STATISTICAL AND SOCIAL INQUIRY SOCIETY OF IRELAND.

THE PUBLIC DEBT OF THE IRISH FREE STATE.

By JOSEPH BRENNAN, M.A.

(Read on Friday, 18th January, 1935.)

1. It is intended in this paper to review certain salient facts in regard to the public debt of the Irish Free State. It will be understood that it would not be possible within the limits of time and space available to attempt an exhaustive examination of the subject and that accordingly the paper is strictly limited in its scope and does not purport to deal with several problems of much interest which the subject presents. The term "public debt" is being taken to cover only transactions for which the Exchequer has accepted actual liability. The discussion will, therefore, not extend to the contingent liabilities of the Exchequer nor to the liabilities of any fund such as the Post Office Savings Bank Fund which is operated as an independent entity outside of the Exchequer. Neither is it intended to deal with the distinct but nevertheless important body of public debt contracted by Municipal and other Local Authorities.

2. It is proposed to review the entire indebtedness incurred by the Exchequer over the period of twelve years from its establishment on the 1st April, 1922, up to the end of the last completed financial year, that is 31st March, 1934. It is convenient to divide this period into four triennial parts and to consider the position as it existed at the end of each triennium. The method adopted in the paper is to establish a complete balance sheet in respect of loan transactions of the Exchequer as at the end of each triennium and to indicate therein the whole amount of the debt created since the 1st April, 1922, and the purposes to which the borrowed funds have been applied. The materials for the calculations have been taken from the published Finance Accounts and have been cast into a form which it is believed should make the situation more generally intelligible from the present standpoint than the form of presentation in the Finance Accounts.

3. The balance sheet so computed for the end of the first triennial period, that is at 31st March, 1925, is as follows:—

BALANCE SHEET, 31-3-1925.

I.—Telephone Capital		£204,500
II.—Sinking Fund Allocations		277,179
III.—(*a*) Ways and Means Advances	£1,719,000	
(*b*) Savings Certificates	1,212,191	
(*c*) 5% Compensation Stock	499,150	
(*d*) First National Loan	9,760,859	
Total Head III.		£13,191,200
		£13,672,879

I.—Telephone Capital		£204,500
II.—(*a*) Exchequer Balance	£1,681,191	
(*b*) Savings Certificate Balance	2,151	
(*c*) First National Loan Sinking Fund ...	47,832	
	1,731,174	
(*d*) Less Interest	1,105	
Total Head II		1,730,069
III.—Unemployment Fund		1,223,700
IV.—(*a*) Budget Deficits .		
(i) Local Loans	155,237	
(ii) Other items	9,334,571	
(*b*) Discount First National Loan... ...	485,112	
(*c*) Property Compensation paid in Stock	505,350	
(*d*) Savings Certificates Accrued Interest not provided	34,340	
Total Head IV.		10,514,610
		£13,672,879

4. It will be seen that there are three main heads on the debit side of this balance sheet and four main heads on the credit side. This system of heads is preserved throughout the remaining balance sheets to facilitate comparison. It is desirable to furnish at this point a brief explanation of each head.

5. The first head on each side of the balance sheet relates to Telephone Capital, the items involved being self-balancing. The funds required in this case are borrowed by the Exchequer usually from the Post Office Savings Bank Fund and are forthwith issued to the Department for Posts and Telegraphs to be expended for the capital purposes of the telephone service. The required repayments to the original lender take place not through the Exchequer but by direct payment to the lender in the form of annuities charged on the Vote for the Post Office. The transactions are not of further interest for the purpose of this paper but have been preserved in the balance sheet in the interest of completeness.

6. Head II on the debit side represents money provided for Sinking Fund purposes. In the main the figure appearing in the balance sheet will have been applied for the redemption of debt with the exception of a balance still remaining in the Sinking Fund as indicated under Head II on the credit side. Only sums provided out of the Central Fund for Sinking Fund purposes proper have been brought into Head II on the debit side.

7. Head III on the debit side sets forth outstanding public debt as at the date of the balance sheet. It will be seen that Heads II and III on the debit side taken together represent approximately the aggregate public debt created up to the date of the balance sheet.

8. Head II on the credit side consists of tangible assets provided out of borrowed money which remain available for Exchequer purposes in cash or an analogous form.

Head III on the credit side consists of advances made by the Exchequer out of borrowed money for reproductive purposes in circumstances where the repayment of the advance with interest is to be expected.

Head IV on the credit side consists of transactions which, from the accounting standpoint are in the nature of dead weight debt.

9. The balance sheet of 31st March, 1925, may now be interpreted generally as follows. Of the total liability assumed up to that date of £13,468,379 (Debit Heads II and III), the sum of £1,730,069 (Credit Head II) remained still available to the Exchequer, the sum of £1.223,700 (Credit Head III) was outstanding from the Exchequer as a reproductive advance and £10,514,610 (Credit Head IV) had been issued out of the Exchequer on a dead-weight basis.

10. It is only with some hesitation that the amount of the advance to the Unemployment Fund has been shown as a reproductive asset. The major part of the resources of that Fund consists of receipts which are in the nature of taxation, viz., the State contribution and the payments by employers. In view, however, of the collection of some contribution from the direct beneficiaries of the Fund, the advance has been assigned to Credit Head III, notwithstanding the large element of dead-weight liability involved.

11. The figure for Budget Deficits is the strict accounting figure and disregards, as is proper from the present standpoint, any consideration of the extent or nature of any benefit which the State may have derived from the expenditure incurred. It will be noted, however, that an item for Local Loans is shown separately. A Budget Deficit being a net excess on income account of Exchequer issues over revenue cannot in strictness be expressly attributed to any selected items on the expenditure side. Capital for Local Loans has been provided out of the Exchequer by way of grant and not loan and is treated for accounting purposes like other grant charges. There appears, however, to be a general recognition that such capital would more properly be provided otherwise than through the Budget and in deference to this view the item has been segregated from the general figure of Budget Deficits.

12. The dead-weight character of items (*b*), (*c*) and (*d*) in Credit Head IV of the balance sheet of 31st March, 1925, is obvious. In reckoning the figure for Discount on the First National Loan, as in other like cases in later balance sheets, adjustment has been made in respect of discount or premium on purchases made for Sinking Fund.

13. The balance sheet for 31st March, 1928, is as follows:—

BALANCE SHEET, 31-3-1928.

I.—Telephone Capital		£706,079
II.—Sinking Fund Allocations		1,727,517
III.—(*a*) Bills	£750,000	
(*b*) Ways and Means Advances ...	500,000	
(*c*) Savings Certificates	3,362,101	
(*d*) 5% Compensation Stock	1,143,750	
(*e*) First National Loan	8,975,806	
(*f*) British Compensation Annuity ...	4,940,130	
(*g*) Land Bonds (Direct State Liability)	220,830	
(*h*) Dáil Internal Loan	164,325	
(*i*) Second National Loan	7,070,682	
Total Head III.		27,127,624
		£29,561,220

I.—Telephone Capital		£706,079
II.—(*a*) Exchequer Balance	£2,377,581	
(*b*) Savings Certificates Balance ...	10,101	
(*c*) First National Loan Sinking Fund	126,925	
(*d*) Dáil Internal Loan Balance ...	2,430	
	2,517,037	
(*e*) Less Interest	7,965	
Total Head II		2,509,072
III.—(*a*) Unemployment Fund	1,176,200	
(*b*) Shannon Electricity Scheme Fund	2,612,700	
(*c*) Electricity Supply Board	12,000	
Total Head III		3,800,900
IV.—(*a*) Budget Deficits:		
(i) Local Loans	939,237	
(ii) Other items	13,254,283	
(*b*) Discount First National Loan ...	463,678	
(*c*) Property Compensation paid in Stock	1,446,000	
(*d*) Savings Certificates accrued Interest not provided	329,000	
(*e*) British Compensation Annuity ...	4,940,130	
(*f*) Land Bonds (Direct State Liability)	220,830	
(*g*) Dáil Internal Loan	461,895	
(*h*) Industrial Trust Company ...	50,000	
(*i*) Discount Second National Loan ...	200,116	
(*j*) Road Fund	240,000	
Total Head IV.		22,545,169
		£29,561,220

14. The British Compensation Annuity which appears on both sides of this balance sheet is the annuity of £250,000 a year payable for sixty years from 1st April, 1926, pursuant to an agreement made with the British Government in December, 1925, which was ratified by subsequent legislation. A capitalised value for this annuity has been shown in the balance sheet and, for this purpose, interest has been reckoned at the rate of 4 per cent. per annum.

The figures shown for Land Bonds relate only to Land Bonds representing the State Contribution to Price and the Costs Fund. In the cases both of the British Compensation Annuity and of Land Bonds no Sinking Fund Allocation has been included and in this and subsequent balance sheets the liability shown diminishes in time according as the payment of the annual instalments progresses.

15. It will be observed that an advance of £50,000 for the Industrial Trust Company is included as a dead-weight item under Head IV on the credit side. The funds provided by the Exchequer for this purpose were obtained by borrowing, but the Company has since failed. For some years the item was shown as an Exchequer Asset in the Finance Accounts but it was eliminated in the statement issued for the year ended 31st March, 1933.

16. An advance of £240,000 to the Road Fund is also included under Head IV. It does not appear to be generally appreciated that this advance is of a dead-weight character. Apart from an unsettled claim against the British Government the Road Fund derives its resources exclusively from the tax revenue. The obligation of repaying the advance in question and also the similar advances appearing in later balance sheets is, therefore, in essence a charge falling upon the taxpayer similar to that for any other dead-weight debt.

17. The balance sheet for 31st March, 1931, is as follows:—

BALANCE SHEET, 31-3-1931.

I.—Telephone Capital		£847,137
II.—Sinking Fund Allocations		3,629,030
III.—(*a*) Savings Certificates	£7,170,024	
(*b*) 5% Compensation Stock	204,550	
(*c*) First National Loan	8,186,530	
(*d*) British Compensation Annuity ...	4,891,036	
(*e*) Land Bonds (Direct State Liability)	962,522	
(*f*) Dáil Internal Loan	72,467	
(*g*) Second National Loan	6,774,565	
(*h*) Third National Loan	5,927,788	
Total Head III.		34,189,482
		£38,665,649

I.—Telephone Capital		£847,137
II.—(*a*) Exchequer Balance	£1,841,083	
(*b*) Savings Certificates Balance ...	403,871	
(*c*) First National Loan Sinking Fund	311,328	
(*d*) Dáil Internal Loan Balance	6,340	
(*e*) Second National Loan Sinking Fund	11	
(*f*) Death Duties Advance	12,950	
	2,575,583	
(*g*) Less Interest earned, etc	34,010	
Total Head II.		2,541,573
III.—(*a*) Unemployment Fund	284,000	
(*b*) Shannon Electricity Scheme Fund	5,710,750	
(*c*) Electricity Supply Board	2,013,386	
(*d*) Coinage	65,965	
Total Head III.		8,074,101
IV.—(*a*) Budget Deficits.		
(i) Local Loans	1,966,237	
(ii) Other items	15,179,681	
(*b*) Discount First National Loan ...	474,115	
(*c*) Property Compensation paid in Stock	1,519,950	
(*d*) Savings Certificates accrued Interest not provided	439,835	
(*e*) British Compensation Annuity ...	4,891,036	
(*f*) Land Bonds (Direct State Liability)	962,522	
(*g*) Dáil Internal Loan	490,127	
(*h*) Industrial Trust Company	50,000	
(*i*) Discount Second National Loan ...	199,862	
(*j*) Road Fund	640,000	
(*k*) Discount Third National Loan ...	389,473	
Total Head IV.		27,202,838
		£38,665,649

18. It will be seen that additional items under several Heads have been included in this balance sheet but they are generally similar in character to those already explained. The Savings Certificates Balance which appears as an item in Head II on the credit side includes the accumulated balance of the Savings Certificates (Interest Charge Equalisation) Fund. This fund, which was established by the Finance Act, 1929, makes provision towards meeting the liability for accrued interest on outstanding Savings Certificates.

19. The balance sheet for 31st March, 1934, is as follows:—

BALANCE SHEET, 31-3-1934.

I.—Telephone Capital		£804,000
II.—Sinking Fund Allocations		5,408,207
III.—(*a*) Savings Certificates	£9,595,920	
(*b*) 5% Compensation Stock	14,150	
(*c*) First National Loan	7,644,342	
(*d*) British Compensation Annuity ...	4,834,744	
(*e*) Land Bonds (Direct State Liability)	13,993,748	
(*f*) Dáil Internal Loan	29,884	
(*g*) Second National Loan	6,478,334	
(*h*) Third National Loan	5,779,184	
(*i*) Fourth National Loan	6,000,000	
(*j*) 3½% Compensation Stock	1,850	
(*k*) Dáil External Loan	1,000,000	
Total Head III		55,372,156
		£61,584,363

I.—Telephone Capital		£804,000
II.—(*a*) Exchequer Balance	£5,350,348	
(*b*) Savings Certificates Balance ...	1,643,147	
(*c*) First National Loan Sinking Fund	891,365	
(*d*) Dáil Internal Loan Balance ...	1,809	
	7,886,669	
(*e*) Less Interest earned, etc	223,612	
Total Head II		7,663,057
III.—(*a*) Unemployment Fund	396,000	
(*b*) Shannon Electricity Scheme Fund	5,988,855	
(*c*) Electricity Supply Board	3,867,762	
(*d*) Coinage	597	
Total Head III		10,253,214
IV.—(*a*) Budget Deficits:		
(i) Local Loans	5,236,237	
(ii) Other Items	12,728,834	
(*b*) Discount First National Loan ...	487,083	
(*c*) Property Compensation Paid in Stock	1,528,550	
(*d*) Savings Certificates accrued Interest not provided	244,146	
(*e*) British Compensation Annuity ...	4,834,744	
(*f*) Land Bonds (Direct State Liability)	13,993,748	
(*g*) Dáil Internal Loan	508,075	
(*h*) Industrial Trust Company	50,000	
(*i*) Discount Second National Loan ...	227,613	
(*j*) Road Fund	1,511,419	
(*k*) Discount Third National Loan ...	393,643	
(*l*) Dáil External Loan	1,000,000	
(*m*) Discount Fourth National Loan ...	120,000	
Total Head IV.		42,864,092
		£61,584,363

20. The most striking feature in this balance sheet is the heavy increase shown in the liability in respect of Land Bonds. This arises from the transfer to the State under the Land Act, 1933, of 50-55 per cent. of the liability that would otherwise have fallen on tenant purchasers in respect of certain advances for land purchase. The liability shown in respect of the Dáil External Loan represents an official estimate.

21. The item for Local Loans (£5,236,237) which appears in Head IV of the balance sheet of 31st March, 1934, requires special comment. A system appears to have grown up in recent years whereby a substantial part of the moneys issued to local authorities out of the Local Loans Fund is, in effect, a State grant rather than a loan. Although the form is observed of securing repayment from the local authorities the funds required for the purpose are provided from the Exchequer through the Vote for the Department of Local Government and Public Health. It is evident that in respect of such transactions the Local Loans Fund becomes a medium for the creation of dead-weight debt and that as regards the possibility of transfer out of the Budget, to which reference has been made in Paragraph 11 above, these transactions are in quite a different category from loans of the Local Loans Fund which are genuinely repayable by the ultimate borrowers. The absence of published figures precludes any analysis on the lines here discussed of the figure of £5,236,237 in question. It would appear, moreover, that a considerable part of this money still remains in the Local Loans Fund awaiting issue.

22. The Exchequer liability for defraying part of the loan charges of local authorities to which reference has been made in the last paragraph has not, in the absence of exact information, been introduced into the balance sheet and it is important that this fact should be allowed for in considering the figures here presented. The Vote for the Department of Local Government and Public Health in the current financial year contains a provision of £51,578 for this purpose in addition to a somewhat analogous contribution of £24,640 under the Labourers (Ireland) Acts. In other Votes also cases are to be found where the State undertakes an obligation to contribute to loan charges but published information does not appear to be available in any convenient form as to the precise extent of such commitments.

23. The statement of Exchequer Assets in the Finance Accounts of 31st March, 1934, includes, inter alia, the sums paid for acquisition by the Minister for Finance of shares in the Agricultural Credit Corporation (£292,118), Industrial Credit Company (£492,064) and Irish Sugar Company (£500,000). None of these amounts appears in the above balance sheet of that date, the reason being that they were provided definitely from the income account of the Central Fund. Correspondingly, the proceeds of the sale of any of the shares in question would be paid by the Exchequer as Revenue. It is worthy of remark that the Minister for Finance had power under the relevant enactments to borrow for the purchase of these shares but apparently he did not choose to utilise the power.

24. The growth of the dead-weight debt throughout the period under review can now be conveniently summarised. At each balance sheet date the total dead-weight debt created is given in Head IV on the credit side while the dead-weight debt which then remains outstanding is given by Head IV on the credit side minus Head II on the debit side. The required figures are accordingly as follows:—

31st March	Dead-Weight Debt Created	Outstanding
1925	£10,514,610	£10,237,431
1928	22,545,169	20,817,652
1931	27,202,838	23,573,808
1934	42,864,092	37,455,885

25. This growth of the dead-weight debt has naturally been reflected in a corresponding increase of the annual charge falling upon the Exchequer in respect of debt service. The amount of this charge for the several years of the period under review has been as follows:—

Year to 31st March	Charge	Year to 31st March	Charge
1923	£83,520	1929	£1,348,515
1924	88,680	1930	1,685,134
1925	672,569	1931	2,221,960
1926	844,903	1932	1,629,782
1927	987,445	1933	2,097,034
1928	1,287,129	1934	1,851,641

The figures here set out include, besides the main debt charge, the cost of management of Government Stocks, the British Compensation Annuity, the State liability for Land Bonds and any payments made in respect of Trade Loan Guarantees. Deduction on the other hand has been made in respect of interest received upon Exchequer balances and advances comprised under Head III on the credit side of the above balance sheets and sums recovered by the Exchequer in connection with Trade Loan Guarantees. It should be noted that the figure shown for the year ended 31st March, 1934, does not show the effect of the State assumption of liability for Land Bonds to which reference has been made in paragraph 20. The estimate for this purpose for the current financial year is £555,000.

The figures for the last three years in this table have been materially affected by the amount of interest received from the Electricity Supply Board, namely £739,578 in 1931-2, £479,667 in 1932-3 and £510,273 in 1933-4. No voted moneys have been included in this calculation except as regards the cost of management of Government Stocks and State liability for Land Bonds. Accordingly the burden of loan charges of the sort referred to in paragraph 22 above is omitted, the circumstances there mentioned rendering a calculation difficult, if not impossible. It should be understood that interest receipts other than those expressly indicated have also been excluded.

26. It has been outside the purpose of this paper to introduce into the balance sheets transactions originating before the establishment of the Exchequer on 1st April, 1922. Accordingly no regard has been had to certain annuities which were paid to the British Government until they became a subject of dispute in 1932.

The outstanding capital in the cases in question amounted, at 31st March, 1931, to £37,343 under the Public Offices Site (Dublin) Act, 1903; £37,074 under the Railways (Ireland) Act, 1896, and Marine Works (Ireland) Act, 1902; and £72,370 under the Telegraph Acts 1892 to 1921. A contribution of £134,500 per annum for an indefinite period in respect of Excess Stock was discontinued at the same time. An annuity payable to the British Government of £600,000 per annum for 20 years from 1926 in respect of transactions of the Local Loans Fund of the United Kingdom was also withheld as from 1932 and the instalments collected from borrowers in this connection now form part of the revenue of the Saorstát Exchequer. The land annuities payable by tenant purchasers and the claim in respect of the British Unemployment Fund were not in effect a burden on the Exchequer, as the required sums had to be found by the tenant purchasers and the Saorstát Unemployment Fund respectively.

Cahill & Co., Ltd., Parkgate Street, Dublin.

DISCUSSION ON MR. BRENNAN'S PAPER.

Following are résumés of the observations of some of the speakers to the President's paper:—

Mr. J. C. M. Eason: Dealing with the Balance Sheet, I think we are particularly interested in heading 4 on the credit side. The three items which interest me are the Road Fund, Local Loans and "Other Items." Mr. Brennan has referred to the expenditure on the Road Fund and pointed out that it cannot properly be treated as a productive asset; I agree. Taking the record over the whole period, it is shown in the Finance Accounts that the whole of the Motor Vehicle Duty has been paid over to the Fund for the purpose of road maintenance. Since difficulties undoubtedly arise if some particular item of revenue is hypothecated for any particular object of expenditure, the Motor Vehicle Duties continue to be retained as part of the general revenue. The item, Local Loans, has always had a special interest for me. Whereas, in Northern Ireland the treatment of these Loans is set out each year in a complete manner we, in the Free State, are not only very slow in producing such figures as are made available, but these figures, themselves, are incomplete. The Abstract of Loans made by the Commissioners of Public Works was published a few weeks ago and brought us up to the 31st March, 1932. It showed the total of outstanding balances against borrowers, both the Principal and Interest, £2,118,000, but the Finance Accounts for the same year showed a total asset of £2,536,000. No reference is made to this in the Report. With regard to the third heading, "Other Items," forming a total which rises from £9,000,000 in 1925 to £15,000,000 in 1931, and which has since diminished to £12,700,000 in 1934. this is a substantial total, and the question arises as to whether it can be broken up in any way into its component parts. The difficulty one is faced with is that there is no way of determining absolutely whether any particular item in the expenditure of the years during which the deficit arose can be regarded as part of this £12,700,000. But, while it cannot be defined absolutely, it is certainly possible to indicate the type of expenditure which led to this deficit. Between April, 1924, and March, 1934, the Finance Accounts show that for Property Losses there has been disbursed a sum of £7,622,000, and there appears to have been spent, approximately, £1,200,000 on Buildings. Between 1924 and 1927 Army expenditure totals £8,100,000. On the basis of the Chamber of Commerce Report it is reasonable to treat the excess over £2,000,000 per annum as quite abnormal, and this amounts to £2,100,000. Between 1927 and 1929 the expenditure came to £3,728,000. Taking the average of £1,500,000 for that period there is an excess of £728,000 —altogether about £2,800,000. To sum up, I suggest that the total of £12,728,000 may be reasonably accounted under the following headings:—

Property Losses	£7,600,000
Buildings	1,200,000
Excess on the Army	2,800,000
Advances to: Agricultural Credit Corporation, Creameries, Agricultural Societies, Sugar Beet Company, Industrial Credit Company	1,800,000
	£13,400,000

It is absolutely desirable that the distinction made by Mr. Brennan between dead weight expenditure and reproductive expenditure should be drawn, and should be logically and uniformly applied in the presentation of the Accounts. I cannot help feeling that there is some distinction to be drawn between money spent upon Roads and money spent in Compensation Property Losses. Traffic has been facilitated and tourists have been encouraged to come here, and users of the roads are so numerous and their advantages so widespread that the number of those who benefit almost coincides with the tax-paying class.

Dr. Per Jacobsson also wished to congratulate Mr. Brennan on the excellent and instructive paper he had read to the Society. It was a matter of great importance that in each country the exact state of public indebtedness, both in respect of direct charges and contingent liabilities, should be set out clearly and be easily available. A study of Government finances can as a rule be most suitably begun by an examination of the accounts of public debt and Treasury balances, for the development of liabilities and cash form a suitable starting point, and help to give a most comprehensive view of the financial situation. Moreover, recent legislation in the United States has provided for the publication of very complete and detailed data on the indebtedness of any country which wants to issue a loan on the American market. Representatives of Finland have recently been negotiating in New York and Washington, and, although Finnish statistics are exceptionally good, more than a month has been spent in rearranging the data available and collecting supplementary information to fulfil the conditions imposed by the United States authorities. Dr. Jacobsson did not suggest that the Government of the Free State would have to issue a loan in New York, but in matters of finance it is generally wise to be prepared for all possibilities. With regard to Mr. Brennan's classification, Mr. Jacobsson suggested that on the assets side the Shannon Electricity Scheme Fund and the Electricity Supply Board on the one hand, and the Unemployment Fund on the other, should not be grouped together under the same head. The latter represents at least partly an anticipation of future dues and taxes, while the Shannon Electricity Fund and the Electricity Supply Board are revenue yielding assets that might be promoted to Head I, being economically in the same category as the telephone capital. Finally, he agreed with Mr. Brennan that special funds shown outside the general budget should be avoided as they tended to make a comprehensive view more difficult and broke the unity of the budget. For that reason he would like to see the Road Fund incorporated in the general budget, though he admitted that in a number of countries road revenue and expenditure were carried on a special account.

Mr. Smithwick said he spoke, not as an expert, but as one of the general public referred to by Senator Johnson. His reading of the position and of the significance of dead-weight debt was this: On the 1st April, 1934, the Exchequer representing the State had—apart from ordinary revenue incomings and expenditure—given I.O.U.'s for £55,000,000. To meet this indebtedness there was cash in hand, or its equivalent, £7,600,000; tangible assets set down at £10,000,000, which figures should be adjusted to include assets in the Irish Sugar Company, Industrial Credit Company and Agricultural Credit Corporation. That left a clear net indebtedness—apart from the question of the assets in the Sugar Company and the other companies—of £37,400,000. This is the dead-weight debt. If liquidation in whole or part be deemed expedient, such liquidation would be effected in the ordinary course of procedure by future surpluses of revenue incomings over revenue expenditure. He suggested that an explanatory addendum be prepared to go with Mr. Brennan's very valuable paper.

Mr. J. R. Clark: Mr. Brennan has included £13,000,000 for the halving of the Land Annuities and has referred to the sum of £555,000 as being the charge incurred this year in connection with that capital debt. It seems to me that the payments made to the local authorities for Derating represent a similar capital debt taken over by the State. It was argued before the Derating Commission that, as the rates paid by ratepayers included provision for sinking funds for the repayment of the loans of local authorities, the rural ratepayers by obtaining a measure of derating had successfully transferred their capital liabilities to the State. The liabilities of the local authorities amount to something like £20,000,000. I think a sum should appear in the Balance Sheet representing the amount taken over by the State from the rural ratepayers. This is a dead-weight debt so far as the State is concerned.

Lieut.-Col. K. E. Edgeworth: I think that not only this Society but the public at large are greatly indebted to our President for the admirable balance sheets which form the basis of this paper. It seems to be quite appropriate that we should remind ourselves that we possess a telephone service and an electric power system, and that the money which has been spent on these services should continue to figure in successive balance sheets. I suggest, however, that items which have left behind them no tangible assets should be dealt with differently, and I suggest that two guiding principles should be adopted in dealing with such items: (i) When they first appear in the balance sheet they should be shown in as much detail as possible. (ii) Having appeared once they should not appear again. A single item in the balance sheet would cover all previous expenditure of this type. As an example of the first principle, I would refer to the entry "Budget Deficits, (ii) Other items." I suggest that the statement should at least show the surplus or deficit for each year separately. As an example of the second principle I would refer to the item "Industrial Trust Company, £50,000," which, I understand, is a bad debt, and to various items dealing with the discounts on National Loans. I cannot see that there is any reason why we should remind ourselves 20 or 50 years hence that the State once incurred a bad debt or that certain loans were issued at a discount.

Correction.

Page 42, 7th line—for "4" read "5".