

# AN ANALYSIS GIVING A COMPARISON OF NATIONAL EXPENDITURE, SOURCES OF REVENUE, AND THE DEBT, FOR THE YEARS 1929/30 AND 1939/40.

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(Read on Friday, 23rd May 1941.)

In the Paper which I read before the Society in November, 1930, I was chiefly concerned with putting forward (a) a suitable grouping of the Supply Service Votes, and the Central Fund issues, under headings which would indicate clearly the various objects on which money was expended; (b) an examination of the items with a view to eliciting the value of those which were regarded as abnormal and non-recurrent, and (c) an analysis in detail of the sources of revenue and, particularly, of Customs Duties. In 1933 a comparison over four years was given—1925/26, 1928/29, 1931/32, 1932/33. The grouping which had been first adopted has been retained (with minor alterations) and serves a definite purpose in enabling a general view to be given which cannot be obtained from the tabular statements in the Finance Accounts.

During that period many changes have taken place in the economic life of the country. The Census of Production, 1939, shows an increased net output of £11,089,514. The estimated value of agricultural output, taking the year 1938/39 compared with 1929/30, shows a reduction of £8,680,000. There is no available comparison as regards the volume of retail trading, but it was a marked feature of the period that there has been evidence of increased purchasing power in the hands of the public, and as throwing some light on what was happening I quote the following paragraph from a Report of the Council of the Dublin Chamber of Commerce for the year 1934:—“The main reasons for the present activity in retail trade are therefore: (a) the production of capital goods (entailing direct wages expenditure and demand for ancillary goods and services) arising from (i) expenditure by the Government on housing schemes, local loans, etc. (ii) new industrial flotations (sugar beet factories, tannery, etc.) (iii) replacements and renewals by railways and extensions of works and buildings by individual manufacturers, public companies and institutions; (b) the increase in home production arising from the imposition of tariffs both on foodstuffs and manufactured goods; (c) the use of savings to maintain an accustomed standard of living; in addition there must be noted the payments made by the Government in respect of (d) guaranteed prices to the farmers for some of their products; (e) Unemployment Assistance, Bounties and Free Beef. In the absence of detailed figures no estimate is here attempted of the relative contribution of each item to the general result, but this analysis is put forward for the consideration of members as an explanation of the satisfactory state of trade referred to in an earlier paragraph.”

Nevertheless, during the intervening period the national income was not increased, and the particulars regarding this were given in the Paper read before the Society by Professor Duncan during last session.

The Census of Population for 1936 discloses a transfer of employment from Agriculture to Industry, and an increase in the number of those engaged in subsidiary activities required to meet the increased commercial activity, particularly in urban areas, in transport, etc.

Against this background it is useful to review the details which follow.

The financial figures for 1939/40 are the latest available and, except in connection with the Army Vote, where the influence of the war is noticeable, they are not affected by any special factor which makes the comparison unsuitable. The trend of expenditure has been upwards (except in the case of Pensions). The increase is distributed amongst all Votes.

TABLE I.

## Expenditure.

(Note: All figures are taken from the Finance Accounts)

Category	1929/30	1939/40	Change (+increase) (-decrease)	
			Actual	Percentage
	£000	£000	£000	
Central Government .. ..	177	185	+ 8	+ 4.5
Finance .. .. .	746	992	+ 246	+ 32.9
Debt .. .. .	1,978	2,621	+ 643	+ 32.5
Local Government .. ..	553	644	+ 91	+ 14.8
Foreign Affairs .. .. .	71	98	+ 27	+ 38.0
Pensions .. .. .	1,974	1,020	- 954	- 48.3
Law and Police .. .. .	2,026	2,273	+ 247	+ 12.1
Education .. .. .	4,504	5,049	+ 545	+ 12.1
Commerce and Fisheries ..	243	609	+ 366	+150.0
Agriculture .. .. .	2,291	4,837	+ 2,546	+111.1
Social .. .. .	3,669	7,974	+ 4,305	+117.5
Miscellaneous .. .. .	971	1,594	+ 623	+ 64.1
Army .. .. .	1,324	2,973	+ 1,649	+124.5
Posts and Telegraphs .. ..	2,199	2,385	+ 186	+ 8.4
<b>Total above .. .. .</b>	<b>22,726</b>	<b>33,254</b>	<b>+ 10,528</b>	<b>+ 46.3</b>
Local Loans .. .. .	935	—	- 935	-100
Property Losses .. .. .	290	3	- 287	- 99.0
Road Fund .. .. .	897	1,138	+ 241	+ 26.9
Advances to Compensation Fund	51	—	- 51	-100
Shares in Agricultural Credit Corporation .. .. .	148	—	- 148	-100
Advance to R.I.A.C. .. ..	3	—	- 3	-100
<b>GRAND TOTAL .. .. .</b>	<b>25,050*</b>	<b>34,395*</b>	<b>9,345</b>	<b>+ 37.3</b>

\* Verification with Account No 1 Finance Accounts :—

	1929/30	1939/40
Central Fund .. .. .	4,198,342	4,948,664
Supply Services .. .. .	20,851,719	29,446,359
	<u>25,050,061</u>	<u>34,395,023</u>

In the allocation of the Votes under the various headings only trifling changes have been made from the procedure in the earlier papers read to the Society. So that readers may be able to understand the items which make up the various totals details are given in an appendix showing the figures for the two years under comparison.

*Debt* :—The comparison as it stands is accurate, but the figures given require to be read in conjunction with the references to this matter in the Banking Commission Report; other items require to be taken into consideration if the burden of debt is to be estimated accurately.

*Local Government* :—In this case attention is called to the fact that the amount of the Vote has been split between (a) the cost of the Office, which is given under this heading, and (b) payments made for housing, tuberculosis, and other like services which are given under the heading "Social."

*Pensions* :—The reduction arises from the cessation of payments to Great Britain in respect of superannuation, etc.

*Law and Police* :—These services are shown together, because they indicate the cost of keeping order, and enforcing sanctions ; there is little change in the cost for the various Courts of Law ; the increase, £247,000, is wholly due to a higher Vote for the Gardaí.

*Education* :—No analysis of this Vote is attempted. The increase is £545,000, about 12 per cent. Superannuation payments increased from £66,906 in 1930 to £394,000 in 1940.

*Commerce and Fisheries* :—The first item in this group covering the cost of the Department of Industry and Commerce shows an increase of £243,000. Salaries and wages account for about £100,000 ; there is an item for Turf Development of £70,000 and for the World Fair of £25,000, while the Prices Commission appears for the first time in the Estimates at a sum of £15,000. The total for the section has increased by £466,000. The rest of the increase in this section will be found in the Gaeltacht and Fisheries Votes which show an increase of £136,000.

*Agriculture* :—The increase in the cost of the Office in this case is £134,000 ; the rest is due to the Land Commission Vote, showing £710,550 for improvements against £161,650 and £62,500 for annuities against nil ; the increase in agricultural grants, and many other subsidies for improvement of agriculture. There is also an item of £253,000 for export subsidies.

*Social* :—Old Age Pensions show an increase of £764,000. Unemployment Insurance, which covers covenanted and uncovenanted benefit, is £1,133,000 more. For Relief Schemes which stand at the figure of £1,222,000, and Widows' Pensions, £450,000, there was no comparable figure in 1930.

*Miscellaneous* :—The increase here arises almost wholly in connection with provision of public works and buildings. The continuous expenditure of this kind indicates that none of this expenditure can now be regarded as in the least degree abnormal, or non-recurrent.

*Army* :—This is the only figure in the accounts which has been largely influenced by the war. Until recently the expenditure on the Army was kept at a steady level, in 1938/39 it rose to £1,766,374, an increase of £440,000. The Table shows a further increase of £1,649,000.

*Items below Sub-total* :—As on previous occasions, the Road Fund has been specially kept out of the general expenditure total, because it is a transferred item, and balanced by receipts shown in the Revenue figures in Table II (a) The Local Loans fund has, since 1936, been constituted as a separate item, and provision is not now made in the Service Votes. In 1929/30, out of a total of £935,000, which was provided in respect of these loans, £600,000 was transferred to Great Britain in respect of an annuity then due (balanced by Revenue Receipts of £604,000 in the same year—see Table II (a) ) and £335,000 was voted for the service of New Loans.

*Cost of Management* :—As indicating the cost of managing the increased services provided by Government Departments, I have taken out from the principal Votes the main salary and wages charges ; the first figure given is the figure for 1939/40, and the figure in brackets was the figure for 1929/30 :—

Finance, £70,000 (£58,000) ; Revenue, £858,000 (£646,000) ; Local Government, £169,000 (£115,000) ; Industry and Commerce, £200,000 (£100,000) ; Agriculture, £404,000 (£270,000). The increase is of the magnitude of £500,000 and approximating to 40 per cent.

TABLE II (a).

## Revenue

Source	1929/30	Percentage	1939/40	Percentage	Increase (+) or Decrease (-) over 1929/30
	£000		£000		£000
Customs .. .. .	7,337	32.3	10,579	36.7	+ 3,242
Excise .. .. .	6,437	28.3	6,339	22.0	— 98
Estate Duty .. ..	1,180	5.2	956	3.3	+ 224
Stamps (Miscellaneous) ..	431	1.9	453	1.6	+ 22
„ Sweepstakes .. ..	—	—	334	1.2	+ 334
Prop and Income Tax ..	3,966	17.4	5,948	20.6	+ 1,982
Corporation Profits Tax	220	1.0	524	1.8	+ 304
Excess Profits Tax .. ..	162	0.7	32	0.1	+ 130
Postal Revenue .. .. .	1,220		1,345		+ 125
Telegrams Revenue .. ..	212	7.9	135	7.1	— 77
Telephones Revenue .. ..	368		580		+ 212
Damage to Property .. ..	29	0.1	—	—	—
(Co. Council Contribution)					
Interest on Exchequer					
Advances .. .. .	335	1.5	659	2.3	+ 324
Miscellaneous .. .. .	603	2.7	777	2.7	+ 174
Loans Repaid :					
National City Bank .. ..	201	1.0	—	—	
Road Fund .. .. .	—	—	150	0.6	— 51
Total above .. .. .	22,701	100.0	28,811	100.0	+ 6,110
Motor Vehicle Duty .. ..	868	—	1,138	—	270
Local Loans British .. ..	604	—	—	—	
„ „ „ „ „ „ „ „ „ „	—	—	633	—	29
Land Purchase Annuities	—	—	1,807	—	1,807
GRAND TOTAL .. .. .	24,173		32,389		8,216

*Customs* :—See foot of Table II (b).

*Excise* :—See foot of Table II (c).

*Income Tax* :—Standard Rate increased from 3/- to 5/6.

*Corporation Profits Tax* :—The rate has been raised since 1929/30 from 5 per cent. to 7½ per cent. for Native Companies and from 7½ per cent. to 10 per cent. for Foreign Companies with no Branch Register in Eire ; the exemption limit was reduced from £10,000 to £5,000.

*Interest on Advances* :—The Electricity Supply Board provided £617,801 as against £49,410 : the Shannon Scheme, £1,322 as against £191,436.

*Miscellaneous* :—This figure is the residue after deducting Interest on advances and repayment by Road Fund and Local Loans Fund. It

includes Currency Commission surplus income, £180,000 (£220,000) and receipts from various Votes including Agriculture, £11,000 (£27,000); Lands, £71,000 (£34,000); Industry and Commerce, £52,000; Patents, £17,000 (£41,000); Broadcasting, £135,000 (£13,000); Employment Schemes, £23,000; Repayment of Interest and Dividends and moneys due by Alcohol Co., £51,000.

TABLE II (b)

## Customs.

Commodities, etc., dutiable in both years	1929/30	1939/40	Commodities not dutiable in 1929/30	1929/30	1939/40
	£000	£000		£000	£000
Beer, Spirits, Wine, etc .. ..	1,135	1,124	<i>Forward</i> ..	7,206	8,142
Tobacco .. ..	3,128	5,306	Oils .. ..	—	1,635
	4,263	6,430	Coal .. ..	—	1
Cocoa Preparations	83	2	Electrical Apparatus	—	13
Fruit .. ..	42	149	Iron and Steel ..	—	55
Sugar .. ..	978	604	News and Periodicals	—	50
Tea .. ..	—	33	Package Duty ..	—	37
	1,103	788	Paints .. ..	—	11
Boots .. ..	268	35	Pigs Meat .. ..	—	—
Bottles .. ..	10	8	Stationery .. ..	—	44
Clothing .. ..	680	447	Wood and Wooden Articles .. ..	—	12
Furniture .. ..	59	27			1,858
Marbles .. ..	31	10	Cement Clay .. ..	—	35
Oatmeal .. ..	7	—	Cutlery .. ..	—	11
Soap .. ..	19	6	Fish .. ..	—	26
Woven and Worsted Tissue .. ..	89	59	Floor Covering ..	—	55
	1,163	592	Leather .. ..	—	58
Cinema and Films	22	57	Paint .. ..	—	11
Clocks and Watches	18	14	Piece Goods .. ..	—	87
Motors .. ..	514	158	Rice, etc .. ..	—	11
Musical Instruments	37	13	Starch .. ..	—	13
Wireless .. ..	31	80	Toilet Goods .. ..	—	11
	622	322	Woven Articles ..	—	15
Customs Entry Duty	44	10	Yarns .. ..	—	25
Miscellaneous ..	11	—	Miscellaneous (cover- ing 159 items under £10,000) ..	—	358
Sub-total for com- modities dutiable in both years ..	7,206	8,142	Total for all com- modities .. ..	7,206	10,579

The classification which was adopted in my previous paper has been retained. It serves for the purpose of making a comparison and showing the changes which have taken place.

In the first sub-total it will be seen that the revenue from Beer, Spirits, etc., has been maintained, and that the slight fall which there was in 1932/33, when the figure was £875,000, has been recovered. In the case of Tobacco, the yield is £2,178,000 above 1929/30, an increase of 66 per cent.

\* In 1932/33 Oils produced £1,097,000; Coal, £205,000; Package Duty, £80,000; News and Periodicals, £20,000; Stationery, £41,000, and the total in that year was £1,573,000, compared with £1,858,000 in 1939/40.

The second group is affected by the increased production of Sugar at home, and by new duties on Fruit. In 1931/32 the duty from Sugar amounted to £1,474,000, so that there has been a very substantial loss of revenue on this item.

The third group which, in the previous paper showed an almost uniform total from 1925/26 to 1932/33, now reveals the cumulative effect of the duties imposed on this range of goods. The net fall in the period is £571,000.

The fourth group discloses the effect of the tariff on Motors, a reduction amounting to £356,000. It will be noticed that there is an increased collection from Films and Wireless which has off-set the reduction on the Motors, and the net fall is £300,000.

No duty was collected in 1929/30 in respect of any of the items appearing in the second column. The first section of that column records items which appeared in 1932/33 accounts (see Analysis in the paper read in 1933 and the figures in the foot note). The other details disclose the specific duties amounting individually to over £10,000 each per annum which did not appear before 1933, the last figure showing that £221,000 was received in 1939/40 from duties imposed upon 159 separate items, and this compares with the figure in 1933 of £191,000 spread over 76 items. The new items appearing in this column total, £2,437,000 and, as will be seen, the principal contribution is made up by Oils, which virtually means from the levy on Petrol, which was at the rate of 4d. per gallon in 1932/33, increased in November, 1933, to 8d., and raised from 8d. to 10d. on 11th May, 1939; in 1938/39, £1,307,880 was collected, and in 1939/40, £1,591,539.

Taking the Table as a whole it will be found that there is a percentage increase of 44.1 arising from Tobacco (£2,178,000) and new sources of revenue (£2,437,000), off-set by reductions in Sugar (£374,000), Clothing (£233,000), Motor Car parts, etc. (£356,000).

TABLE II (c).

## Excise.

Commodity, etc.	1929/30	Per-centage of Total	1939/40	Per-centage of Total	Change
	£000		£000		£000
Beer .. .. .	3,399	52.4	3,141	49.0	- 258
Spirits .. .. .	2,273	35.0	1,734	27.0	- 539
Betting .. .. .	204	3.1	169	2.6	- 35
Bookmakers' Registration Fees..	11	.2	13	.2	+ 2
Cider and Table Waters .. .. .	27	.4	32	.5	+ 5
Club Duty .. .. .	3	—	2	—	- 1
Entertainments .. .. .	155	2.4	327	5.1	+ 172
Licence Duties, etc. .. .. .	190	2.9	195	3.0	+ 5
Firearms Certificates .. .. .	36	.6	43	.7	+ 7
Dog Licences .. .. .	85	1.3	68	1.1	- 17
Matches .. .. .	105	1.7	144	2.3	+ 39
Miscellaneous .. .. .	1	—	3	—	+ 2
Oil .. .. .	—	—	78	1.3	+ 78
Sugar .. .. .	—	—	342	5.3	+ 342
Tobacco .. .. .	—	—	81	1.3	+ 81
Tyres and Tubes .. .. .	—	—	41	.6	+ 41
Total .. .. .	6,489	100.0	6,413	100.0	- 76

It will be noted that the variation in the total is of small magnitude, but that the details show wide differences. Beer is down £258,000, Spirits, £539,000, and the fall has been largely off-set by increases in the Entertainments Tax, £172,000, Oil, Sugar, Tobacco and Tyres amounting to £542,000.

TABLE III.

State Debt Balance Sheet, 31st March, 1940.

LIABILITIES		ASSETS	
	£		£
<b>I.—Debt Outstanding :</b>		<b>I.—Liquid Assets :</b>	
(a) Land Bonds .. .. .	27,944,119	(a) Exchequer Balance .. .. .	3,622,659
(b) Second National Loan .. .. .	5,803,667	(b) Savings Certificates Balances .. .. .	3,297,986
(c) Third National Loan .. .. .	5,438,895	(c) Sinking Funds .. .. .	146,522
(d) Fourth National Loan .. .. .	5,561,790		7,067,167
(e) 4 per cent Conversion Loan .. .. .	6,696,519	<b>II.—Productive Assets :</b>	
(f) 3½ per cent Financial Agreement Loan	9,861,580	(a) Telephone Capital .. .. .	1,319,515
(g) 4 per cent. Exchequer Bonds 1950/60	7,000,000	(b) Shannon Electricity Scheme Fund .. .. .	6,011,130
(h) 3½ per cent Compensation Stock .. .. .	28,086	(c) Electricity Supply Board .. .. .	6,887,465
(i) Savings Certificates .. .. .	11,017,010	(d) Local Loans Fund .. .. .	6,264,237
(j) Annuity to British Government .. .. .	4,693,517	(e) Land Bonds .. .. .	12,549,370
(k) Telephone Capital .. .. .	1,319,515	(f) Air Navigation and Transport .. .. .	100,000
(l) Housing .. .. .	8,500,000	(g) Industrial Alcohol Advance .. .. .	22,000
(m) Dail Internal Loan .. .. .	3,934	(h) Trade Loans Advances .. .. .	89,266
	93,868,632		33,242,983
<b>II.—Moneys provided for Debt Redemption :</b>		<b>III—Gross Dead Weight Debt :</b>	
(a) Net allocations to Sinking Funds .. .. .	7,892,702	(a) Budget Deficits .. .. .	19,536,460
(b) Interest thereon, etc. .. .. .	989,244	(b) Property Compensation paid in Stock	1,579,250
(c) Unapplied Sinking Fund of First National Loan .. .. .	1,003,882	(c) Discounts of National Loans, etc .. .. .	1,354,500
	9,885,828	(d) Dail Internal Loan .. .. .	487,230
		(e) Dail External Loan .. .. .	537,491
		(f) Land Bonds .. .. .	15,394,749
		(g) Annuity to British Government .. .. .	4,693,517
		(h) Road Fund .. .. .	632,619
		(i) Housing .. .. .	8,500,000
		(j) United Kingdom Capital Sum 1938 .. .. .	10,000,000
		(k) Other items .. .. .	728,494
			63,444,310
	103,754,460		103,754,460

The last Table deals with the State Debt. In former papers the figures for Liabilities and Assets were taken from the current Finance Accounts ; on this occasion we have available a table which follows the lines of those first submitted to the Society by Dr. Joseph Brennan in January, 1935, continued in Chapter 10 on State Debt in the Report of the Banking Commission, and now brought up to date by Dr. Brennan for inclusion in this paper. We are much indebted to him for this contribution. In the paper read before the Society in 1935, Dr. Brennan explained fully the construction of the table. Further comments are not necessary, except to point out that it deals exclusively with the Exchequer transactions since April 1st, 1922. This means that in connection with such funds as the Local Loans Fund only sums advanced to the separate Fund in Eire are here shown. Similarly in connection with the Land Bonds, the figure covers the issues since 1923.

The 1937 Table is omitted for reasons of space, but the following notes record the changes which have taken place under the various headings. (The figures in brackets are those for 1937).

*Debt Outstanding* :—Total, 31st March, 1940, £93,868,632 (£73,058,557)—increase accounted for by (a) Land Bonds, £1,148,114 ; (f) Financial Agreement Loan, £9,861,580 ; (g) Exchequer Bonds, £7,000,000 ; (h) Telephone Capital, £400,000 ; (i) Housing, £3,500,000 ; offset by reduction in National Loans, etc.

*Liquid Assets* :—Total, 31st March, 1940, £7,067,167 (£4,796,996)—increase of £2,270,000 of which the Exchequer Balance accounts for £1,560,000 and Savings Certificates Balances, £600,000.

*Productive Assets* :—Total, 31st March, 1940, £33,242,983 (£30,998,870)—increase of £2,244,000 mainly due to increase in Telephones, £400,000 ; E.S.B., £2,000,000 ; Land Bonds, £628,000 ; and new items, Air Services, £100,000 ; Alcohol Co., £22,000 ; Trade Loans, £89,266.

*Gross Dead Weight Debt* :—Total, 31st March, 1940, £63,444,310 (£45,521,350)—increase, £18,000,000 principally made up of payments to the United Kingdom, £10,000,000 ; Housing, £3,500,000 ; Budget Deficits, £3,200,000. The Road Fund which was at its maximum in 1934, £1,511,000 ; stood at £1,114,055 in 1937, and is now at the same level as in 1930.

*Dead Weight Debt Item III (a) Budget Deficits* :—“ This item represents the net total of deficits on the income and expenditure account of the Exchequer over the period reviewed, except that, in view of the recent legislation on the Local Loans Fund, Exchequer issues to that Fund have been shown as Productive Assets. It will be realised that the general State expenditure which contributed towards Budget Deficits has to some extent been productive of capital assets, such as public buildings and shares in the Industrial Credit Company. It is not possible, however, to attribute the deficits to any specific assets, or, in other words, to identify any asset of this class as having been acquired with borrowed money. In any case such assets have not in general yielded any cash revenue.” (Extract from Appendix No. 23 of the Banking Commission Report).

In the earlier years there were sums paid by way of Compensation for Property, etc. Losses, amounting to £7,000,000. More recently there has been paid from the Exchequer the following sums for Shares in the Industrial Credit Corporation, £804,517 ; Shares in the Agricultural

Credit Corporation, £292,118 ; Shares in the Sugar Company, £500,000 ; to Alcohol Factories, £238,756 ; to Creameries, £656,000. (During the period under review the Sugar Company contributed £19,375 for four years up to 1938/39, and it is noted that the Industrial Credit Company paid  $2\frac{1}{2}$  per cent., £14,134 which will accrue to Miscellaneous Revenue for 1940/41.) In his Budget speeches from May, 1938 to 1940 the Minister for Finance specially commented upon the following items of Expenditure as having been incurred ; Property Losses Compensation, £121,609 ; Airports, £226,000 ; Volunteer Halls (half cost), £10,000 ; Afforestation, £58,000 ; Employment Schemes, £777,000 ; Export Bounties and Subsidies, £2,296,681 ; Defence, £740,000. It is difficult to accept the view that such expenditure could be suitably met by borrowing.

*Dead Weight Debt Item III (f) Land Bonds* :—The division of Land Bonds is determined from the figures recorded in the Finance Accounts. In this group are placed those in respect of which the State has assumed liability ; Lands Vote 54 records payment to Fund of £625,000.

*Dead Weight Debt Item III (i) Housing* :—The figure for the Capital liability for Housing Loans is taken from the Finance Accounts : it should be noted that in the Local Government Vote for 1939/40, £371,500 was voted as a contribution towards Loan charges on Housing. This procedure tends to conceal the real cost of Housing loans to Local Authorities.

It is relevant to this table for attention to be called to two other matters in connection with the liability of the State. Contingent Liabilities were recorded in the Banking Commission Report (p. 486) at £2,308,795 ; this covered guarantees in respect of the Agricultural Credit Corporation and Sugar Company and Trade Loans : the former are unchanged : the last named increased from £600,913 to £771,667. A further important liability in the nature of Dead Weight Debt, arises in respect of Pension Agreements. It is referred to in section 485 of the Banking Commission Report. No actuarial estimate of the liability is available, but there is no doubt it must amount to a large capital sum. The present payments constitute no measure of the liability, because a great part has been incurred recently through the expansion of the personnel of the Civil Service—Civic Guards, Army, etc. The increases for the year 1939/40 over that of 1929/30 are as follows : Vote No. 16, Superannuation £105,000, Vote No. 63 Superannuation, Posts and Telegraphs, £59,700 ; Vote No. 46, Education, £327,094.

Chapter X of the Banking Commission Report relates to State Borrowing and Lending, and is entirely devoted to matters relating to the State Debt ; many recommendations were made, of these only two have been carried out, an alteration in the method of investing deposits in the Trustee Savings Bank (Finance Act, 1940), and the publication of the Local Loans Fund Account, of which the last issued was for 1939/40.

This completes the presentation of the figures dealt with in the Budget ; they reveal the financial results of the activity of the State in the performance of its duty of providing machinery for the protection of individual life and property, and assistance for the citizens in their various enterprises which result in the production of required goods and services. It is well to remember that this reveals only part of the economic life of the community. Statistics dealing with National Income, Standard of Living, Output in Agriculture and Industry, and the state of Unemployment, reveal further aspects, and all would have to be considered together if there was an attempt made to review the position as a whole.

The main purpose of this paper has been to set out the figures relating to expenditure, etc. Since, however, the creation of debt has become a matter of immediate importance a short space is now devoted to its consideration. The credit problem is to decide (a) to whom, (b) for how long, and (c) to what amount loans should be granted.

As to (a) our debt is almost wholly internal and we have not the complication involved by an external liability (only a cynic would suggest that it is easier to default on an external obligation and only a pessimist would envisage a refusal to meet our liabilities).

As to (b) the period over which some of the loans extend is long, all the more so since the proportion of unproductive debt is large, *e.g.*, housing loans extend up to 35 years and, in normal circumstances, where the asset remains in the hands of a Local Authority lending the money, that raises no crucial problem, but where the State has subsidised the loan and holds no asset the extension of the period for repayment of its liability over the full period of the loan creates a serious future burden. If further borrowing for Dead Weight Debt becomes necessary it is suggested there should be provision for a more rapid reduction of the liability.

This brings us to (c), namely, the amount of the loans. How far the Debt may be considered too great is discussed in the paragraphs that follow.

Table (III) shows a total of outstanding Debt of £94,000,000, which is £31 per head of population, whereas in 1937 it was £24. Comparable figures were given for Norway, £27 (90 per cent. productive); Denmark, £16 (85 per cent. productive); Sweden, £20 (100 per cent. productive), in the Report of the Banking Commission. National Income has not increased. Specific charges for interest on Debt have risen (see Table 1 (a)) by 32 per cent. to £2,621,000. In addition there has to be noted the £370,000 on Housing Loans and £625,000 for interest on Land Bonds voted in the Supply Service Expenditure. Guarantees in respect of Trade Loans have increased, as shown above, to £771,661, and the margin of protection against the State having to implement its guarantees for interest payments on shares is not noticeably improved.

It is not suggested that there can be a precise measurement of the weight of the Debt burden. It is not overlooked that there may be benefits attached to items of expenditure which do not relieve the taxpayer because they cannot be expressed in figures or do not pass through the Budget and, therefore, cannot be expressed in these Tables. On the whole it is unwise to lay much stress on such advantages, they tend to be somewhat elusive and, perhaps, illusory; prudent considerations would dictate that the Budget test cannot be safely put aside.

One is led to believe that public opinion regarding the dangers which accompany the creation of debt is somewhat weak: there is no strong, healthy tradition against it. Mortgaging the future is not uncommon throughout the country; there is a tendency to forget the burden of repayment and to enjoy the feeling of well-being which comes from the expenditure of the capital sum at the moment. In business circles it is not unusual to come across an attitude of mind which regards the payment of loan charges and current liabilities as adequate, and looks with reproach upon application for the repayment of the principal.

Such complacency, however, is equally bad in public as in private finance.

Is there any reason to suppose that the country ten or twenty years hence will possess a broader back and stronger resources? May not blame fall on us for passing on an impossible burden?

The urge for advancement is natural and should meet with encouragement, but in this matter of national expenditure it finds expression in a readiness to have recourse to borrowing rather than to pay out of revenue. This is possibly because there is no adequate appreciation of the fact that permanent improvement can only be gradually achieved. There is a desire to move quickly; there is impatience which will not brook delay, in spite of all the warnings of experience. There has been little reason for optimistic views to be found in the post-war history of this or any country, and much evidence, from Sweden for example, that conservative finance brings its reward even in the life of the generation which practices it.

There is pithiness and appropriateness in the phrase used by a disillusioned citizen of a central European State—"What a pity it is we cannot afford to live as well as we do!"

## APPENDIX

## GROUPING USED IN TABLE I.

	1929/30	1939/40		1929/30	1939/40
	£000	£000		£000	£000
<i>Central Govt. :</i>			Circuit Courts ..	55	44
Dept. President			District Courts ..	40	39
Establishment ..	6	10	Law Charges ..	62	59
Salary ..	10	3	Land Registry ..	48	46
Oireachtas ..	117	122	Record Office ..	5	5
Temp Comms. ..	10	10	Garda Siochana ..	1,551	1,810
Elect. Exs. ..	17	17	Prisons Board ..	85	80
"  " ..	3	3	Dundrum Asylum	13	16
Dept. Taoiseach	12	14		2,026	2,273
Secret Service ..	2	6			
	177	185	<i>Education :</i>		
<i>Finance :</i>			Office of Min. ..	157	183
Minister-Office ..	58	70	Primary Eden ..	3,597	3,747
Quit Rent ..	4	4	Secondary Eden	297	466
Exchr. and Audit	2	19	Technical Eden	146	318
Civil Ser Com. ..	12	24	Univ & Colls. ..	154	159
Auditor Gen ..	15	1	Science and Art ..	32	58
Revenue Dept. ..	646	858	Nat Gallery ..	4	5
Management			Refor and Indl		
Govt. Stocks ..	9	16	Schools ..	117	113
	746	992		4,504	5,049
<i>Debt :</i>			<i>Commerce and</i>		
Service .. ..	1,742	2,371	<i>Fisheries :</i>		
Damage to Pro-			Ind & Commerce	103	346
property Annuity	236	250	Transport ..	54	48
	1,978	2,621	Rly Tribunal ..	7	3
<i>Local Govt. :</i>			Marine Service ..	6	11
Dept L. Govr. ..	115	169	Gaeltacht ..	—	102
L. Taxn Grants	438	475	Fisheries ..	37	71
	553	644	Haulbowline ..	12	—
<i>External Affairs :</i>			Tariff Commn	2	5
Ex Affairs ..	63	85	Ind and Comm		
L. of Nations ..	8	13	Property Regn		
	71	98	Office .. ..	22	14
<i>Pensions :</i>			Min of Supplies..	—	4
Superannuations	1,727	468	Tourist Board ..	—	1
Army .. ..	215	541	Alcohol Company	—	4
Judicial .. ..	31	4		243	609
Other .. ..	1	7	<i>Agriculture :</i>		
	1,974	1,020	Agriculture ..	418	845
<i>Law and Police :</i>			Forestry .. ..	55	201
Office of Min ..	37	40	Land Commn ..	499	1,662
Judges' Salaries	78	82	Beet S Subsidy..	108	—
Sup & H Courts	52	52	Agrel Grants ..	599	1,271
			Relief of Rates ..	599	599
			Agr Cr Act, 1929	8	5
			Export Subsidy..	5	254
				2,291	4,837

## APPENDIX—continued

	1929/30	1939/40		1929/30	1939/40
<i>Social :</i>			<i>Miscellaneous :</i>		
Old Age Pensions	2,742	3,506	Gen. Reg. Office	10	11
N.H. Insurance ..	326	301	Miscellaneous ..	8	9
Unemployt. Ins	219	1,352	Public Works ..	95	124
Housing, Tuberculosis, etc ..	342	1,029	Ord Survey ..	44	29
Char Donations..	3	3	Personal Injury Compensation ..	4	—
Relief Schemes ..	—	1,222	Public Works and Buildings ..	577	1,109
W. B'casting ..	24	60	Rates on Government Property	86	115
Comp. Bounty ..	—	51	State Laboratory	7	9
Widows' Pensions	—	450	Stationery Office	103	153
Hosp.-Infirmaries	13	—	Sundry Salaries..	1	2
			Val. and Bdy Survey ..	34	32
			Contingency Fund	2	1
	3,669	7,974			
				971	1,594

## DISCUSSION ON MR. EASON'S PAPER.

PROFESSOR SMIDDY, proposing a vote of thanks, said that Mr. Eason's paper was as impressive as it was invaluable. It bore evidence of painstaking work, which was a striking contrast to the attitude of so many people towards those problems of which it treated. Generally speaking, people do not study budgets and their implications. This was to be regretted, for budgetary policy affects every man and woman.

Mr. Eason raised many questions of import and interest; but he (Professor Smiddy) was going to deal with only a few of them. The paper had pointed out an increased net output, while the value of agricultural output decreased by nearly £9,000,000 for the year 1938-39 compared with 1929-30. According to the calculations of Professor Duncan and Dr. Kiernan the Irish National Income had for a number of years been remaining stationary at approximately £160,000,000. During that period bank debits and trade had increased. The actual position was that expenditure and taxation as well as the National Debt were annually increasing, while the National Income was not. The Minister for Finance had stated recently that we were not niggardly in regard to expenditure. This was quite true. Our social services amounted to over £4,000,000 annually. Such expenditure was all very good if we were sure that we could afford it. But it should be remembered that expenditure was now 22 per cent. of our total income. The question, then, was: can we spend more without infringing on the source of the income? Most countries, of course, were spending large amounts on social services to-day. From 1930 to 1940 the budgetary deficit in the United States of America steadily increased, reaching the astonishing sum of £1,000,000,000 in the fiscal year 1940. The gross debt of the Government increased from £4,200,000,000 in 1930 to £11,000,000,000 in 1940. In spite of this heavy expenditure to stimulate employment and increase purchasing power there were in March, 1940, eight million unemployed, while the National Income was below the 1929 figure.

A debt must produce a direct money income; it must be capable of producing the means of supporting itself. That, said Professor Smiddy,

can be taken as Mr. Eason's touch-stone for deciding whether a debt is productive or non-productive. The taxable capacity of a country was something very difficult to estimate. Very often it must be a matter of trial and error for a Government. As far as this country was concerned, however, some means would have to be devised for increasing the National Income in view of the continuously increasing National Debt. To many people it seemed that we have reached the limit of taxation.

PROFESSOR DUNCAN, in seconding the vote of thanks, said he felt doubly grateful. First, he felt pleasure in speaking to Mr. Eason's paper, and secondly, he was glad that the Society had provided a forum for the discussion of budgetary problems. In Great Britain there is, every year, intelligent public discussion of Public Finance before the introduction of the Budget. In this country, however, there is no newspaper or periodical that considers such subjects worthy of analytical or critical discussion. The only available forum was the Statistical Society, and for bringing his paper before the members, many thanks were due to Mr. Eason. His only regret was that the paper would not obtain the publicity it deserved.

Dealing with Mr. Eason's treatment of increased purchasing power in the hands of the public, Professor Duncan said that an effect of protection in Ireland has been the shift of income from the rural population to the industrial population during the past eight years. This movement has increased the turn-over in purchasing power.

Mr. Eason wisely remarks: "No analysis of this Vote [Education] is attempted." There are five votes which show very large absolute or proportional increases—Police, Education, Army, Agriculture and Commerce and Fisheries. All of these suggest the ultimate question—are we getting value for our money? If we could feel that the increased expenditure has been well applied—well and good; but how much has been absorbed in the nourishment of large and handsome flocks of white elephants? In some cases, e.g. the Army, discussion whether the increases are really justified by any attainable objective is naturally prevented by the Censorship, but the doubt is of general application and all too rarely ventilated.

The table on page 4 of Mr. Eason's paper raises very important considerations. It displays two phenomena of our economy: One-third of our total revenue comes from Customs Duties, and almost one-quarter from Income and similar Taxes. In both those cases the effects of the war will be felt. The falling-off in imports is a serious threat to the total revenue of the country. The number of people paying Income Tax, Corporation Profits Tax and Excess Profits Tax is only about 60,000. This raises a very serious political problem. In Atlantic as in Greek democracy a division of fiscal burdens such that a large percentage of the Exchequer's liabilities is provided by heavy taxation of a narrowly limited group, while a great part of these liabilities consists of transfer payments from which a large but distinct group does or may benefit, creates the possibility of *stasis*, persistent disunity within the state, the latter groups looking upon the Exchequer as nothing but a milch-cow, and the farmer looking upon the Treasury as nothing but an extortioner. If the former become active in self-defence, the result is crypto-Fascism which, upon opportunity offered, erupts into Quislingism. For realistic, as opposed to party, governments, this is a real and serious problem for the future.

There are few topics in political economy in general and Public Finance in particular about which so much nonsense is talked as Dead-weight Debt. The essential criterion is whether or no the application of the borrowed moneys provides the revenues to meet the service of the debt : so far as it fails to do so, interest and sinking fund payments become a burden, and an accumulating burden upon the general revenue of the public authorities, e.g., on the taxpayer. In the last analysis the whole thing is a question of magnitude : whether nor no the prospective burden is imprudent. Within reasonable limits, every government must be regarded as entitled to sow its dragon's teeth, provided it does not let the nourishment of their progeny get out of hand and absorb too large a fraction of the community's total effort. At present it costs Irish tax-payers  $7\frac{1}{2}$  per cent. of total National Income every year.

PROFESSOR SHIELDS, speaking to the paper, thanked Mr. Eason for his very clear analysis of expenditure and debt. He agreed with previous speakers concerning the dangerous implications of a growing burden of taxation and public debt coupled with a stagnant National Income. Those were trends that could not be sufficiently emphasised and Mr. Eason had indeed done a service in giving members of the Society an opportunity for discussing them. Besides the static position of the National Income, Professor Shields pointed to another important consideration—the fact that in Ireland the cost of living had risen by 30 per cent, since 1931.

Previous speakers had dwelt on the imminent necessity of increasing the National Income especially if expenditure on social services and the consequent advance in the figures for Public Debt were to continue. Increased productivity would depend on how far the country was going to succeed in increasing the efficiency of both its agricultural and industrial production. Professor Shields, continuing, said he had little doubt but that many acts passed placed restraint on business efficiency without introducing commensurate compensations in other quarters of the national economy. Then again there were many acts on the Statute Book which had outlived their usefulness. There should be some Government machinery to enable such acts to be periodically examined and to decide whether their continuance seemed justified from the view-point of public welfare. This would result in eliminating at least some of the inefficiency inflicted on industry by often unconsciously unsympathetic legislation. It would also lead towards the reduction of expenditure. If some such proposal were not introduced, concluded Professor Shields, it seemed likely that the country could expect only more unemployment and a continuation of emigration.

DR H. KENNEDY began by referring to what for him seemed the three most important lines in Mr. Eason's praiseworthy paper : " Is there any reason to suppose that the country ten or twenty years hence will possess a broader back and stronger resources ? May not blame fall on us for passing on an impossible burden ? " The answer to both these queries, said Dr. Kennedy, is : It all depends. If the country in this generation wakes up to the fact that agriculturally we are undeveloped, then by taking appropriate measures to improve the situation we will have a broader back in thirty years' time. Our undeveloped agricultural wilderness could be improved beyond recognition by taking risks with dead-weight debt. The expenditure of a sum of even four or five million pounds would mean much. No initiative nor enterprise is being used to

introduce methods that might bring Irish agriculture up to date. The next generation may have a broader back to bear the burdens of its time if the productivity of Irish agriculture can be increased. On that it all depended.

Professor Duncan's remarks on the trend of retail trade and the shift of purchasing power from rural to urban hands, said Dr. Kennedy, were most interesting. Many social services too had been introduced at the expense of the farmer. But first things should come first. And in the Irish economy first things undoubtedly meant agricultural production with all its incidental problems. Adequate treatment for it would mean general enrichment for the nation as a whole. But such treatment would require a revolution in thought on the part of both farmers and technicians. If that could be achieved adequate finance would then be necessary.

MR. GABRIEL BROCK said that the change which had been taking place in our economy during the past few years was reflected in the Revenue tables. Customs Duty on sugar had decreased, but the decrease had been offset by an increase in Excise Duty on the home produced article, while large increases in Income Tax and Corporation Profits Tax, which together represented a substantial part of our total income, had arisen to an appreciable extent from new and highly protected industries. It was doubtful whether this could continue. The Minister has said recently that he foresaw much from Corporation Profits Tax. At the moment it counted for little, but in the long run it could bring in considerable sums. It should be asked, however, whether demanding too much from this tax might not put a brake on the industrial development on which the country had been relying.

It was interesting to observe that 24 per cent. of our Expenditure was on social services of one kind or another. From this one got the impression that the country possessed too many inactive people. Comparing the Gross Dead Weight Debt with that of 31st March, 1937, it could be seen that there had been an increase of £18 millions in three years. Omitting the United Kingdom Capital sum of £10 millions there was an increase of £8 millions under what now could be regarded as normal heads of expenditure, and there would be a very serious problem facing the State if Dead Weight Debt were to continue to increase at the rate of nearly £3 millions a year. A further heavy increase in the Dead Weight Debt was inevitable in the current year. While he agreed with Professor Duncan's comments on this type of debt, he still felt that it could not keep advancing at the present rate, especially while the national income remained static, without dangerous repercussions.

THE PRESIDENT, in putting the vote of thanks to the meeting, said he would like to add his own thanks to Mr. Eason for a paper which brought up to date figures contained in a previous paper contributed by him and which were most helpful in their present form to those not used to examining figures relating to State finance. The only comment he had to add was a regret that more up-to-date figures were not available concerning the turnover of internal trade as disclosed by a Census of Distribution. No figures had been collected since those published a few years ago in respect of the year 1933. It was noticed that there was a Commission set up recently in England to investigate the possibility of a Census of Distribution there, as information derived from such an inquiry was essential for a proper system of rationing consumption goods.

The vote of thanks was put to the meeting and passed with acclamation.

MR. EASON, replying to the vote of thanks, said he felt very gratified for the way in which his paper had been received. The work on the paper had been more a matter of compilation than anything in the nature of original study. It would however, he hoped, prove useful. He felt rather proud of having heard three professors speak to his paper. The question of taxable capacity and the difficulty of discerning it had been raised. To him taxable capacity appeared a rather nebulous conception it would be worth a paper to itself. Referring to his quotation on page one from the Report of the Council of the Chamber of Commerce, and Professor Duncan's comment, Mr. Eason said that it was the volume of trade not the velocity of money turnover with which the Chamber was concerned at the time that paragraph was written. On the question of Dead-Weight Debt, the only comment he intended adding to the discussion was that payment of interest upon unproductive loans whether there were visible assets or not represents a burden on the future.