

Analysis showing the Objects of Expenditure and Sources of Revenue of Eire during financial years 1929/30, 1939/40 and 1945/46

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This Paper presents the details of the 1945/46 Finance Accounts and incorporates the Tables which appeared in the last paper read before the Society on the 23rd May, 1941. The basis of classification is put in the foreground instead of being an appendix; it is regarded as of first importance in connection with this analysis.

There are upwards of 75 Supply Service Votes presented in unrelated sequence, while in the outgoings from the Central Fund there appear payments for objects similar in kind but disconnected in the Finance Accounts.

It was noted in a paper read before the Society in December, 1933 (page 16), that a select Committee of the House of Commons issued a Report in 1926, expressing the view:—"We are of opinion that a reclassification of certain existing Votes for the Civil Service would be of great assistance in making the Estimates present a clearer picture of the Services to which public funds are appropriated. It appears to us that the existing classes under which Votes are grouped no longer correspond with those major divisions of the functions of Government which we think they ought to represent."

In Northern Ireland a grouping has been systematically followed, and details are taken from the *Ulster Year Book* of 1938 (page 285) as follows:—Administrative Department (7), Social Services (6), Justice and Police (5), Other Services (6). (The number of headings is given in brackets.)

If a member of the Seanad or the Dáil or the taxpayer is to understand how his money is being spent, the Estimates must be presented to him in a different manner than at present. There may be persons so cynical as to question whether the taxpayer wants to know what is taking place or, if he is given the figures, whether he would understand them, but that line of reasoning seems to set up a vicious circle which deserves to be broken.

This Paper repeats earlier attempts to group expenditure under defined headings and has only departed from the previous classifications in one or two minor points, to which reference is made.

COMMENTS UPON CLASSIFICATION TABLE I (a).

Items where the figure entered does not correspond to the total of the Vote:—

Posts and Telegraphs:—The Vote has been reduced by the transfer of the figure giving the cost of capital annuities which has been entered under Debt.

Lands:—The Vote has been reduced by the amount required for the service of debt on Land Bonds which has been included in Debt.

Local Government and Public Health:—The cost of salaries and some sundry items is transferred to the Local Government group. The interest on Housing loan to Debt; Housing grants to the Social group, where are also placed the supplementary payments for Old Age Pensions and the combined costs of Home Assistance, Milk supplies, Tuberculosis, etc.

TABLE I (a).

	1929/30	1939/40	1945/46		1929/30	1939/40	1945/46
	£000	£000	£000		£000	£000	£000
CENTRAL GOVERNMENT					MISCELLANEOUS :		
President—Estab. ...	6	10	4	Gen. Reg. Office ...	10	11	14
Salary ...	10	3	10	Miscellaneous ...	8	9	8
Orreachtas ...	117	122	129	Public Works ...	95	124	152
Temp. Commissions ...	10	10	3	Public Works & Bldgs. ...	577	1109	734
Electoral Exs. ...	17	17	15	Ordinance Survey ...	44	20	33
" " C.F. ...	3	3	65	Personal Inj. Compn. ...	4	—	2
Dept. of Taoiseach ...	12	14	16	Rates on Govt. Pty. ...	86	115	161
Secret Service ...	2	6	9	State Laboratory ...	7	9	10
	177	185	251	Stationery Office ...	103	153	163
				Sundry Salaries ...	1	2	—
				Valuation Survey ...	34	32	36
				Contingency Fund ...	2	1	1
					971	1594	1314
FINANCE :				COMMERCE & FISHERIES :			
Office of Minister ...	58	70	72	Industry & Commerce ...	103	346	312
Quit Rent Office ...	4	4	—	Rail Tribunal ...	7	3	—
Exchr. & Audit ...	15	19	23	Transport ...	54	48	351
Civil Service Commn. ...	12	24	21	Marine Service ...	6	11	37
Auditor General ...	2	1	2	Gaeltacht ...	—	102	—
Revenue Dept. ...	646	858	1060	Fisheries ...	37	71	15
	737	976	1178	Haulbovine ...	12	—	3
				Tarif Commn. ...	2	5	—
DEBT :				IND. & COMMERCIAL PRO-			
Service of Debt (C.F.) ...	1742	2371	2961	perty Rrgn. ...	22	14	13
Annty. for Damage to				Min. of Supplies ...	—	4	—
Property (C.F.) ...	236	250	250	Tourist Board ...	—	1	16
Service of Bonds (Lands)		618	637	Alcohol Company ...	—	4	—
Housing Loan Charges		369	579	Compensation Bounty ...	—	51	—
(L.G.P.H.) ...	—				243	660	747
Management of Govt.							
Stocks ...	9	16	23				
Tele. Capital Annuity							
(Posts & Teleg.) ...	106	140	151				
	2093	3764	4601				
				AGRICULTURE :			
PENSIONS :				Agriculture ...	418	845	813
Superannuations ...	1727	468	587	Forestry ...	55	201	182
Army Pensions ...	215	541	631	Lands ...	499	1044	630
Judicial " ...	31	4	9	Beet S. Subsidy ...	108	—	—
Other " ...	1	7	8	Agr. Grants ...	599	1271	1271
	1974	1020	1235	Relief of Rates ...	599	599	590
				Agr. Cr. Act, 1929 ...	8	5	—
				Export Subsidy ...	5	254	822
					2291	4219	4317
LOCAL GOVERNMENT :				EDUCATION :			
Dept. of Local Govt. ...	115	155	188	Office of Minister ...	157	183	221
Local Taxn. Grants ...	438	475	495	Primary Education ...	3597	3747	4113
	553	630	683	Secondary " ...	297	466	593
				Technical " ...	146	318	408
LAW AND POLICE :				Univ. & Colleges ...	154	159	161
Office of Minister for				Science & Art ...	32	58	71
Justice ...	37	40	52	National Gallery ...	4	5	5
Judges' Salaries ...	78	82	84	Reform. & Inld. Schools	117	113	128
Supreme & H. Courts ...	52	52	61	Inst. for Advanced	—	—	15
Circuit Courts ...	55	44	63	Studies ...	—	—	—
District " ...	40	39	52		4505	5049	5720
Law Charges ...	62	59	79				
Land Registry ...	48	46	55	SOCIAL :			
Public Record Office ...	5	5	6	Old Age Pensions ...	2742	3506	3695
Garda Siochana ...	1551	1810	2383	" (L.G.P.H.) " Supplt.	—	—	230
Prisons Board ...	85	80	126	Widows' Pensions ...	—	450	250
Dundrum Asylum ...	13	16	21	Children's Allices ...	—	—	2072
	2026	2273	2982	Home Assistance, Milk &	107	351	772
				Tuberculosis, etc. ...	—	—	—
EXTERNAL AFFAIRS :				Housing Grants	235	323	31
External Affairs ...	63	85	106	(L.G.P.H.) ...	326	301	473
League of Nations ...	8	13	9	N.H. Insurance ...	219	1352	917
	71	98	115	Unemployment Ins. ...	—	1222	1176
				Relief Schemes ...	—	—	582
				Food Allowances ...	—	—	5276
				Food & Fuel Subsidies ...	3	3	4
				Charitable Donations ...	13	—	—
				Hospitals ...	—	—	—
					3645	7508	15478

The following notes are made with regard to certain significant items in the Group totals. There are many regarding which further explanation would be of interest, but it is not possible to cover the whole ground in the space of this Paper.

Debt:—The composition of this total will be found to differ from that given in earlier Papers; the explanation is that items of Debt which previously appeared in the Supply Service Votes have been classified under this heading. The present analysis is more accurate and will provide an explanation of the figure quoted for Debt charges in recent Budget speeches by the Minister for Finance. For the current year he gave the total Debt figure as £4,888,549.

Pensions:—The main changes arise from a fall in the superannuation provided for in the Treaty, amounting to £1,140,000, offset by a rise in the Army Pensions total of £416,000.

Agriculture:—The amount for the Departmental Vote has been doubled since 1930, but it stands at a lower figure than 1939/40; examination discloses the following principal headings:—

	1929/30	1939/40	1945/46
	£	£	£
Salaries, etc	122,000	192,000	259,000
Research	10,000	12,000	26,000
Education, Loans, Grants, Improvement Schemes, etc.	317,000	475,000	717,000
Provision for Butter Supply	—	271,000	—
Purchase of Creameries	88,000	—	—
Administration	52,000	115,000	266,000
	589,000	1,065,000	1,268,000
Appropriations-in-Aid	159,000	200,000	283,000
	430,000	865,000	985,000
Total in Finance Accounts	418,000	845,000	813,000

Grants:—The cost of the Agricultural Grant has been increased for 1946/47 by a further sum of £1,000,000 and will total £2,870,000.

Lands:—The figure for Lands has been reduced by the transfer to Debt; the fall in 1946 compared with 1940 arises from a reduction in the amount spent on Improvements, which was £642,000 in 1939/40 and £230,000 in 1945/46.

Education:—The increase in the Vote for Primary Education since 1930 is £521,000, being 14 per cent., included in this is a figure for Superannuation which in 1930 amounted to £66,906; in 1940 to £394,000 and in 1945/46 to £433,700; the Vote for Secondary Education shows an increase of £286,000, being 100 per cent.; that for Technical Education to £262,000, which is an increase of 171 per cent.

Commerce and Fisheries:—The first line in the group covers the Department Vote; the items comprising the totals in the three years have varied considerably, whereas in 1929/30 the Vote covered little more than salaries and small expenses in connection with the I.L.O. it has now expanded as the result of an inclusion of new items: in 1939/40 there was an expenditure on the Chicago Exhibition of £39,000 and on Turf Development of £111,000; the total for 1945/46 cannot be analysed without information which is not available, the

Estimate provides for an expenditure on Salaries of about £273,000 and on the I.L.O. and Embarkation Certificates £18,000, and for Mineral Development £56,000; one may assume that the provisions regarding Mineral Development were not fully used, for the total of these items is £347,000 and only £312,000 was "issued".

A notable increase is shown in the Transport Vote; in 1939/40 £41,000 was included for Service, etc., of Airports; the Estimate for 1945/46 provided for an expenditure of £760,000, covering Meteorological Services and Airports Construction and Maintenance; the amount "issued" was £351,000, where the reduction occurred is not known on the figures presently available; for 1946/47 the Estimates amount to £892,000 (see later note *re* capital expenditure).

No Gaeltacht expenditure was shown in 1929/30; in 1939/40 the Estimate provided for a gross expenditure of £143,000, which was reduced by appropriations of £41,000 for the sale of products, leaving a net £102,000; in 1945/46 the Estimate provided for a gross £225,000 and the receipt of £213,000, leaving a net £12,000; the Finance Accounts show no "total issued".

Social:—The figure for Old Age Pensions has been increased in the direct Vote and in addition there is a payment in the Local Government and Public Health Vote; the total increase is £1,193,000, being 43 per cent. on 1930. New items—Widows' Pensions and Children's Allowances account for £2,320,000. Heavy payments arising from the war emergency appear in 1945/46; there is nothing comparable in the earlier years. The Food Allowance Vote is £582,000 and is used as follows:—Allowance in kind to beneficiaries under unemployment Assistance Acts (£250,000), Old Age Pensions Act (£171,000), Widows' Pensions Act (£152,000), Disabled Persons (£24,000). For Food and Fuel Subsidies the Finance Accounts show a payment of £5,276,000; details are not available to allocate this between the two headings: the Estimate provided for £3,070,000 in respect of flour, meal, bread, tea, etc., and for £1,980,000 in respect of fuel, covering the production of turf and the development of bogs; (later on there will be found in the Revenue tables a note showing the receipt of £325,000 for the sale of turf). The Estimate for 1946/47 provides for £2,355,000 for Food and £1,258,000 for Fuel. The item for relief which appeared in 1939/40 and not in 1929/30 shows a small reduction. The Unemployment Insurance figure gives the cost of covenanted and uncovenanted benefit. The separate figures composing the total for Home Assistance, etc., are as follows:—

GRANTS	1929/30	1939/40	1945/46
Tuberculosis	£ 59,000	£ 146,000	£ 218,000
Child Welfare	21,000	25,000	33,000
Milk	—	88,000	90,000
School Meals	—	16,000	74,000
Medical Treatment	—	34,000	37,000
Home Assistance	—	—	170,000
Fuel to needy persons	—	—	115,000
Bog Development	—	—	48,980
Allotments	—	—	17,500
Sundry	27,000	42,000	68,520
	107,000	351,000	

The figures for 1945/46 are those given in the Estimate but details are not available to show what was spent: the issued amount was approximately £772,000.

Miscellaneous.—This covers Services which are common to many Departments. The variation in the amount is mainly due to fluctuation of expenditure in connection with the construction of public buildings and the carrying out of repair work.

TABLE I (b).

The first sub-total shows the cost of what may be described as the traditional function of government; in the Revenue Department the Estimates for 1946/47 contain a note that the figure includes £177,000 for other services and £75,000 for officers loaned to other Departments; the services rendered by this Department for other Departments are in many cases covered by an item included in the respective Votes.

The second sub-total presents the figures of expenditure where the Government is carrying on business operations. Comment has already been made in connection with individual items. Taken as a whole the group indicates very clearly the rise in cost through increasing Government activity in connection with economic affairs. The sharp rise in the first ten years from 1930 is attributable to the intense development of the industrial programme and the large relief which had to be given to farmers arising from losses they incurred through the economic war. Education has been placed in this group because its service is of fundamental importance to the efficiency of both agriculture and industry. This is not the place in which to assess the value of its contribution, but there is a widespread belief that it falls short of what is needed; this is not mere superficial discontent; it is a serious questioning going down to fundamental issues; the importance of this factor is not adequately appreciated, and although the Votes recorded show that increased allocations have been made for educational work they may still be inadequate, not indeed that the total of money spent can be regarded as a sole measure of its efficiency, and appreciation of the position is largely a matter for experts; but it may be suggested here that classes are too large for teaching to have its proper effect, for discipline to be properly carried out, and for particular attention to the varying standards of capacity possessed by pupils; there is a lack of suitable buildings which obviously creates a rather difficult problem of priority between varying claims upon building material and labour; progress cannot be spectacular, there are no quick results to be secured, which makes it harder to secure attention, but the lead should come from the Government whose economic policies are in the long run dependent upon education for their success.

The rise in the cost of the group "Social" reflects the sensitiveness of the community to the need of relieving the stresses and strains incidental to the economic structure by which the country supplies its needs, and the special reliefs arising from the war emergency; the cost was doubled in the first ten years and doubled again in the past six years: comment upon the details composing the total have already been made.

TABLE I (b)

	1929/30		1939/40		1945/46	
	£000	%	£000	%	£000	%
Oireachtas	177	.8	185	.5	251	.5
Finance Dept., etc. ...	737	3.2	976	3.0	1,178	2.3
Service of Debt	2,093	9.2	3,764	11.3	4,601	9.1
Pensions	1,974	8.7	1,020	3.0	1,235	2.5
Local Government	553	2.4	630	2.0	683	1.3
Law and Justice	2,026	9.0	2,273	6.8	2,982	5.9
External Affairs	71	.3	98	.3	115	.2
Miscellaneous	971	4.3	1,594	4.8	1,314	2.6
SUB-TOTAL	8,602		10,540		12,359	
Posts and Telegraphs	2,093	9.2	2,245	6.7	3,155	6.2
Wireless and Broadcast-						
ing	24	.1	60	.2	83	.2
Commerce, etc.	243	1.0	660	1.8	747	1.5
Agriculture	2,291	10.0	4,219	12.7	4,317	8.5
Education	4,504	20.0	5,049	15.2	5,720	11.3
SUB-TOTAL	9,155		12,131		14,022	
Social	3,645	16.0	7,508	22.7	15,478	33.6
Army (vote total)	1,324	5.8	2,973	9.0	8,769	17.3
TOTAL	22,726	100	33,254	100	50,628	100
Local Loans	935		—		—	
Property Losses	290		3		8	
Road Fund	397		1,138		928	
Advances to Comp.						
Fund	51		—		—	
Advances to R.I.A.C.	3		Alleviation	of	—	
			distress	in	1,350	
			Europe		—	
Shares in Agr. Cr. Corpn.	148		—		—	
	25,050		34,395		52,914	

The Estimates for 1946/47 provide £4,570,000 for Army and an expenditure of £3,000,000 towards alleviation of distress in Europe.

FOOT NOTE :			
<i>Reconciliation</i>			
Central Fund Payments	4,198	4,949	5,411
Supply Service Votes	20,852	29,446	47,503
	25,050	34,395	52,914

TABLE II (a).

Revenue.

	1929/30		1939/40		1945/46	
	£000	%	£000	%	£000	%
Customs	7,337		10,579		12,933	
Excise	6,437		6,339		9,810	
	<i>13,774</i>	60.6	<i>16,918</i>	58.7	<i>22,743</i>	47.3.
Estate Duty	1,180		956		1,776	
Stamps	431		453		543	
„ Sweepstakes ...	—		334		77	
Income Tax	3,966		5,948		13,100	
Corporation Profits Tax	220		524		4,465	
Excess „ „	162		32		10	
	<i>5,959</i>	26.2	<i>8,247</i>	28.6	<i>19,971</i>	41.5.
Postal Revenue ...	1,220		1,345		1,720	
Telegrams „ ...	212		135		280	
Telephone „ ...	368		580		1,000	
	<i>1,800</i>	7.9	<i>2,060</i>	7.1	<i>3,000</i>	6.2
Damage to Property	29		—		—	
Dividends	—		—		36	
Int. on Exchequer Adv.	335		659		1,136	
Central Bank Payment	220		180		350	
Wireless Licence ...	13		135		125	
Stamp Fees	115		127		182	
Miscellaneous	255		335		257	
Loans Repaid	201		150		—	
Sale of Turf	—		—		325	
	<i>1,168</i>	5.3	<i>1,586</i>	5.6	<i>2,411</i>	5.0.
	22,701	100	28,811	100	48,125	100
Motor Vehicles Duty ...	868		1,138		926	
Local Loans	604		633		—	
Land Purchase Annuities	—		1,807		1,761	
	24,173		32,389		50,812	

TABLE II (b).
Details of Customs Revenue.

	1929/30		1939/40		1945/46	
	£000	%	£000	%	£000	%
Wine	1,135		1,124		270	
Beer	—		—		1	
Spirits	—		—		444	
Tobacco	3,128		5,306		10,000	
	4,263	59·1	6,430	60	10,715	83
Cocoa	83		2		—	
Fruit	42		149		38	
Sugar	978		604		43	
Tea	—		33		3	
	1,103	15·3	788	7·3	84	·6
Boots	268		35		19	
Bottles	10		8		14	
Clothing	680		447		200	
Furniture	59		27		1	
Matches	31		10		1	
Oatmeal	7		—		—	
Soap	19		6		—	
Woven and Worsted Tissue	89		59		—	
	1,163	16·2	592	5·5	235	1·9
Cinema Films	22		57		67	
Clocks and Watches	18		14		21	
Motors	514		158		159	
Musical Instruments	37		13		5	
Wireless	31		80		40	
	622	8·6	322	3·0	292	2·3
C.E. Duty	44	·6	10		2	
Miscellaneous	11	·2	—		—	
Sub-total Forw'd.			8,142		11,328	
Total ...	7,206	(100)				

	1939/40		1945/46	
	£000	%	£000	%
Ford.	8,142		11,328	
Coal	1		—	
Electrical Appliances	13		23	
Iron and Steel	55		9	
News and Periodicals	50		34	
Oils	1,635		1,235	
Package Duty	37		12	
Paints	11		1	
Stationery	44		5	
Wood Articles	12		—	
	1,858	17.2	1,319	10.2
Cardboard	29		2	
Cement and Clay Manufactures	35		6	
Cutlery	15		20	
Fish	26		1	
Floor Covering	55		21	
Leather	58		30	
Paper	40		24	
Piece Goods	87		—	
Rice, etc.	11		—	
Starch, etc.	13		5	
Tin Manufactures	15		—	
Toilet Goods	11		42	
Woven Articles	15		—	
Yarns	25		—	
	435	4.0	151	1.2
Miscellaneous	330	3.0	107	.8
Number of items	(159)		(73)	
Total of all Commodities	10,765	100	12,905	100

TABLE II (c).

Details of Revenue from Excise.

	1929/30		1939/40		1945/46	
	£000	%	£000	%	£000	%
Beer	3,999	56.5	3,141	49.6	4,826	49.5
Spirits	2,273	32.0	1,734	27.3	2,641	26.8
Betting	215	3.0	182	2.9	336	3.0
Cider and Table Waters	27	.4	32	.5	73	.7
Entertainments	155	2.2	327	5.0	687	7.0
Licence Duties, etc.	194	2.7	197	3.0	199	2.0
Firearms Certificate	36	.5	43	.6	51	.5
Dog Licences	85	1.2	68	1.7	78	.7
Matches	105	1.5	144	2.2	195	2.0
Sugar	—	—	342	5.4	649	6.6
Tobacco	—	—	81	1.2	70	.7
Tyres and Tubes	—	—	41	.6	43	.5
	7,089	100	6,332	100	9,848	100

The large increase in the direct Taxation group is mainly explained by alterations in the rate of tax which took place as follows:—

	1929/30	1939/40	1945/46	
Standard Rate	3/-	5/6	7/6	
Corpn. Profits:—				
On Home	5%	7½%	10%	
On Foreign Companies	7½%	10%	12½%	
Exemption Limit ...	£10,000	£5,000	£2,500	
Excess Corpn. Profits ...	Nil	Nil	50% on	Statutory Standards.

Stated in percentage terms this group provided between 26 and 28 per cent. of the revenue in the two earlier years and 41 per cent. in 1945/46; the total increase since 1930 is in the neighbourhood of 230 per cent.: compared with 1940 it is 140 per cent.

Postal revenue has increased by £1,200,000 which covers the increase in expenditure shown earlier in Table I (b), but for 1946-47 it fell short by £700,000 and estimates for 1947-48 show a gap of like magnitude.

Receipts by way of dividend appear for the first time in this series of papers; the £36,000 now shown is made up as follows:—Industrial Credit Company Limited £15,085, Sugar Company £15,625, Alcohol Company £4,309. Agricultural Credit Corporation £853; increased sums have been received from the Electricity Supply Board and other sources raising the total on Exchequer advances from £659,000 in 1939/40 to £1,136,000 in 1945/46; the Table also shows the receipt of £325,000 for the sale of turf.

As in earlier Papers certain items have been shown below the main total; Motor vehicle duties were so placed because the receipts were transferred to the Road Fund; the Minister has used part of this Fund for general revenue purposes in 1940-41, £150,000, and for each year ending March, 1942, to March, 1945, £100,000 is recorded in Miscellaneous Receipts. It is hardly necessary to comment upon the special treatment of the Local Loans Fund; it always represented interest on money which was advanced for capital expenditure, and since 1940 an account has been set up through which all payments and receipts now pass. Land Purchase annuities which amounted to £2,969,000 in 1932/33 fell to £1,807,000 in 1939/40 as the result of the arrangement to halve the annuities, and the sum collected in 1945/46 shows a fall of £46,000.

Tables II (b) and II (c) give the details of the first two items in Table II (a). The Customs figures are arranged to show in the first column the duties appearing in 1929/30; and in the second column the later protective tariffs imposed to meet the emergency policy of the Government: the outstanding figure is the sum collected from Petrol Imports, which was first taxed in May, 1931, at a rate of 4d. per gallon, revised to 8d. in November and to 9d. in May, 1939.

It becomes clear from the Table that when allowance is made for the Tobacco, Wine and Petrol receipts there remains a yield of £1,000,000 from 101 items of which the only substantial items are Clothing, £200,000, and Motors and parts £159,000.

There is little comment necessary in connection with the Excise Table. The large portion of the contribution from Beer and Spirits

still remains the feature, but attention should be drawn to the increase in Entertainments Duty which doubled between 1930 and 1940 and has again doubled itself for 1946. It is worth noting that in 1929/30 there was a receipt of £978,000 from Sugar, as is shown in the Table II (b).

PUBLIC DEBT, ETC. (ACCOUNT No. XXV).

Account No. XXV (1945/46) sets out Public Debt outstanding at a total of £64,718,886 (£48,116,381); other liabilities were for Capital spent on Telephones and Advances for Cost Fund and State Contributions to Price arising from Land Bond transactions, total £16,628,233 (£16,714,264 in 1940).

The increase in Public Debt is accounted for as follows:—£7,630,000 3¼ National Security Loan (£8,000,000 issued in 1941/42); an increase of £3,658,000 in Saving Certificates (raising the total to £11,328,000); increase in Ways and Means Advances and Temporary Borrowing £3,000,000; a new item £4,289,769 for a Terminable Annuity under Damage to Property (Compensation Amendment) Act, 1926; these come to £18,577,769 and is off-set by reductions in the earlier Loan issues from the operation of Sinking Fund provisions; the net increase is £16,600,000.

The Table also gives a list of Assets showing a net increase of £446,273. The first item is Electricity Supply Board which at £13,122,132 shows an increase of £223,000 over the total in 1940 for Electricity Supply Board and Shannon Scheme combined; Purchase of Creameries £110,000 more (total now £766,000); Sinking Funds amount to £1,587,976 (compared with £146,541 in 1940); there are minor changes in Aer Rianta Teo, Alcohol Factory and Saving Certificate Reserve; reductions arise from a fall in Local Loans £2,000,864, and in Exchequer Balances of £2,217,542, while there are no entries for advances to Agricultural Societies and Road Fund. The following new items appear—the new Tourist Board received £130,102, Shipping £199,994, Insurance £19,115; Saving Certificates Reserve appears as £398,252 and the exigencies of the war led to advances under the Finance Act, 1941, for Foreign Exchange of £2,661,000. An advance made in 1942/43 under the 1938 Insurance Act amounting to £1,053,670 does not appear in the Table. Investments in the Sugar Company, Industrial and Agricultural Credit Corporation remain unchanged.

Between April 1st, 1940, and March 31st, 1946, the Budget deficits which arose in every year total £15,773,000; perhaps the most significant factor in our inflationary trend to which attention is seldom directed.

The Debt arising from large outlays and Budget deficiencies sits lightly upon the minds of the majority of people in the country. Possibly debt, whether dead weight or otherwise, has less serious reactions in an atmosphere where debt is not regarded with supreme concern. It is possible that the tolerance extended to this canon of strict finance arises from the long established practice in this country of accepting long credit terms. It is, I think, definitely true that firms trading in this country were accustomed to accept part-payments, discounting Bills and renewing Bills and, generally, trading on a sort of instalment system without the security which the modern technique now provides. Whatever be the reason, it is correct to say that little concern

has been shown regarding the increase in Debt, accompanied though it has been by comparatively little increase in productivity; the fact that the Debt was wholly internal had some bearing upon the situation.

In the business of the production of Sugar, Electricity for power and light, Management of Creameries, development of Air Services, and the production of Alcohol, the Government covers the whole field of activity. In the case of the Credit organisations they are competitors of the banks and others at a certain level. There is one aspect of Government activity which is not reflected in this Table and that is the production of fuel; the moneys up to 1946 passed solely through the Service Votes and nothing has been issued from the Central Fund. The list, however, discloses certain new activities such as in Shipping and Insurance and, more recently, the entry into the Tourist business. This latter development, perhaps, more than any other, has disturbed the business world because it touches more directly upon a field which is still catered for by individual enterprise.

The extension of Government activity in business follows much the same lines as elsewhere; in electricity and transport by sea and air we appear to be one or two moves ahead. It would appear that in those fields of activity which involve great risks private enterprise is not likely to play a part in future; probably the main reason is that only a Government can underwrite the risks which are attendant by adopting an appropriate economic policy; the development is one of great importance but cannot be given any detailed examination in this Paper.

Meanwhile it seems appropriate to stress the fact that the correct procedure for all businesses taking risks is to pursue a careful financial policy. The marriage of enterprising activity with strict conservation of resources is common to all successful business. There are many instances of that. It is, in fact, closely associated with a proper balance of human characteristics. This becomes all the more imperative if the magnitude of the risks which are being taken be examined; the assets noted in Table 25 are no indication of the extent of the business done.

During the current year the Exchequer has advanced a sum of 787,987 under the Air Navigation Act; a sum of £353,000 has been advanced for Turf Development; the Tourist Board Report for year ending March, 1946, indicates that while the amount advanced at present is small it will rise rapidly and that the current year will show advances of up to £600,000, while the contracts in hands will involve an expenditure of £1,250,000; in connection with the Insurance Company, while the list of assets shows the sum of £19,115 no value is attached to the sum of £1,053,770 issued from the Exchequer in 1942/43; the question arises as to whether this expenditure should not be met at once out of revenue as being a preliminary cost which has not been, and is unlikely to be, recovered; the Electricity Supply Board publishes full and informative accounts and has entered upon commitments involving heavy capital expenditure in many directions; the present rate of amortization of capital seems inadequate (*see* report by the Banking Commission in the chapter headed "Capital for Industry"). These matters are referred to here incidentally, but a more complete examination is really desirable; one of the features which may be deemed unsatisfactory is the absence of available information; inquiry from the Stationery Office reveals the fact that apart from the Electricity Supply Board accounts, the Turf Board

accounts, and the Tourist Board Report, information regarding the other activities and commitments is not made available through this channel.

DISCUSSION ON MR. EASON'S PAPER.

Mr. Whitaker.—I should like, in the first place, to add my thanks to Mr. Eason for his papers which provide a clear, factual basis for discussion of the important subject of public finance.

In the second place, however, I want to suggest that he is too severe in his criticism of the manner of presentation of the public accounts. It is, of course, by no means ideal but it is impossible to remedy certain defects because the form of the accounts is largely determined by Constitutional and statutory requirements. Moreover, there is no settled basis of classification that would please everyone. It is something of an exaggeration to say that the Votes are presented in "unrelated sequence"; the items in the categories "Law and Police" and "Education" in Table I (a) of the paper can be lifted almost en bloc from the Finance Accounts. On a point of classification, I suggest that "compensation bounty," which appears in the "Social" group, should be transferred to "Commerce and Fisheries" as it is a subsidy to manufacturers. The food and fuel subsidies which are of general benefit should, I think, be put in a separate category from expenditure on social services.

I was surprised that neither Mr. Eason nor Professor Duncan referred to the classification of *all* public income and expenditure which was set out in the White Paper on National Income and Expenditure, 1938-44 (Tables 11, 27 and 28). These tables covered not only the Central Government and local authorities of all kinds but also that very important class—the so-called Extra-Budgetary Funds. The transactions of these Funds, which include taxation in the form of contributions to the Social Insurance Funds, cannot be ignored in any serious attempt to assess the character and extent of governmental influences on national income, but as there are over thirty Funds the task of bringing them into the picture is no easy one even for the expert.

The White Paper tables arranged the maze of details in the public accounts under significant headings, e.g., on the income side, taxation, trading and investment income, and borrowing; and, on the expenditure side, subsidies, transfer payments (i.e., the social services proper and national debt interest), outlay on current goods and services and capital expenditure. Table 27, by showing up separately transfers between public authorities solved a difficulty which had always baffled students of public finance and enabled a clear and accurate picture to be presented in Table 11 of the net relations between the public and private sectors of the economy.

The final aim of analysis of public accounts is to form an estimate of the influence of public finance on the size and distribution of the national income. As to the extent of the redistribution of incomes by taxation and social services, etc., it is possible to draw some inferences from the accounts but for a scientific assessment of the effects of public finance one must look further, as the influence of the "public hand," as Professor Duncan called it, is exerted in ways which are not reflected in any account—through prohibitive tariffs, quotas, guaranteed prices and the operations of public companies.

It is dangerous, particularly where a fairly long period of years is involved, to compare absolute figures of taxation or expenditure. This ignores the changes which are likely to have occurred in the value of money and also in the level of private incomes. Between 1929/30 and 1945/46 for instance, the value of money, as indicated inversely in the cost of living index, fell by 60 per cent. The national income, in money terms, rose by about 67 per cent. We should expect, therefore, that the total of Central Government taxation would be about 60 per cent. higher in 1945/46 than fifteen years before. Actually, the increase was over 120 per cent. In 1939/40, the Government (using that term to cover the Central Government, the Funds and the Local Authorities), took in taxation about 22 per cent. of the whole national income. In 1945/46, the proportion was, perhaps, slightly less. It may be of interest to note that in the same years in Britain, the corresponding percentages were 26 per cent. and 40 per cent. respectively.

One remarkable feature of taxation in the past 15 years is obscured by the segregation of customs and excise revenue in Mr. Eason's tables. I mean the rise of tobacco to its present prominence as a tax yielder. In 1929/30, tobacco contributed £3.1 million or 15 per cent. of the total tax revenue of the Central Government. But in 1945/46, the receipts from tobacco topped the £10 million mark—22 per cent. of tax revenue—as compared with a total yield of £13.1 million from income tax and surtax. In 1929/30 tobacco was a bad second to drink which yielded over twice as much (almost £7 million) but in 1945/46 it was well above the drink revenue of £8.2 million.

Mr. Eason has, I think, himself solved the difficulty about the absence from the assets statement of the sum of over £1 million issued under the Insurance Act of 1938. This sum was paid out by the State to make good the deficits in the funds of the Irish companies participating in the amalgamation effected under that Act. The only return the State has got for this payment is the shareholding of £19,115 shown in the assets statement which has yet to yield a dividend.

Mr. Eason appears to think that the comparatively moderate budget deficit of £16 million in all incurred during the six emergency years 1940/46 is "perhaps the most significant factor in our inflationary trend." I would lay emphasis on that "perhaps." A budget deficit is inflationary, in the sense of expanding the money supply, when it is financed, not by borrowing from the public, as ours was, but by borrowing from the banks. In Britain, Government borrowing from the banks amounted to £3,724 million during the war years. In the U.S.A. it came to \$ 82,558 million. Inflation here since 1939 is due to a variety of causes but I would say that the most important factor was the influx of money from abroad not balanced by goods. This external income—from investments, tourist traffic, emigrants' remittances, etc.—would in the ordinary course have been used to pay for imports but instead merely piled up extra purchasing power in the hands of our people. The growth of £150 million or so in our external assets since the war is balanced by increased bank deposits and increased monetary resources in other forms. In this context, the State deficit of £16 million does not seem significant.

On the general question of budget deficits and State debt, it is well to remember that modern economic theory does not in all circumstances condemn debt that is not financially productive. If national resources in men and materials are not fully employed, a budget deficit—financed by credit creation—may be the only means of lifting the economy to a higher level of activity.