	46,971 ⁵	18,370
1934	4,972	234,522	15,963	30.7	35,121	39,235	34,711 ⁶
1935	4,825	—	14,783	25.3	36,103 ⁵	38,234	42,315
1935 March	7,993	220,763	17,506	31.3	41,631	35,568	43,178
April	6,165	201,409	17,221	30.6	41,432	36,792	43,359
May	3,266	185,736	14,446	25.5	34,865	38,100	43,231
June	1,812	155,125	12,233	21.1	29,757	39,330	42,819
July	2,077	152,573	11,241	19.1	26,228	41,499	43,341
Aug.	1,595	161,655	11,846	19.7	28,281	42,745	42,363
Sept.	1,819	163,314	12,099	19.8	32,548	42,200	42,323
Oct.	2,334	152,871†	13,264	21.2	36,549	39,681	41,884
Nov.	6,347	—	14,000	22.0	39,270	35,979	41,002
Dec.	8,130	—	16,752	26.0	40,950	35,653	41,119
1936 Jan.	7,949	—	—	—	40,177	—	—
Feb.	8,392†	—	—	—	40,263	—	—
March	—	—	—	—	—	—	—
Base figure	*	*	64,464	*	*	*	*

¹ Figure for the month of May according to the population census.² The figures relate to the 15th.³ Since January 1935, revised figures.⁴ Including persons employed on public-relief works.⁵ Average for eleven months.⁶ The figures do not always relate to the end of each month.

STATISTICS OF UNEMPLOYMENT (cont.)

Date	DENMARK		DANZIG (Free City of)	SPAIN		UNITED STATES					
	Trade union fund returns	Employment exchange statistics	Employment exchange statistics	Employment exchange statistics		Trade union returns		Estimates (American Federation of Labor)	Employment exchange statistics		
						Percentage unemployed ¹					
						Unemployed				Weighted	Unweighted
Number	Per cent	Wholly	Partially	Wholly	Partially						
1927	61,705	22.5	65,620	*	*	*	9.2	13	*	*	*
1928	50,226	18.5	51,864	*	*	*	8.2	12	*	*	*
1929	42,817	15.5	44,581	12,905	*	*	14.5	21	*	1,864,000	*
1930	39,631	13.7	40,551	18,291	*	*	19.1	26	19	4,770,000	*
1931	53,019	17.9	59,430	24,898	*	*	23.8	32	21	8,738,000	*
1932	99,508	31.7	126,039	33,244	*	*	24.3	31	21	13,182,000	*
1933	97,478	28.8	121,115	31,408	*	*	20.9	26	24	13,723,000	*
1934	81,756	22.1	97,595	20,326	381,278	240,541	18.5	23	22	12,364,000	*
1935	76,195	19.8	92,406	17,983	434,931	262,059	19.4	22	23	12,199,000	7,374,007†
1935 March	84,342	22.3	102,088	18,611	437,088	267,394	18.7	21	22	12,608,000	6,384,732
April	70,397	18.3	88,168	18,410	469,101	262,933	18.3	21	22	12,379,000	6,312,060
May	55,504	14.4	68,742	18,353	429,211	242,019	18.5	23	23	12,382,000	6,094,192
June	48,855	12.6	62,821	16,212	359,102	246,230	19.4	27	21	12,389,000	6,713,047
July	48,937	12.6	63,109	14,341	346,837	231,996	18.4	23	23	12,475,000	7,531,926
Aug.	53,041	13.7	68,478	14,445	415,120	275,985	17.9	20	21	12,219,000	8,234,933
Sept.	57,923	14.9	71,582	14,610	449,820	269,593	17.3	20	21	11,789,000	8,696,821
Oct.	67,390	17.3	80,812	16,447	486,635	293,607	16.7	20	22	11,449,000	8,735,671
Nov.	84,907	21.7	100,077	19,213	508,783	297,438	16.9	23	22	11,483,000	7,983,904
Dec.	124,612	31.7	140,037	21,039	416,198	257,963	17.2	22	22	11,397,000	8,774,000†
1936 Jan.	110,544	28.0	131,013	19,746	457,458	291,352	16.7	22	21	12,646,000	9,010,309†
Feb.	120,147†	30.5†	139,716	20,959	—	—	16.1	—	21	12,550,000	—
March	107,679†	26.8†	125,607	—	—	—	—	—	—	—	—
Base figure	401,707 †	*	*	*	*	*	964,000	*	*	*	*

¹ Unemployed occupied on public and civil works excluded.² Including those employed on public works, etc.

Date	ESTONIA ¹	FINLAND		FRANCE		GREAT BRITAIN AND NORTHERN IRELAND			
	Employ- ment exchange statistics	Employ- ment exchange statistics	Statistics of local unemployment committees	Public relief fund statistics	Employ- ment exchange statistics	Unemployment insurance statistics			
	Unem- ployed registered	Unem- ployed registered	Unem- ployed	Unemploy- ed in receipt of relief	Applica- tions for work	Wholly unemployed (including casuals)		Unemployed owing to temporary stoppages	
						Number	Per cent.	Number	Per cent.
1927	2,957	1,868	*	33,549	47,289	899,093	7.4	263,077	2.3
1928	2,629	1,735	*	4,834	15,275	980,326	8.2	309,903	2.6
1929	3,181	3,906	*	928	10,052	994,091	8.2	268,400	2.2
1930	3,089	7,993	*	2,514	13,859	1,467,347	11.8	526,604	4.2
1931	3,542	11,522	*	56,112	75,215	2,129,359	16.7	587,494	4.6
1932	7,121	17,581	63,972	273,412	308,096	2,272,590	17.6	573,805	4.5
1933	8,207	17,139	44,656	276,033	307,844	2,110,090	16.4	456,678	3.5
1934	2,970	10,011	23,802	345,033	376,320	1,801,913	13.9	368,906	2.9
1935	1,779†	7,163	13,362	426,879	465,796	1,714,844	13.2	312,958	2.3
1935 March	3,121	9,780	22,193	484,463	526,501	1,819,147	14.0	323,522	2.4
April	2,247	8,369	18,076	452,367	491,802	1,744,814	13.4	285,458	2.2
May	1,358	5,804	12,698	423,250	459,155	1,703,952	13.1	320,511	2.4
June	858	3,948	6,205	402,918	433,354	1,636,037	12.5	387,963	2.9
July	752	3,122	3,732	380,559	415,041	1,589,590	12.2	402,271	3.1
Aug.	592	4,003	4,684	380,664	415,964	1,605,036	12.3	344,767	2.6
Sept.	593	4,755	5,786	373,446	408,426	1,644,723	12.6	308,011	2.4
Oct.	977	6,446	9,739	385,330	427,672	1,658,720	12.7	243,644	1.9
Nov.	1,717	8,538	14,841	409,466	453,838	1,679,912	12.9	225,763	1.7
Dec.	2,007	7,427	17,778	439,782	481,099	1,648,256	12.6	209,983	1.6
1936 Jan.	2,316	10,117	19,912	477,173	522,634	1,780,412	13.6	350,822	2.7
Feb.	2,605†	8,257	20,591	487,374	528,624	1,752,279	13.4	264,299	2.0
March	—	—	—	—	—	—	—	—	—
Base figure	*	*	*	*	*	13,058,000			

¹ Until December 1934, the figures relate to the 1st of the following month. ² Since January 1935 applicants for work registered; the figures relate to the end of the month. ³ From 1932 onwards, including unemployed in receipt of relief from the public charitable offices.

STATISTICS OF UNEMPLOYMENT

Date	GERMANY			AUSTRALIA		AUSTRIA		
	Employment exchange statistics			Trade union returns		Unemployment insurance statistics		Employment exchange statistics
	Applicants for work registered	Unemployed ¹ registered		Unemployed		Unemployed in receipt of benefit	Per cent.	Applicants for work registered
		Number	Per cent.	Number	Per cent.	Number	Per cent.	
1927	—	1,353,000 ⁴	*	31,032	7.0	172,450	13.6	200,112
1928	—	1,353,000 ⁴	*	45,669	10.8	156,185	12.1	182,444
1929	1,919,917 [*]	1,891,956	*	47,359	11.1	164,509	12.3	192,062
1930	3,130,082	3,075,580	*	84,767	19.3	208,389	15.0	242,612
1931	4,618,537	4,519,704	23.7	117,866	27.4	253,368	20.3	300,223
1932	5,703,088	5,575,491	30.1	120,454	29.0	309,968	26.1	377,894
1933	5,083,140	4,804,428	25.8	104,035	25.1	328,844	29.0	405,741
1934	3,306,628	2,718,309 ⁴	14.5 ⁵	86,865	20.5	287,527	26.3	370,210
1935	2,567,523 ⁴	2,151,039 ⁴	11.6 ⁵	71,823	16.5	261,768	23.4	348,675
1935 March	2,954,815 ⁴	2,401,889 ⁴	13.1 ⁵	*	*	314,923	28.6	400,474
April	2,751,239	2,233,255	12.0	*	*	286,748	25.5	372,141
May	2,472,191	2,019,293	10.7	77,177	17.8	255,646	22.5	339,337
June	2,284,407	1,876,579	10.0	*	*	238,133	21.0	319,142
July	2,124,701	1,754,117	9.3	*	*	220,599	19.6	303,157
Aug.	2,060,627	1,706,230	9.1	69,575	15.9	209,493	18.6	292,560
Sept.	2,053,649	1,713,912	9.1	*	*	204,908	18.1	289,944
Oct.	2,161,851	1,828,721	9.7	*	*	214,094	19.0	301,790
Nov.	2,335,116	1,984,452	10.6	59,992	13.7	242,759	21.4	335,552
Dec.	2,836,291	2,507,955	13.7	*	*	284,914	25.4	383,785
1936 Jan.	2,880,373	2,520,499	13.5	*	*	317,200	28.0	414,649
Feb.	2,863,109	2,514,894	13.5 [†]	—	—	321,529	28.4 [†]	415,803
March	—	—	—	*	*	—	—	—
Base figure	18,689,272 [†]			439,165 [†]		1,133,986 [†]		*

¹ Yearly average for 1929 to 1935, revised figures. ² Average for 11 months. ³ Including the Saar Territory.

⁴ Figures calculated by the *Institut für Konjunkturforschung*. ⁵ Since 31 July 1933 not including persons employed in labour camps.

Date	BELGIUM				BULGARIA ¹	CANADA		CHILE	
	Unemployment insurance statistics				Official estimates	Trade union returns	Employment exchange statistics	Employment exchange statistics	
	Unemployed								
	Wholly		Partially		Number unemployed	Unemployed		Applicants for work registered	Applicants for work registered
Number	Per cent.	Number	Per cent.	Number		Per cent.			
1927	11,112	1.8	23,763	3.9	*	8,142	4.9	13,541	*
1928	5,386	0.9	22,293	3.5	*	8,120	4.5	12,758	*
1929	6,462	1.3	18,831	3.0	*	11,488	5.7	14,966	*
1930	23,250	3.6	50,918	7.9	*	22,873	11.1	33,008	*
1931	79,186	10.9	121,890	16.9	*	33,625	16.8	71,385	29,345
1932	161,468	19.0	175,259	20.7	22,153	38,777	22.0	75,140	107,295
1933	168,023	17.0	170,023	17.2	24,977	33,488	22.3	81,809	71,805
1934	182,855	19.0	166,228	17.2	32,762	28,320	18.2	88,888	30,055
1935	165,469	17.9	118,754	12.8	38,148	25,336	15.4	84,050	10,672
1935 March	206,511	21.8	148,408	15.7	44,603	26,724	16.7	92,300	13,444
April	181,110	19.3	127,419	13.3	39,761	27,562	17.0	89,895	13,409
May	159,551	17.1	114,534	12.3	37,496	26,078	15.9	80,760	12,209
June	146,581	15.8	104,066	11.2	36,284	24,991	15.4	79,355	9,935
July	138,376	15.1	109,049	11.9	34,369	24,736	15.1	78,171	7,710
Aug.	136,139	14.9	106,627	11.7	30,220	23,640	14.2	71,114	7,848
Sept.	136,726	14.9	109,125	11.9	30,171	21,759	13.0	71,016	8,037
Oct.	130,981	14.5	95,069	10.6	35,440	22,583	13.3	78,312	8,288
Nov.	143,407	15.9	93,012	10.3	42,760	22,575	13.3	90,447	8,234
Dec.	162,166	17.9	102,174	11.3	50,710	24,868	14.6	85,095	8,173
1936 Jan.	—	—	—	—	49,498	24,860†	14.8	92,247	7,854†
Feb.	—	—	—	—	—	—	—	—	—
March	—	—	—	—	—	—	—	—	—
Base figure	901,104				*	168,000†		*	*

¹ The figures relate to the 1st of the following month.

EXPLANATION OF SIGNS USED IN THE TABLES

The sign * signifies : " no figures exist ".
 " " — " figures not yet received ".
 " " † " provisional figure ".
 " " r " figure revised since the previous issue ".

Figures in thick faced type : base of the index numbers.

Figures in italics : index numbers with a year other than 1929 as base.

The sign ° : " branches relating to men only " (wages table only).

Figures in brackets : index numbers subject to certain reservations (see the introduction to each table).

The sign — between two figures of a series signifies that the former series is replaced by another, or otherwise modified.

Unemployment : National Series

The following table gives statistics on the *general level* of unemployment ; figures for the different industries and occupations covered by these series will be found in the *I.L.O. Year-Book*, 1934-35, Vol. II : *Labour Statistics*, Table II, which also gives separate figures for males and females where available.

If not otherwise stated, the figures relate to persons recorded as *wholly* unemployed, and in most cases fall far short of the reality. Their principal value is in indicating the fluctuations from time to time, and only between such movements are international comparisons possible ; the various series are not equally sensitive to changes on the labour market and an equal change in any two series does not necessarily represent a corresponding change in the countries concerned. Moreover, changes in legislation, in administrative practices, in the frequency of registration of the unemployed, in the amount of "short time" worked, and in "normal" hours often result in a decrease (or increase) in the recorded level of unemployment which does not correspond to changes in employment. Percentages are, however, more reliable than absolute numbers as measures of changes in the level of unemployment. Where available, figures of "partial unemployment" are also given, but they are uncertain, incomplete, and based on different definitions ; thus here too international comparisons are not possible.

The principal problems of these statistics are examined in other publications of the Office¹ ; for figures based on unemployment insurance statistics additional information as to the scope and working of these schemes will be found in a special study by the Office.²

¹ *Methods of Statistics of Unemployment* ; Studies and Reports, Series N, No. 7 ; Geneva, 1925. *Report on the Proceedings of the Second International Conference of Labour Statisticians* (containing resolutions on the best methods of compiling unemployment statistics) ; Studies and Reports, Series N, No. 8 ; Geneva, 1925.

² *Unemployment Insurance and Various Forms of Relief for the Unemployed*. International Labour Conference, Seventeenth Session, Geneva, 1933.

STATISTICS

Quarterly Tables

The tables in this section give a survey of the statistics of unemployment, employment, hours of work, wages, and cost of living, in all the countries for which regular statistical data are available. Yearly figures (averages for 12 months) are given for the years 1927 onwards and monthly (or in some cases quarterly) data for the last 13 months. These figures have been compiled by the International Labour Office from the official statistical publications of the various countries or from figures specially communicated by the statistical authorities. In a few cases, statistics compiled by non-official organisations have been used. The series expressed in the form of index numbers on the base 1929 = 100 have for the most part been computed by the Office. The figures are the latest available at the time of going to press and are in some cases provisional and subject to revision as new figures become available. Unless otherwise indicated, the monthly figures refer to the end of the month, and figures which are published as relating to the first of the month are shown against the preceding month.

In order that the French and English editions of these tables may be uniform, the countries are arranged in alphabetical order of their French titles. Thus, to take two important countries, whose order is different in the two languages, Germany appears under the letter A (Allemagne) and United States under the letter E (Etats-Unis).

It should be emphasised that in view of the great diversity which exists in the scope and methods of compilation of the national statistics on these subjects, international comparisons are extremely difficult and only possible with considerable reservations; fluctuations within the same country are, however, generally comparable and it is of these that comparisons can most usefully be made.

For full information as to the sources and methods of compilation of the series of statistics contained in these tables, reference should be made to the *I.L.O. Year-Book*, 1934-35, Vol. II; *Labour Statistics*, pp. 169 to 252. Supplementary information on new series introduced since the publication of the *Year-Book* is given at the end of the tables.

persons belonging chiefly to the older age groups. This would increase the cost to the State, for the new classes of insured persons would pay the same contributions and receive the same benefits as the rest. Further, a similar measure would have to be taken in the National Health Insurance scheme, and the admission to the latter of a contingent of insured persons, most of them belonging to the older age groups, would increase the amount of its outstanding liabilities (reserve values). The redemption of these liabilities would come to a complete stop and the actuarial equilibrium of the Health Insurance scheme could no longer be guaranteed.

The second reform studied relates to the maintenance of the rights of unemployed insured persons. Reference is made to the measures adopted to this end prior to the Act of 1935, and some of the measures advocated are reviewed. The question is dealt with more fully in the actuarial report drawn up in connection with the preparation of the 1935 Act.¹

CONCLUSION

Many of the estimates appearing in the report analysed here are in themselves important conclusions, but only those which bring out the essential features of the progress of the scheme are summarised in this article.

The results of the working of the scheme from 1926 to 1934 show that the financial situation followed fairly closely the estimates that had been drawn up.

During the 10-year period 1935-45 it may be expected that financial equilibrium will be established, partly by the increase in contributions that came into operation on 1 January 1936, partly by the State grants fixed by the Act, and lastly by the absorption of all the accumulated funds.

During the next two 10-year periods the sums required of the State each year to establish financial equilibrium are estimated to average £22,000,000. There will be only small and gradual increases, and in no case will the total exceed £25,100,000.

¹ *National Health Insurance and Contributory Pensions Bill 1935 ; Report by the Government Actuary on the Financial Provisions of the Bill, 1935.* Cmd. 4906.

TABLE V. FORECAST OF FINANCIAL OPERATION FROM 1934-35 TO 1965-66
(Million £)

Financial year	Cost of benefits				Ex- penses of admin- istra- tion	Total expen- diture	Re- ceipts con- tribu- tions	Inter- est	Excess of total ex- penditure over receipts	Exche- quer contri- bution	Balance in Pen- sions Ac- counts at end of year
	Non-con- tributory widows' and orphans' pensions	Contributory		Total							
		Widows' and orphans' pensions	Old-age pensions								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1934-35	8.1	15.1	18.8	42.0	1.2	43.2	23.1	0.8	19.3	13.0	22.0
1935-36	7.4	16.4	19.3	43.1	1.3	44.4	24.6	0.6	19.2	14.0	16.8
1936-37	6.7	17.7	19.7	44.1	1.3	45.4	28.6	0.5	16.3	15.0	15.5
1937-38	6.1	18.7	20.1	44.9	1.3	46.2	28.8	0.5	16.9	16.0	14.6
1938-39	5.5	19.8	20.5	45.8	1.3	47.1	28.9	0.5	17.7	17.0	13.9
1939-40	4.9	20.7	21.0	46.6	1.3	47.9	29.0	0.4	18.5	18.0	13.4
1940-41	4.5	21.6	21.5	47.6	1.4	49.0	29.1	0.4	19.5	19.0	12.9
1941-42	4.1	22.5	22.1	48.7	1.4	50.1	29.2	0.4	20.5	20.0	12.4
1942-43	3.8	23.3	22.6	49.7	1.4	51.1	29.3	0.4	21.5	21.0	11.9
1943-44	3.5	24.0	23.2	50.7	1.5	52.2	29.3	0.4	22.5	21.0	10.4
1944-45	3.2	24.7	23.7	51.6	1.5	53.1	29.4	0.3	23.4	21.0	8.0
1945-46	2.9	25.3	24.0	52.2	1.5	53.7	30.6	0.2	22.9	21.0	6.1
1946-47	2.6	26.0	24.2	52.8	1.5	54.3	34.5	—	19.8	13.7	—
1947-48	2.4	26.5	24.4	53.3	1.5	54.8	34.5	—	20.3	20.3	—
1948-49	2.2	27.0	24.6	53.8	1.5	55.3	34.4	—	20.9	20.9	—
1949-50	1.9	27.6	24.7	54.2	1.5	55.7	34.3	—	21.4	21.4	—
1950-51	1.7	28.0	24.8	54.5	1.5	56.0	34.2	—	21.8	21.8	—
1951-52	1.5	28.5	24.9	54.9	1.5	56.4	34.1	—	22.3	22.3	—
1952-53	1.4	28.9	24.9	55.2	1.5	56.7	34.0	—	22.7	22.7	—
1953-54	1.2	29.4	25.0	55.6	1.5	57.1	33.9	—	23.2	23.2	—
1954-55	1.1	29.7	25.1	55.9	1.5	57.4	33.8	—	23.6	23.6	—
1955-56	0.9	30.1	25.2	56.2	1.5	57.7	35.0	—	22.7	22.7	—
1956-57	0.8	30.4	25.3	56.5	1.5	58.0	38.6	—	19.4	19.4	—
1957-58	0.7	30.8	25.3	56.8	1.5	58.3	38.5	—	19.8	19.8	—
1958-59	0.6	31.1	25.5	57.2	1.5	58.7	38.4	—	20.3	20.3	—
1959-60	0.5	31.4	25.7	57.6	1.5	59.1	38.3	—	20.8	20.8	—
1960-61	0.4	31.7	25.9	58.0	1.5	59.5	38.1	—	21.4	21.4	—
1961-62	0.3	32.0	26.2	58.5	1.5	60.0	38.0	—	22.0	22.0	—
1962-63	0.3	32.3	26.4	59.0	1.5	60.5	37.8	—	22.7	22.7	—
1963-64	0.2	32.6	26.8	59.6	1.5	61.1	37.7	—	23.4	23.4	—
1964-65	0.2	32.8	27.2	60.2	1.5	61.7	37.5	—	24.2	24.2	—
1965-66	0.1	33.0	27.8	60.9	1.5	62.4	37.3	—	25.1	25.1	—

Although the pensions of persons over 70 years are not directly included in the financial system of the scheme, an estimate is made of the cost of such benefits of this kind as were introduced at the same time as the Contributory Pensions scheme. This charge, resulting from the abolition of the means conditions in force under previous legislation, is estimated to have a present value at 31 March 1984 of £187,000,000.

STUDY OF TWO PROPOSALS FOR REFORM

The first proposal for reform is to raise the limit of remuneration (£250 a year) above which non-manual workers are no longer liable to compulsory insurance. To judge from the comparison of the insured population and its age distribution under the National Health Insurance scheme on the one hand and the Contributory Pensions scheme on the other, an increase in the above limit would bring into the scheme

both contributory and non-contributory benefits (excluding those to persons over 70 years) as also subsidies to voluntarily insured persons.

TABLE IV. ACTUARIAL BALANCE SHEET AT 31 MARCH 1934

<i>Present value (million £)</i>			
<i>Liabilities</i>		<i>Assets</i>	
Widows' and orphans' pensions :		Balance in hand	28
In force	181	Contributions :	
Claimable after		At present rates	344
31 March 1934	534	Decennial increases	119
Old-age pensions between 65-70 :		Exchequer contributions, as defined by Statute, till 1945-46	171
In force	42		
Claimable after		Balance to be met by State	764
31 March 1934	654		
Cost of administration	15		
Total	1,426	Total	1,426

The total liability to be met by the State amounts to £935,000,000. It increased by £285,000,000 between 1926 and 1934. The justification for this increase appears from an examination of its causes, chief of which were the following :

- (1) The excess of interest on the estimated liability at the outset over the grants actually made by the State ;
- (2) the supplementary charge introduced by the 1929 Act, corresponding to an estimated total liability of £93,000,000 ;
- (3) the shortage and arrears of contributions due to unemployment ;
- (4) the fall in the death rate of the older age groups ;
- (5) entrants to insurance after the age of 16 ;
- (6) the substitution of interest at the rate of $3\frac{1}{3}$ per cent. for 4 per cent.

It should be noted that in accordance with the principle on which the financial system of the scheme is based no provision is made for the redemption of liabilities which the State has undertaken to meet. The estimates for the annual Exchequer grant, which was fixed in amount by the Act up to 1945-46, must ensure each year the financial equilibrium but leave no balance for redeeming liabilities.

The demographic estimates previously mentioned led to the compilation of the following table, which shows the probable financial operation of the scheme from 1934-35 to 1965-66.

The Exchequer grants appearing in this table (column 10) are the amounts fixed by the Act up to 1945-46, and thereafter the sums needed to establish financial equilibrium. The estimates of the balance in the Pensions Accounts (reserves) at the end of the year show a steady decrease until the balance is completely exhausted by about 1945.

TABLE III. ESTIMATED MOVEMENT OF INSURED POPULATION
(Thousands)

Age group	Insured population at 31 December 1931		Estimated insured population in middle of year							
			1935		1945		1955		1965	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
16-20	1,332	1,215	1,271	1,148	1,162	1,046	1,015	906	986	884
20-25	1,768	1,372	1,676	1,296	1,646	1,251	1,378	1,042	1,284	972
25-30	1,630	861	1,665	868	1,558	789	1,425	718	1,244	623
30-35	1,355	549	1,472	571	1,485	553	1,462	534	1,223	445
35-40	1,143	435	1,227	449	1,439	483	1,363	441	1,246	402
40-45	1,058	360	1,074	370	1,291	405	1,324	395	1,303	382
45-50	991	309	994	313	1,078	335	1,287	364	1,218	333
50-55	898	256	918	262	925	274	1,132	304	1,161	296
55-60	808	211	814	222	816	236	903	256	1,077	277
60-65	579	148	652	171	706	211	726	223	887	246
Total 16-65	11,562	5,716	11,763	5,670	12,106	5,583	12,015	5,183	11,629	4,860

A first actuarial calculation compares at different dates the present value of contributions and benefits in respect of each insured person. In the technical report of 1925¹, which defined the basis for the financial structure of the scheme, the theoretical rates of contribution, that is to say, the weekly rates that, if paid from the age of 16, would be equivalent in the actuarial sense of the word to the benefits insured up to the age of 70, were fixed at 10d. for men and 5d. for women.

The statutory rates of contribution were lower than the theoretical rate during the first 10-year period and will be higher in subsequent periods. Thus the age of entering insurance below which contributions balance benefits rises after 1926, the progression being given as follows in the present report :

Year of entry	Limit of age at entry below which contributions balance benefits
1926	16½
1936	19¼
1946	21¼
1956	22¼

The actuarial balance sheet given below is based on the factors referred to above and applies only to contributions and benefits in respect of persons insured at 31 March 1934. The liabilities include

¹ *Widows', Orphans' and Old-Age Contributory Pensions Bill. Report by the Government Actuary on the Financial Provisions of the Bill, 1925. Cmd. 2406.*

The proportion of persons single, married, and widowed among insured persons of each sex is drawn from the 1931 Census returns for Great Britain. For the distribution of women by age and by the husband's age a combined table is constructed on the basis of the results of the operation of the scheme itself. The rate of remarriage of widows also forms the subject of a combined table—according to the age of the husband at death and to the length of widowhood—which is based on the experience of the working of the scheme.

The rate of interest, which had been fixed at 4 per cent. for the earlier estimates, is reduced to $3\frac{1}{3}$ per cent.

The loss of contributions due to unemployment is calculated on the basis of an unemployment rate of $14\frac{1}{2}$ per cent., this being the average rate of the five years ending on 31 March 1934. The rate applies to all persons covered by the Contributory Pensions scheme and is therefore lower than that prevailing in the Unemployment Insurance scheme, which is much narrower in scope. A study of the financial effects of fluctuations in this rate leads to the following conclusions. If the unemployment rate were to fall from $14\frac{1}{2}$ per cent. to 12 per cent., the result would be to reduce the contribution by about one farthing a week for persons entering insurance at the age of 16; a reduction of the unemployment rate to 10 per cent. would reduce the contribution by one halfpenny a week. In the calculation of contribution receipts various unemployment rates are assumed (17 per cent., 12 per cent., 10 per cent.), but in no case is the resulting difference in the total receipts much above £2,000,000. If the unemployment rate were reduced from $14\frac{1}{2}$ per cent. to 10 per cent., the increase in the present value of contributions estimated at 31 March 1934 would be £24,000,000. These results lead to the conclusion that fluctuations of the rate of unemployment between the limits contemplated cannot seriously affect the financial operation of the scheme.

The calculation of the financial situation of the scheme each year is based mainly on estimates relating to the total number of insured persons and their age distribution which rest on the results of the 1931 Census for the total population of Great Britain. The lapses from insurance due to unemployment are calculated with reference to the legislation in force previous to the Act of 1935; that is to say, it is assumed that on 31 December 1935 200,000 insured persons would be excluded for failure to pay the minimum number of contributions. The proportion of the total population insured in each age group is assumed to be slightly higher than the figure given by the 1931 statistics. In this way regard is had to the growth of the "insurance ratio" (the insured population divided by the total population) which had taken place in recent years, and which could be ascribed especially to the increase in voluntary insurance and in the number of insured persons at the older ages.

The results arrived at, some of which are reproduced in the table below, indicate that the male insured population will increase slightly, followed by a decline beginning in 1946, while the female insured population will remain more or less stationary until 1938 and then also begin to fall.

The number of beneficiaries is recorded each year in the insurance statistics, which classify them according to sex and the nature of the benefits they receive. The figure rose steadily from 425,000 in 1926 to 1,775,000 in 1933.

FORECAST OF FINANCIAL OPERATION FROM 1935 TO 1965

Two different methods are used for estimating the future financial operation of the scheme. According to the first an actuarial balance sheet is obtained by calculating the present value at 31 March 1934 of the liabilities and assets of the scheme in respect of persons insured at that date. By the second method a table of estimates is drawn up representing the probable movement of annual income and expenditure, which enables an estimate to be made for each financial year of the amount of the State grant required to establish financial equilibrium. The second method calls for the use of one demographic factor more than the first, namely the number of new entrants in insurance in each year. Apart from this the two calculations rest on the same bases, which are reviewed below.

Use is made both of the tables which were employed when the scheme was framed and of new tables constructed from the most recent returns. As regards the death rate, the rates for the insured population are taken to be the same as for the total population of Great Britain, calculated for each sex from the results of the 1931 Census and the statistics of deaths registered in the years 1930-1932. Special mortality tables are drawn up for married men and for widows. The rates for married men are determined on the basis of the general death rate for men in Great Britain and of the statistics for Scotland where the marital condition at death is recorded. The rates for widows are computed from the experience of the working of the Contributory Pensions scheme itself. These mortality rates are summarised in the table below :

TABLE II. RATES OF MORTALITY

Age	All men	Married men	All women	Widows
16	0.0023	0.0014	0.0022	0.0050
20	0.0032	0.0021	0.0027	0.0050
25	0.0033	0.0023	0.0030	0.0050
30	0.0034	0.0028	0.0033	0.0050
35	0.0043	0.0038	0.0037	0.0053
40	0.0057	0.0050	0.0045	0.0059
45	0.0081	0.0072	0.0060	0.0071
50	0.0113	0.0101	0.0083	0.0095
55	0.0162	0.0146	0.0119	0.0135
60	0.0243	0.0220	0.0180	0.0191
65	0.0381	0.0347	0.0278	0.0299
70	0.0606	0.0551	0.0450	0.0465
75	0.0956	0.0870	0.0748	0.0748
80	0.1456	0.1325	0.1193	0.1193
85	0.2106	0.1916	0.1806	0.1806
90	0.2872	0.2614	0.2531	0.2531

Since the cost of the benefits granted to persons over 70 is borne entirely by the State, these do not form an essential feature of the financial system of the Contributory Pensions scheme and are therefore left out of account in most of the calculations.

The study of the working of the scheme since it came into force and until the end of the financial year 1933-34 leads to the following results. The number of compulsorily and voluntarily insured persons under 65 years of age rose between 4 January 1926 and 31 December 1933 (the most recent date for which statistics have been compiled) from 16 millions to $17\frac{1}{3}$ millions (men, from $10\frac{2}{3}$ millions to $11\frac{2}{3}$ millions). The number of voluntary contributors taken separately showed a steady rise, the figures at the end of 1933 being 450,000 men and 70,000 women.

The results showing the general financial operation of the scheme during the years in question are summarised in the table below. For each financial year, that is, from 1 April of one year to 31 March of the next year, the table shows the principal items of income and expenditure as also the balance in the Pensions Accounts (reserve funds) at the end of the year.

Table I brings out the principal reform introduced under the 1929 Act by illustrating its two chief effects: the increase in non-contributory pensions (column 1), and the rise in Exchequer contributions (column 9).

TABLE I. EXPENDITURE AND INCOME OF THE WIDOWS', ORPHANS' AND OLD-AGE PENSIONS SCHEME FROM THE DATE IT CAME INTO OPERATION TO 31 MARCH 1934

(Million £)

Financial Year	Expenditure						Income				Balance in Pensions Accounts at end of year
	Pensions and allowances				Expenses of administration	Total expenditure	Receipts from contributions	Interest	Exchequer contributions	Total income	
	Non-contributory widows' and orphans' pensions	Contributory		Total							
		Widows' and orphans' pensions	Old-age pensions (65-70)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1926-27 (15 months)	6.9	1.3	—	8.2	1.0	9.2	25.9	0.3	4.0	30.2	21.0
1927-1928	4.8	3.2	3.0	11.0	0.9	11.9	23.2	1.1	4.0	28.3	37.4
1928-1929	4.1	5.1	13.6	22.8	1.0	23.8	23.3	1.8	4.0	29.1	42.7
1929-1930	3.6	7.1	14.7	25.4	1.1	26.5	24.1	2.0	4.0	30.1	46.3
1930-1931	7.9	9.0	16.4	33.3	1.3	34.6	23.5	2.2	9.0	34.7	46.4
1931-1932	10.5	10.6	17.4	38.5	1.3	39.8	21.8	2.1	10.0	33.9	40.5
1932-1933	9.7	12.1	17.8	39.6	1.3	40.9	22.3	1.7	11.0	35.0	34.6
1933-1934	8.8	13.8	18.3	40.9	1.2	42.1	22.9	0.9	12.0	35.8	28.3
Total	56.3	62.2	101.2	219.7	9.1	228.8	187.0	12.1	58.0	257.1	—

WORKING OF THE PENSIONS SCHEME FROM 4 JANUARY 1926 TO 31 MARCH 1934

The report opens with a review of the principal features of the financial organisation of the scheme.

Under the 1925 Act contributions are fixed, irrespective of age, at rates which are to increase by successive stages. From the date the Act came into operation (4 January 1926) to the end of 1935 the ordinary weekly contribution was fixed at 9d. for men, half being paid by the insured person and half by the employer, and at 4½d. for women, 2d. being paid by the insured person and 2½d. by the employer. On 1 January 1936 and in every succeeding tenth year the weekly contribution for men rises by 2d. and that for women by 1d., reaching the maximum of 1s. 3d. for men and 7½d. for women on 1 January 1956.

Benefits are divided into two groups according as they are granted on a contributory or a non-contributory basis.

The first group comprises :

- (1) since 2 January 1928, temporary old-age pensions between the ages of 65 and 70, fixed at a flat rate of 10s. a week. The pension is doubled if the insured person's wife is over 65 years of age ;
- (2) since 4 January 1926, widows' and orphans' pensions.

A widow's pension equal to the old-age pension is granted irrespective of age, earning capacity, and means if the insured person married before reaching the age of 60.

The benefits for orphans consist of : (a) orphans' pensions proper for children under 14 years¹ who have lost both parents ; (b) widow's allowances in respect of each dependent child under 14 years.¹ The orphan's pension is fixed at 7s. 6d. a week, and the widow's allowance at 5s. a week for the eldest child and 3s. for each younger child.

The second group comprises "non-contributory benefits" granted under the 1925 and 1929 Acts to the surviving dependants of persons normally employed in an insurable occupation who died before 4 January 1926. Under the 1925 Act the widows of such persons are entitled to the following benefits : (a) a temporary pension lapsing when the youngest child reaches the age of 14½ ; (b) allowances in respect of each dependent child under 14 years.¹ Pensions are also granted to orphans (fatherless and motherless children) of such persons. The 1929 Act extended the benefit of non-contributory pensions by raising the age to be reached by the youngest child before the temporary widow's pension lapses from 14½ to 16 years, and by granting annuities from the age of 55 to widows of the above-mentioned persons, withdrawn in the event of remarriage. Non-contributory pensions are granted at the same rate as normal contributory pensions.

¹ In case of continued school attendance, the allowance is extended up to 31 July of the year following the sixteenth birthday.

cannot be made available for a number of selected ex-prisoners who are found to be suitable.

"We regard the proper organisation of aid on discharge", declares the report, "as fundamental to finding employment for ex-prisoners and as an essential corollary to the proposals we have made . . . for the reorganisation of employment in prisons. Training in habits of industry or in craftsmanship will lose much or even all of its value unless it is associated with proper efforts to help prisoners on discharge."

In conclusion, it seems fitting to quote the following passage from a memorandum submitted to the Committee, which sums up the whole question :

"Objection is sometimes made to giving help to an ex-prisoner on the ground that there are many honest men who are equally needy and more deserving. This dilemma is as old as the parable of the Prodigal Son. But the ex-prisoner is not necessarily worse than a man who has not been in prison, and it is in the interest of the State to save him from being forced into a life of crime. It is not always possible to be logical in such matters, and reasonable help to an ex-prisoner is a commonsense compromise. It is a false economy to withhold necessary funds for after-care work when a few pounds spent on an offender at the beginning of his criminal career may save him from becoming an habitual criminal at the cost of many hundreds of pounds to the State."

Financial Operation of the Widows', Orphans' and Old-Age Contributory Pensions Scheme in Great Britain

Actuarial Report and Estimates as to the Future

The Act of 1925 which introduced widows', orphans' and old-age contributory pensions in Great Britain requires the Government Actuary to make a report on the general financial operation of the Act for the first time in 1935 and thereafter in every tenth year. The first report has accordingly been published, after being laid before Parliament as the Act prescribes.¹ It is a technical document, which is analysed below under three heads corresponding to the main subjects dealt with : the working of the scheme since it came into force and up to 31 March 1934, a forecast of its operation up to 1965-1966, and a study of two proposals for reform.

¹ U.K. TREASURY, GOVERNMENT ACTUARY'S DEPARTMENT : *Widows', Orphans' and Old-Age Contributory Pensions 1925-1932. Report by the Government Actuary.* London, H.M. Stationery Office, 1935.

SUGGESTED REFORMS

Most of the proposals put forward in the report have to do with the reorganisation of the aid societies. The Committee recognises that after-care work among ex-prisoners is not a task which can be adequately discharged by the staff of a Government Department alone, although the policy of official co-operation and of Government contributions should undoubtedly continue. The work is one which requires the sympathy and active interest of the whole community, and can best be done through an efficient voluntary organisation closely in touch with persons of standing and influence, including employers of labour. If, however, the societies' freedom of action is to be maintained, considerable reorganisation is necessary.

The primary aim of the societies, which is to procure employment for discharged prisoners, could be achieved more easily if their organisation were better adapted to that of prison establishments, if their internal working were overhauled, and if efficient co-ordination on national lines were assured. Societies which, for historical reasons, exist side by side in various districts, should join to form one single society. The area covered by each society should, as far as possible, coincide with a given committal area. Each society should have a general committee and an executive committee, which would ensure its efficient working. In addition to certain officials responsible for prison administration, the general committee might include representatives of social and religious bodies and representative employers of labour. District committees should be set up to continue as it were the work of societies closed under the new scheme. Their aim would be to foster and maintain local interest in the work of the societies, to find work, and generally to arrange for the after-care of prisoners released into their district, and to occupy themselves with the welfare of the families of prisoners during their sentence. Each society should have a full-time paid secretary, and its own offices, not on prison premises.

The Committee also suggests merging the existing Central Society into a National Council, which would co-ordinate and guide the work of the individual societies. This Council would receive the Government grant and distribute it to the societies.

The report also studies the question of whether the task of the aid societies could not be facilitated by certain measures of public administration. The loss by prisoners of their rights in respect of sickness insurance and unemployment insurance is a real problem. "Apart from their ineligibility for pay in certain cases", says the report, "it was represented to us that the blank spaces on an ex-prisoner's card were liable to lead to questions which prevented him from securing or retaining employment." Special legislation would seem to be necessary to ensure the maintenance of prisoners' rights in respect of sickness and unemployment insurance. Pending a fuller enquiry into the matter, the report mentions that it is the intention of the Prison Commissioners to discuss with certain authorities responsible for unemployment relief and public assistance (1) to what extent public assistance may be utilised for the benefit of discharged prisoners, and (2) whether existing plans for the occupation and training of the unemployed

Special associations deal with young prisoners leaving Borstal Institutions (the Borstal Association) and with persons condemned to hard labour or preventive detention (the Central Association for the Aid of Discharged Convicts ; the Aylesbury After-Care Association). In the measures taken for the rehabilitation of prisoners the most important part thus falls on the Prisoners' Aid Societies and the Borstal Association. How, then, have they performed their task ?

THE WORK OF THE SOCIETIES

The objects of the societies may be said to be to find employment on discharge for prisoners who are able and willing to work, to ensure that the influence under which released prisoners live is likely to contribute towards their rehabilitation, to assist prisoners who need help on leaving prison, and to assist the families of prisoners during their sentence.

The report points out, however, that in practice there is a tendency to concentrate on relief payments to prisoners on the day of discharge and that too little is being done either by way of finding employment on discharge or of assistance to wives and families of men in prison, or in maintaining personal contact with prisoners after release. The authors of the report state that on the whole they have not found much evidence of concentrated effort on the important task of finding work for discharged prisoners. In a limited number of cases local committees have been formed and the services of individual helpers enlisted ; but in most cases the matter is left largely in the hands of the society's agent, a considerable part of whose time is necessarily taken up with routine duties and the visiting of prisoners. The very large number of existing societies hinders their administrative work to the detriment of results, the more so as their work is not adequately co-ordinated. In view of the state of the labour market in recent years and of the lack of concentration on the task, concludes the report, it is not surprising that the number of prisoners for whom work is found is no larger than it is.

In contrast to the Prisoners' Aid Societies, the institution which deals specially with juvenile delinquents has, generally speaking, obtained good results with regard to placing. According to the report of the Borstal Association for the five years 1929-1933, temporary or regular employment was found for 3,192 of the 3,407 lads discharged for the first time to the care of the Association (this figure does not include lads discharged after return to the institutions on revocation of licence). The report adds that it is difficult to ensure reasonable wages and conditions of employment for ex-Borstal lads and to protect them against the exploitation to which they are liable by reason of their past history. It is not always possible to get them work at the trade they have begun to learn at the Institution. Better results could be obtained, states the Committee, if the links between the Borstal Institutions and the Borstal Association could be strengthened and more especially if the agents of the Association could get into closer contact with the persons with whom they have to deal at a later date.

Great Britain

In 1932 the Secretary of State for Home Affairs appointed a Committee "to review the methods of employing prisoners and of assisting them to find employment on discharge, and to report what improvements are desirable and practicable". An account was duly published in these pages¹ of the first part of the report made by this Committee on the methods of employing prisoners. In May 1935, the Secretary of State for Home Affairs submitted to Parliament the second part of the report, dealing with employment on discharge.² A brief summary is given below of a number of passages interesting from a social and international standpoint.

In Great Britain private associations, working in conjunction with the State, are responsible for the assistance of discharged prisoners. It is therefore the organisation and work of these associations which are discussed in the report.

ORGANISATION OF ASSISTANCE

The Prisoners' Aid Societies assist persons who have been condemned to a term of imprisonment. In most cases they are local associations and were set up at various times during the nineteenth century, generally in connection with a particular prison. Although, since the passing of the local prisons into the hands of the Prison Commissioners, many prisons have been closed, a number of the societies attached to them have continued to exist, so that nowadays there are in England and Wales 48 certified local societies as compared with 26 local prisons. Aid Societies attached to district prisons for women work on the same principles as those adopted by the local societies for the assistance of men, but one of them, attached to an establishment receiving persons from a large area, has set up branch societies in 12 different counties. There are also special societies dealing with Roman Catholic and Jewish prisoners.

Prisoners' Aid Societies must be certified by the State, which exercises a certain amount of supervision over their work and makes grants towards the cost of assistance rendered to discharged prisoners. The greater part of the revenue of the societies comes, however, from private sources; and in 1933 the societies raised £23,000 as compared with a total Government grant of £7,000.

The various societies are linked up to a central body—the Central Discharged Prisoners' Aid Society—which was set up in its present form in 1918 to act as an instrument of co-ordination. According to the Committee's report, the Central Society has rendered considerable service in dealing with difficult cases; as an agency for co-ordinating, guiding and stimulating the work of the local societies, however, it has failed to achieve the main objects of its foundation.

¹ Cf. *International Labour Review*, Vol. XXX, No. 2, August 1934: "Prison Labour in Great Britain and in the United States of America".

² Cf. *Report of the Departmental Committee on the Employment of Prisoners*, Part II. Employment on Discharge. London, H.M. Stationery Office, 1935, 75 pp. 1s. 3d.

Article 8. The present agreement shall come into operation on 1 June 1934 and shall remain in force for five years, when it shall be considered to be tacitly renewed for a similar period unless it has been denounced by one of the contracting parties at least six months previously. In case of denunciation, the conditions governing policies already issued shall remain in force without any amendment.

APPENDIX

Schedules of Benefit Rates

In accordance with the present schedule, the payment to the Social Insurance Institution of one lira a month shall guarantee the payment of :

(a) The sum indicated in the second column and corresponding to the number of premium years completed, if the holder of the policy lives until the expiry of the period fixed ;

(b) the total amount of the monthly premiums computed at the date of death if this occurs earlier ; in this case the actual amount will vary between the two amounts given in the second column and corresponding to the beginning and end of the year when death took place.

To obtain the amount corresponding to regular monthly payments other than one lira, the amount given in the second column for one lira should be multiplied by the actual amount of the monthly payment. For example, if 100 lire are paid at the beginning of every month over a period of eight years, the holder of the policy would receive 11,295.20 lire.

AMOUNT CORRESPONDING TO A MONTHLY PAYMENT OF ONE LIRA, COMPUTED AT THE RATE OF 4 PER CENT. COMPOUND INTEREST PER ANNUM

Period	Amount	Period	Amount
	Lire		Lire
After 1 year	12.258,444	After 12 years	184.192,923
„ 2 years	25.007,216	„ 13 „	203.819,079
„ 3 „	38.265,944	„ 14 „	224.230,281
„ 4 „	52.055,021	„ 15 „	245.457,932
„ 5 „	66.395,666	„ 16 „	267.534,688
„ 6 „	81.309,933	„ 17 „	290.494,515
„ 7 „	96.820,769	„ 18 „	314.372,735
„ 8 „	112.952,029	„ 19 „	339.206,083
„ 9 „	129.728,549	„ 20 „	365.032,765
„ 10 „	147.176,132	„ 25 „	510.513,835
„ 11 „	165.321,618		

The minimum monthly contribution payable by each prisoner shall be fixed at 8 lire.

Article 3. The issue of insurance policies and the management of the scheme shall be entrusted to the "Praeventia"—an institution specially set up by the Social Insurance Institution to administer accumulation systems instituted by the Decree of 27 July 1931 of the Ministry of Corporations.

The Social Insurance Institution shall assume responsibility for the operations in question. Each policy shall lapse with the release of the prisoner concerned.

Article 4. The policy shall be drawn up in the prisoner's name, but all rights of negotiation shall be conferred on the authorities of the prison establishment in which the prisoner is confined.

The authorities of the various prison establishments shall pay every month the total amount of the monthly contributions deducted from prisoners' accounts to the "Praeventia" (89 via Nazionale, Rome), such payments to be accompanied by a list of the prisoners on whose behalf they are made.

All sums due by the Social Insurance Institution in pursuance of the present agreement shall be paid to the authorities of the prison in which the prisoner concerned is confined, the said authorities also being responsible for effecting such payments to dependants as are laid down in the prison rules in force.

To this end, the said authorities shall transmit policies due for settlement to the general management of the "Praeventia" at least 20 days before they lapse, so that the necessary measures may be taken before the discharge of the prisoners concerned.

Article 5. The present agreement shall apply to prisoners who are detained for work after its conclusion.

Article 6. The Ministry shall take the necessary measures to ensure that, within one month from the conclusion of the present agreement, the authorities in charge of prison establishments shall supply the Social Insurance Institution with a list of employed prisoners showing for each prisoner the name and surname, name of father, place and date of birth, and the date of expiry of his sentence.

Article 7. The following exceptions to the general rules governing insurance policies shall be observed:

(a) No charges or stamp duties shall be payable on prisoners' insurance policies;

(b) if a prisoner is released before the expiry of his sentence as a result of a reduction or remission of the latter, he may request the insurance authorities to buy back his policy at a price at least equal to the total amount of premiums paid at the date of his release, plus 4 per cent. compound interest per annum;

(c) a prisoner may not be required to pay premiums during periods of unemployment. During such periods his policy shall hold good for an amount equal to the total amount of premiums paid prior to the suspension of premium payments, plus 4 per cent. compound interest per annum. The payment of premiums may be taken up again at a later date so long as the policy has not been cancelled, and in this case the capital guaranteed shall be equal to the originally guaranteed capital minus the capital value of the premiums due but not paid up, calculated up to the maturity of the policy at the rate of 4 per cent. compound interest per annum.

Italy

Prison rules allow for the opening of a cash account in each prisoner's name. This account includes two parts : a personal account and a labour account. In the personal account are entered the amount of money in the prisoner's possession on admittance to prison, any sums received from the sale of his effects, and any money sent to him by relatives or other persons. The part which the prisoner is entitled to claim of any remuneration granted for work performed in prison is paid into his labour account. The prisoner's right to dispose freely of these moneys, that is to say of the total amount in the two accounts, is recognised, provided the different objects of the two funds are observed and subject to two general restrictions. The first restriction is of a disciplinary nature and prohibits the prisoner from transferring his savings to another person who is not a near relative. The second restriction is intended to ensure that the prisoner will have a small sum at his disposal which will enable him to cope with the initial difficulties encountered on his release. To this end, prison legislation stipulates that a fraction of the prisoner's savings, varying with the length of his sentence and the actual amount of his savings, must be set aside to form a discharge fund.

In order to make sure that prisoners will obtain the fullest possible benefit from the fraction put aside to form a discharge fund, the authorities took steps to establish an accumulation system for the investment of such savings. Negotiations opened with the National Social Insurance Institution led to the conclusion of an agreement which lays down the terms and conditions of an investment scheme offering definite advantages to prisoners. By means of this scheme, the released prisoner receives a sum of money considerably higher than the total amount paid by him into the scheme, and should he die before the expiry of his sentence, his dependants are entitled to the refund of all contributions paid by him, plus the corresponding interest.

The agreement between the Ministry of Justice and the National Social Insurance Institution is based on the same principles which inspire prison rules in Italy and ensures that the best and most profitable use is made of the fraction of the prisoner's account set aside to form a discharge fund, by means of a scheme which, in the opinion of the Ministry, offers a remunerative and safe means of investment for the prisoner's savings.

The text of the agreement is given below :

Article 1. In order to realise the objects mentioned above, the fraction of the cash account of prisoners performing work in prison which goes to form a discharge fund shall be invested, in accordance with the terms of the present agreement, in a special accumulation fund.

The present agreement shall not apply to prisoners who are sentenced to less than three years' imprisonment.

Article 2. The benefits granted under the scheme shall be based on the schedule attached to the present agreement.¹

¹ See below, p. 539.