

C.S.

OFFICES & OFFICIALS
(Miscellaneous)
MISCELLANEOUS
(Labour)
(General)
(Economics)

WAR/W2H/6#11

19 43.

No. 73/43.

Secretary of State.

SUBJECT.

19 42.

9th February.

ECONOMIC POLICY IN WAR.

Cost of Living.

Previous Paper.

RF. 67/41.
159/42.

MINUTES.

1. Secret Circular despatch from S. of S. of 9. 2. 42.

Y/E.,

Referred, pl.

L. W. A.
for C.S.
1.6.42.

H.C.S.,

F.y.i. - This may be pertinent to the proposed general increase in wages which the Labour Advisory Board are recon- sidering.

A. W. C.
21. 7. 42.

H.C.S.,

Seen - thank you. I do not think it affects the action H.E. is proposing to take. Mr. Carr would doubtless like to see Red 1.

A.C.
L.A. 27.7.42.

Competent Authority,

You may have seen this. For perusal and return.

I.B. 28/7/42.

Hon. Col. Sec.,

Seen, thank you, and noted for future reference should the question of subsidising essential commodities arise.

A. R. C.
Comp. Auth.
29.7.42.

Subsequent Paper.

7.

Circular Saving Telegram from S. of S. of 17. 3. 43.

(18)

A.C.P.

Pl. attach C.O.L. Bonus file.

KB 1110

(9)
H.C.S.
M.P. 4/4/42
attached pl.

12/5/42

Y.F.

The Corp. Auth. does not think there has been an appreciable rise in the cost of living since we introduced our bonus last year, & I do not think we need adopt the procedure suggested by the S.A.B. We shall hear about it soon enough if there is any cause for complaint & I will have another look at the situation when we have been buying from S. America for a few months.

KLB

14/5.

Jan. 30/11/43.

H.B.L.

(10)

I attach my file C.10. showing details of prices ruling at the end of 1942, and at the end of 1943. From it it will be seen that there is no appreciable general rise in the cost of living. Of the five main essential foods Flour and Coffee show no change, Sugar shows a decrease of 9% and tea and evaporated milk show increases of 8 1/2% and 11% respectively. Clothing varies. Shoes, on the whole, are cheaper. Ladies stockings show little change and are more plentiful. Ladies' underwear is slightly more expensive. Infants' clothes show practically no change. The opening up of trade with S. America, beginning in May 1943, has resulted in the importing of adequate stocks of essential clothing at reasonable prices, so that the general position now is better than it was in December 1942.

W.H. Gault

19.1.44.

YE

n.a.w.

KLB

20.1.44



B.W.
30.6.44

(11)

C.A.

any changes to report?

KLB
17/1/44

(12)

Notes: C.A. has discussed with H.C. n.a.



Jan. 31/12/44

(13)

ACS

Pl. put on here a copy of Mr. Lau's recent C.O.L.B. report.

KLB

3.1.45

See Red 113 on 74/42.

14. Copy of letter from Labour Adv. Board Chairman of

23.10.44

(15)

C.A.

Has there been any change in the cost of living since (14) was written?

AB
2/5/45

(16)

H. G. J.

I attach my file C.10. for your information. Taking the two representative lists at red 25 at minimum prices the ^{unweighted} totals are £2.1.3. and £4.11.6. for food and clothing respectively, showing increases of 6.4% in foodstuffs and 12.7% in clothing over the figures shown for 1.7.44. The figure for foodstuffs is a fair estimate, but I am of the opinion that the increase in the cost of clothing is actually more than that indicated, as some of the items at minimum prices are not really suitable for hard working wear (e.g. socks as G.L. Williams at 1/3 per pair). Principal increases in food prices are Butter, 1d. per lb. Coffee 6d. per lb. Jam 6d. per lb. Bury Milk 1d. per tin: in clothing, flannel shirts 5/9 working trousers 6/6, dungarees 8/9.

W.B. Genth.
16. 7. 45.

(17)

C.A.

Assuming that we observe the policy mentioned (7) of giving no increase in cost of living bonus, in any case, unless there is an overall rise of 10%, n.a.u. But, for the sake of clarity could you show the increase as in (14) in terms of the Budget in (14)?

AB
17. 7. 45

B.U.

1/12/45

31/1/45
30/1/45

CA.

Have you any specific remarks to make on C.O.L. in the last year?

2. I shd. like to discuss. Did we not ask Sts for certain figures of controlled prices - so on in U.K.?

Abel
2.7.46

Spoke CA. This can wait for a decision on the question of C.O.L. w.r.t. the demand of the labour for conditions wages to include C.O.L. Bonus.

by

1.12.46

28.2.47

Abel

10.7.46

3/12

This may not. The C.O.L. Bonus will not be increased - it is reckoned that C.O.L. is up by 25% (of then to Fiji about the Donald).

P.A.

Abel
11.3

CIRCULAR.

Downing Street,

SECRET

9th February, 1942.

Sir,

I have recently had under consideration the possibility of giving some general guidance to Colonial Governments in connection with claims for increases in wages in Colonial Dependencies having regard to the increasing cost of living. There is abundant information that this matter has been, and will be, increasingly brought to the notice of Colonial Governments, and there are important general considerations connected with it which ought to be borne in mind in any decisions which may have to be taken.

2. I should wish to make clear at the outset that the following discussion is confined to this particular problem of the adjustments necessary in view of the rising tendency in the cost of living. I am not discussing here increases in the real incomes of Colonial populations. Clearly the rise in the real standard of living, which is the longterm objective of His Majesty's Government as stated in my circular (2) despatch of the 5th June, 1941, will normally be accompanied by a rise in money incomes and particularly in basic rates of wages. The fundamental basis, however, of such a rise in the standard of living must be an increase, by greater local productivity or otherwise, in the quantity of goods available for purchase and consumption, and my circular already referred to made clear that schemes aiming at such greater productivity should not be deferred if it is possible to carry them out in wartime conditions. It was not, however, my intention to suggest that the object could be achieved merely by monetary action, that is, by increased money incomes all round.

What is discussed here is the narrower but more immediate problem of what can be done to prevent an actual decrease in the standard of living, particularly of the lower paid workers, owing to changes in the monetary field, i.e. rises in the cost of living.

3. It is an undoubted fact that prices of many necessary articles of consumption which enter into the cost of living have risen in practically all Dependencies and are likely to continue to rise. This applies more particularly to imported goods owing to the increased costs of transport, insurance, etc., as well as in many cases to increased costs of production in the country of origin. Increases in the costs of articles of local production have so far in general been very much less and the importance of the rise in the general cost of living is governed largely by the relative proportion of imported as compared with locally produced articles.

The Officer Administering
the Government of

FALKLAND ISLANDS

Rec (2) in
69/41

1

4. It must moreover be agreed that any depreciation in the standard of living of the working classes in a great majority of Dependencies is most undesirable. It is therefore natural that schemes for the payment of a cost of living bonus in addition to wages should be considered both for Government and for private employees. In a number of Dependencies such cost of living bonuses are already in operation in individual classes of employment. In some important Colonial industries at least, in which a large proportion of the employers are United Kingdom firms, there is little doubt that the attitude of the employers is affected by the consideration that their liability to excess profits tax will be pro tanto reduced by any payment of increased wages and they have no doubt agreed to increases more willingly on this account than they might have done in normal circumstances.

5. There are, however, certain very definite dangers in any policy which aims at granting increases of wages sufficient to keep pace with an increase in the cost of living. Such a procedure is the highroad to inflation. As regards its local inflationary effect, it is to be borne in mind that no mere increase in the money income of Colonial populations will remedy the actual physical shortage of imported goods. The maintenance of an adequate supply of imported manufactured goods for the consumption of the mass of Colonial populations is a matter to which close attention is now being paid, and it may be that special schemes will have to be devised to ensure such maintenance of supplies at reasonable prices, but it is fraught with many difficulties, and there can be little doubt that the total quantity of imported goods available for sale in the Colonies must continue until the end of the war to be below the normal pre-war level. In such circumstances, putting more money into circulation tends merely to drive up the prices of imported goods, so enabling increased profits to be made by distributors of such goods and at the same time increasing the cost of living index in so far as such goods enter into that figure. It is sufficiently obvious that an initial rise in the general level of wages may in this way cause a further rise in the cost of living which will in turn justify a second rise in wages and so initiate the traditional spiral of inflation.

6. The inflationary effect is moreover not confined to the individual Dependency itself. In so far as the prices of Colonial products sold to the United Kingdom are determined by any exact relationship to current costs, a rise in wage costs will lead to a rise in the price paid in this country and will increase to that extent the costs of production here. Naturally the effect of any such adjustment in an individual Dependency can only be very small, but in the aggregate a general rise in costs of all Colonial products might have an appreciable effect on the financial situation of the Empire as a whole.

7. In this connection I would commend for attention the general discussion of the problems involved contained in a recent White Paper on Price Stabilisation and Industrial Policy, Cmd. 6294. That paper was written with an eye to conditions in the United Kingdom itself, but the theoretical considerations underlying it are equally applicable elsewhere.

8. On the other hand, it may well be that a small and controlled rise in prices may have some advantage in that it will stimulate local production in substitution for goods previously imported. It would, however, clearly be undesirable to promote any kind of local inflationary boom on a large scale, since that would inevitably lead to the establishment of industries which might find it difficult to maintain themselves in post-war conditions and would lead in the long run to additional difficulties.

9. I should like, however, to suggest for the consideration of Colonial Governments the desirability of taking all possible measures, on the lines which have been taken in this country, to deal with the situation by controlling the rise in the cost of living. The measures taken in this country include the deliberate subsidisation by Government of prices of certain necessities and the control of prices of such subsidised articles and of such other goods as it may be practicable to control.

10. Subsidisation of the prices of necessities must obviously involve a burden, and in some cases a heavy burden, on Colonial finances. None the less I think it may well be a preferable policy, particularly where the Colonial Government is in receipt of increased revenue as the result of wartime conditions. Obviously the conditions of each territory must be considered separately and I must not be taken as conveying any promise that assistance from His Majesty's Government would necessarily be forthcoming to support such a policy if the resources of the territory itself were inadequate. In particular Dependencies, for example, those where the principal foodstuff is rice, it might well be that subsidisation of the price of rice which is already in a number of cases, wholly under Government control, will be enough to keep the rise in the cost of living sufficiently in check. It may also be that at any rate in some Dependencies private employers, if they are financially prosperous as a result of wartime conditions, would be prepared themselves to participate in carrying the burden of subsidising prices of essential foodstuffs for their own employees.

11. As regards general control of prices, particularly of imported goods, I am aware that many Colonial Governments have already instituted measures of that kind. I am aware also that there are many difficulties in effectively controlling prices throughout the mechanism of distribution when supplies are falling seriously short of the current demand. In this connection reference is invited to my confidential circular despatch of the 14th July, 1941. I can only urge that all possible steps should be taken to prevent profiteering in such conditions.

12. Nevertheless, however successful the efforts to control prices, it must be regarded as inevitable that cost of living bonuses, if not already granted, will have to be granted in the near future in nearly every Dependency in order to meet increases in the cost of living, which it is now impossible completely to prevent by measures of the kind suggested above. Such increases should, of course, be confined to the lower paid workers; it is not suggested that there should be any general grant of bonuses to higher

salariied officials and employees. In such cases I assume that it is possible to arrive at some approximate measure of the rise in the cost o' living based on an index comprising common necessities of life whether locally produced or imported. The preparation of a really accurate index of that kind is a matter of considerable difficulty and it cannot be hoped that any high degree of accuracy can be secured, but an index sufficiently accurate for practical purposes should be possible in most Dependencies.

13. It is not my desire to lay down any single programme to be followed uniformly in all Dependencies, but rather to indicate the general considerations and to suggest a general line of policy, which is broadly to meet rises in the cost of living which can no longer be prevented by suitable wage increases on the basis of cost of living bonuses not necessarily designed to cover the whole of the increases which have taken place, and at the same time to endeavour by every possible means to check any further increase in the cost of necessities which would give rise to claims for further wage increases. The policy to be followed in each territory must necessarily be selective and must be governed by its own economic and financial circumstances.

14. I would, however, request that in any event I should be kept fully informed of any salient developments in this field and of any action taken whether by Government or by private employers.

I have the honour to be,

Sir,

Your most obedient, humble servant,

A handwritten signature in dark ink, appearing to read 'Mogul', is written in a cursive style below the typed signature line.



From the Secretary of State for the Colonies.
 To the Officer Administering the Government of
 Circular Telegram Saving.
 17th March, 1943.

Relation of increase in cost-of-living allowances
 to increase in the cost of living.

1. This question was discussed by a Conference of Officers from the West African Labour Departments held at the Resident Minister's Office last November. The Conference, after reviewing the different steps taken in the various West African Colonies to mitigate the hardship caused through the rise in the cost of living by means of the award of cost-of-living allowances, made a number of recommendations, amongst which were the following:-

- (i) There should be some common formula relating increase in cost-of-living allowances to the increase in the cost of living. (The Conference suggested that consideration should be given to the formula applied in the United Kingdom in the case of the Mining Industry).
- (ii) The cost of living should be reviewed twice a year; this would allow for seasonal variations. The cost-of-living allowance should be reviewed once a year on an average of the two cost-of-living surveys. No increase in the cost-of-living allowance should be made unless there had been an average increase of 10 points in the cost of living over the preceding year.

2. With regard to the first of these recommendations, a request was received from the Resident Minister's Office for information regarding the formula agreed upon in the case of the mining industry. The Ministry of Labour and National Service were approached and asked to state at the same time whether the agreement reached in the mining industry was regarded by them as a good one, and I enclose for your information copies of letters received from the Officer in charge of the Statistical Division of the Ministry (Mr. E. C. Rumbottom), and from Sir Frederick Leggett, who is one of the Deputy Secretaries in the Ministry and a member of the Colonial Labour Advisory Committee.

3. I think that the information given in these letters should be of considerable assistance to many Colonial Governments in connection with this particular problem.

9.2.43.

18.2.43.

G 48256

Stanley,

Falkland Islands.

23rd October, 1944.

Sir,

With reference to your letter of September 25th concerning a request received from the Falkland Islands Labour Federation for an increase of wages, I am instructed by the Board to submit the following report for His Excellency's information.

1. The question was fully gone into at the 17th, 18th and 19th meetings of the Board, and the following resolution was finally passed, three members voting in favour of the motion, and three abstaining from voting:-

"RESOLVED That His Excellency be informed that the Labour Advisory Board have carefully considered the costs of living in the Colony as at the 16th October, 1944, in comparison with the costs in 1942 when the last comparison was made.

Consideration has been given to every item (numbering 124 in all) in the lists agreed upon as a basis for comparison.

The Board finds that, so far from there being an increase in the cost of living since 1942, there is in fact a decrease, though not sufficient to justify any consideration of a cut in wages."

2. The subsidiary points on which His Excellency required information were summarised as follows:-

- (i) Can a definition of "Cost of Living" be agreed on?
- (ii) Has there been a rise in the cost of essentials since June, 1943?
- (iii) If there has been a rise, to what is it due?
- (iv) Should the Board recommend an increase, where are the necessary funds to come from?

These points were dealt with in rotation.

(i) Cost Of Living. After discussion the Board came to the conclusion that they were not in a position to give a fixed and final definition of the term "Cost of Living". It was, however, unanimously agreed "that the list of articles constituting essential requirements for a family of 5 for 1938 should be taken as a fair basis on which to calculate possible increases in costs, as in the opinion of the Board it constituted a fair average list of goods which may be considered essential".

(ii) Has there been a rise in the cost of essentials? Figures produced at the meetings and unanimously agreed shewed the following increases since 1942, there being no comparative table for June, 1943, to work upon:-

Food	7.6%	Carting	15%
Bed and Table Linen ..	100%	Crockery	33 $\frac{1}{3}$ %
Household (General) ..	20% (approx.)		

These, however, were offset by the decrease in the amount of money available for expenditure on clothing - this decrease being due to the imposition of rationing.

Final figures were as follows:- (monthly totals).

	1942.			1944.		
Rent	3.	-.	-.	3.	-.	-.
Food	11.	18.	8 $\frac{1}{2}$	12.	16.	11.
Carting	-.	10.	-.	-.	11.	6.

	1942.			1944.		
Brought forward	15.	8.	8½	16.	8.	5.
Tobacco	-.	15.	-.	-.	15.	-.
Clothing	8.	16.	-.	6.	2.	2.
Bed and Table Linen	-.	9.	-.	-.	18.	-.
Crockery	-.	6.	6.	-.	8.	8.
Light	-.	5.	-.	-.	5.	-.
Household (General)	-.	19.	6.	1.	3.	6.
	<hr/>			<hr/>		
	26.	19.	8½	26.	-.	9.
	<hr/>			<hr/>		

(Increases, where they have occurred, are in every case due to higher prime costs of imported goods.)

(iii) and (iv). In view of the resolution quoted above it was not considered necessary to deal with the third and fourth points.

3. This completed the current business of the Board. The following matters which arose out of the discussion are, however, submitted for His Excellency's information:-

(i) Mr. McAtasney asked for it to be placed on record that, although he was satisfied that the figures produced had been carefully prepared and checked, and although he was not prepared to contest the motion put to the Board concerning them, he was not satisfied that the question of the Cost of Living had been satisfactorily thrashed out since 1939. A note to this effect was inserted in the Minutes.

(ii) Mr. Bonner proposed that the transactions of the Board should be made public as far as possible, and this was carried unanimously. Instructions on this point would be appreciated.

4. In conclusion, I submit, in support of this report, the file containing all the figures used during the enquiry. The minutes of the meetings are, of course, at His Excellency's disposal should he require them.

I am,
Sir,
Your obedient servant,

(SGD) A. R. CARR,

Chairman, Labour Advisory Board.

The Hon. the Colonial Secretary,
STANLEY,
Falkland Islands.