[Read Friday, 15th May, 1925.]

(IV.) BY PROFESSOR C. H. OLDHAM, *President.*

At the outset of his Essay, Mr. Hooper gives us new information (not elsewhere included in the Trade Statistics) regarding three matters, viz.—Import and Export figures for (i) Transit Trade, which passes across without coming into ownership in this country, (the total value, both ways via Greenore, is only £889,951); (ii) Movements of Bullion and Specie, which is merely an export of worn silver coins; (iii) Parcel Post Trade in non-dutiable goods (N.B., the parcel post trade in dutiable goods, being known, was already included in the Trade Statistics), of which an import, "estimated" (by samples) at £3,078,985,, is balanced by an export, "declared" at £1,832,348. We learn that the tables (comprising a Total Trade of merchandise valued at £115,563,719) are defective, by reason of this omission of non-dutiable parcel post, to this amount, namely, £4,911,333—yet Mr. Hooper calls this small figure "an appreciable part" of the trade. Let us be happy with him that he has caulked up that leak!

The whole trade of the Irish Free State in 1924 may be exhibited most clearly by quoting from the Trade Tables the following figures :—

	Great Britain. £	Northern Ireland £	Other Countries. £	Total. £
Imports from	45,601,452 = 69%	7,494,261 = 11%	12,715,693 = 20%	65,811,406 = 100%
Exports to	41,599,124 = 84%	7,232,399 = 14%	920,790 = 2%	49,752,313 = 100%
Excess Imported	*4,002,328*	261,862	11,794,903	16,059,093

It seems to be made apparent from this interesting exhibit that the Irish Free State *buys* 20 per cent. of its imports from "Other Countries," but only *sells* to them 2 per cent. of its exports. But to accept this "apparent" conclusion from the above figures is to forget that these Trade Tables can only tell us the country of consignment. For any article of merchandise imported we do not know the country of its origin: we know only the country which has, finally, consigned it to the Irish Free State. Likewise, for any article of merchandise exported we do not know the country of its ultimate destination: we know only the country to which, in the first instance, it has been consigned from the Irish Free State. For example, cheap American bacon imported into the Irish Free State may be accounted for under the heading of "Great Britain" in the above statistics. Again, Dublin whiskey, intended for ultimate consumption in Scotland, may be accounted for under the heading of "Northern Ireland." Therefore I reach this important conclusion: that these Trade Statistics may tell us something about the *trade relations* between the Irish Free State and other countries, *i.e.*, the transport facilities that determine the routes by which merchandise is shipped to its ultimate destination; but they give us no direct information about the *economic relations* between the Irish Free State and other countries. We cannot say that "Great Britain is our best customer because these figures show that over 98 per cent. of the Exports of the Irish Free State *were purchased* by Great Britain and Northern Ireland": the figures only tell us that 98 per cent. of our Exports *were consigned* viâ Great Britain and Northern Ireland. Likewise, we cannot say that the "Other Countries" *sold* us £12,715,693 worth of their products and *purchased* only £920,790 worth of our products in return: that statement may be a correct account of the economic relations between our country and theirs—because the Irish importer has probably paid those "Other Countries" by remitting a Bill on London, *i.e.*, by drawing against the credit which the Irish importer has established in London—but that is not what these Trade Statistics have told us, and we cannot interpret these statistics by a statement of that kind. I repeat, that these statistics cannot tell us anything about the *economic relations* between the Irish Free State and the other countries of the world. This is such a disappointment that most people will not stand it: they will persist, I feel sure, in using the geographical classifications in these Trade Tables without regard to the validity of the evidence. He who wishes to be deceived, let him be deceived! But we must not let him use Mr. Hooper's Statistics to deceive us.

The Total Trade in merchandise of the Irish Free State

(Imports *plus* Exports) is shown at £115,563,719; or, if we include the non-dutiable Parcel Post, at £120,475,052. When all Ireland was one economic unit, and there was no count of the "boundary trade" with Northern Ireland, as was the case for the year 1921, then the Total External Trade of "Ireland" was valued at £248,592,222 (viz., Import = £118,970,792, Export = £129,621,430). Now our "boundary trade" with Northern Ireland in 1924 was £14,726,660; and when that is omitted we are left with only £100,837,059 as the Irish Free State trade in 1924 with "Outside Ireland." It strikes me as being very small—the Trade Total is that of a very lean year. If in 1921 the external trade of 32 counties was £248,592,222, why should the external trade of 26 counties in 1924 be as low as £100,837,059?

This question sets up a comparison between the new Irish Free State statistics of 1924 and the old All Ireland statistics of 1921, and it is necessary to say that this comparison is not legitimate. Not only has the territorial area been reduced from 32 counties to 26; not only has the "new" statistics to include the "boundary trade" between the 6 counties and the 26, which was ignored in the "old" statistics, but also there is this important change to be noted, viz.—the "old" figures were compiled from voluntary returns of quantities extracted from ship's manifests and *the values were estimated at official prices;* the "new" figures were compiled from compulsory returns *on which the value of each consignment was declared.* [Let me interject here the remark that some of these "declared values" will want watching. Take for example the export of Live Cattle from the Irish Free State : in 1924 we exported 942,908 animals whose "declared value" was £17,274,713, and 140,860 of those animals went to Northern Ireland. But in 1921 All Ireland exported only 768,491 head of cattle, but these were "officially valued" at £23,899,763. One must suspect that the values "declared" by the cattle shippers are very much undervalued.] Now while it is true that this comparison cannot be legitimately made between the statistics of 1921 and 1924, the fact remains that when this comparison is made one is impressed by the smallness of many items in the Trade figures for 1924. It is made evident that 1924 was not merely a lean year where our trade was reduced to abnormally low dimensions; it was also abnormal in the composition of the trade, item by item. I have shown that the cattle figures in 1924 were abnormally large, but much undervalued. Horses in 1924 figure at £1,816,200; they were only £801,318 in 1921, when "Army Horses" were omitted from the statistics. Porter and Ale in 1924 is £5,754,176, as compared with £6,519,194 in 1921 or

£7,254,700 in 1920. Whiskey only figures at £396,300 (of which £130,927 went to Northern Ireland, so should here be omitted) as compared with £1,299,482 in 1921 or with £2,017,640 in 1920. Biscuits stood at £1,196,776 in 1921, which compares with only £480,390 in 1924 (of which Northern Ireland received £39,388). Butter is £4,036,504 in 1924 as compared with £6,340,224 in 1921; Eggs stands in 1924 at £3,079,203 as compared with £8,658,585 in 1921 and £9,740,908 in 1920. Bacon is £3,139,571 for 1924, but was £7,819,472 in 1921 and £8,677,050 in 1920. Potatoes are only £114,687 in 1924 as against £1,139,760 in 1921 and £2,879,810 in 1920. Finally, Rabbits exported in 1924 were priced at £226,157 (Rabbit Skins being an extra at £44,130) as compared with £55,890 in 1921 and £60,844 in 1920! Allow anything you like for the contribution made by the Northern Six Counties to the external trade of 1921 : it still remains certain that the trade of the 26 counties must have been at a very low ebb during 1924. Therefore we cannot take these Trade Figures for 1924 as normal or base upon them any general conclusion whatever as to the economic importance of the Irish Free State in the future.

We find that "Manufactures" account for only £2,593,377 out of a total export of £48,448,395. But this is a peculiar defect in the classification of these statistics, which is acknowledged by Mr. Hooper. I have gone through the Trade Tables to divide the items between two categories, viz.—(A) Those that are exported in the form which they left the farmer, (B) Those that are exported after an "industrialised process" has changed the form in which the products came from the farmer. It would take up too much space to set out this calculation; but it is one that each person can make according to his own judgment. I give the totals which I reached by my own judgment in this matter, viz. :—

Farm Produce exported	£28,226,513
Industrialised Products exported ...	20,221,882
Total Merchandise exported ...	£48,448,395

It appears that the Farm Produce compares with the Industrialised Products in the ratio of 7 to 5, so far as the Exports of the Irish Free State are concerned, and this in a year when the former were abnormally large and the latter were very abnormally reduced.

I have only space left to refer to the balance of our trade for a single purpose; but others will, I expect, help to explain the reasons for the very large excess of our Imports. We have to explain the following disparities, viz. :—

	Imports.		*Exports.*
Merchandise ...	... £65,811,406	...	£49,752,313
Parcel Post non-dutiable	... 3,078,985	...	1,832,348
Bullion and Specie ...	... 19,055	...	250,142
	£68,909,446	...	£51,834,803

The figures show an excess imported, valued at £17,074,643. There must be a reason why the inhabitants of the Irish Free State have a claim on the rest of the world to receive goods for that amount. The items that make up that claim are commonly called our " invisible exports." Did anyone realise that we have such claims amounting to seventeen millions sterling?

Now, I fancy that I have met with this problem before. In a paper read to this Society on June 28th, 1921 (*The Present "Taxable Capacity" of Ireland*), I drew attention to the adjustments made to the Income Tax "collected in Ireland" in order to arrive at the Income Tax really "contributed by Ireland." These adjustments were calculated in the Treasury, and the results used to be published in the annual "White Papers" on the Financial Relations between Great Britain and Ireland. I extracted the figures in the following Table (which I reproduce now from my Paper of June 28th, 1921) from the whole series of these "White Papers" from 1894-95 to 1919-20, as follows :—

[TABLE.

YIELD OF INCOME TAX FROM IRELAND.

[From the Annual Treasury Return, *"Revenue and Expenditure, England, Scotland, and Ireland."*]

Financial Year.	Collected in Ireland.	Contributed by Ireland.*	For each £100 how much was collected in Great Britain.
	£	£	£
1894-95	650,426	664,574	2.1
1985-96	703,492	718,001	2.1
1896-97	666,000	682,000	2.3
1897-98	670,000	687,000	2.5
1898-99	687,000	704,000	2.4
1899-1900	694,000	711,000	2.4
1900-01	949,000	975,000	2.7
1901-02	1,143,000	1,176,000	2.8
1902-03	1,244,000	1,281,000	2.9
1903-04	1,038,000	1,137,000	8.8
1904-05	1,013,000	1,115,000	9.1
1905-06	983,000	1,085,000	9.4
1906-07	999,000	1,102,000	9.3
1907-08	996,000	1,106,000	19.0
1908-09	1,019,000	1,154,000	11.7
1909-10	388,000	451,000	15.4
1910-11	1,825,000	2,164,000	
1911-12	1,206,000	1,504,000	19.8
1912-13	1,167,000	1,484,000	21.4
1913-14	1,162,000	1,480,000	21.5
1914-15	1,570,000	2,182,000	28.0
1915-16	2,912,000	3,999,000	27.2
1916-17	4,508,000	6,096,000	26.0
1917-18	5,019,000	7,079,000	29.1
1918-19	5,926,000	8,808,000	32.7
1919-20	7,893,000	11,253,000	29.9

*N.B.—The Adjustments affect Schedules C and D only.

To read this remarkable table, let us take the last date as a sample : it states that in the year 1919-20 people domiciled in Ireland (*i.e.*, the 32 counties) not only paid Income Tax to the amount of £7,893,000, which was collected in Ireland, but they also paid Income Tax to the further amount of £3,360,000, which was collected in Great Britain, so that the total Income Tax "contributed" by domiciled Irish people in 1919-20 was

£11,253,000—although, as a matter of fact, the Income Tax Department in Ireland were only cognisant of the £7,893,000 which they had collected there. If the whole Income Tax "contributed" be called 100 (*i.e.*, 100 = £11,253,000), then will £7,893,000 = 70.1, and £3,360,000 = 29.9. Therefore the Treasury Clerks, who made this adjustment, thought they had evidence that *domiciled Irishmen drew so much of their income from their investments in Great Britain that for each £100 which they paid in Income Tax in that year as much as £29.9 was collected in Great Britain, and only £70.1 was collected in Ireland.* And so we must read each line of this table.

Now when Income Tax is "deducted at the source" in Great Britain, the British Income Tax Officials do not know how much of what they collect there belongs to people who are domiciled in Ireland. What means, then, have the Treasury Clerks got to enable this adjustment to be calculated? The marginal explanation given in the Treasury White Paper for 1919-20 (H.C. 245 of 1920, p. 5) only says: "Adjusted on basis of information derived from the statistics of Estate Duty for the ten years ended 1914-15." This mystic information supplied by the Estate Duty Office was first revealed in evidence given to the Primrose Committee on Irish Finance which reported in 1913 (Report = Cd. 6153; Evidence, with Appendices = Cd. 6799) which examined into the validity of all these "adjustments" made by the Treasury White Papers. There is now no secret about it—the information is the records kept in the British Estate Duty Office which are known as the *"re-sealing figures."* [I have reproduced in my Paper of June 28th, 1921, the full explanations as given in evidence before the Primrose Committee at its sitting of May 12th, 1911. These "re-sealing records" show how much Estate Duty has been paid in England on Irish property belonging to deceased persons; they are applied by the Treasury to calculate how much of the Income Tax collected in Great Britain under Schedules C and D has to be attributed to domiciled Irish people who own investments in Great Britain. The thing is too intricate to explain here.]

We perceive this much, namely—that in 1919-20 the Treasury Clerks were satisfied (*on the evidence of the re-sealing figures*) that the income from British investments enjoyed by persons domiciled in Ireland was sufficient to make the Income Tax payable thereon in Great Britain amount to £3,360,000 for the year 1919-20. This figure (taking the *average effective rate of the Tax* at, say, 4s. in the £1) represents the taxation payable from about £16,000,000 worth of annual dividends received by Irish people from investments outside Ireland. Therefore it was the opinion of the Treasury Clerks that in 1919-20

Irish people (in 32 counties) owned about £16,000,000 worth of annual dividends from investments outside of Ireland. To-day we find from the Trade Statistics of 1924 that the people of the Irish Free State (*i.e.*, 26 counties) are receiving surplus Imports to the amount of £17,000,000. The one fact is as incredible as the other, taken separately; but taking both facts together they seem to explain each other.

What interpretation are we to put, then, on the fact that in 1924 the Free State imports exceeded the exports by £17,000,000? (1) We cannot say that we are living beyond our income to that amount, unless the withdrawals have exceeded the lodgments in Irish banks during the year by something like that figure, of which there is no sign in the banking statistics. (2) Because imports are valued after their arrival and exports before their departure there must be an excess in the values of imports equivalent to the costs of transport both ways. (3) The values "declared" for some export items (*e.g.*, cattle and spirits) seem to me to be too low, and those charged for some import items (*e.g.*, foreign goods which reach us *viâ* Great Britain) seem to me to be too high—so that, from both reasons, the surplus import is too highly valued at £17,000,000. (4) The evidence of the re-scaling figures had satisfied the British Treasury that (in 1919-20) all Ireland drew an income from investments in Great Britain of something like £16,000,000 of annual dividends; we do not know how much of this was owned in Northern Ireland, but perhaps not more than £5,000,000, which leaves £11,000,000 owned in the Free State; of which only about £8,500,000 has been identified by the Revenue Department. (5) Other sums have been mentioned, such as War Pensions payable here by the British Pension Office (stated at £2,436,830) and emigrants' remittances (taken at above £1,000,000) and tourists' expenditure here. These five points indicate, to my mind, the directions in which the explanation of our £17,000,000 surplus of imports is to be found. But we would all wish that the items which make up this large surplus were more precisely known.

In my table (above), based on the Treasury White Papers, we can perceive that the enormous investments of the Irish people in Great Britain are a modern development resulting from the progress of Land Purchase: the jump in the figures after 1903-4 corresponds with the operation of the Wyndham Land Purchase Act, 1903, which greatly speeded up the sale of their Irish estates by the landowners. We may also suppose that the great development of Banking facilities in modern Ireland has incidentally resulted in a large export of Irish savings for investment outside of Ireland.