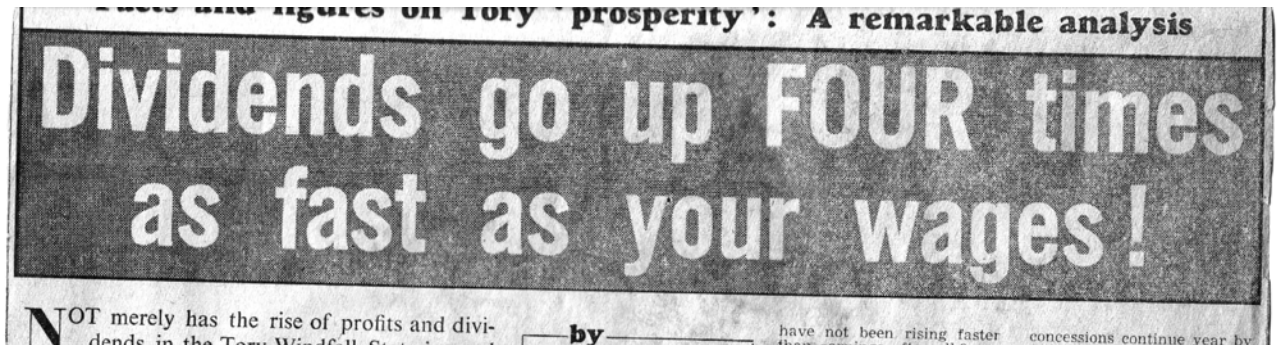


Reynolds News August 14th 1960

The scanned report by Scorpio – Financial Correspondent of the Reynolds News - has the headline on August 14th 1960:

Facts and figures on Tory ‘prosperity’: a remarkable analysis.



At the time that this article was printed there was a credit squeeze and a 6% Bank Rate. The chancellor, Mr Heathcoat Amory, had made heavy cuts in taxation that had favoured investors, but wage earners were not objecting.

Scorpio says:

“You have never BEEN HAD so good”

The article quotes percentage increases in income affecting different sectors of the population. For clarity these are tabulated.

Percentage rise	1958	1959	1958-59	1960 (1 st half)
Overall wage and salary	3%	3.5%		7%
Manual workers only	2%			
Rent, interest & dividends before tax:	9%	13%		10%
after tax:				29.5%
Gross profits		10%		10%
Share prices	25%		100%	

The figures quoted show that changes in taxation boosted profits.

Scorpio says:

“But the chief single reason why dividends have been outpacing wages this year is that production has been rising faster than wage rates.”

The correspondent concluded that a possible reason for organised labour being quiet was that living costs had flattened out due to lower world prices.

Further notes reproduced from **www.brad.ac.uk/library**

“The University of Bradford has a special collection of “Reynolds’s Weekly Newspaper”, News founded by the radical journalist George William MacArthur Reynolds in May 1850. It soon became a very successful Sunday newspaper, especially in the North of England, with a radical working class approach combined with sensationalism. The Reynolds family retained the paper until 1894, when, under proprietor Sir Henry Dalziel and editor William Thompson, “Reynolds’s Newspaper” became the Sunday paper that reflected the Liberal Party’s views. In 1925, the paper’s change of name to “Reynold’s Illustrated News” reflected the growing importance of pictorial content in news coverage.

The paper was later acquired by the National Co-operative Press on behalf of the Labour Party, becoming the Sunday voice of opposition as “Reynolds News and Sunday Citizen”. It ceased publication in 1967, by which time it was known as “Sunday Citizen”.

The University of Bradford received its complete set from the Co-operative Society in Manchester through the offices of the then Chancellor of the University and Prime Minister, Harold Wilson. The set forms a very valuable resource for political and social historians, offering a popular, working class view of events, while the wide range of regional editions held offer further interesting local perspectives. Unfortunately, the paper in our set is very brittle, so the volumes must be treated with the utmost care and cannot be photocopied.”

The editors welcome further commentaries on this article.

Our thanks go to Professor Robert Moore who retrieved this article which is produced as clearly as our equipment allowed.

editors@radstats.org.uk

NOT merely has the rise of profits and dividends in the Tory Windfall State jumped this year to a quicker rate than ever, but dividends are outpacing wages and salaries faster than at any time since the war.

In fact, dividends are now rising more than four times as fast as wage earnings.

Tory "prosperity" is having to be bolstered up by a credit squeeze, a six per cent Bank Rate, HP restrictions, and appeals by the Prime Minister for higher exports to avoid an autumn financial crisis . . . but still profits and dividends boom merrily.

This extraordinary shift back of Britain's national wealth to the benefit of shareholders and profit-earners and away from wage-earners and salary-earners has been gathering force for nearly three years.

It was much aided by the heavy cuts in taxation on profits made by Mr. Heathcoat Amory as Chancellor in those years.

For **1958** as a whole total wage and salary payments in money rose only three per cent (7d. in the £); and earnings of manual workers barely two per cent (4d. in the £).

But rent, interest and dividend receipts—even before tax—rose nine per cent (1s. 9d. in the £). Share prices that year rose 25 per cent.

In **1959** the gain by shareholders speeded up further. Wages and salaries again rose only 3½ per cent (8d. in the £). But gross profits were up 10 per cent (2s. in the £), dividends before tax

13 per cent (2s. 7d. in the £), and undistributed profits 19 per cent (3s. 10d. in the £).

No wonder that by January this year share prices had risen over 100 per cent in two years, and capital gains in those two years—spread over about 1½-million holders of equity shares—totalled more than £10,000,000,000.

The drop in share prices since January—despite all Mr. Amory's gloomy speeches and repeated squeezes—has been barely 10 per cent.

In **1960** dividends have been running ahead of wages and salaries even faster still. Wage earnings in April, 1960, were seven per cent (1s. 6d. in the £) higher than in

by
SCORPIO

REYNOLDS NEWS
FINANCIAL CORRESPONDENT

April, 1959, in a wide range of industries. Trading profits before tax rose by 10 per cent (2s. in the £) in the first six months of this year.

But owing to Mr. Amory's continued largesse to shareholders, profits after tax were 26 per cent (5s. 2d. in the £) higher in the April-June quarter.

Dividends after tax were 29 per cent (5s. 9d. in the £) higher in the first three months of this year, and 30 per cent (6s. in the £) higher in the second three months.

So dividends are now rising over four times as fast as wage earnings. Tory prosperity means—as it was intended to mean—prosperity for shareholders.

Tax bonus

Certainly we can say of the wage-earners who voted Tory at the last election: **"You have never BEEN HAD so good."**

Some may argue that this is quite unfair, because profits and dividends have merely been recovering from the slump started by Mr. Seven Per Cent Thorneycroft in 1957-58.

If we go back seven years will we find that dividends

have not been rising faster than earnings after all?

We will not! Mr. Amory gave the figures. Over the period between 1952 and January, 1960, wage rates rose by 42 per cent (8s. 5d. in the £), and dividends (both before tax) by 78 per cent (15s. 7d. in the £).

These figures all give income before National Insurance Contribution or tax is paid. For that reason they greatly underrate the number of millions which the present Government has been taking away from wage-earners and salary-earners in the last eight years and handing over to shareholders.

This has been done in two ways; first by raising the weekly Insurance contribution which is largely paid out of wages and salaries. The amount deducted from wages and salaries for this Contribution has gone up by £60-million in the last two years.

But taxation paid out of company profits—at the expense of shareholders—has gone heavily down. In the 1958 Budget, companies got a tax bonus of £16-million a year in lower Profit Tax and £23-million in higher depreciation allowance.

In the 1959 Budget £229-million was remitted in Income Tax. Much more than half of this goes to those receiving dividends rather than those earning wages or salaries. These

concessions continue year by year.

Shareholders in many big companies have benefited even more by Mr. Heathcoat Amory's tax reliefs on profits than by the actual increase in trading profits.

Take the case of Turner and Newall, the asbestos combine. Between 1955 and 1959 the trading profits actually fell slightly, from £16,419,184 to £16,023,048.

But total taxation paid out of profits was **£600,000** less. The amount paid in dividends after tax, actually **rose by £1,100,000.**

Another cause of the new share-out of national income in favour of shareholders has been the huge rise in interest payments on the national debt under the Tories.

Production up

The Labour Government kept the annual interest payment down to about £450 million. Last year the former Chancellor Mr. Amory handed out £615 million, and this year he managed to hand out £640 million.

These huge payments go largely to banks and other financial firms, and so ultimately to their shareholders.

But the chief single reason why dividends have been outpacing wages this year is that production has been rising faster than wage rates.

Industrial production has been running about nine per cent higher this year than

Industrial production has been running about nine per cent higher this year than last. But wage rates have not risen nearly as fast as that (only about three per cent); and so overhead costs have fallen, and very high profits been raked in.

Earlier Ministers begged industry, for this reason, to lower prices. But there was a bleak response.

Prices were not lowered—for home sales or exports—except in a few cases like Vauxhall cars, where the sellers could not help themselves. Now Ministers have given up even asking. So profits and dividends soar.

Clearly the mass of those living on wages or salaries are not going to get a fair deal this year by waiting, either for industry to cut prices, or the present Government to tax profits.

The only way

There remains only one alternative: to demand higher wages and salaries, and shorter hours.

That is the only way in which social justice can be re-established.

Some may fear that this would mean higher export prices and costs. Not at all! There is no reason for prices to be raised. All that is needed is a less fat rake-off for shareholders from existing receipts, and a more adequate share for those living on salaries and wages.

Organised labour has been remarkably mild, in view of the figures of profits and dividends, in asking for its rights in 1960.

Perhaps this is because the rise in living costs has flattened out, due to lower world prices. But higher living costs are not the only justification for higher salaries and wages. Rising dividends are another.