It is with great reluctance that we take issue with Dr Geary again. However, be it due to bad presentation on our part or due to misinterpretation on Dr Geary’s, some seriously misleading assertions were made in the latter’s rejoinder\(^1\) to our comment in the October issue of this review.\(^2\) Hence, the need for some clarification and a brief re-statement of our position.

There were two important criticisms made of Dr Geary’s original work. First, his assumption of a continuing direct proportional relationship between general government current transfers to households and private non-profit institutions expressed as a percentage of GNP (\(Y\)) and real GNP per capita (\(X\)) in Ireland was seriously questioned. Second, his use of general government current transfers to households and private non-profit institutions to represent all expenditure on social security (i.e. social security benefits in cash and kind) was considered highly unsatisfactory. Both of these criticisms remain unshaken as Dr Geary only took issue with them in a peripheral sense and concentrated instead on somewhat less important issues.

With reference to the first criticism Dr Geary took a somewhat conflicting stance. He first stated that we denied the existence of a relationship between \(Y\) and \(X\) in the past and as such were “flying in the face of the statistical evidence”. This simply was not the case. In fact, we explicitly accepted that a direct proportional relationship had held approximately in the past but, to repeat, we cast

doubt on the assumption of a continuation of such a relationship between $Y$ and $X$ in future years. He then went on, however, to reject the latter "usual anti-econometric argument" on the basis that our objection was only valid in the case of long term projections. He correctly claimed and, indeed, substantiated empirically that forward extrapolation on a short term basis was acceptable. However, the forward extrapolation of Ireland's $Y$ for levels of $X$ pertaining in the other EEC countries in 1970 is, of course, a long, and not a short-term projection problem and this is the point at issue. For example, it would probably be 1985 and 1990 before Ireland reaches Belgium's and France's 1970 level of $X$ respectively and that is on the assumption of optimistic growth rates in Ireland's $X$ in the intervening years.

In reference to our second criticism Dr Geary rightly points out that a small portion of general government current transfers to households and private non-profit institutions constitutes, to the individual, a transfer in kind. (However, according to the standard usage of the term social security cash payments, all of item 70 in National Income and Expenditure 1971, qualifies. As such, our opening paragraph in the section on Social Security Payments in kind was not, as claimed, quite wrong.) This, of course, does not answer the charge that he excluded the major portion of expenditure on social security transfers in kind to the individual, such expenditure being included under the heading of general government civil consumption expenditure.

We agree with Dr Geary that the preference for our Table 1 was "quite unimportant" to the conclusion, not so per se, quite the contrary. In fact, despite the deficient theories and data that economists have to work with, it is broadly accepted that one must still aspire to "exact estimation" when possible. This was simply our objective. Doubts about the actual arithmetic calculations in our pursuit of such an objective, one feels, should be empirically supported.

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