

Aspects of Public Expenditure in Northern Ireland

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Northern Ireland's financial relations with the rest of the United Kingdom always arouse lively interest inside the region. Recently, however, a more urgent interest in these relations has been developing here and at the same time there has been some awakening of outside interest. Internally the interest springs from the feeling that Northern Ireland may be heading for an Exchequer crisis¹ and that even if this is not the case the existence of a very high rate of chronic unemployment demands some remedy in the financial sphere. Externally the interest in the region's finances stems largely from the current demand for devolution of government in Scotland. The Royal Commission on Scottish Affairs is showing a natural interest in the only major example of devolution in the United Kingdom.

Northern Ireland's financial arrangements may be discussed from two main points of view. First the principles of the existing arrangements may be criticised and in the light of such criticism alternative arrangements or a different distribution of financial powers may be advocated. The case that Northern Ireland's financial arrangements require some fundamental recasting is often urged, in general terms, for both political and economic reasons, but the case has never been argued in detail. In the second place, the principles may be accepted and an attempt may be made to assess how they have operated in practice in terms of their effects on the level and distribution of transferred expenditure.² In this paper the first aspect will not be considered at all. The paper will be confined to a broad survey of public expenditure in the light of accepted principles in an attempt to see how far the Province is keeping in step with Great Britain, and in what respects the pattern of public expenditure in Northern Ireland differs from that in Great Britain.

The Financial Relations between the Exchequers of the United Kingdom and Northern Ireland.

Before considering these questions it is convenient to outline Northern Ireland's system of public finance and the arrangements which govern the relations between its Exchequer and that of the United Kingdom.

¹ The estimated Imperial Contribution for 1953/54 is £8,600,000, a decline of £12 mn. compared with the previous year.

² One might also attempt an assessment in terms of their effects on administrative flexibility and efficiency.

Northern Ireland's legislative powers and its financial relations with the United Kingdom exchequer are defined in the Government of Ireland Act, 1920, as modified by later enactments. Under the terms of this Act the Parliament of Northern Ireland was given wide powers of legislation and expenditure in relation to matters exclusively the concern of Northern Ireland. These matters, known as transferred services, included law and order, health, local government, education, agriculture, commerce, insurance and pensions. Other services, known as Reserved, and Imperial services, are excluded from local control. The Reserved services include the Supreme Court, the Post Office, the B.B.C., and the Revenue departments. Imperial services include matters relating to the Crown, the armed services, conduct of international relations, etc.

Under the terms of the Act a system of public finance similar in all essentials to that of Great Britain was established. The powers of taxation transferred to Northern Ireland were, however, very limited. The most important forms of taxation, including customs, and most excise duties, income and sur tax and taxes on profits, were excluded from local jurisdiction. These taxes are under the control of the United Kingdom government and the proceeds are paid, in the first instance, into the United Kingdom Exchequer. The revenue deemed to be derived from Northern Ireland in respect of these sources is known as "Reserved Revenue." From the Reserved Revenue the Treasury deducts the cost of the Reserved Services, and the sum contributed by Northern Ireland towards the cost of the Imperial Services. This is the Imperial Contribution.¹ The balance, called the Residuary Share of Reserved Taxes is paid into the Exchequer of Northern Ireland.

In addition to the residuary share of reserved taxes, Northern Ireland relies to a limited extent on other forms of revenue. These may be divided into transferred tax revenue; non tax revenue, and certain special payments from the United Kingdom Exchequer. The transferred tax revenue consists of the revenue yielded by the taxes imposed by the Northern Ireland government. The most important of these are the death duties, motor vehicle duties, and entertainment duty. Non tax revenue consists of land purchase annuities, certain interest, fees and other miscellaneous items.

The remaining item, special payments from the United Kingdom exchequer does not form a regular source of revenue in the ordinary sense. It consists of payments for the purpose of equalising to a certain extent the burdens on the Exchequers of Northern Ireland and the United Kingdom in respect of the cost of certain social services. The effect of the arrangements under which these payments are made is to equalise the burden completely so far as the insurance services are concerned, in accordance with the provisions of the National Insurance Acts. The position in regard to National Assistance, Old Age and Blind Persons' Non-contributory Pensions, Temporary Unemployment Benefit and the Health Service is regulated by the

¹ The Imperial Contribution, the amount of Reserved Revenue attributable to Northern Ireland, and the cost of the Reserved Services are all in principle determined by the Joint Exchequer Board. See, however, the Report of the Comptroller and Auditor General for 1947/48, HC. 843, pp. 15-18, for a discussion of modifications of the established procedure.

Social Services (Agreement) Act (N.I.) 1949. So far as these services are concerned the Imperial Exchequer bears 80% of the excess of Northern Ireland's expenditure on these services over her approximate population proportion. The agreement operates on a reciprocal basis and may involve adjustments against Northern Ireland's Exchequer in respect of any services which may cost proportionately less than in Great Britain. The Health Service is a case in which such an adjustment against Northern Ireland has been made until recently.²

By far the most important item of revenue is reserved revenue. During the period up to the beginning of the war this amounted on average to about 70% of the total. Transferred revenue made up about 21% and special receipts the remaining 9%. The effect of the great increase in taxation which commenced during the war has been to increase dependence upon reserved revenue still further. During the past few years reserved revenue has formed over 85% of Northern Ireland's total revenue, and each of the other two items has fallen to a half or less than half of the percentage it formed before the war.

For the year 1953/54 revenue and expenditure are estimated as follows :

REVENUE			EXPENDITURE		
	£000	%		£000	%
(I) <i>Reserved.</i>			(1) Imperial Contribution ...	8,600	11·9
A.—Taxes.			(2) Cost of Reserved Services	5,720	8·0
Customs & Excise & Purchase Tax ...	27,845	38·7	(3) Transferred Services Consolidated Fund ...	2,885	4·0
Income & Surtax	25,505	35·4	Supply ...	54,729	76·1
Profit Tax & E.P.L. ...	3,639	5·0	Total Transferred	57,614	80·1
Total Taxes	56,989	79·1	Total Expenditure	71,934	100
B.—Non-Tax ...	3,554	4·9	Revenue Surplus	78	
Total Reserved	60,543	84·0			
(II) <i>Transferred.</i>					
A.—Taxes ...	4,954	6·9			
B.—Non-tax ...	2,515	3·5			
Total Transferred	7,469	10·4			
(III) <i>Reinsurance.</i>	4,000	5·6			
TOTAL REVENUE	72,012	100		72,012	

Source : Financial Statement N.I. 1953/54. H.C. 1049.

Of the total reserved revenue attributed to Northern Ireland up to 1939/40 about 60% was paid into the Northern Ireland exchequer and was disposed of by the provincial administration for transferred

² See Table 2 below.

services, 22% was retained in the Imperial exchequer to pay for the cost of the reserved services and the remaining 18% was retained as the Imperial Contribution. Since the war the residuary share has amounted to some 50% of reserved taxation and the Imperial Contribution has been of the order of some 35 to 40% of the total revenue from all sources.

The Determination of the Imperial Contribution.

It will be clear from this outline that in view of the limited nature of provincial powers of taxation the factor which determines Northern Ireland's expenditure on transferred services, special receipts apart, is the sum paid as Imperial Contribution. What are the principles on which this is determined ?

In the Government of Ireland Act the principle was laid down that there should be an Imperial Contribution each year fixed in advance with reference to the relative taxable capacities of Ireland and the United Kingdom. The contribution was to be subject to periodic revision. These arrangements proved to be inappropriate, and with the ratification of the Constitution of the Irish Free State a special Arbitration Committee (Colwyn Committee) was set up to consider the scale of Northern Ireland's contribution to the cost of the Imperial Services.¹

As a result of this Committee's investigations the decision was reached that the first charge on Northern Ireland's revenues should be, not a fixed Imperial Contribution, but expenditure on transferred services. The idea was that "Northern Ireland's total expenditure on local services should be admitted to keep pace with the total expenditure of Britain on an equivalent basis per head of the population; that is, if Great Britain increases her local expenditure by 10/- per head of the population we in Northern Ireland can do the same."²

This facet of the award, termed the Special Formula, was based on the general assumption that changes in rates of taxation in Great Britain and Northern Ireland would be almost identical and that the same or equivalent social services would be undertaken in both areas. Under the Special Formula standards of yields of revenue and of expenditure on Northern Ireland local services were fixed in respect of a standard year, 1923/24, and variations from these standards in Great Britain were annually translated into equivalent figures for Northern Ireland, allowance being made for changes in productivity and population.³ For the year 1923/24 the standards of expenditure fixed per head of population were: Northern Ireland, £5·0; Great Britain, £3·9

The award had a second facet designed to meet the provision of the Government of Ireland Act which requires that the Imperial

¹ See Interim and Final Reports of the Northern Ireland Special Arbitration Committee, Cmd. 2072 and 2389.

² Minister of Finance, Budget Speech, May, 1925. Hansard, Vol. 1, cols. 451/4. Special arrangements were made in respect to Housing, the Unemployment Insurance Fund, Unemployment Relief Schemes and Grants in relief of Agricultural Rates.

³ See Final Report, para. 6.

Contribution shall be fixed with reference to relative taxable capacity. The Final Report of the Colwyn Committee declared that due regard would have been had to relative taxable capacity if the proportion of Imperial expenditure to be contributed by Northern Ireland were based on the amount by which the total Northern Ireland revenue exceeds the actual and necessary expenditure in Northern Ireland. Necessary expenditure was to be determined by eliminating :—

- (a) all expenditure on any service in existence in both Northern Ireland and Great Britain incurred in providing Northern Ireland with a higher average standard of service than exists in Great Britain :
- (b) such expenditure on any service in existence in both Northern Ireland and Great Britain as is incurred in providing an average standard of service which, while not higher than the average standard of service in Great Britain, is in excess of the strict necessities of the case having regard to any lower general level of prices, of wages, or of standards of comfort or social amenity which may exist in Northern Ireland as compared with Great Britain :
- (c) All expenditure undertaken by the Government of Northern Ireland on services which do not exist in Great Britain.¹

The figure determined in this way was to be regarded as the " basic " sum for determining the contribution and was to be adjusted in the light of the consideration given by the joint Exchequer Board to the two sets of figures, that is the basic sum and the sum yielded by the special formula.

The sum yielded by the special formula provided an unambiguous upper limit to the level of permissible expenditure in Northern Ireland. The sum yielded by the basic formula was the result of the application of much less precise notions. Suitably interpreted it would have permitted a considerable reduction in the relative level of Northern Ireland's expenditure on transferred services if financial conditions demanded this.

The operation of these principles was of course considerably affected by the effects of the various reinsurance agreements which were negotiated subsequently.² These agreements, by providing for the reimbursement of part of Northern Ireland's excess expenditure on unemployment assistance gave an additional flexibility to the operation of the Colwyn award and permitted the region's expenditure on transferred services to be maintained at a higher level than would otherwise have been possible.

These arrangements, however, did not provide for sufficient flexibility to meet the strain imposed on the local budget by the Great Depression and although the Imperial Contribution was fixed up to 1930/31 with reference to the two calculations mentioned above, in succeeding years this was not the case. When the final assessment of the Contribution was being made in May, 1933, in respect of the year 1931/32

¹ Final Report, para. 5.

² For an account of these agreements see the very useful article entitled " The Finances of Northern Ireland " in the Ulster Year Book, 1950. Also J. I. Cook, *Financial Relations between the Exchequers of the United Kingdom and Northern Ireland, in Devolution of Government*, Allen and Unwin, 1953.

it was found that under the special formula the Contribution would have been a negative one of £640,000. Accordingly, this result was disregarded and from that time up to 1939 the preparation of the two sets of figures remained in abeyance.¹

During the early thirties then, the major limitation on local expenditure appears to have been not that implied by the special formula, but simply that level of expenditure which could be supported without running the budget into deficit.

During the war the method of assessing the Contribution proposed by the Colwyn Committee remained in disuse although the broad principles laid down still provided guidance. Although it would have been possible since the war to resume the calculation of the two figures as proposed in the Colwyn Award, this has not been done. The detailed calculations have been replaced, we are told, "by a set of principles which recognise the facts of to-day and the close relations existing between the Ministry of Finance and the Treasury."²

The principle underlying existing arrangements is that there should be complete parity with Great Britain in regard to the social services, and relative parity having regard to special local needs as respects other services. It has also been agreed that where Northern Ireland's standard of social services have not reached the level of those of Great Britain, capital expenditure may be incurred to make up such "leeway."³ Furthermore it was agreed as long ago as 1938 that if a deficit occurs on the region's budget which is not the result of a higher standard of expenditure or a lower standard of taxation the United Kingdom government will find means to make good this deficit.⁴

The present situation, therefore, represents a marked improvement from the view point of Northern Ireland since many of the restrictions on local expenditure implied by the Colwyn formula have been removed.

It can be seen from all this that in the development of the financial relations between Great Britain and Northern Ireland there has been a progressive acceptance of the principle of parity of taxation, and parity of service. This principle broadly speaking, is the same as that which effectively determines the amount which any other region of the United Kingdom contributes to the Exchequer in respect of Imperial Services. This is usually overlooked⁵ perhaps because no local accounts are prepared for any other region.⁶ If this principle is appropriately implemented then whatever the size of the Imperial Contribution Northern Ireland will be contributing to Imperial liabilities on the same basis as any other area. It is, of course, inevitable that on account of the existing incidence of taxation and expenditure, the poorer regions will pay less, and the more wealthy areas more, towards the Imperial liabilities.

The concept of parity is not however at all precise, and nothing

¹ Comptroller and Auditor-General's Report on Appropriation Accounts (N.I.) 1947/8, pp. 15-18.

² *loc. cit.* p. 18.

³ See Hansard (N.I.) 23rd May, 1944, Vol. xxxcii, cols. 1249-1262.

⁴ See Hansard (U.K.) 12th May, 1938, Vol. 335, cols. 1708-9.

⁵ See for example, the book *Finances of Partition*, L. Ó Nuallain. Clonmore & Reynolds, Dublin, 1952.

⁶ The Catto Committee has, however, been charged with preparing such an account for Scotland. See *Revenue and Expenditure (England and Wales and Scotland) Return*, C.M.D. 9051.

is known of its interpretation in practice in the relations between the two governments except in a few fields. In what follows, however, an attempt is made to relate the notion of parity to the levels of expenditure which actually resulted from these relations. It is necessary at this point therefore to emphasise the difficulties which are encountered in this connection.

The simplest way to interpret parity in financial terms is to define it in terms of equality of expenditure per head of population. This is not adequate, however, because it is in some sense parity of *standards* which underlies the present arrangements, and parity of expenditure will only produce parity of standards if the costs of provision are the same.

It seems reasonable, therefore, to extend the interpretation to mean that level of expenditure which will produce equivalent standards of benefit or service. This in fact is the way in which parity has been interpreted so far as the cash benefit or social security services are concerned. Within this field conditions of eligibility and rates of benefit are identical in the two regions, and parity emerges automatically. Regional levels of expenditure are automatic reflections of differences in need.

In the field of the real social services on the other hand, and in relation to other services, what is meant by parity of standards is by no means clear. Here, qualitative comparisons and judgments of need are necessary and the scope for administrative discretion is considerable. Actual rates of expenditure on these services reflect that discretion, and they must be evaluated in the light of what is known about the special conditions of the Province.

It can probably be assumed that, taking into account the special conditions of Northern Ireland (greater sparsity and dispersal of population, geographical position, etc.), the costs of providing particular real services of an equivalent standard to those in Great Britain will be, in general, at least as high as the cost in Great Britain. It may be possible to provide some services of equivalent standard at lower cost, on account of different methods of administration (and more efficient administration) but these cases are likely to be of limited importance.¹ In general, if parity is to be attained, expenditure per head in Northern Ireland must be at least as high as that in Great Britain. In many cases local needs and cost conditions will demand a higher outlay if equivalent benefits are to be provided. How far these needs will be taken into account will depend partly on the way in which similar local needs in Great Britain receive attention and partly on political negotiation.

The problem of leeway is very relevant to a consideration of expenditure in Northern Ireland since the war. Where leeway exists one would expect expenditure in the Province to be higher than whatever standard current equivalent seems appropriate. The excess would depend not only on the magnitude of the leeway, but also on the rate at which it is made up. The existence of leeway, however, in the sense of a relatively low standard of capital equipment in a particular field, may set sharp physical limits on the rate of current expenditure.

Attention may be drawn to one further point in this connection which is particularly relevant to social service expenditure. Parity

¹ Cases in question are, possibly, the child care service and the dental services.

may be achieved in the field of central expenditure and yet there may exist differences of standards as between the two regions when local authority expenditure is taken into account. Differences in local standards due to different levels of local authority expenditure are, of course, to be met with both in Great Britain and Northern Ireland. Given a reliance on local government institutions these differences cannot be eliminated entirely; nor is it desirable that the attempt should be made, for these differences represent partly genuine differences of local opinion on the desirability of collective provision of services. To the extent that such differences are due simply to the poverty of local authorities in any region, however, and that this poverty impairs the maintenance of nationally demanded minimum standards, then there is a case for some special provision of assistance to the local authorities in question. To some extent this was recognised in the Local Government (Finance) Acts of 1948 which were enacted in both regions.

With these considerations in mind we may examine levels of

TABLE I.—EXPENDITURE FROM VOTES OF SUPPLY, 1923/24—1951/52.

Year	NORTHERN IRELAND		TOTAL		GREAT BRITAIN				TOTAL			
	Social		Economic		Social and Economic		Social		Economic		Social and Economic	
	£000	£ per head	£000	£ per head	£000	per head	£000	£ per head	£000	£ per head	£000	£ per head
3/24 ...	2,551	2.03	252	0.20	2,803	2.23	62,809	1.45	17,518	0.40	80,327	1.85
4/25 ...	2,280	1.81	327	0.26	2,607	2.07	64,231	1.47	17,272	0.40	81,503	1.87
5/26 ...	2,393	1.90	425	0.34	2,819	2.24	65,188	1.49	18,665	0.42	83,853	1.91
3/27 ...	2,331	1.86	670	0.53	3,001	2.40	72,503	1.65	19,794	0.45	92,297	2.10
7/28 ...	2,318	1.85	721	0.58	3,039	2.43	70,252	1.59	22,192	0.50	92,444	2.09
3/29 ...	2,437	1.95	676	0.54	3,113	2.50	68,006	1.53	20,344	0.46	88,350	1.99
1/30 ...	2,897	2.34	719	0.58	3,616	2.92	84,226	1.90	24,062	0.54	108,287	2.44
1/31 ...	3,502	2.83	674	0.55	4,176	3.38	115,729	2.59	31,205	0.70	146,934	3.29
1/32 ...	3,888	2.73	753	0.61	4,141	3.33	117,464	2.62	32,772	0.73	150,237	3.35
2/33 ...	3,434	2.75	711	0.57	4,145	3.31	115,047	2.55	27,159	0.60	142,205	3.15
1/34 ...	3,446	2.74	832	0.66	4,278	3.40	115,221	2.55	23,964	0.53	139,185	3.03
1/35 ...	3,436	2.72	622	0.49	4,058	3.21	114,821	2.53	23,693	0.52	138,514	3.05
1/36 ...	3,609	2.84	629	0.49	4,238	3.33	127,446	2.80	24,256	0.53	151,702	3.33
1/37 ...	3,544	2.78	633	0.50	4,182	3.28	129,148	2.82	29,600	0.65	158,747	3.47
1/38 ...	3,526	2.75	731	0.57	4,257	3.32	134,697	2.93	27,711	0.60	162,407	3.53
1/39 ...	3,698	2.88	916	0.71	4,615	3.59	137,418	2.97	33,847	0.73	171,264	3.71
1/40 ...	3,724	2.87	1,111	0.86	4,835	3.73	140,337	3.01	25,642	0.55	165,979	3.56
1/41 ...	3,826	2.95	698	0.54	4,524	3.48	138,728	2.96	18,256	0.39	156,984	3.35
1/42 ...	3,914	2.99	838	0.64	4,752	3.63	139,953	2.98	18,223	0.39	158,176	3.37
1/43 ...	4,215	3.17	1,331	1.00	5,546	4.17	142,974	3.04	24,221	0.51	167,195	3.55
1/44 ...	4,421	3.30	1,476	1.10	5,897	4.40	146,936	3.10	21,573	0.45	168,509	3.55
1/45 ...	4,684	3.45	1,379	1.02	6,064	4.47	153,322	3.22	20,903	0.44	174,224	3.66
1/46 ...	5,817	4.28	1,328	0.98	7,145	5.26	192,460	4.02	21,057	0.44	213,516	4.46
1/47 ...	8,535	6.32	1,690	1.25	10,225	7.57	229,251	4.79	46,616	0.97	275,867	5.76
1/48 ...	9,071	6.71	1,948	1.44	11,019	8.16	327,992	6.80	74,050	1.54	402,042	8.34
1/49 ...	15,963	11.72	2,971	2.18	18,934	13.90	547,293	11.24	63,750	1.41	616,044	12.65
1/50 ...	19,878	14.50	4,025	2.94	23,904	17.44	701,378	14.32	59,500	1.21	760,877	15.53
1/51 ...	21,437	15.57	3,795	2.76	25,232	18.32	733,821	15.05	83,266	1.71	817,087	16.76
1/52 ...	23,926	17.43	3,840	2.80	27,766	20.22	767,289	15.69	68,791	1.37	834,081	17.05

Source: Appropriation Accounts, United Kingdom and Northern Ireland.

expenditure in the two regions. This will not enable us to say in general whether parity has been achieved. For that there is no substitute for an exhaustive evaluation of particular services. But such an evaluation takes on a more practical significance within the context of relative levels of expenditure. Furthermore a comparison of expenditures does give a good indication of relative rates of development in the two regions.

In the following discussion attention will be concentrated on social expenditure, but corresponding levels of economic expenditure will be indicated to enable a more comprehensive picture to be formed of aggregate standards of expenditure in the two regions.

Public Expenditure from Votes of Supply in Great Britain and Northern Ireland, 1923/24–1951/52.

It will be useful to look first at trends of expenditure in Great Britain and Northern Ireland over the last thirty years. This will provide a rough indication of relative rates of development and of the extent to which Northern Ireland was moving in step with Great Britain over this period. In the following table figures are given of aggregate social and aggregate economic expenditure in the two regions for the years 1923/24 to 1951/52. The following points should be borne in mind in interpreting the figures. The figures exclude expenditure on departmental administration and also the expenses of civil government in a narrow sense, that is, justice, defence and police. Expenditure on cash benefit social services for which conditions of eligibility and benefit are the same has been excluded from social expenditure. Food and other general subsidies are excluded. Social expenditure covers education, housing, health, and non-specific grants to local authorities. Economic expenditure covers consolidated expenditure on roads, commercial and industrial services and agriculture.

It can be seen from these figures that throughout the twenties standards of expenditure in Northern Ireland were consistently higher than in Great Britain. A marked feature of the thirties, however, was a decline in Northern Ireland's relative standards. In 1931/32 for the first time aggregate expenditure per head of population fell below that in Great Britain. There was a recovery in the next four years but this was followed again by a decline, this time more marked, as a result of which Northern Ireland's standards of expenditure fell below those of Great Britain for the years 1936/37–1938/39.

These figures are not directly comparable with those relevant to the Colwyn Special Formula; none the less the method of calculation is such that they could be expected to move closely together. The relative reduction in Northern Ireland's expenditure in these years reflects the disuse of the special formula mentioned above which was probably given a good deal of weight in determining expenditure when finances were buoyant. Inspection of these figures in the light of the budget out-turns of the thirties indicates that if expenditure in Northern Ireland had been maintained, and had been based on the Special Formula, the Imperial Contribution would have been negative or negligible in most years.

A negative Imperial Contribution (that is, a budget deficit) was not, of course, provided for until 1938, and it is to this fact that is

to be attributed the central government's efforts to restrict expenditure during the thirties.

In these years there can be little doubt that Ulster lost ground, and if, as seems likely, standards of expenditure in the earlier years were no more adequate in view of Ulster's special circumstances the reduction of the thirties may have prevented the maintenance of parity in some services.

In the field of social expenditure the relative reduction of standards was quite marked at the end of the thirties. It cannot, however, be assigned to particular services on the basis of figures of central expenditure, for it operated largely through a marked decline in the relative importance of the General Exchequer Grant in Northern Ireland. No doubt its effects were felt widely in the field of education, health and housing. It may be noted that during the inter-war years Central Government's housing expenditure per head in Northern Ireland never amounted to more than half of the corresponding expenditure in Great Britain. This difference must, of course, be seen against the very different background against which housing policy operated in Great Britain as compared with Northern Ireland. Population increased at a much faster rate in Great Britain, and at the same time Britain was faced with a much larger problem of slum clearance than was Northern Ireland, where the absence of urban slums by British standards is still notable. On the other hand it can hardly be doubted that conditions of rural housing were and are very much worse in Northern Ireland. Current specific educational expenditure in the inter war years, however, was always higher in Northern Ireland and it maintained roughly a standard differential until 1946/47. This differential probably did not do more than compensate for the larger proportion of children of school age in Northern Ireland.

It can be seen from the figures given above that in the post-war years Northern Ireland's standard of social expenditure has been higher than that of Great Britain. It appears therefore that the necessary minimum condition of parity has been satisfied in this period. Indeed since the standard of expenditure has been very considerably higher it seems possible that some of the leeway has been made up. In order to see to what extent this is likely to be the case and also to bring out the situation in relation to individual services we now turn to examine expenditure in detail for one post-war year. Expenditure on the social security services, which presents some interesting features, will be discussed also.

Expenditure on Social Services by Central Government, 1951/52.

For the purpose of this more detailed comparison it is necessary to point out a number of qualifications which should be made to the crude figures based on votes of supply. In the first place, as mentioned already, some weighting ought to be introduced for the cases in which expenditure in Great Britain is made not on a uniform basis but on one which reflects differences in local cost and differences in local need. There are a number of cases in which grants are related to needs, of which the education grant is one. The major example, however,

is provided by the Exchequer Equalisation Grant.¹ This grant represents a special contribution to local authorities in Great Britain to compensate them for their deficiency in local wealth² as compared with the national average.

A superficially similar non-specific grant is payable to local authorities in Northern Ireland under the Local Government (Finance) Act (N.I.) 1948. The aggregate amount paid under this head in Northern Ireland is much more than Northern Ireland's population proportion—as it should be, for local authorities in Northern Ireland are poorer than the average local authority in Great Britain. In the aggregate, however, the grant paid to local authorities in Northern Ireland is less than would be required if a grant on the British basis and related to British standards of rateable value were paid. This does not mean that the grant is too low however, for its level cannot be considered in isolation from the grants paid in respect of specific services.

A further adjustment is called for in the field of housing expenditure. In Scotland, and to some extent in England and Wales, subsidies are paid on a basis which takes into account local cost differences, and local need. In Northern Ireland, subsidies are payable on the Scottish scale which provides for payments higher than the "standard general amount" in England and Wales.

Finally account must be taken of the fact that for the post-war years, expenditure out of vote of supply forms an inadequate basis for the comparison of standards of expenditure in Great Britain and Northern Ireland. The difficulty now referred to arises out of the policy pursued by the Northern Ireland Government since the war, of issuing money from the Consolidated Fund and setting it aside in special funds to meet future capital expenditure other than for the redemption of debt. This policy began in 1946/47 with the creation of the Housing Commutation Fund and the Tuberculosis (Capital Purposes) Fund. In the following two years a number of other funds were created but in August 1949 they were all, with the exception of the Housing Fund, amalgamated into a new Capital Purposes Fund. The money issued to these funds has come from revenue surpluses and capital receipts into the Exchequer, from the Reserve Fund, and from voted moneys. Generally speaking the Ministry of Finance has authority to meet expenditure on the different services for which the funds were established from the Capital Purposes Fund, the Consolidated Fund, or from vote, as it deems fit.³

One objective of these funds is to iron out fluctuations in expenditure from the votes which would otherwise occur.⁴ Another reason for their establishment was to take advantage of the satisfactory financial position to provide for future liabilities and to avoid charges spread over future years.⁵ Whatever the value of these arrangements from the administrative point of view their effect is to render the

¹ Paid under the provisions of the Local Government Act (England and Wales) 1948. A similar grant is paid in Scotland.

² Measured by weighted rateable value per head of population.

³ See Report of Comptroller and Auditor General on 1950/51 Appropriation Accounts, page xi.

⁴ *loc. cit.*, page xi.

⁵ See discussions on Exchequer and Financial Provisions (Money) Bill, 1947, *Hansard* (N.I.), Vol. XXX, pp. 4608 and 4730.

TABLE 2.—*Social Expenditure by Central Government, 1951/52 (Capital and Current).*

SERVICE	Great Britain		Northern Ireland	
	£ mn.	Per head	£ mn.	Per head
<i>National Insurance :</i>				
Grants to National Insurance Fund ...	104.5	2.14	2.332	1.70
Grants to N.I. (Industrial Injuries) Fund	6.0	.12	0.128	.09
<i>Extended Unemployment Benefit</i> ...	3.4	.07	0.158	.12
<i>Family Allowances</i> ...	63.1	1.29	2.760	2.00
<i>Non-Contributory Old-Age Pensions</i> ...	23.5	.48	1.654	1.20
<i>National Assistance</i> ...	71.2	1.46	3.578	2.61
<i>Industrial Rehabilitation</i> ...	3.8	.08	.038	.03
<i>Nutrition Services :</i>				
Grants to Local Authorities (School Meals) ...	29.5	.60	.311	.23
Milk in Schools ...	9.4	.19	.451	.33
Other Milk and Welfare Foods ...	29.5	.60	.907	.69
<i>Education :</i>				
General ...	197.4	3.83	6.534	4.76
University ...	23.0	.47	.365	.27
<i>Child Care</i> ...	7.9	.18	.170	.11
<i>National Health Service :</i>				
Hospital Services ...	265.0	5.42	6.003	4.37
General Medical ...	144.0A.	2.94	3.648	2.66
Grants for Local Authority Services ...	18.6	.38	.480B.	.35
Other ...	4.9	.10	.347	.25
<i>Housing :</i>				
Grants to Local Authorities ...	38.4	.79	4.653	3.39
Annuities under Housing Act (Temporary Accommodation) ...	21.8	.45		
<i>Water and Sewerage</i> ...	4.0	.08	.642	.47
(1) TOTAL ...	1,068.9	21.85	35.159	25.61
(2) TOTAL with N.I. Housing on Annuity Basis ...	1,068.9	21.85	31.394	22.86
(3) TOTAL as (2) but Excluding Cash Benefit Services ...	797.2	16.30	20.784	15.14

Sources: Great Britain Appropriation Accounts. Northern Ireland Appropriation Accounts and the Consolidated Fund Services Account.

NOTES: A. Excludes School Medical Services.

B. Includes School Medical Services. Estimated Amounts:

Northern Ireland—£125,000.

Great Britain—£4,000,000.

C. On a comparable (Annuity) basis to the figures for Great Britain this item is estimated to be:

	£mn.	Per Head
Grants to Local Authorities633	.46
Temporary Accommodation255	.18
	—	—
	.888	.64

Administrative Expenditure excluded throughout.

appropriation accounts very complex, and inadequate for indicating current levels of expenditure.¹ These factors should be borne in mind in interpreting the figures given on page 183.

Table 2. sets out the specific expenditure by central government on the social services in 1951/52. The definition of social services differs slightly from that used for the tables of social service expenditure in Great Britain, published by the Central Statistical Office.² The figures for Great Britain are derived directly from votes of supply. For Northern Ireland adjustments have been made to the figures of vote expenditure to take account of the inter-fund and other transactions referred to above.

In order to ensure that none of Northern Ireland's expenditure is overlooked in considering the post-war levels of expenditure, Table 3 below sets out expenditure from the special capital funds for the period from their establishment to 1951/52 and also the expenditure from these sources which has been included in the table above for 1951/52

TABLE 3.—*Social and Economic Expenditure in Northern Ireland from the Consolidated Fund.**

SERVICE	Total Expenditure in 1951/52	Total Expenditure to 31/3/1952
	£	£
Bann Drainage	2,660	736,532
Development Services	—	38,850
Voluntary Schools	123,104	123,104
		151,745
Re-equipment of Industry	46,577	46,577
Water and Sewerage	112,511	127,511
Tuberculosis	55,152	540,154
Mental Health	75,728	128,824
Educational Development	590,368	1,000,000

*Excluding Housing.

Source: Consolidated Fund Services Account (N.I.), 1951/52. H.C. 1019.

From Table 2 it can be seen that expenditure per head in Northern Ireland on the social services was appreciably higher than that in Great Britain. However the significance of these figures is more readily seen if some adjustments are made. In the first place, the housing figures for Northern Ireland require adjustment because whereas in Great Britain housing subsidies are paid to local authorities in the form of annuities in the case of Northern Ireland the greater part of these annuities are commuted after six months for a lump sum payment. As a result of this financial transaction, Northern Ireland's expenditure on housing is over-stated. For purposes of comparison it is necessary to adjust Northern Ireland's expenditure on housing so as to show the level at which subsidies would be running if they had not been commuted, and if the expenditure on temporary accommodations were similarly dealt with on an annuity basis. For

¹ Following suggestions made by the Comptroller and Auditor General in the Report mentioned above some simplifications have been introduced and statements are, from 1951/52 appended to the Consolidated Fund Services Account showing expenditure from all sources on services which may be financed other than from vote.

² Published in the Annual Abstract of Statistics.

this purpose annuities must be estimated, taking 60 years as the basis for the permanent housing programme (except for the prewar residue) and 10 years for the temporary housing programme. On this basis housing expenditure in Northern Ireland in 1951/52 would have amounted to approximately £888,000 giving a per capita rate of expenditure of .64 as against 1.19 for Great Britain. The second line of the total to Table 2 reflects this adjustment. In addition a distinction is to be made between the Social Security Services and the rest since as already mentioned expenditure on the former indicates precisely the standards of expenditure required to produce parity of standards. The third line of the total therefore excludes expenditure on these services. It can be seen then, that whilst expenditure on the Social Security Services is higher in aggregate, that on the remaining services is lower.

Marked differences in the pattern of expenditure in the two regions emerges clearly from the table. Taking the social security services first, it can be seen that payments to the Insurance funds are lower reflecting the smaller proportion of insured workers in Northern Ireland. The higher rate of non-contributory pensions is to some extent the other side of the medal. The greater expenditure on family allowances reflects differences in the family structure in Northern Ireland as compared with Great Britain.

Payments in respect of National Assistance are almost double the average for Great Britain. For this there are two main reasons; first, there is a larger number of cases per head of population; second, the size of family relieved is in general larger which results in the average payment per case being larger here than in Great Britain.¹ These differences in rates of expenditure on the cash benefit services reflect differences in the industrial and social structure, in level of employment, and in income per head as between Great Britain and Northern Ireland. The cost is high, but if, under existing conditions, parity of standards is to be maintained in relation to these services, the higher rate of expenditure is inevitable.

In relation to the other social services on the other hand, expenditure is significantly lower in a number of cases. Looking first at nutrition services a very much lower rate of expenditure on school meals is apparent. The percentage of pupils participating in the meals service in fact falls far short of the corresponding figure for Great Britain. On the other hand, almost all children in attendance at grant-aided schools in Northern Ireland benefit from the free milk service, and the rate of expenditure on this service in Northern Ireland is higher than that for Great Britain.

Expenditure on University education is very much lower in Northern Ireland than in Great Britain but the recently increased rates of grant will do much to remove Northern Ireland's backwardness in this field.

General educational expenditure from central sources per head of the population is much higher in Northern Ireland than in Great Britain. To a considerable extent this difference is accounted for by the very much greater rate of expenditure on capital development in Northern Ireland in this year. If capital expenditure is deleted,

¹See Report of Comptroller and Auditor General and Appropriation Account, 1948/49, xxx/i, and Reports of Assistance Board, G.B. & N.I., 1948/49.

operating expenditure per head of the population is still higher in Northern Ireland. A more useful comparison, however, is between relative expenditures per head of population of school age. A comparison on this basis shows a very different picture. Current educational expenditure per head of the age group 5-15 amounts to £28.8 in Great Britain. In Northern Ireland expenditure per head of the age group 5-14 is £26.5. Thus not only is Northern Ireland spending less on education in consequence of the lower school leaving age, but less on the existing school population. Notwithstanding the special circumstances in Northern Ireland which make comparisons of this sort difficult, this lower rate of expenditure reflects a state of affairs which offers no ground for satisfaction.

A substantial difference in the rate of expenditure is revealed in connection with the health services. In aggregate, expenditure per head on the health services in Great Britain amounted to £8.8. The corresponding figure for Northern Ireland was £7.7. The addition of the local authority contribution to the Northern Ireland Tuberculosis authority, which should be made for comparative purposes, makes no significant difference to the figures for Northern Ireland. This relatively low rate of expenditure in Northern Ireland is a feature of all years since the establishment of the Health Service. The difference is least marked in the case of the general medical services. In this field the final small difference is the result of a number of small offsetting differences in the pattern of expenditure as between the two regions. The rate of expenditure on the pharmaceutical services is higher here than in Great Britain, partly because of the higher cost of prescription, partly because of the higher rate of sickness. On the other hand the cost of the dental services appears to be lower. This is attributable partly to the lower level of demand, partly to the lower cost of the services provided. The really marked difference arises in connection with the hospital services. The lower rate of expenditure in Northern Ireland was accounted for up to 1951/52 by the much lower rate of operating expenditure. This large difference focuses attention quite sharply on the general backwardness of the hospital service in Northern Ireland.

In the field of housing expenditure the lower effective rate seems remarkable when it is considered in conjunction with the facts that Northern Ireland has since the war built 50% more houses per head than Great Britain, and that the Northern Ireland subsidy is the same as the Scottish subsidy which itself is higher than the standard general amount payable under the Housing Act 1946 for houses built in England and Wales. The explanation of the much lower rate of expenditure per head in Northern Ireland, notwithstanding these facts may be attributed to a number of factors. In the first place, one third of the houses built in the post-war period in Northern Ireland have been for the account of owner-occupiers. These houses carry a capital grant from the Government but this is equivalent to a very low annual rate of subsidy. This policy offers considerable opportunities for relieving the Exchequer of the burden of housing subsidies, but it does at the same time raise considerations of social priority in relation to the provision of house room. Whether the distribution of accommodation which has resulted from this policy is in any way worse from that which has resulted from the British policy must be regarded as doubtful.

In the second place, although the maximum general subsidy in Northern Ireland is higher than in England, the actual rate in Northern Ireland depends on the size of the house and diminishes with size. In England & Wales on the other hand, rates of housing subsidies are related to the size of the dwelling provided. Since the average local authority house in Northern Ireland is smaller than that in Great Britain the effective advantage is correspondingly reduced.¹

Further factors which contribute to an explanation of the difference include the greater importance of the temporary housing programme in Great Britain, the effective cost of which is higher, and the greater volume of subsidised building which took place before the war in Great Britain. Finally the 1946 Act gave the authorities in Great Britain powers to pay higher rates of subsidy in certain special cases. Part of the difference may be associated with the exercise of these powers.

In the field of environmental services standards are recognised to be much below those in Great Britain. In this field there is much leeway to be made up. This situation is reflected in the levels of expenditure on water and sewerage in the two regions. In 1951/52 Northern Ireland was spending six times as much per head as Great Britain as a whole. The following figures show the different rates of expenditure in this field in the four regions of the United Kingdom :

	England	Wales	Scotland	Northern Ireland
£				
per head	2167	768	1052	642
	·05	·3	·2	·47

Table 2 does not give a complete picture of central expenditure on the social services in 1951/52, however, because it does not include the non-specific Exchequer Equalisation Grant for Great Britain, or the General Exchequer Contribution for Northern Ireland. The greater part of these items is to be regarded as expenditure on the social services. In 1951/52 the amount paid in this respect for Great Britain was £55,457,000 of which £50 millions related to England and Wales and the balance to Scotland. For Northern Ireland the corresponding amount was £2,944,000. In terms of expenditure per head of population the respective amounts were £1·15. and £2·14. If the whole of this non-specific contribution is regarded as expenditure on the social services, then in 1951/52 Northern Ireland was spending £17·28 per head as against a figure of £17·45 for Great Britain.

Even if this expenditure is included, therefore, Northern Ireland's expenditure on the non-cash social services per head of the population is for 1951/52 barely equal to that of Great Britain, notwithstanding its leeway and relative poverty. In this year, capital expenditure was proceeding at a greater rate in Northern Ireland, but this higher rate of capital expenditure was more than offset by the lower rate of current expenditure in a number of fields.

So far only central expenditure on the social services has been considered. In order to see how far social service expenditure in the aggregate is on a par with that of Great Britain it is necessary to

¹ On the other hand the Northern Ireland Housing Trust receives in addition a grant equal to the ordinary local authority contribution from rates.

look at the expenditure of all public authorities taken together adjusting for inter-authority payments. An attempt to show this is made in tables 4 and 5 below which present consolidated accounts of the expenditure of all public authorities¹ for the year 1949/50² on current and capital account respectively. These figures take account of that part of the General Exchequer Contribution which is spent on the social services included in the table.

Consolidated Expenditure on Social Services by all Public Authorities in Great Britain and Northern Ireland, 1949/50.

From Table 4 it can be seen that in the aggregate Northern Ireland was in 1949/50 spending less on current account per head of the population on all social services than was Great Britain. Table 5 indicates that the rate of expenditure on capital account also was lower in Northern Ireland for this year. The figures of expenditure on capital account for Northern Ireland are estimates only and are subject to some margin of error.

TABLE 4.—Consolidated Current Expenditure on Social Services* by All Public Authorities, 1949/50.

SERVICE	Great Britain		England and Wales		Scotland		Northern Ireland	
	£ mn.	£ Per Head	£ mn.	£ Per Head	£ mn.	£ Per Head	£ mn.	£ Per Head
Contributory Insurance Scheme	398.2	8.1	356.3	8.1	41.9	8.0	10.31	7.5
Extended Unemployment Benefit	5.5	.1	4.3	.1	1.2	.2	.23	.2
Family Allowances	62.6	1.3	54.6	1.2	8.0	1.5	2.72	2.0
Non-Contributory Old Age Pensions	27.0	.5	24.3	.5	2.7	.5	1.87	1.4
National Assistance	62.9	1.3	55.6	1.3	7.3	1.4	2.85	2.1
Industrial Rehabilitation	1.7	(.04)	1.6	(.04)	.1	—	.1	—
Nutrition Services	60.6	1.2	54.3	1.2	6.3	1.2	1.32	1.0
Education	267.5	5.4	235.5	5.4	32.0	6.1	6.27	4.6
Child Care	14.0	.3	12.9	.3	1.1	.2	.14	—
National Health Service	411.1	8.4	365.4	8.3	45.7	8.8	9.00	6.6
Housing	67.0	1.4	56.0	1.3	11.0	2.1	.90A.	.7
TOTAL	1,378.1	28.1	1,220.8	27.9	157.3	30.2	35.62	26.0

Sources: Annual Abstract of Statistics, 1952. Appropriation Account for U.K. and Northern Ireland. Local Government Financial Statistics (G.B.), and Local Government Taxation Returns (N.I.).

Notes: A. Estimate on equivalent basis to figures for Great Britain.
B. Estimated.

*Excluding environmental Services.

¹ That is, Central Government, Local Government, and the National Insurance Funds.

² The latest year for which the Local Government Financial Statistics are available for Northern Ireland.

TABLE 5.—*Capital Expenditure on Social Services by all Public Authorities for 1949/50.*

SERVICE	GREAT BRITAIN		NORTHERN IRELAND	
	£ mn.	per head	£ mn.	per head
Education	37·3	·8	·600	·5
Health	22·4	·5	·200	·2
Housing	254·5	5·2	6·225 ¹	4·5
Other	13·5	·3	·050	(·04)
TOTAL	327·7	6·7	70·75	5·2

Source: Great Britain; Monthly Digest of Statistics, May, 1953, Northern Ireland. Estimated based on Appropriation Accounts and Local Taxation Returns.

¹ Includes lump sum subsidy to private subsidy building.

The most important feature which emerges from consolidation is the effect which the inclusion of local authority expenditure has upon the relative levels of expenditure in the two regions on education, and to a much smaller extent, on the health services. In 1949/50 public expenditure on education in Great Britain expressed as a proportion of population of school age amounted to £40·5. In Northern Ireland the corresponding rate of expenditure on the age group 5-14 was only £28·6. It is no doubt true that the independent schools at the elementary level constitute a larger part of the total in Northern Ireland than in Great Britain, but a great part of the expenditure of these schools is provided by public funds in any case. It is improbable that this difference accounts for anything but a small part of the difference in these rates of expenditure.

The question which at once suggests itself is whether the local authorities are bearing a fair share of the burden. The level of rates in Northern Ireland is certainly lower than the average in Great Britain but this fact in itself is by no means conclusive. What is alarming is that local expenditure should pull down the average by so much notwithstanding the very much larger rate per head at which the General Exchequer Contribution is running in Northern Ireland. This factor perhaps points to the need for reconsidering the principles on which these grants are made, particularly if any hopes are entertained not only of improving the standard of education of the existing school population, but also of raising the school leaving age in the near future.

In this paper the object has been to set the level and distribution of public expenditure in Northern Ireland against the background of corresponding expenditure in Great Britain. Some attempt must now be made to sum up.

In the field of central government Northern Ireland's expenditure on the non-cash benefit services in the inter-war years was higher per head except for a few years in the thirties. It is a matter of observation, however, that this did not enable the region to provide generous standards of services. The higher rate of expenditure reflected

the higher costs and greater need of social provision in the province. In the years in which rates of expenditure fell below those in Great Britain, standards must have fallen behind considerably.

In the post-war years it appears at first sight as if a favourable standard of expenditure on the social services has been maintained. This differential, however, is due solely to the method of financing the housing programme and does not represent any real difference in the level of expenditure on these services. Indeed, expressed in equivalent terms, rates of public expenditure on the social services have been much less favourable to Northern Ireland than they were before the war. This is accounted for partly, of course, by the fact that Northern Ireland has not followed Great Britain in raising the school leaving age. In the main, however, this relative decline does not reflect a similar decline in the amount of real resources devoted to these services in Northern Ireland. To a large extent it is a consequence of the fact that the authorities in Great Britain have, in the post-war period, taken over responsibility for services which were more highly developed than the corresponding services in Northern Ireland. The distribution of the cost of these services as between the private sector and the public sector has changed more in Great Britain than in Northern Ireland.

The fact remains, however, that until 1951/52 Northern Ireland was spending somewhat less per head than Great Britain on the non-cash benefit social services. In the early post-war years, Northern Ireland appears to have been spending less on current account, and also less on capital account. By 1951/52, however, Northern Ireland was spending at a much greater rate on capital account than was Great Britain, and to this extent leeway was being made up. This higher rate of capital expenditure, however, did not offset the much lower rates of current expenditure in a number of fields so that the net effect was that, in the aggregate rather less per head was being spent on these services in Northern Ireland as compared with Great Britain. In a very real sense, then, Northern Ireland has been financing her own leeway expenditure. It appears however, from the Estimates for 1953/54 that rates of expenditure in the current year are now more favourable to Northern Ireland, mainly on account of the increased rate of capital expenditure being undertaken in the field of health. It seems likely that for the current year rates of expenditure per head on the health service in Northern Ireland (including both capital and current expenditure) may be nearly equivalent to rates of expenditure in Great Britain.

Taking as a whole the situation summed up in these figures, it can hardly be suggested that Northern Ireland's expenditure on these social services in the post war years has been over-generous whether one considers this question within the narrow context of the region's finances or the wider context of its needs.

Nonetheless, in recent months the fear has been voiced in a number of quarters that the prospective budgetary situation may possibly impair the maintenance even of existing rates of expenditure, let alone provide any scope for further expansion of expenditure. This is a line of thought which should be strongly resisted. The balance of Northern Ireland's budget should be, and appears to be, irrelevant within the framework of existing arrangements so long as parity is

not exceeded. However, a lurking doubt remains that the Imperial Government would not necessarily be committed to making up a budget deficit here if at the same time standards of expenditure are higher even though parity may not be attained. Some official indication of the interpretation which is to be placed on these agreements would surely be in the public interest.

However, the possibility of a deficit is remote at the moment. What is of more current interest is the question of the maintenance of a positive Imperial Contribution. On this subject a certain duality of attitude is not uncommonly found. Many people accept the view that the size of the Contribution is immaterial. At the same time they would be strongly averse to its reduction and disappearance if it can be avoided. It is in fact a political symbol to which considerable importance is attached. There is of course no way of altering the reality which underlies existing arrangements but there are a number of financial adjustments, for which a good case can be made, which would enable the budget better to express the real situation. None of these modifications is inconsistent with the spirit of existing arrangements but only one lies within the sole competence of the government of Northern Ireland.

The first possibility which suggests itself is that the commutation of housing subsidies should be discontinued. Commutation was introduced in the early post-war years when the revenue situation was favourable and when expenditure on the other social services had hardly begun to expand. In these conditions it served the useful purpose of keeping the Imperial Contribution down to an acceptable level. If it is to be argued that a positive Imperial Contribution is to be maintained, the elimination or reduction of this "capital" item should obviously be considered.

In the second place the possibility of revising the Social Services Agreement might be explored. Of course, in so far as the two governments place no weight on the size of the Imperial Contribution, and in so far as the Imperial Government is prepared to support a deficit in Northern Ireland, the terms of this agreement are basically irrelevant.

The same applies to the third possible source of budgetary relief which relates to the attribution of Northern Ireland's share of Reserved Taxation. If the relations between the two Exchequers have been "reduced to a basis of cross accounting"¹ then attribution is basically unimportant. If, however, levels of expenditure in Northern Ireland are to be determined to any extent by the budget outcome, then it is in the interests of the province that attribution should be on as favourable a basis as possible. There is some ground for thinking that the present method of attribution understates Northern Ireland's tax contribution.²

Vote of thanks proposed by T. Elwood ; seconded by D. G. Neill.

¹ See *The Finances of Northern Ireland, Ulster Year Book, 1950*, p. xxxvi.

² J. I. Cook, *op. cit.*, page 23, where it is pointed out that Northern Ireland's tax contribution is understated in respect of death and stamp duties. On the other hand it is also the case that some items of Imperial expenditure properly attributable to Northern Ireland (e.g., food and some agricultural subsidies) find no place in the budget. No net relief can be expected therefore from a comprehensive revision of the basis of attribution.