

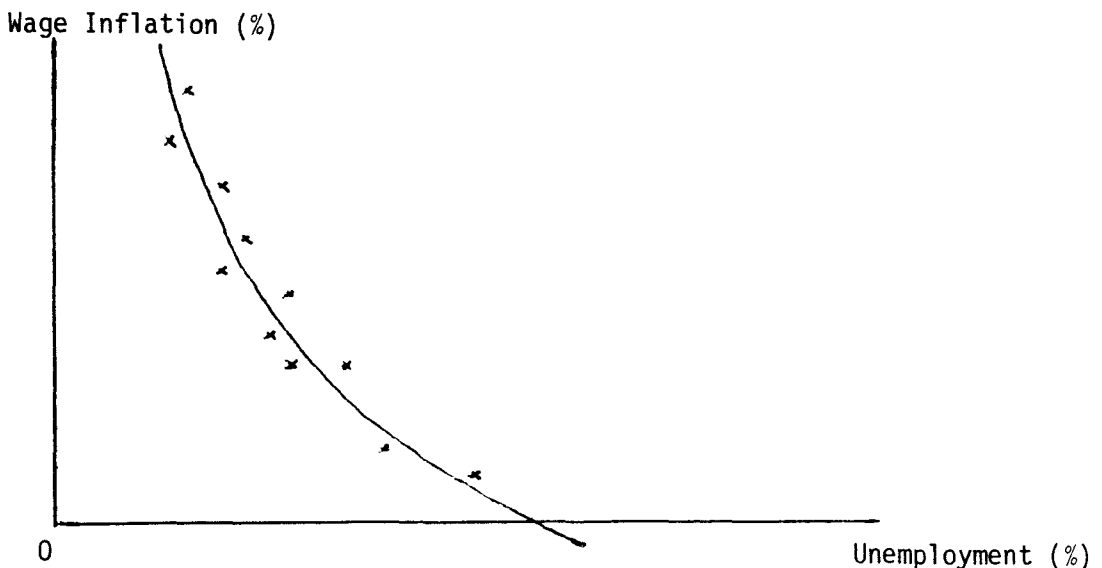
An Analysis of Inflation in Scotland and the UK

This article attempts to analyse the recent inflationary experience of the Scottish and UK economies. Unfortunately at the present time the lack of data on prices in Scotland has proved to be an almost complete deterrent to both study and discussion in this area, contrasting with the situation for the UK as a whole where an adequate supply of data has allowed the necessary analysis and debate. Thus, while information on comparative wage inflation rates is examined, the second section of the article is a largely qualitative analysis of the inflationary process in the Scottish economy.

Research on inflation has changed radically over the last few years but the results of the new work are only now beginning to permeate public discussion. This article may help to disseminate this new information as well as to highlight the very real differences of opinion that exist. However, before discussing the modern current of inflation analysis it is worthwhile to consider the previous orthodoxy and the factors which produced the impetus for change.

Section 1

The mid sixties was a time of near unanimity among UK economists on the fundamental causes of inflation. The basic view was that the rate of wage inflation was determined by the amount of excess demand for labour, which was assumed to vary inversely with the level of unemployment - see the diagram below.



In other words, economists assumed that wages rose fastest during a boom, because firms then had to compete amongst themselves for what labour was available, and changed little under conditions of economic slump, when unemployment was high. By combining these ideas on wage inflation with the hypothesis that firms raise prices at a rate determined by the rate of wage increase minus the increase in labour productivity, two very simple conclusions emerged. First, there was a well-defined trade-off between inflation and unemployment: we could have either low unemployment or low inflation, but not both. Phillips, whose name is associated with this relationship, suggested that the UK economy could choose either one percent unemployment with 6% price inflation or just over 2% unemployment with a zero rate of price inflation (or some combination of these). Secondly, this overall view implied that inflation could be easily controlled by Keynesian demand management, as no one disputed the fact that unemployment could be influenced by conventional monetary and fiscal policies. Thus the rate of price inflation could be chosen according to political judgement.

Towards the end of the decade, however, this theory became clearly untenable as both unemployment and wage and price inflation increased. This phenomenon, often termed 'stagflation', became apparent throughout most of the Western world over the late sixties and early seventies and the old orthodoxy had to be rejected. A number of theories have been proposed over the last few years in an attempt to develop a satisfactory explanation of inflation. It is convenient for the purpose of this article to distinguish between theories of wage inflation and theories of price inflation; the former will be examined first.

Wage inflation theories

While there are a myriad of particular theories they can be subsumed within three broad groups:

- (a) the expectations/excess demand theory
- (b) the trade unions strength, "wage push" theory
- (c) the sociological and political explanation

The first of these has its roots in work done in the late sixties by Friedman and Phelps, although the most notable British advocates are Professors Laidler and Parkin, who have refined and tested the basic argument. This view is normally, although not unambiguously, labelled "monetarism" because it is commonly combined with the argument that it is over-expansion of the money supply that has generated substantial excess demand. Groups (b) and (c) are closely related; the increased trade union strength theory has been proposed by Hines, Turner and Jackson et al, while Wiles and Hicks have been amongst those who have put forward theories based on the idea that non-economic factors are of crucial importance in explaining the recent wage and price 'explosion'. The article will now summarise and compare these three potential explanations of the recent wage inflation.

The first of the theories is essentially an adapted version of the old Phillips curve orthodoxy. However, the extremely interesting addition to the theory is that of the new role for 'expectations'. The basic argument, as set out originally by Friedman, is that the rate of wage inflation is jointly determined by:

- (1) the amount of excess demand in the labour market
(which can be proxied by the inverse of the unemployment level)
- (2) the expected rate of price inflation

The rationale for the latter variable is both plausible and simple: workers are assumed to be concerned with the value of their real wages, hence if they believe that prices will rise 10% over the coming year they will demand 10% higher wages simply to maintain their standard of living. The theory assumes that the only other determinant of wage inflation is demand pressure in the labour market - excess demand produces an increase of more than 10%, while excess supply reduces the rate below 10%.

This theory of wage inflation can be used to explain the recent

stagflation in the following way. First, so the argument runs, the whole inflationary spiral was begun by excessive expansion of world demand by the USA in the 1960's. The huge government expenditure programmes that the United States carried out at that time produced a large balance of payments deficit in that country while simultaneously increasing the level of demand pressure in the rest of the world. In Britain this inflationary impulse was reinforced by devaluation of the pound in 1967 and by expansionary monetary policy. This excess demand provided the original wage inflationary stimulus. However, as price inflation developed - because wage costs were rising - people began to expect future increases in the price level. Because of this, workers began to build these expectations into their wage claims. This served to increase wage inflation, which produced still greater price inflation. By the 1970's, although unemployment was at a level which in the fifties would have meant a constant price level, a huge rate of inflation had been created by a wage-price spiral propelled by labour's reaction to its expectations of price inflation. In terms of diagram (1) proponents of this school suggest that the Phillips Curve shifted rightwards over the period because of expectations of high rates of price inflation and the compensatory increases in money wages that resulted.

The advocates of this view believe that there is a straightforward, although politically unpopular, solution to the problem of inflation. If the government produces excess supply in the economy - that is, creates a recession - the level of wage inflation will be reduced over time (a) because higher unemployment will dampen wage increases as firms find that they do not have to compete for workers in a tight labour market, and (b) because as wage inflation moderates, the rate of price inflation will fall, hence reducing the rate of price inflation that workers expect. Thus the whole spiral can be put into reverse. The initial result of this type of demand management policy would be high unemployment, low wage and price inflation and a low expected rate of inflation. However, supporters

of this policy believe that once this situation has been attained it would be possible to reflate slowly without producing a high rate of inflation, eventually establishing the early sixties situation of moderately low unemployment with low inflation. To maintain this it would be necessary to avoid sharp increases in demand pressure, such as result from large increases in the supply of money. This constitutes the basic 'monetarist' position in the debate on inflation policy.

The second of the three theories of wage inflation rests upon the premise that the cause of the recent wage explosion is increased trade union power. Underlying this thesis is the view that under existing conditions the level of wages is determined by the outcome of a bargaining process between unions and employers. Advocates of the trade union, "wage push" theory argue that trade unions are now highly organised and capable of forcing strikes for substantial periods of time. Because employers often take the view that they will be forced to pay higher wages eventually, or that it is simply more profitable to concede than to provoke a long and bitter strike, it has been argued that trade unions have, and now realise that they have, a great deal of power to extract high wage increases. To establish whether increased trade union strength has caused the recent inflationary experience is unfortunately difficult, particularly because it is not clear how the 'average level of trade union power' can be measured. However, this explanation of inflation seems to have wide popular support and probably forms the rationale for the many attempts at incomes policy in the UK over the last decade. The proponents of this view argue that demand management is of little use in combating inflation and that some sort of powerful policy of wage control is necessary.

A related point that has been widely discussed is that government policy has helped unions extract higher wages. Given that a union is concerned about the number of its members who are unemployed there is a natural brake on excessive wage increases, because under static demand conditions most firms will cut back their labour force as the

wage rate increases; thus unions may be reluctant to press for very large wage rises. Many writers have claimed that the government's commitment to maintain high employment has prevented this natural device from operating. In short, unions have pressed for large wage increases, confident that the government would prevent unemployment by increasing aggregate demand.

The third of the wage inflation theories contends that inflation has stemmed largely from sociological changes in the Western world. Theorists of this genre suggest the crucial points are that people now feel frustrated when their incomes fail to grow at a 'satisfactory' rate, that there is competition between groups of labour to widen wage differentials, and that people are now more selfish and materialistic than ever before. The common theme running through theories of this type is that the very nature of Western society has changed over the last decade and that the result has been a wage spiral. Unfortunately these ideas appear to be even less easily testable than those of the second type, which makes it extremely difficult to weigh them against the evidence put forward by those supporting alternative views. It is not obvious what policy action would be most appropriate if this were the correct explanation of inflation, but some form of incomes policy is presumably implied, particularly if supported by a publicity campaign aimed at changing attitudes in society; the £6 a week policy is of this type, to the extent that it is based on union acceptance of a fall in real wages.

The preceding discussion constitutes a brief survey of the present controversies over the cause of wage inflation. To explain the price inflation that accompanied wage increases, however, it is necessary to consider briefly why prices have been continually raised over the last decade.

Theories of Price Inflation

The major debate in this area of economics is whether

- (a) prices change because of changes in both costs
(of labour, raw materials and other factors of

production) and demand pressure
or (b) prices are set merely with regard to costs, on a
mark-up basis.

While conventional economics suggest that firms attempt to maximise profits and therefore change prices if demand conditions alter, many writers have suggested that large sections of manufacturing industry merely apply some profit margin to costs in setting prices and thus raise prices only if costs increase. While this may be a reasonable description of some industrial sectors it seems likely that the general price level is affected by demand pressure as well as unit costs. This view is supported by the weight of the empirical evidence as well as by consideration of the fact that in certain sectors - such as the agricultural sector, for example, which has an important influence on the retail price index - demand conditions are vitally important in determining prices. In conclusion, price inflation can be produced by either rising costs (such as produced by rising wages) or excess demand for goods (which increases profit margins) or some combination of these.

Conclusions on the Causes of Inflation

Can some consistent overall conclusion on the causes of wage and price inflation be drawn from the academic theories outlined above? The view expressed here is that by combining certain aspects of these theories it is possible to reach a satisfactory explanation of the inflationary experience of the UK. Section 11 discusses the Scottish inflation using the same broad conclusions.

The expectations/excess demand theory, which is in many ways the most clearly articulated and thoroughly researched of the theories, provides what is probably the most valuable and original insight from the three, namely that the expected rate of price inflation is a fundamental determinant of the rate of inflation. In addition, on theoretical and empirical grounds it does seem that demand conditions in the economy influence the rates of wage and price inflation. Thus the theory is, in the main, extremely convincing. However, the 'monetarists' have concentrated too heavily on the role of the

money supply as a determinant of aggregate demand in the economy; fiscal policy is also critically important. Even though this theory clearly contributes a great deal to our understanding of the causes of recent inflation it is not in itself a complete explanation.

The crucial weakness in the excess demand expectations theory of inflation is that the process of bargaining between unions and management is ignored. It is simply assumed that if workers expect 20% price inflation they will claim, and receive, a 20% increase in wages, plus or minus some adjustment depending on whether boom conditions are forcing wages up or whether high unemployment is dampening wage inflation. This assertion - based on the assumption that workers do not ever press for higher living standards or parity with other sectors - seems indefensible. As a result, the excess demand/expectations theory cannot explain why, for example, certain groups of labour, such as the coal miners, managed to extract much greater wage increases - with no signs of excess demand - than those given elsewhere in the economy; nor what produced wage inflation in 1974-75 so far above the rate of price inflation that the real incomes of wage and salary earners rose substantially during a slump; nor why the boom in the fifties (when unemployment fell as low as in the sixties) failed to produce the 20-30% inflation of the last few years. To explain these events it seems necessary to consider the factors proposed in the other two theories. The first point seems obviously to have resulted from the strong bargaining position of the NUM; the second indicates that workers both expect to receive, and can ensure that they receive, increases in real incomes every year; while the third point suggests that structural changes of the types postulated by the sociological and trade union push theories have occurred over the last two decades.

In overall conclusion, the wage and price inflation experienced in the UK over the last 5-10 years can be largely explained in terms of over expansion of demand and the propulsive effects of a wage-price spiral

stemming from expectations of continuing price inflation. While this mechanism has been of major importance, however, it seems that changes in sociological factors and trade union strength have also played a part. Although government action in attempting to maintain full employment has to some extent aided this "wage push" inflation, by largely removing the fear of unemployment as a result of substantial wage increases, it is not obvious that demand management alone could reduce inflation to a few percent without producing the sort of depression experienced in the 1930's. The policy implications of this are that both deflation and some form of incomes policy - aimed at reducing real income growth expectations in particular - are likely to be necessary to control UK inflation. This suggests that present government policy may accomplish the task of reducing inflation to a satisfactory level if the political pressure associated with a high level of unemployment can be withstood. However, it seems from this analysis that even a carefully regulated demand management policy in the future may not be sufficient to produce an early sixties inflation rate, unless the change in attitudes - for example, in real income expectations - induced by the £6 a week policy are to some extent permanent.

Section II

The object of this section is to analyse the inflationary experience of the Scottish economy. First, the available data on inflation are set out. Secondly, a comparison is drawn between Scotland and the UK based on the view that although the causes of inflation in both countries are essentially similar there are important quantitative differences. The principal conclusions drawn in the section are, first, that the Scottish rate of price inflation was, and is, almost certainly greater than that for the UK, secondly, that the rate of inflation in Scotland is more sensitive to demand pressure, and thirdly that there is a particularly unfavourable short run trade-off between unemployment and inflation in Scotland. The consequences of unchecked inflation in the Scottish economy are discussed at the end of the article.

The Rate of Inflation in Scotland

It is possible to calculate a series for the rate of wage inflation in Scotland by using annual statistics on average weekly earnings. This series is set out in Table 4 and is plotted against the corresponding series for the whole of the UK in Graph 1.

Table 4 Unemployment and Increases in Average Weekly Earnings *

| <u>Year</u> | <u>Scotland</u> | <u>% Unemployed</u> | <u>UK</u> | <u>% Unemployed</u> |
|-------------|-----------------|---------------------|-----------|---------------------|
| 1960/61 | 10.3 | 2.9 | 8.8 | |
| 61/62 | 3.2 | 3.5 | 3.4 | |
| 62/63 | 5.3 | 4.4 | 5.6 | |
| 63/64 | 9.2 | 3.5 | 8.1 | 1.7 |
| 64/65 | 9.0 | 2.8 | 8.2 | 1.4 |
| 65/66 | 6.1 | 2.7 | 3.6 | 1.5 |
| 66/67 | 6.1 | 3.6 | 5.3 | 2.3 |
| 67/68 | 7.4 | 3.7 | 7.6 | 2.4 |
| 68/69 | 8.1 | 3.6 | 8.0 | 2.4 |
| 69/70 | 12.2 | 4.1 | 13.0 | 2.6 |
| 70/71 | 10.5 | 5.7 | 10.3 | 3.4 |
| 71/72 | 16.9 | 6.2 | 15.8 | 3.7 |
| 72/73 | 15.5 | 4.5 | 14.2 | 2.6 |
| 73/74 | 19.9 | 3.9 | 18.8 | 2.6 |

Sources: Scottish Economic Bulletin
Economic Trends

*The earnings figures are for full-time adult male manual workers

One crucial point must be considered when comparing the UK figures with those for Scotland, namely, because the Scottish figures are included implicitly in the UK statistics the observed differences will be less extreme than those between Scotland and 'the rest of the UK'. Bearing this in mind, a number of points emerge from the data:

(a) The average rate of wage inflation over the period from 1960 to 1974 was slightly higher in Scotland than it was in the UK as a whole. Average weekly earnings rose by 374% from 1960 to 1974 in Scotland as compared with 345% in the UK. It is not possible to calculate the differential between Scotland and the rest of the UK, but it is clearly more extreme.

(b) The qualitative fluctuations in the Scottish rate of wage inflation followed the UK pattern closely, but there were certain quantitative differences.

(c) The divergence between the Scottish and UK figures was most marked in the 'boom' periods of 1965/66 and 1972/73.

It is also valuable to examine the relationships between wage inflation and unemployment in Scotland and the UK. These are plotted for the period 1961-74 on graph (2) and show that there is a striking similarity between the patterns of data for the two countries: both reveal, very roughly, a slanted 'V' shaped scatter of points with the three observations for 1971-74 lying (in both cases) in a line above and to the right of the main group. As discussed in Section I there is of course no obvious downward sloping Phillips curve. The patterns of data that do emerge, while similar in shape, do not lie in the same regions of the graphs; in fact every point on the Scottish diagram lies $1\frac{1}{2}$ - 2% unemployment points to the right of the corresponding UK point. This has unfortunate implications for the Scottish economy that are examined later.

While there are some small amounts of data on prices in Scotland - such as those published in a December report by the Price Commission, which stated that food prices in the north of Scotland were 7-8% higher than in central regions of the UK in May 1975 - there is no retail price index for Scotland, and this makes it impossible to provide a series for price inflation in Scotland that is comparable with that produced for the UK. However, it is almost certainly the case that the rate of price inflation has been, and is, higher in Scotland. As the average rate of wage inflation has been greater in the Scottish economy over the period, hence implying a faster increase in wage costs than in the rest of the UK, the rate of price inflation could only have been at or below the UK rate if some extremely unlikely combination of higher productivity increase and structural change has occurred in Scotland. Moreover, substantial excess demand in areas such as the North-East has produced areas of high regional wage and price inflation in the last few years as a result of oil development

and this must have recently provided a considerable stimulus to the Scottish rate of inflation.

In conclusion, over the last fifteen years Scotland has experienced a higher level of wage inflation than the UK as a whole - the average level of earnings is now only slightly below the UK average - and it seems certain that the same is true of the rate of price inflation.

The Causes of Inflation in Scotland

The first question in an analysis of the causes of Scottish wage and price inflation is whether the explanation given for inflation in the UK is applicable. In fact it seems reasonable to suggest that Scottish inflation can be attributed to the same broad causal factors. Thus Scottish inflation has been jointly produced by demand pressure and a wage-price spiral induced by inflationary expectations, and by the sociological and union bargaining power changes discussed earlier. Hence the scatter of points in diagram (2) conceals not only a short-run trade-off between wage inflation and unemployment but also the influence of the expected rate of inflation in Scotland, which is certainly mainly responsible for the rightward shift in the Phillips curve, and of other factors such as the role of wage claims based on 'parity' with the rest of the UK. The effect of substantial excess demand on wage inflation is illustrated most effectively by the behaviour of wages in the North-East over the last few years - an extreme example of the 'bidding-up' effect that excess demand creates.

Although the causal mechanisms in Scotland are similar to those that produced the UK inflationary spiral it might be argued that these factors have somewhat different quantitative effects: for example, that unions are more militant in Scotland and better able to extract high wage increases, or that the expected growth in real incomes is lower in Scotland than in the rest of the UK - because of lower growth in the past, or that the role of wage parity with workers in England is the dominant 'sociological' influence on wage claims,

or that the expected rate of price inflation is perhaps higher in Scotland than in the whole country. Unfortunately no firm conclusions can be reached on whether these factors have produced the differences in inflation rates between Scotland and the UK; even so, they remain interesting possibilities.

A Comparison between Scotland and the UK

There are two important questions that must be considered in this discussion. The first is what caused the two main periods of divergence of the Scottish and UK wage inflation rates, while the second is why the scatter of Scottish points on the unemployment - wage inflation diagram lies well to the right of those for the UK as a whole.

First, as the periods of the greatest wage inflation differential were times of economic boom and high employment - at least in terms of the British trade cycle - it seems reasonable to conclude that the Scottish rate of wage increase is more responsive than the UK rate to demand expansion. The higher Scottish rate of wage inflation was particularly marked in the mid sixties boom (when UK unemployment was only $1\frac{1}{2}\%$) at which time the rate of wage increase was more than 6% while the UK figure was 3.6%.

The second point stems from the observation noted earlier that the trade-off between inflation and unemployment - which the excess demand/expectations theorists suggest exists in the short run only, because workers start to adapt their wage claims as the price inflation resulting from the first wage increases begins to appear - is much more unfavourable in Scotland than in the nation as a whole. This means that to reduce wage inflation in Scotland requires a much higher level of unemployment than that necessary for the UK. On the causal assumptions stated throughout the article the possible reasons for this are that

(a) the labour market in Scotland is comparatively inefficient at reallocating unemployed workers, perhaps because of the lack of

retraining facilities, the less varied selection of potential jobs and lower labour mobility than in the UK.

(b) wages in the Scottish economy are heavily influenced by wages in the rest of the UK, because of 'parity' claims backed by union bargaining strength, so that while wages can rise faster in the face of excess demand, 'par' wages are only dampened by huge excess supply in the labour market.

The policy implications of the two foregoing points are quite clear: while Scotland's inflation suffers rather more than the UK's from excess demand, much greater levels of unemployment in Scotland are required to reduce wage inflation. This implies that the Scottish economy is not only more prone to demand-led inflation, but also that it can get rid of it less easily than the UK as a whole by using deflationary methods.

The Effect of the 'Internal' Exchange Rate

Another point that has been made elsewhere stems from an argument proposed by the 'monetarists' to the effect that in an international system of fixed exchange rates, monetary expansion in one country eventually influences price inflation in the others. As Scotland effectively has a perfectly fixed exchange rate with the rest of the UK, any expansion or demand in England will tend to raise Scottish prices; a response which would not occur - so the argument runs - if there were a freely floating exchange rate between the two currencies. However, this analysis ignores the fact that monetary expansion enacted by the Bank of England will be felt directly in Scotland as the Scottish clearing banks increase credit. Thus a floating rate of exchange would not in itself produce the desired effect; an independent Scottish monetary policy would also be necessary.

The Consequences of Inflation

As a major conclusion of this paper has been that particularly severe

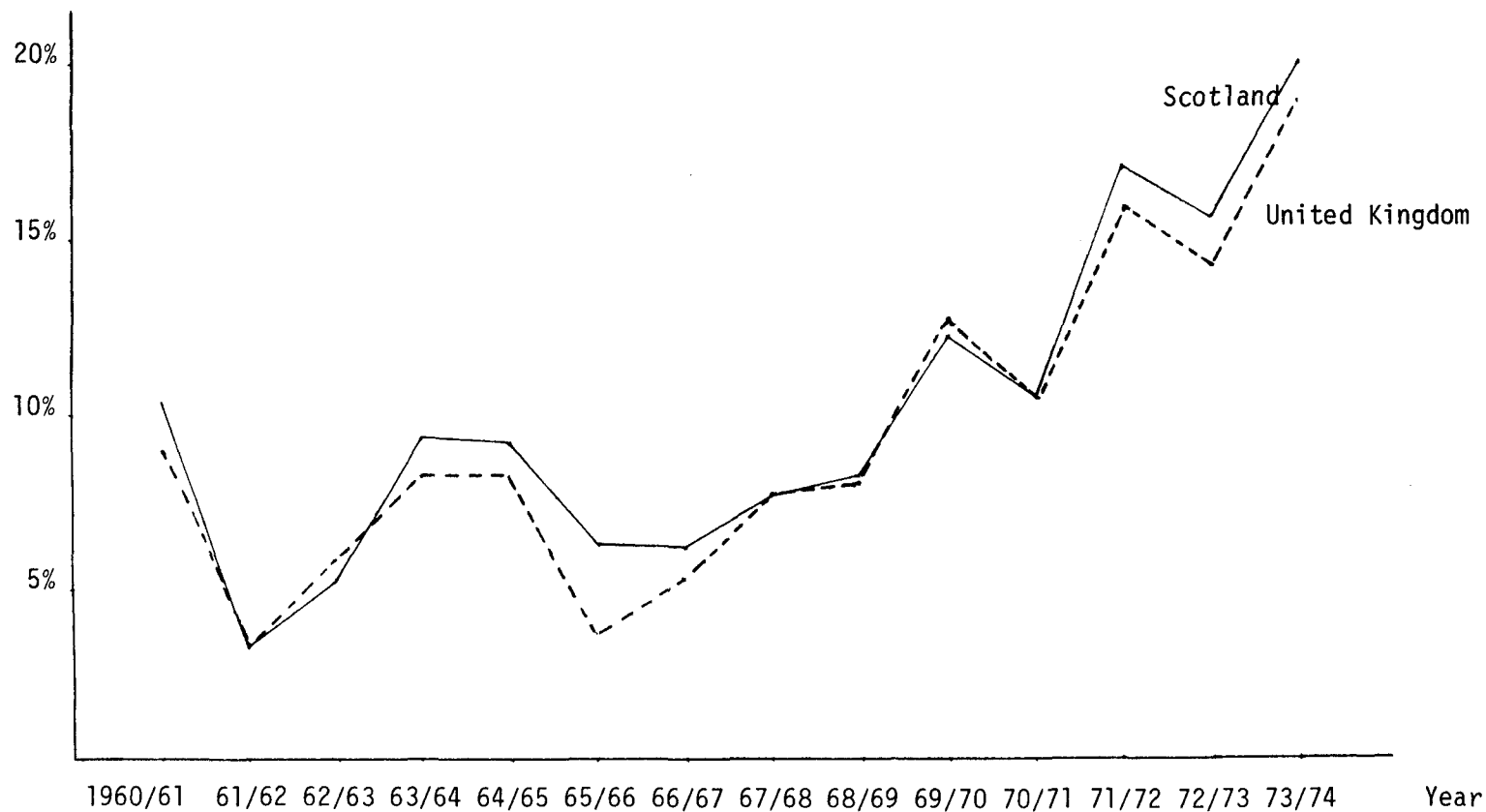
unemployment would be necessary to reduce wage inflation in Scotland it is worth considering whether in fact it would be rather more advisable to accept the inevitability of some inflation. To examine this, the consequences of inflation, which are rarely discussed in detail, must be understood. First, the effect of a rate of price inflation in Scotland greater than that in the rest of the world is to decrease 'exports' to England and, unless the exchange rate depreciates, to the rest of the world. This will of course tend to depress output and employment in the Scottish economy over time. Secondly, inflation has undesirable redistributive effects: from lenders to borrowers, 'weak' unions to 'strong' unions, pensioners to wage earners and also (possibly) poor to rich if the former are less able to protect themselves from the effects of inflation. Thirdly, it seems quite reasonable to argue that investment in Scotland and elsewhere is reduced by the uncertainties and general lack of confidence inspired by inflation. Fourthly, and a barely considered consequence, a persistently rising price level forces all firms to continuously raise prices, thus wasting time and resources on interminable price setting decisions, alterations of advertisements and price lists, and so on. Fifthly, a high rate of inflation produces a situation where consumers find it impossible to spend their incomes most effectively, because of the disorienting effects of continually changing prices. In conclusion, the welfare costs to society of high inflation are so severe as to merit even policy action that itself imposes a considerable cost on society, if in the long run inflation can be reduced to, and maintained at, a moderate rate.

Conclusion

In final summary, while the most effective inflation policy for both Scotland and the UK is one combining deflation with an incomes policy aimed at changing attitudes such as peoples expectations of real income growth, it seems from the analysis in this article that the unemployment necessary to achieve this in Scotland will be far higher than that required in the UK as a whole. Consideration of the costs

of inflation, however, suggests that such a policy may still be preferable to continuous inflation. Alternatively, for any given rate of money wage increase throughout the United Kingdom, productivity must rise relatively faster in Scotland if higher unemployment is to be avoided.

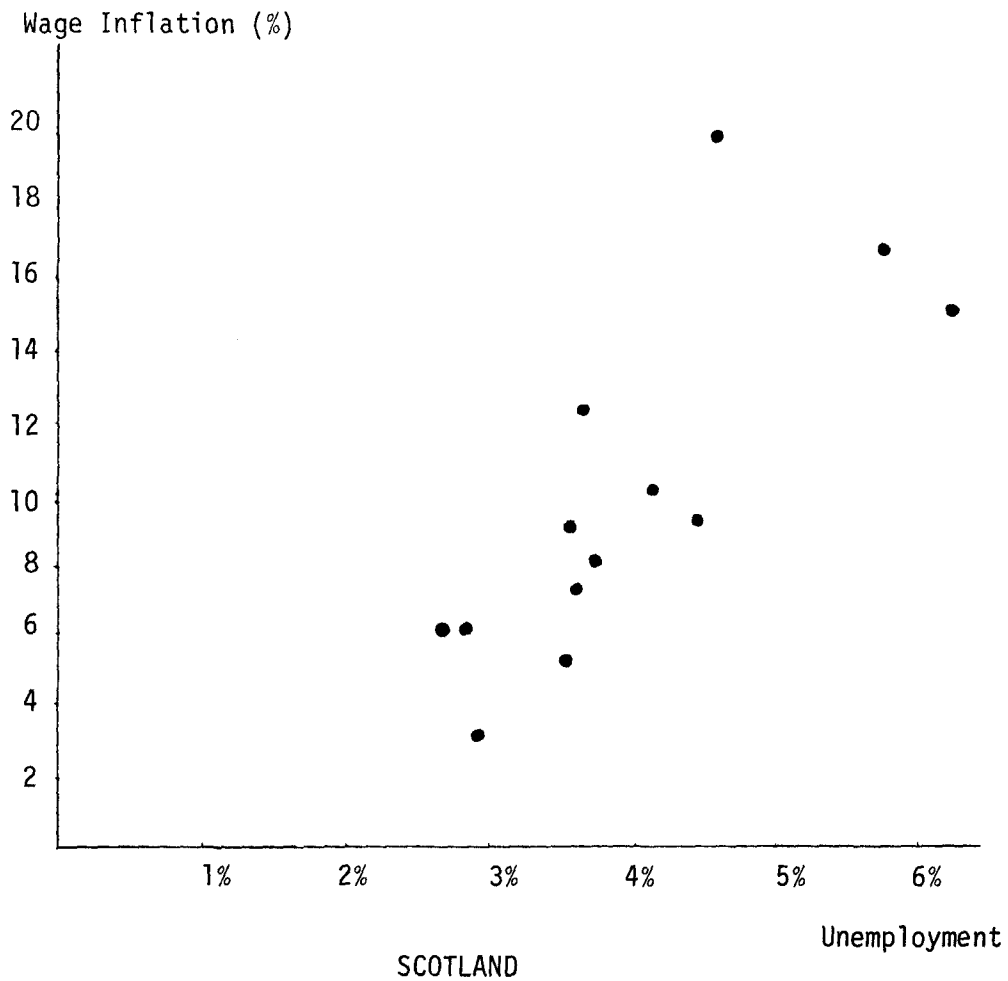
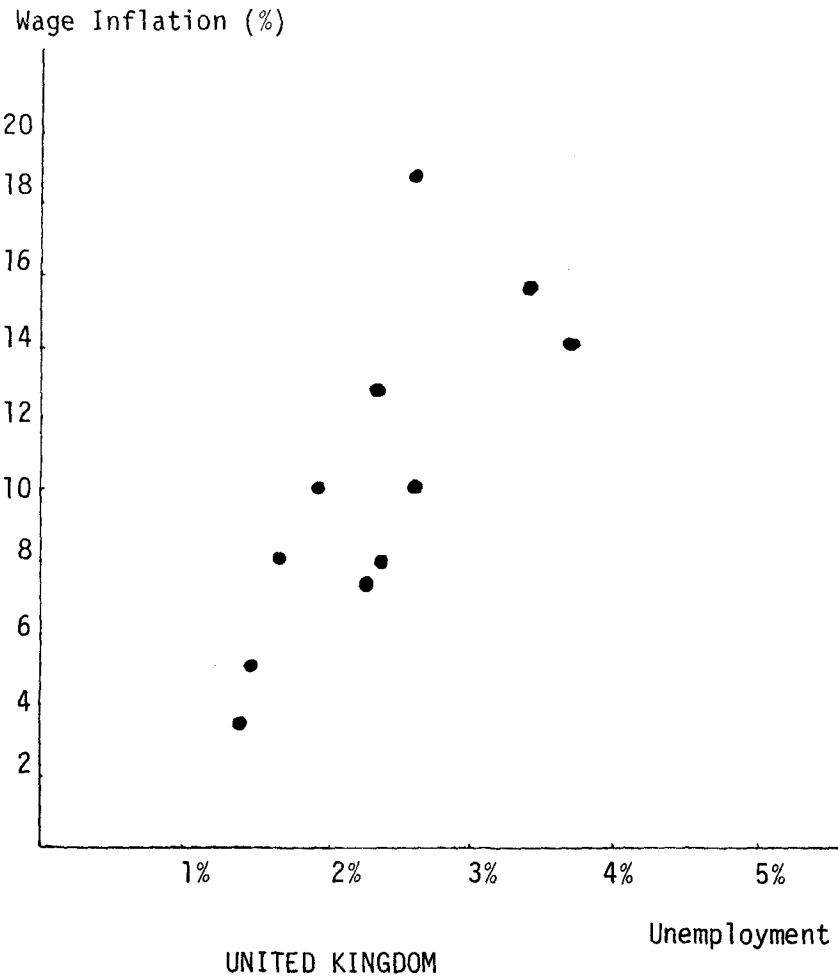
% change in average earnings



GRAPH 1

Rates of Change of Average Weekly Earnings : Scotland and the UK 1960 - 1974

Source: Scottish Economic Bulletin



GRAPH 2

Wage Inflation and Unemployment in Scotland and the UK 1960-1974

Source: Scottish Economic Bulletin
Economic Trends

Table 1 Regional Unemployment in Scotland

| | Unemployment Rate (%) | | % change | | (seasonally adjusted) |
|---------------------|-----------------------|--------|----------|--------|-----------------------|
| | Sep.75 | Dec.75 | Sep.75 | Dec.75 | % change |
| Highland | 5.6 | 6.8 | +21 | | - 5.0 |
| Shetland | 3.0 | 3.9 | +30 | | + 4.6 |
| Orkney | 2.5 | 2.7 | + 8 | | -12.0 |
| Western Isles | 17.9 | 18.8 | * | | - |
| Grampian | 2.9 | 3.2 | +10 | | + 1.9 |
| Tayside | 5.3 | 5.9 | +11 | | +10.1 |
| Fife | 5.7 | 5.7 | 0 | | + 3.8 |
| Strathclyde | 7.1 | 6.9 | - 3 | | + 0.9 |
| Lothian | 5.1 | 4.9 | - 4 | | - 1.7 |
| Central | 5.7 | 5.8 | + 2 | | + 1.0 |
| Dumfries & Galloway | 6.9 | 8.1 | +17 | | + 7.8 |
| Borders | 3.3 | 3.7 | +12 | | + 3.1 |
| Scotland | 6.0 | 6.1 | + 2 | | |
| Great Britain | 5.2 | 5.1 | - 2 | | |

Source: Department of Employment

* Months not comparable due to boundary changes

Table 2 (a) Unemployment/Vacancies Ratio - Scotland and Great Britain
December 1971 - December 1975

| | <u>Scotland</u> | <u>Great Britain</u> |
|----------------|-----------------|----------------------|
| December 1971 | 17.1 | 6.3 |
| March 1972 | 18.3 | 5.9 |
| June 1972 | 12.0 | 3.8 |
| September 1972 | 14.9 | 4.1 |
| December 1972 | 10.1 | 3.3 |
| March 1973 | 6.2 | 2.2 |
| June 1973 | 3.9 | 1.3 |
| September 1973 | 3.2 | 1.1 |
| December 1973 | 2.9 | 1.1 |
| March 1974 | 4.3 | 1.7 |
| June 1974 | 2.7 | 1.5 |
| September 1974 | 3.1 | 2.1 |
| December 1974 | - | - * |
| March 1975 | 4.7 | 4.3 |
| June 1975 | 4.6 | 5.2 |
| September 1975 | 6.8 | 8.5 |
| December 1975 | 8.4 | 9.6 |

* not available

Source: Department of Employment Gazette

Table 2 (b) Unemployment/Vacancies Ratio for the Regions of Great Britain at December 1975

| | |
|------------------------|------|
| South East | 5.7 |
| East Anglia | 8.4 |
| South West | 12.4 |
| West Midlands | 18.1 |
| East Midlands | 8.7 |
| Yorkshire & Humberside | 11.7 |
| North West | 15.3 |
| North | 12.4 |
| Wales | 17.3 |
| Scotland | 8.4 |

Source: Department of Employment

Table 3

Industrial Employment and Unemployment in Scotland

June 1974 - June 1975

| | Employment ('000s) | | | | | | Unemployment ('000s) | | |
|--|--------------------|--------|--------|--------|--------|------------------------------|-------------------------|--------|--------|
| | June 74 | Sep 74 | Dec 74 | Mar 75 | Jun 75 | % Change Jun 74 - June 75 | % of GB Total Jun 75 | Jun 74 | Jun 75 |
| Total | 2084 | 2087 | 2067 | 2040 | 2053 | - 1.5 | 9.3 | | |
| Males | 1227 | 1228 | 1212 | 1201 | 1204 | - 1.9 | 9.1 | | |
| Females | 857 | 859 | 855 | 839 | 849 | - 0.9 | 9.5 | | |
| Agriculture, Forestry & Fishing | 50.5 | 49.7 | 49.1 | 44.6 | 48.4 | - 4.2 | 12.5 | 2.2 | 2.5 |
| Mining & quarrying | 33.9 | 34.0 | 34.1 | 34.4 | 34.1 | + 0.6 | 9.7 | 2.5 | 2.1 |
| Food, Drink & Tobacco | 98.7 | 98.6 | 97.5 | 95.2 | 94.3 | - 4.5 | 13.2 | 3.4 | 5.1 |
| Coal, Petroleum & Chemicals | 30.6 | 31.3 | 31.4 | 31.3 | 31.6 | + 3.3 | 6.8 | 0.9 | 1.1 |
| Metal Manufacture | 43.4 | 43.8 | 43.8 | 44.3 | 43.5 | + 0.2 | 8.7 | 1.6 | 2.3 |
| Engineering | 286.4 | 289.7 | 286.6 | 280.3 | 276.4 | - 3.5 | 8.3 | 7.3 | 10.5 |
| Textiles, Leather & Clothing | 106.2 | 106.1 | 103.8 | 100.1 | 98.4 | - 7.3 | 10.5 | 2.9 | 3.9 |
| Other Manufacturing | 110.9 | 111.8 | 108.1 | 105.6 | 101.6 | - 8.4 | 7.1 | 4.1 | 5.0 |
| Construction | 170.3 | 169.6 | 162.9 | 160.6 | 163.9 | - 3.8 | 13.2 | 15.6 | 19.1 |
| Gas, Electricity & Water | 28.4 | 28.6 | 28.7 | 28.7 | 28.9 | + 1.8 | 8.4 | 0.5 | 0.5 |
| Transport | 138.5 | 138.9 | 138.3 | 139.8 | 138.0 | - 0.4 | 9.2 | 4.5 | 5.3 |
| Distributive Trades | 242.1 | 237.1 | 242.1 | 232.9 | 235.2 | - 2.8 | 8.9 | 8.3 | 9.5 |
| Financial, Profess- ional & other services | 599.8 | 601.9 | 595.0 | 593.3 | 600.9 | + 0.2 | 9.0 | 10.7 | 13.4 |
| Public Admin. & Defence | 141.6 | 146.1 | 146.0 | 148.8 | 157.4 | +11.2 | 9.7 | 4.5 | 5.5 |

Source: Department of Employment Gazette

Figure 1 Rate of unemployment in Scotland and Great Britain
January 1972 - December 1975

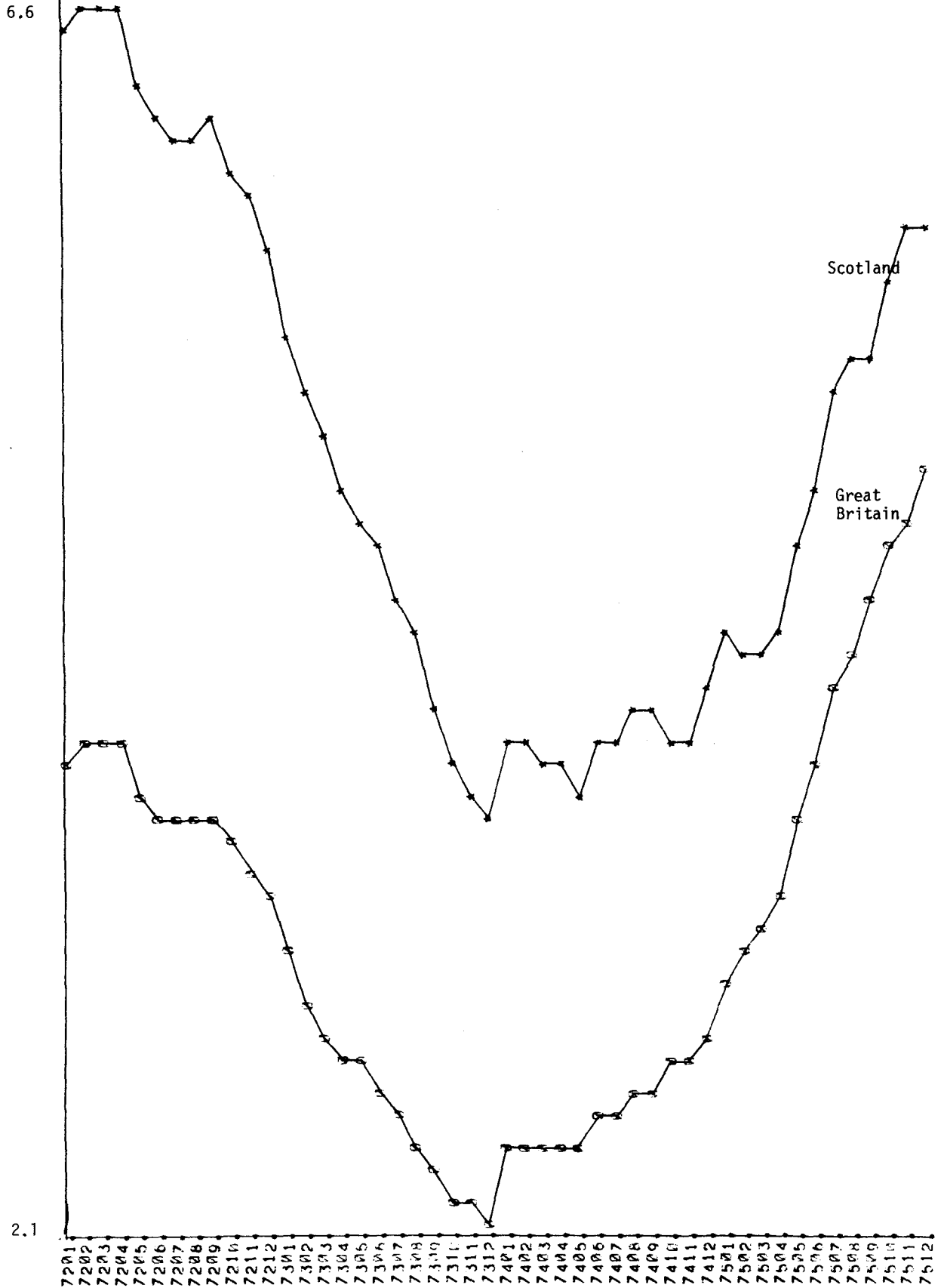


Figure 1 Rate of unemployment in Scotland and Great Britain
January 1972 - December 1975

.6

2.1



Scotland

Great Britain

7201 7202 7203 7204 7205 7206 7207 7208 7209 7210 7211 7212 7301 7302 7303 7304 7305 7306 7307 7308 7309 7310 7311 7312 7401 7402 7403 7404 7405 7406 7407 7408 7409 7410 7411 7412 7501 7502 7503 7504 7505 7506 7507 7508 7509 7510 7511 7512

Table 3

Industrial Employment and Unemployment in Scotland

June 1974 - June 1975

| | Employment ('000s) | | | | | | Unemployment ('000s) | | |
|--|--------------------|--------|--------|--------|--------|------------------------------|-------------------------|--------|--------|
| | June 74 | Sep 74 | Dec 74 | Mar 75 | Jun 75 | % Change Jun 74 - June 75 | % of GB Total Jun 75 | Jun 74 | Jun 75 |
| Total | 2084 | 2087 | 2067 | 2040 | 2053 | - 1.5 | 9.3 | | |
| Males | 1227 | 1228 | 1212 | 1201 | 1204 | - 1.9 | 9.1 | | |
| Females | 857 | 859 | 855 | 839 | 849 | - 0.9 | 9.5 | | |
| Agriculture, Forestry & Fishing | 50.5 | 49.7 | 49.1 | 44.6 | 48.4 | - 4.2 | 12.5 | 2.2 | 2.5 |
| Mining & quarrying | 33.9 | 34.0 | 34.1 | 34.4 | 34.1 | + 0.6 | 9.7 | 2.5 | 2.1 |
| Food, Drink & Tobacco | 98.7 | 98.6 | 97.5 | 95.2 | 94.3 | - 4.5 | 13.2 | 3.4 | 5.1 |
| Coal, Petroleum & Chemicals | 30.6 | 31.3 | 31.4 | 31.3 | 31.6 | + 3.3 | 6.8 | 0.9 | 1.1 |
| Metal Manufacture | 43.4 | 43.8 | 43.8 | 44.3 | 43.5 | + 0.2 | 8.7 | 1.6 | 2.3 |
| Engineering | 286.4 | 289.7 | 286.6 | 280.3 | 276.4 | - 3.5 | 8.3 | 7.3 | 10.5 |
| Textiles, Leather & Clothing | 106.2 | 106.1 | 103.8 | 100.1 | 98.4 | - 7.3 | 10.5 | 2.9 | 3.9 |
| Other Manufacturing | 110.9 | 111.8 | 108.1 | 105.6 | 101.6 | - 8.4 | 7.1 | 4.1 | 5.0 |
| Construction | 170.3 | 169.6 | 162.9 | 160.6 | 163.9 | - 3.8 | 13.2 | 15.6 | 19.1 |
| Gas, Electricity & Water | 28.4 | 28.6 | 28.7 | 28.7 | 28.9 | + 1.8 | 8.4 | 0.5 | 0.5 |
| Transport | 138.5 | 138.9 | 138.3 | 139.8 | 138.0 | - 0.4 | 9.2 | 4.5 | 5.3 |
| Distributive Trades | 242.1 | 237.1 | 242.1 | 232.9 | 235.2 | - 2.8 | 8.9 | 8.3 | 9.5 |
| Financial, Profess- ional & other services | 599.8 | 601.9 | 595.0 | 593.3 | 600.9 | + 0.2 | 9.0 | 10.7 | 13.4 |
| Public Admin. & Defence | 141.6 | 146.1 | 146.0 | 148.8 | 157.4 | +11.2 | 9.7 | 4.5 | 5.5 |

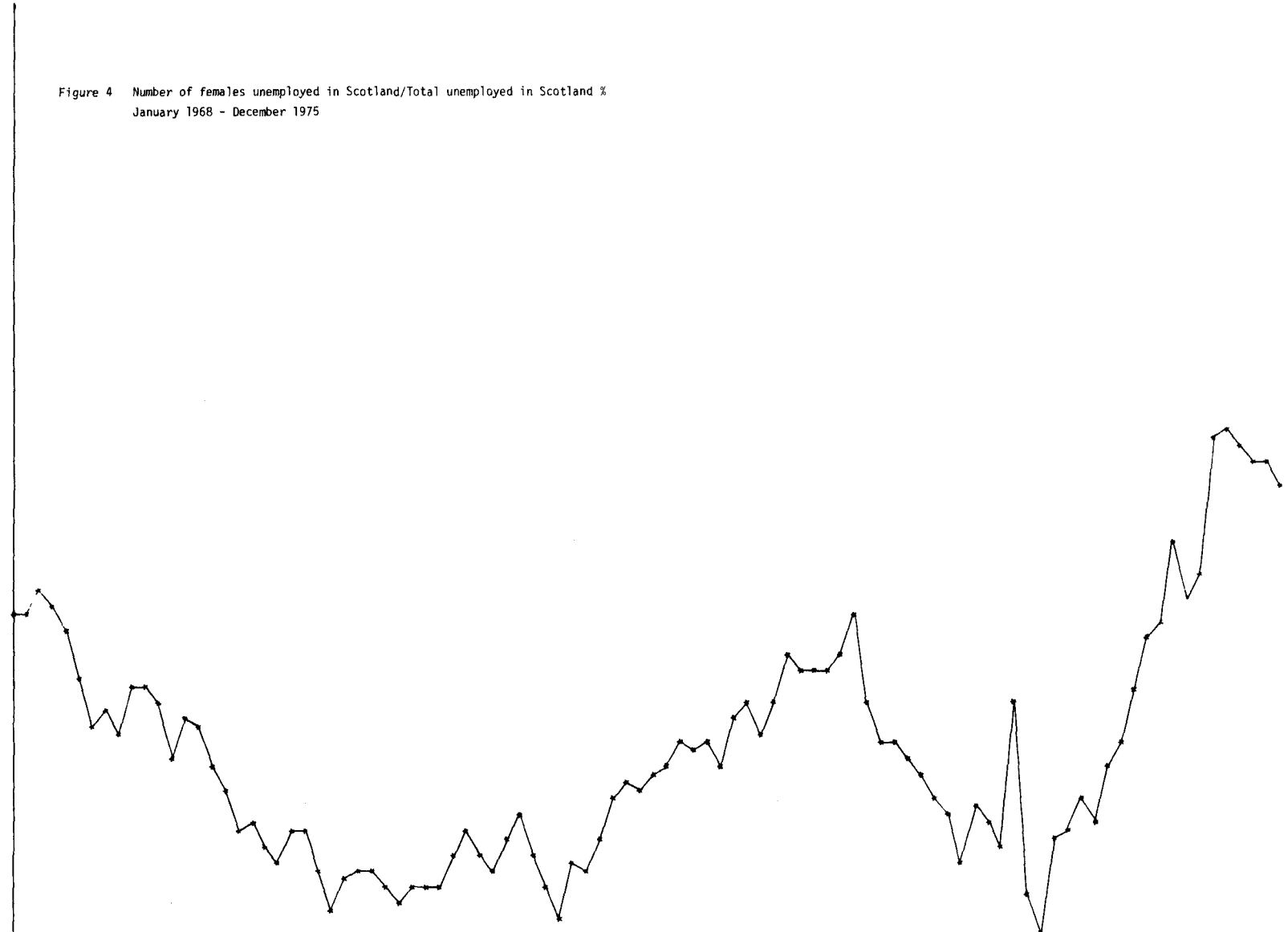
Source: Department of Employment Gazette

Figure 4 Number of females unemployed in Scotland/Total unemployed in Scotland %
 January 1968 - December 1975

25.00

18.1

6801 6802 6803 6804 6805 6806 6807 6808 6809 6810 6811 6812 6901 6902 6903 6904 6905 6906 6907 6908 6909 6910 6911 6912 7001 7002 7003 7004 7005 7006 7007 7008 7009 7010 7011 7012 7101 7102 7103 7104 7105 7106 7107 7108 7109 7110 7111 7112 7201 7202 7203 7204 7205 7206 7207 7208 7209 7210 7211 7212 7301 7302 7303 7304 7305 7306 7307 7308 7309 7310 7311 7312 7401 7402 7403 7404 7405 7406 7407 7408 7409 7410 7411 7412 7501 7502 7503 7504 7505 7506 7507 7508 7509 7510 7511 7512



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