

# STATISTICAL AND SOCIAL INQUIRY SOCIETY OF IRELAND.

## THE NATIONAL EXPENDITURE OF THE IRISH FREE STATE IN 1926.

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[Read before the Society on Thursday, 22nd June, 1933.]

In the *Economic Journal*, March, 1933, I based an estimate of the national income of the population of the Irish Free State in 1926 on the published official statistics in the reports on the Census of Population and Censuses of Production and in the annual reports of the Revenue Commissioners. As Appendix E to the Report of the Commission of Inquiry into De-Rating (1931) there is an interesting calculation of the distribution of taxation between agriculturists and non-agriculturists in the Irish Free State. I propose to carry this investigation further in an attempt to ascertain how the estimated national income of £164½ million in 1926 was spent. Adding back £½ million for assurance premiums (net) paid to outside companies, the total income becomes £165 million. This does not include old age pensions, which in 1926-27 amounted to £2.5 million. They were excluded from national income because they are not pensions based on economic service and represent no more than an internal transfer of income on social grounds; but they are part of the spendable fund and must therefore be treated in the national expenditure which, with savings, should amount to £167.5 million.

Twenty-eight categories of expenditure will be used, and it may be as well at once to state the conclusions in tabular form and to follow them with brief indications of the bases of the estimates, and with a comparison, proportionate to national income, between expenditure in the Irish Free State and in Great Britain.

### THE NATIONAL EXPENDITURE OF THE POPULATION OF THE IRISH FREE STATE IN 1926.

	Million
1. Agricultural produce, at retail prices, consumed by the agricultural community .. .. .	£ 23.25
2. Clothing .. .. .	18.0
3. Agricultural produce (home) consumed by the non-agricultural community .. .. .	16.75
4. Liquor (including taxation) .. .. .	15.5
5. Taxation (national and local, excluding Customs and Excise .. .. .	11.0
6. Bread, confectionery, jams, etc. .. .. .	9.0
7. Tea and sugar .. .. .	6.75
8. Tobacco and cigarettes .. .. .	6.5
9. Coal and turf .. .. .	6.0
10. Imported foods of animal origin .. .. .	6.0

11. House rents .. .. .	4. 5
12. Jewellery, cutlery, household goods, etc. .. .. .	4. 0
13. Professional expense (doctors, lawyers, chemists) .. .. .	2. 5
14. Imported fruit and vegetables .. .. .	2.25
15. Religion .. .. .	2. 0
16. Motor car expenses (private) .. .. .	1.75
17. Electricity and gas for domestic purposes .. .. .	1. 5
18. Entertainments and sports .. .. .	1. 5
19. Newspapers and books .. .. .	1. 0
20. Domestic service .. .. .	1. 0
21. Laundry, dyeing, soap, candles .. .. .	1. 0
22. Travelling and holidays .. .. .	1. 0
23. Education .. .. .	0.75
24. Post Office (private business) .. .. .	0.75
25. Assurance premiums (net expenditure) .. .. .	0.25
26. Subscriptions to trade unions, pensions funds, friendly societies .. .. .	0.25
27. Imported salt, vinegar, pickles, etc... .. .	0.25
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TOTAL .. .. .	145. 0
28. Savings and capital expenditure .. .. .	22.5*
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TOTAL .. .. .	<u>167. 5</u>

\* Of this, £7 million represents owner-occupier beneficial interest in lands and houses, and the actual cash savings (as defined later in the paper) amounted to £15.5 million.

*Agricultural Produce, 1 and 3.*—These figures are the final consumption estimates in the Agricultural Output Report for 1926–27. Turf is excluded and entered under Coal. The estimate is arrived at in this way :—

Gross Output ..	£64,757,000	Includes Turf	£5,938,000
Consumed by Agricultural Community ..	23,071,000	, ,	5,594,000
Consumed by others in Saorstát Éireann ..	11,569,000	, ,	344,000
Consumed by Agricultural Community (valued at farmers' prices)			
Total ..	£23,071,000		
Turf ..	5,594,000		
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Leaving Foodstuffs, etc. ..	<u>£17,477,000</u>		

The value for turf has been amended since the publication of the output figures to £3 million. It is estimated (Agricultural Output, 1926, page 12) that the difference between the valuation at retail prices and at farmers' or wholesale prices was about £11,540,000, i.e., an addition of 50 per cent. This would give £26,215,000 for foodstuffs and £4,500,000 for turf consumed by the agricultural community.

The net output was 88.8 per cent. of the gross; and applying the coefficient 0.888 to these figures we get £23¼ million for food and £4 million for turf. These would be the amounts paid by the farmers if they had to purchase agricultural produce for home consumption at market or fair prices.

In the case of Saorstát agricultural produce consumed by the rest of the community, the market or fair valuation was £11,569,000 less £344,000 for turf, leaving £11,225,000. To this must be added the distributive charges estimated at 50 per cent., bringing the total to say £16 $\frac{3}{4}$  million.

*Clothing, 2.*—The Census of Industrial Production and the External Trade Returns are the sources of information. Fifty per cent. has been added for distributive charges. A doubtful item is the retail selling value of the output of small dressmaking and tailoring firms. The total number concerned is 13,582 and the average turnover has been taken as £200. The Census of Production (Preliminary Report No. 19) states: "For the other small businesses which were omitted there exists very slender material on which even a fair estimate of the value of goods made or work done could be based, and no attempt is therefore made to estimate the total value of the Output of the Clothing and Millinery industry in the Saorstát."

*Liquor, 4.*—The gross value of stout, porter, ale and beer retained for home consumption in 1926–27 was £2.15 million and the excise duty on this was about £3.5 million, making a total of about £5.5 million. Imports of British beer amounted to £180,000 with Customs duty amounting to about £290,000, a total of, say, £0.5 million.

The value of home-made spirits distilled in 1926 was £288,425. The exports were £177,000, leaving £111,425. The net Excise duty collected in 1926–27 was £2,398,320. Owing to the comparatively large stocks, the output is not an indication of the consumption, but the Excise Duty is, and the free-of-duty value of home-made spirits consumed must have been £0.5 million. The total is, therefore, about £3 million. The imports in 1926 were £216,000 and the duty of Customs about £800,000, making £1 million.

Wines imported amounted to £346,000 at varying rates of duty, say a total of £0.5 million.

The total drink bill was, therefore, £10.5 million at "primary" prices. The consumers' expenditure is estimated, from this, at £15 to £16 million.

*Taxation, 5.*—The figures are from the 1926–27 receipts (Statistical Abstract, and Revenue Commissioners' Report). Customs and Excise are excluded as being contained in the retail cost of the taxed commodities. In arriving at the national income, rates on agricultural land, amounting to £2.25 million, were deducted, and these are not included in the expenditure shown above. All Income Tax and Corporation Profits Tax but no Excess Profits Duty have been included because in my estimate of national income the income from trade and commerce was stated before payment of Income Tax, being based on the Schedule D assessments. It seems proper, therefore, to account, in expenditure, for income tax paid not only by private individuals out of their incomes, but by companies and firms out of their additions to reserves and capital (which are "Savings"). Estate Duties have not been included, as they are paid from a capital receipt. Motor Vehicle Duties paid by private individuals are included under item 16.

*Bread, Etc., 6.*—The estimate is made from the Census of Production and export and import figures.

*Tea, Coffee, Cocoa and Sugar, 7.*—The figure is the total of imports converted into retail prices, stocks being assumed to have been fairly equal.

*Coal and Turf, 8.*—The 1926 imports of household coal were 1,121,461 tons, valued at £2,158,263. Household coal burnt in offices and shops has to be excluded and the cost of distribution added. A net estimate of £2 million is taken for private consumption, including turf consumed by the non-agricultural community. Turf consumed by the agricultural community is valued at £4 million (See notes on Items 1 and 3).

*Tobacco and Cigarettes, 9.*—The home production of tobacco, cigarettes and cigars is taken from the 1926 Census of Production. The excise duty is included. Imports were comparatively small. Only 25 per cent. is added for distributive charges.

*Imported Foods of Animal Origin, 10. Imported Fruit and Vegetables, 14. Imported Salt; Vinegar, Pickles, 27.*—All these figures are taken from the 1926 Imports, plus 50 per cent.

*House Rents, 11.*—From the Housing statistics in the Census of Population Reports it is estimated that the population was housed in the following way:—

Dwelling of	No. of Persons	No. of Families
1 Room .. ..	140,100	46,902
2 Rooms .. ..	440,100	111,814
3 Rooms .. ..	793,100	175,242
4 Rooms .. ..	623,000	131,207
5 Rooms and over	794,300	157,513
	2,790,600	622,678

The number of inhabited private houses in the Irish Free State in 1926 was 583,537. There were 268,930 farmers and 89,963 agricultural labourers living out, a total of 358,893. There were 376,500 separate farm holdings. I think one might say that about 200,000 was the number of inhabited houses in the non-agricultural area. Of these at least 70,000 were occupied by the owners. (On the Income Tax repairs allowance basis, the proportion seems to have been  $\frac{2}{7}$  of the total number). Taking 130,000 (maximum) at an average rent, exclusive of rates, of £35, the rents paid amounted to £4.5 million.

*Jewellery, Cutlery, Etc., 12.*—This is a general heading which should be taken to include, also, private photography, cosmetics, musical instruments, gardening, toys and fancy goods, stationery, matches, brushes, polishes, disinfectants, hardware, beds, cutlery, glassware and china. The imports at import values were £2,023,842. The home production was £685,000. The total private expenditure is put at £4 million. In arriving at the figures of imports and home production, allowance has been made for purchases by business houses.

*Professional Expenses, Etc.*, 13.—There were about 4,500 doctors, dentists, barristers, solicitors and minor professionals in the Irish Free State at the 1926 Census. Taking an average gross turnover of between £500 and £600 the estimate is £2.5 million. Adding the employee contributions for health and unemployment insurance gives £3 million. Medicines amounted to about £80,000 and, adding hospital payments, a total of £3.25 million is estimated. A proportion is borne by businesses, hence the net estimate of £2.5 million.

*Religion*, 15.—From estimates of the amounts paid to the clergy (4,917 professed clergymen in 1926), to foreign missions and in Peter's Pence, the figure of £2 million is reached.

*Motor Car Expenses*, 16.—The total number of private cars in the Irish Free State in 1926 was 19,848. The average annual depreciation per car is taken at £30 ; the average annual tax at £12 ; insurance £10 ; petrol £20 (incidentally this figure, £396,960, represents about 50 per cent. of the imports, £762,433, but less than 50 per cent. of the retail price of all petrol sold in the Irish Free State and is, therefore, a conservative estimate) ; garage £6 (assuming 5s. a week rent for about half the total number of cars) ; and repairs, etc., £7. The total cost per car per annum is, therefore, about £85 and the aggregate expenditure is in the neighbourhood of £1.75 million.

*Electricity and Gas*, 17.—From the Census of Industrial Production it is estimated that about £410,000 was the net selling price of electricity used domestically for light, heating and cooking. The total sale value of gas was £750,484, and £53,144 was used in industry. Estimating 10 per cent. as having been used in shops, offices, etc., the domestic consumption was about £622,000.

The total for electricity and gas, £1,032,000, is entered at £1.5 million, allowing for rent and fittings charges.

*Entertainments and Sports*, 18.—The figure of £1.5 million is estimated by multiplying the yield of the entertainments tax by 7, giving £1,113,000 ; and adding £400,000 for sports expenses, betting, etc. (Imports, at import prices, of golf and tennis balls, £15,546 ; Sports goods, £31,229 ; sporting guns, £20,346 ; sporting cartridges, £37,088.)

*Newspapers and Books*, 19.—The importation of newspapers in 1926 was £224,320, and of books £342,784. Adding 25 per cent. to the cost of newspapers and  $33\frac{1}{4}$  per cent. to books, the total is £0.75 million.

The Census of Production gives the net value of printing newspapers, magazines and books in the Irish Free State and also of binding. Receipts from advertisements are included. The expenditure by the public is estimated at something over £300,000.

*Domestic Servants*, 20.—The Census of Population gives the number of domestic servants living-in as 63,766 females and 1,818 males. There were, in addition, 24,614 servants living-out. Taking an average cost of £20 for wages, the expenditure was £1.75 million. Allowing for servants in business employment, institutions, etc., a net figure of £1.0 million is entered as the estimated private expenditure. The food cost is included in that general item.

*Laundry, Etc.*, 21.—This, also, is rather a composite heading. The figures are from the Census of Production and import returns, plus distribution, less business, hospital, etc., purchases.

*Travelling and Holidays*, 22.—There are no materials on which an estimate can be based.

*Education*, 23.—The number of secondary school students in 1926–27 was 24,766 ; at technical schools 58,155 ; at universities 3,037. Taking the total cost of a secondary school pupil at an average of £10 a year and allowing £10 a year for the fees of technical school students, and £20 for university students, the total cost comes out at about £0.75 million.

*Post Office*, 24.—The income of the Post Office in 1926–27 was £1,445,336 from postal business, £238,784 from telegrams and £293,839 from telephones ; a total of £1,977,959. There is no means of apportioning this between private and business expenditure, but by far the greater part is business expenditure ; and the estimate of £0.75 million is probably not on the low side.

*Assurance Premiums*, 25.—In 1926 companies established within the Irish Free State collected £63,555 premiums on ordinary business and £209,201 on industrial business. Companies established out of the Irish Free State collected £1,140,777 premiums and £33,997 annuities on ordinary business and £539,981 on industrial business. Employers' Liability Insurance is not included, but the aggregate (£1,987,511) should be reduced to net personal insurance premiums, life, endowment, fire, burglary, etc., say a net amount of £1 million. Against this must be set receipts from matured policies and claims, and it is assumed that these would reduce the net expenditure to £0.25 million.

*Trade Unions, Etc.*, 26.—From the Statistical Abstract the total contributions of members of Trade Unions in 1926 were £98,461. Teachers paid about £55,000 to their Pension Fund. Other subscriptions to pension funds and friendly societies are estimated to bring the total to £0.25 million.

*Savings, Etc.*, 28.—This is the difference between the total of the estimates of expenditure and the estimated national income. It is, therefore, the recipient of all the errors, mitigated by cancelling errors. Despite the excellence of the available statistics, no great claim to accuracy can be made for the figures. They are to be taken rather as general indices. The "Savings" or balance of £22.5 million includes £7 million which comes into the national income estimate as beneficial interest in owner/occupied farms and houses. The real savings amounted therefore to £15.5 million.

In the *Economic Journal*, March, 1931, Mr. A. E. Feaveryear made an analysis of the expenditure of the national income of Great Britain and Northern Ireland under 13 heads, leaving £185.5 million or 4.4 per cent. of the total unaccounted for. Assurance premiums and lawyers' fees were not included. The estimates were for the years 1924–27. For 1924 Sir Josiah Stamp and Dr. Bowley estimated the national income of Great Britain and Northern Ireland at £4,188 million. For

1926 Mr. Colin Clark estimated it, on a different basis, at £3,684 million. Mr. Feaveryear accounted for £4,022.5 million of expenditure.

Taking the national income of the Irish Free State as  $4\frac{1}{2}$  per cent. of that of Great Britain and Northern Ireland, or 1 to 22, the following statement gives an approximate basis of comparison between expenditure in Great Britain and Northern Ireland and in the Irish Free State.

COMPARISON OF NATIONAL EXPENDITURE, GREAT BRITAIN AND  
NORTHERN IRELAND : IRISH FREE STATE.

National Income 22 : 1.

Items of expenditure on which the Irish Free State spends proportionally more than Great Britain and Northern Ireland :—

		£m.	£m.
Coal and Turf	11 : 1 ..	68	6.
Smoking	17 : 1 ..	110	6.5.
Food	19 : 1 ..	1,217	64.25.
Liquor	20 : 1 ..	308	15.5.
Religion	21 : 1 ..	42	2.

Items of expenditure on which the Irish Free State spends proportionally less than Great Britain and Northern Ireland :—

		£m.	£m.
Trade Union, etc. Subscriptions	80 : 1	20	0.25.
Entertainments and Sports	56.7 : 1	85	1.5.
Motoring .. .. .	56.0 : 1	98	1.75.
House Rents .. .. .	51.3 : 1	231	4.5.
Electricity and Gas .. .. .	44.7 : 1	67	1.5.
Direct taxation, including rates	40.8 : 1	448.0	11
Reading .. .. .	35.5 : 1	37.5	1
Clothing .. .. .	23 : 1	415	18

I have omitted comparisons of education and domestic service because Mr. Feaveryear's figures appear to underestimate considerably the British expenditure, given as £10 million for each.

The comparisons invite comment. The disproportion between the expenditures on Food, Rents, Trade Union Subscriptions, Electricity and Gas, are what one would expect from a comparison between a highly industrialised and an agricultural community. Those living on farms consume more food than industrial workers, because it is more freely available. Farmers' rents have been excluded from income and

expenditure, so that the figure for Great Britain is not comparable. Electricity and gas are not used in farmhouses in Ireland. The figure for coal and turf includes a heavy farming expenditure on turf, £4 million out of the total of £6 million.

It is natural to expect the Irish expenditure on entertainments and sports and motoring for pleasure to be much less proportionally than the British expenditure.

The figures for clothing and religion are in reasonable proportion to the figures of national income. In the Irish Free State, people smoke and drink more and spend less on reading matter in proportion to national income than in the United Kingdom. The taxation proportions only indicate that a comparison of aggregate national incomes has no relation to comparative taxable capacity. The proportionate distribution of income is not at all the same in both areas.

Mr. Feaveryear estimated "Saving, including New Houses and Furniture," to have been £400 million. In addition, his "Balance unaccounted for" was £185.5 million. The balance available for savings in the Irish Free State is estimated, above, at £15.5 million; i.e., in the proportion of 1 : 38 to the United Kingdom balance for savings (£585.5 million).

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As some kind of check on this work, it has struck me to try to apportion the national expenditure between the farming community and the rest of the population. While doing this, the estimates of national income may be recapitulated, because they indicate separately the income of the farming section of the population. This exercise, bringing together the two separate sets of estimates, may throw into relief any gross error involved.

The Schedule D income, £24 million, should be examined first to indicate a weakness in this addendum to my paper. It is held to include £16 million from profits and interest and £8 million from dividends from outside the Irish Free State. In addition £2.5 million of dividends were received from outside of the Irish Free State which are not in the Income Tax assessments. Taking an 'external dividend income of £10.5 million, how much of it may be credited to the farming community? How much of the home dividend income was received by farmers? It is impossible to say. Yet on these figures depends any statement which can be hazarded as to the balance available for savings (including capital expenditure) of farmers.

The income from occupation of land was derived from the *Agricultural Output of Saorstát Éireann, 1926-27*. The figure was £56 million. Of this, £27.25 million worth was consumed by persons on farms. We are left with £28.75 million available for cash expenditure. A sum of £3.25 million was estimated to be the income from ownership, including beneficial ownership, of agricultural land, but £2.25 million of this was beneficial ownership and therefore not represented in any part of the cash expenditure. This £2.25 million is therefore included in item 28 of national expenditure; i.e., if the farmers of the Irish Free State had no beneficial interest, their rent expenditure would be £2.25 million more and their savings £2.25 million less.



Adding about £2.5 million for emigrants' remittances to the farming community and £1.75 million for old age pensions, the total spendable income of this section of the population becomes £33 million. I estimate that this income was spent as follows (relying to a great extent on the basis of allocation in Appendix E of the Commission of Inquiry into De-rating Reports).

## ESTIMATED EXPENDITURE OF THE AGRICULTURAL COMMUNITY IN 1926.

	£m.
1. Clothing .. .. .	8.
2. Liquor (including taxation) .. .. .	4.75.
3. Taxation (direct, national) .. .. .	1.0.
4. Bread, Flour, Confectionery, etc. .. .. .	5.25.
5. Tea and Sugar .. .. .	3.75.
6. Tobacco and Cigarettes .. .. .	3.0.
7. Imported Foods .. .. .	4.0.
8. Household Goods .. .. .	1.0.
9. Professional Expenses .. .. .	1.0.
10. Religion .. .. .	1.0.
11. Motor Car Expenses .. .. .	0.25.
12. Other Expenses .. .. .	1.0.
TOTAL .. .. .	<u>34.0.</u>

So we reach the position that the farming cash expenditure was £34 million and the spendable income was £33 million, plus farmers' income from investments and bank deposits. If the Schedule D income and external dividends, totalling £26.5 million is divided as to £6.5 million to the agricultural community and £20 million (including Schedule D direct earnings as well as investment income) to the rest of the community, farmers' savings amounted to £5.5 million out of total national savings of £15.5 million.

We now have a broad division of both national income and national expenditure between the 51.4 per cent. of the occupied population engaged in agriculture and the 48.6 per cent. engaged in other occupations.

National income of farming population £67.5 million, of which £2.25 million is beneficial ownership income and £27.25 million is the retail value of agricultural produce (including turf) consumed off the farms. The cash income is £39.5 million, and of this £5.5 million is saved (2s. 9d. in the £).

National income of the rest of the community £100 million, of which £4.75 million is beneficial ownership income, leaving cash income £93.75 million, and of this £10 million is saved (2s. 1½d. in the £).

Savings include capital expenditure on improvements and acquisitions, as well as money retained from expenditure. The figure is a balance which holds expenditure on any items not fully covered in the estimates.

The following statement gives the estimated expenditure of the non-farming population of the Irish Free State in 1926:—

ESTIMATED EXPENDITURE OF THE NON-AGRICULTURAL POPULATION  
OF THE IRISH FREE STATE IN 1926.

	£ million
Food .. ..	28.0.
Taxation .. ..	10.0.
Liquor .. ..	10.75.
Clothing .. ..	10.0.
House Rents .. ..	4.5.
Tobacco .. ..	3.5.
Household Goods .. ..	3.0.
Coal .. ..	2.0.
Professional Expenses .. ..	1.5.
Motor Car Expenses .. ..	1.5.
Electricity and Gas .. ..	1.5.
Religion .. ..	1.0.
Other Expenditure .. ..	6.5.
	<hr/>
TOTAL .. ..	<u>83.75.</u>

The figure of farming savings depends on the correct figure of farmers' income from money invested and lent on deposit. The figures for saving here given are therefore to be understood as conjectures based on a rough division of dividend and interest income between the two broad sections of the population. But otherwise the cadre stands, on estimates of a different character; and whenever a reasoned estimate of farming income from dividends and interest is available, the figures can be fitted into the framework, altering the arbitrary apportionment of savings. It would be foolish to put before the Statistical and Social Inquiry Society of Ireland this single arbitrary division in these estimates if there were no point in it. The point is to complete the picture already given, to indicate where this liberty has been taken, and how later research may shift the figures of dividend income and of savings (on the expenditure side) between the agricultural and the non-agricultural population of the Saorstát.

## DISCUSSION OF DR. KIERNAN'S PAPER.

SENATOR JOHNSON in moving that the thanks of the Society tendered to Dr. Kiernan for his paper, said it was gratifying to k that competent economists and statisticians were devoting atten to such subjects. An examination he had made of the numbe houses in "urban areas" (so described in the Census of Popula Housing Report) showed that the number in small towns under r authorities was 154,104 against 200,000 estimated by Dr. Kier And he thought, considering the large proportion of the agricultural population who were of the wage earning c 70,000 was too high an estimate of the number of houses occu by their owners. He noted, too, as an item of interest, that amounts allocated as expenditure on "religion" in the Free S compared with the relative figure allowed by Mr. Feaveryear and Great Britain and Northern Ireland showed an almost equal proportionate to income for the two countries, but per head of population the figure for the United Kingdom was about 40 per higher!

Of greater importance was that the paper on "The Nat Income" showed that though the Free State was not a hi capitalised country the proportion of the national income der from rent, interest and profits was as high as 28 per cent., that incomes derived from agricultural work, *i.e.*, farmers' earnings labourers' wages, added to all other wages and salaries, totalle 70 per cent. of the national income.

Senator Johnson then drew attention to the figures relating t earnings and expenditure of the agricultural community. It shown, he said, that for 1926-27, after allowing for land annu rents of land, rates on land and repairs of implements and machi etc., the net output of agriculture was valued at about £48 mi To allow the 127,000 wage labourers an average of only 20/- per and the 264,000 relatives assisting on the farm an average of a week, totalling, say, £17 million, would leave the 270,000 farme that relatively prosperous year, the munificent return of £31 mi say, £115 per farmer for his year's income from farming. coming to the year 1931-32 (before the economic dispute with Bri owing to the fall in prices the net output of agriculture show reduction, from the 1926-27 estimate, of £14 million to, say, £34 mi If the same number of labourers and relatives assisting were pe the same low rates allowed in the 1926 estimate the return agriculture for the 270,000 farmers would be only £17 millio average of £63 per farmer!

On the basis of the March, 1933, index number of agricu prices assuming it to be stable for the year and assuming the volume of output as in 1926 there would be a further fall of £3½ million below the figure for 1931-32.

It was not the time nor the place to enter into political ques but such figures ought to be pondered over by every townsman

Concluding, Senator Johnson expressed the hope that it wou found practicable to publish both the article in the *Economic Jo* and the paper read that night together in a single cover

Mr. COLBERT, in seconding the vote of thanks, said: It seems r

unusual to present a counterpart of an estimate of national income by showing how the total income was spent, and I am wondering if the figures read to us this evening do not contain some duplication. For example (although rates on agricultural land are excluded), £11 million is put down as expenditure on national and local taxation. Surely this has already been included in the calculations as it must have been spent on commodities and services and the other categories listed. I am not suggesting that the figures are wrong and merely wish my remarks to be taken as a plea for more explanation.

SENATOR SIR JOHN KEANE said that, together with Dr. Kiernan, the Statistical Department of the Government deserved thanks. Without it the learned doctor could not have carried out his researches, and reached his conclusions. Sir John Keane also referred to the position that might arise if the plans to divide wealth and become nationally self-supporting were fully carried into effect. The revenue from income tax and customs would dry up and other sources of taxation would have to be devised. Even now it did seem remarkable that little or no taxation was derived from land which contributed one-third of the national income.

The speakers also referred to the wide difference of outlook and practice between economic theory and practical politics, and said how desirable it was that those working on each side should know one another's limitations and difficulties. When economists failed either to prophesy correctly or to find effective remedies for current ills economic theory was not necessarily wrong. The politicians might, themselves, be running against the light.

DR. GEORGE O'BRIEN combated Mr. Colbert's criticism that the paper was misleading because it involved double counting, and pointed out that the paper presented the opposite side of the national accounts from that presented in the estimate of national income. He referred to Feaveryear's article in the *Economic Journal* on British expenditure, and said that Kiernan had simply applied the same method to the Irish Free State. Dr. O'Brien gave examples of some of the pitfalls to be avoided in estimating income, and said that some of the recognised rules of estimation rested on a basis of convenience rather than strict logic. In reply to Sir John Keane's suggestion that economists are divorced from real life he referred to Colin Clark's article in the *Economic Journal*.

In putting the vote of thanks the PRESIDENT said that the Paper had been recognised by the speakers this evening as of definite value, and he would agree with their view in that respect.

It is true—as some of the speakers pointed out—that there are criticisms which can be directed to matters of detail in the compilation of the figures, but that does not detract in any way from the value of the paper, as a whole, because any adjustments which would be called for as a result would not materially affect the picture.

It seems, however, that care should be taken by those who use the figures contained in this paper not to detach them from their context, and use them for purposes for which they were not designed. Estimate enters so largely into the compilation of the detailed items that, under certain circumstances, they might be misled.

On point of detail the President was struck by the fact that the expenditure on Education was represented at £0.75 million per annum. Presumably the expenditure on Education is one of the items covered under Item 5 of Taxation, and it is a pity that it was

not explained in the paper what objects of Expenditure are covered by the revenue obtained from the citizens and spent by the State. Presumably it covers the item mentioned in the Expenditure on Police, Army and Civil Service. If Dr. Kiernan would make that point clear it would add to the value of the Paper.

The President had a general criticism to raise regarding the profit margin allowed for distributive purposes. He was satisfied that 25 per cent. as shown in Item 9 for Tobacco and Cigarettes, and in Item 19 for Newspapers and Books, is incorrect. Retail traders in these commodities have, at least, a 25 per cent. margin, and there is an element to be allowed for by way of wholesale profit; not less than  $33\frac{1}{3}$  per cent. and 40 per cent. should be added respectively.

Under Item 13 he did not understand why the contributions for Health and Unemployment are accounted for with the Professional Expenses.

He thought with regard to Travelling and Holidays it would be reasonable to use the figure in the Statistical Abstract, showing what is spent by passengers on rail and road services, and add something for holiday expenditure.