

STATISTICAL AND SOCIAL INQUIRY SOCIETY OF IRELAND.

THE TRADE STATISTICS OF THE IRISH FREE STATE.

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(1) Recent Trends.

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1. The most characteristic years for the comparison of the movements of external trade are 1926, the year after the reëstablishment of the gold standard by the United Kingdom; 1929, the apex of the second post-war boom; 1931, the last year of depression unaffected by political disturbances; 1934, the pit of the secondary depression induced by the economic war between the Free State and the United Kingdom; 1936, the last year for which figures are available.

2. Movements of total trade.

Year	Values (£ mn.)			Index.		
	Retained Imports	Domestic Exports	Adverse Balance	Retained Imports	Domestic Exports	Adverse Balance
1926	60.5	40.5	20.0	100	100	100
1929	60.2	46.2	14.0	100	114	70
1931	49.7	35.5	14.2	82	88	71
1934	38.8	17.6	21.2	64	43	106
1936	39.4	22.0	17.4	65	54	87

The existence of an adverse balance is a matter of no significance in itself; it is merely the counterpart of a creditor position on international account. Changes in its magnitude may be of immediate significance, if they are not compensated by equivalent changes in other current items in the balance of foreign payments. Between 1926 and 1929 exports increased both absolutely and relatively to imports; as it is extremely improbable that there was any countervailing diminution of invisible exports during those years, this represents a net accretion to our foreign assets. From 1929 to 1931 both imports and exports decreased in absolute terms, but exports maintained a relative advantage, and no deterioration of the adverse balance occurred; some weakening of invisible exports is probable and, therefore, some loss of external assets. The critical year is 1931, after which both imports and exports turn violently downwards, and exports contract sharply relatively to imports; by 1936 exports have recovered some half of their loss relative to imports, and the 50 per cent. increase in the adverse balance between 1931 and 1934 has been reduced to one of 23 per cent. The aggregate adverse balance, 1932-6, amounted to £89 mn. an excess of £18 mn. over the total for the previous five years. This constituted a drain on our foreign assets, aggravated by the weakening of many invisible exports but relieved by

the cessation of certain invisible imports (*i.e.*, the moneys in dispute between the two Governments). If the cessation of payment of these sums had been followed by no measures of self-defence on the part of the Government of the United Kingdom, the cessation should have been followed in due course by a corresponding widening of the adverse balance of visible trade, which would have had no sinister significance whatever. But the counter-measures taken here to meet the British Government's reaction have had the effect of swelling, through the payment of export bounties, the apparent value of exports by a large but not accurately determinable amount, so that the real adverse balance is greater by that amount than the apparent one shown above. It would, perhaps not be far wrong to assume that the cessation of invisible imports and the understatement of the real adverse balance roughly cancel out, leaving the net worsening of our foreign position, due to the contraction of visible and invisible exports, approximately equivalent to the deterioration of the adverse balance of visible trade. It is consistent with this view that the net balance of foreign assets held by the Currency Commission and the commercial banks declined by some £16 million between December, 1932, and December, 1936.

3. Movements of prices.

Year	1926	1929	1931	1934	1936
Index of Import Prices	100	91	70	64	68
Index of Export Prices	100	95	81	55	60
Index of Terms of Trade	100	104	116	86	88

Once more 1931 is the critical year. Until then, even through the first years of the world depression, and even then more markedly, the terms of trade swing in favour of the Free State, each unit of exported produce purchasing progressively more in terms of foreign produce. In 1931 a complete reversal takes place, the terms of trade swinging sharply against the Free State, and even more sharply than these figures show, by reason of the export bounties referred to in the preceding paragraph. Between 1934 and 1936 only slight improvement took place, which has again been lost in 1937 through the more rapid rise of import prices. It is significant that by 1934 the index of import prices, which had hitherto lain below that of total value of imports, has become equal to it and by 1936 passed above it, a position retained into 1937, indicating that the major influence in determining total expenditure upon imports, and therefore in part the magnitude of the adverse balance, is no longer the quantum of imports, but price fluctuations. The same is true of export values and prices, save that by 1934 the price index is distinctly higher than the index of aggregate values; the incidence of export bounties, however, renders this comparison more dubious. It would appear that for the immediate future the more important factor in settling the size of the adverse balance will be the comparative movements of export and import prices.

4. The physical volume of trade (index).

Year		1926	1929	1931	1934	1936
Imports	...	100	110	117	100	96
Exports	...	100	120	107	79	90

This table is derived by dividing the indices of the aggregate value of trade by the indices of import and export prices respectively, and multiplying the result by 100. In this, as in the previous, table the indices of export and import prices must be used with caution. During a period marked by considerable changes in the composition of trade, and particularly by the partial substitution of partially assembled for complete articles among imports, the accuracy of any index for portraying price changes is open to doubt. Again, 1931 is the critical year. The beginning of a fall in exports sooner than in imports is the reverse aspect of the more rapid fall of import prices; in both the spectacular collapse comes between 1931 and 1934, followed by further shrinkage of imports and some considerable recovery in exports. The remarkable thing, in this table as in analyses of world trade in general, is the small effect of political interruptions in diminishing the physical volume of trade.

5. Distribution of retained imports by classes.

Year	(£ Mn.)						Proportion (%) of Total					
	Live Annuals	Raw or Simply Prepared Goods		Manufactured or Prepared		Parcel Post ¹	Live Annuals	Raw or Simply Prepared Goods		Manufactured or Prepared		Parcel Post ¹
		Food, Drink and Tobacco	Other Goods	Food, Drink and Tobacco	Other Goods			Food, Drink and Tobacco	Other Goods	Food, Drink and Tobacco	Other Goods	
1926	1.5	9.5	6.4	15.0	26.1	2.1	2.5	15.7	10.6	24.8	43.1	3.4
1929	1.6	10.3	6.5	12.4	28.4	1.1	2.6	17.1	10.8	20.6	47.2	1.8
1931	1.3	7.2	5.8	10.2	24.4	0.8	2.7	14.4	11.7	20.6	49.1	1.5
1934	0.5	7.3	5.5	4.1	21.0	0.3	1.3	18.8	14.2	10.7	54.1	0.8
1936	0.6	6.9	6.7	3.4	21.3	0.4	1.6	17.6	16.9	8.7	54.2	0.9

¹ Note—Non-dutiable only.

Until 1931 the proportions display considerable constancy, but thereafter a severe contraction occurs in the absolute value and proportion of manufactured or prepared articles of food, drink and tobacco imported. Although the absence of price-indices for the separate classes forbids any exact quantitative comparison, it is clear that this contraction is too great to be accounted for by any price-changes, and that a marked reduction of the quantum imported occurred, as is indeed evident from an inspection of the items involved. The shrinkages in the other classes are quite consistent with a maintenance of the physical volume of imports. It is thus probable that the great bulk of the 17½ per cent. contraction in the total volume of imports brought about between 1931 and 1936 fell on this class, and the absence of a corresponding increase in the "raw or simply prepared" articles of food, drink and tobacco is to be explained by the substitution of domestic sources of supply which do not, as in the case of "other goods," largely consist of the assembly of materials more than "simply" prepared, but are domestic from the ground up, *e.g.*, bacon, butter and wheat. The most remarkable change in the proportions is that in 1936 other industrial goods, whether raw or prepared, account for 71 per cent. of total imports against 54 per cent. in 1926, a distinct change in the character of our trade.

6. Distribution of exports by classes.

Year	(£ Mn)						Proportion (%) of Total					
	Live Animals	Raw or Simply Prepared Goods		Manufactured or Prepared		Parcel Post ¹	Live Animals	Raw or Simply Prepared Goods		Manufactured or Prepared		Parcel Post ¹
		Food, Drink and Tobacco	Other Goods	Food, Drink and Tobacco	Other Goods			Food, Drink and Tobacco	Other Goods	Food, Drink and Tobacco	Other Goods	
1926	17.5	4.8	1.7	13.8	1.8	1.0	43.2	11.9	4.2	34.0	4.3	2.4
1929	19.7	5.2	2.3	14.7	3.5	0.7	42.6	11.3	5.1	31.9	7.5	1.6
1931	18.3	3.9	1.0	9.7	1.9	0.6	51.6	11.1	2.8	27.4	5.3	1.8
1934	6.1	2.0	1.1	7.5	0.7	0.2	34.8	11.2	6.2	42.5	3.9	1.4
1936	9.0	2.1	1.7	8.4	0.6	0.2	40.8	9.4	7.6	38.3	2.9	1.0

¹ Note—Non-dutiable only

In this table, apart from the steady destruction of the parcel post traffic, found also on the import side, is the extent to which the proportions, maintained with some consistency from 1926 to 1931, after being thoroughly distorted by the slump of 1931-4, have been re-established by the recovery of 1934-6. Whatever internal changes in the composition of each class have taken place, manufactured or prepared articles of food, drink and tobacco have only gained slightly at the expense of live animals, and the combined contribution of the two has been, in each of the five years, 77, 75, 79, 77 and 79 per cent. respectively.

7. Comparison of character of import and export trade.

The two preceding tables make it clear that the events of the past ten years, catastrophic as they have been in some respects, have not radically altered the character of the Free State's foreign trade. In 1926-31, on the average, 68 per cent. of imports consisted of industrial goods more or less ready for consumption, and in 1936 the proportion was 63 per cent. The preponderance, in exports, of live animals and manufactures of food, drink and tobacco has already been mentioned. This may be illustrated more strikingly by another small table:—

£mn

	1926			1936		
	Imports	Exports	Balance	Imports	Exports	Balance
Food and Drink (including live animals, excluding Tobacco) ...	25.6	36.1	+ 10.5	10.2	19.4	+ 9.2
All other goods ...	35.6	4.4	- 31.2	29.7	2.5	- 27.2

8. Direction of trade.

Value of consignments from and to each of the principal countries expressed as percentages of the total value of imports and exports (including re-exports) in each year.

PERCENTAGES

Country	IMPORTS					EXPORTS				
	1926	1929	1931	1934	1936	1926	1929	1931	1934	1936
Great Britain ..	65.1	68.1	70.8	61.6	66.8	83.1	81.3	85.7	80.6	81.4
Northern Ireland	10.5	10.0	10.0	5.1	4.0	13.6	10.9	10.6	12.7	10.1
United Kingdom	75.6	78.1	80.8	66.7	70.7	96.7	92.2	96.3	93.3	91.5
Canada ...	2.0	1.3	1.4	2.8	2.9	0.1	0.2	0.1	0.2	0.2
Australia ...	0.3	0.6	1.3	2.9	3.5	0.1	0.4	—	0.1	—
Total above										
British Countries	77.9	80.0	83.5	72.4	77.1	96.7	92.7	96.4	93.6	91.8
Argentina ...	2.7	4.0	3.1	2.4	1.6	—	—	—	—	—
U S A ...	8.1	7.8	4.1	4.8	4.6	0.7	2.1	1.1	0.7	1.2
Belgium ...	1.7	1.2	1.4	2.8	3.3	0.4	0.3	0.3	1.4	1.1
Germany ...	3.7	2.5	2.4	5.9	3.3	0.6	1.4	0.3	0.9	2.9
Netherlands ...	1.5	0.9	0.9	2.0	1.7	0.2	0.3	0.2	0.3	0.4
Sweden ...	0.7	0.9	0.7	1.0	1.0	—	—	0.1	—	—
Other Countries	3.7	2.7	3.9	8.7	7.4	1.3	3.0	1.6	3.1	2.5

This table again shows no changes of striking magnitude; the only changes of consequence are the loss of imports consigned from Northern Ireland and the United States of America, and the increase of imports consigned from Australia and Belgium and of exports consigned to Germany.

Until last year, these data were compiled on the basis of consignment, not origin and destination. For 1936 imports are classified according to both country of consignment and country of origin, and an estimate of the magnitude of the entrepôt trade effected on our behalf in the United Kingdom becomes possible. In that year imports to the value of £7 mn. were consigned to the Free State from the United Kingdom, though originating elsewhere, chiefly in the Argentine, British India, Canada, and the United States of America. As well as the United Kingdom, Belgium, Latvia and the Netherlands consigned a quantity of imports greater than that originating in their own territories. In the case of exports, country of destination has not yet been substituted for country of consignment.

The "origin and destination" basis of classification has distinct theoretical merits. It appears at first sight to yield a closer approximation to the correct picture of the Free State's integration with the world economy. But it encounters certain practical difficulties, which have a bearing on its theoretical merits. The first is the added risk of inaccuracy: place of consignment is evident on the face of the transport documents associated with any parcel of imported or exported goods, but the determination of place of origin or destination requires a declaration by the consignor. This declaration the exporting consignor cannot make, for the goods pass out of his control into that of his consignee; this is perhaps the reason why the classification of exports on the basis of destination has not yet been attempted. But then we are presented with the statistical monstrosity of a different basis of classification for imports and exports. The difficulty of the importing consignor and the statistical officials here is to know where to stop: the great majority of the articles of international trade are the complex result of a process of production involving the combination of factors and materials derived from many different sources. What point in this process is to be selected as the point

at which the goods "originate" for the purpose of statistical classification? It must inevitably be arbitrary, and that very exclusion of the pursuit of the goods' origins beyond a certain arbitrarily selected point defeats a great deal of the theoretical merit of this classification: it goes some way towards a juster picture of economic relations, but possibly not far enough to justify the added labour and the misleading appearance of finality. The classification shows, not the point of origin of the goods, but the point at which the last work to reduce them into the form in which they are imported into the Irish Free State was done. From another point of view the "consignment" classification is of direct interest, and I should greatly regret its disappearance. It is with the country of consignment that the immediate financial arrangements relating to the trade transactions are made, and in all questions of exchange and balances of payments it is these arrangements that are relevant. Lastly, on this point, I think table 96 in the Statistical Abstract for 1937 is dangerous; a summary table, it is the one that will be read and quoted by amateurs, who cannot be trusted to observe and report that the last column is headed "origin," and the preceding ones "consignment," so that they are not comparable; if it is desired to show the "origin" figures for 1936, the "consignment" ones also should be included for comparative purposes, as in the more detailed table 94.

(2) Some Notes by a Businessman.

By J. C. M. EASON, B.A., O.B.E.

Since the formation of the Irish Free State as a separate political unit, special interest attaches to the various statistical tables prepared and published, recording the changes taking place in economic and social activities. Such details have become more important in all progressive countries throughout the world because of the growing complexity of social and economic life. Governments all over the world are being called upon increasingly to intervene in the individual activities of their citizens, and knowledge of the facts regarding economic activities within each State has become essential.

In the course of his address to the British Association in 1936, Sir Josiah Stamp drew attention to the fact that we are becoming more self-conscious than before as the result of the large mass of statistics published broadcast at frequent intervals (and, he added, also more conscious of the individual hardships which attend communal progress).

Undoubtedly, there are figures selected from the large mass of available data and published in the daily Press, which have a plain significance, as for instance, the Revenue Returns. There are also figures published which bear little significance until they are interpreted, *e.g.*, Railway Traffic Receipts, giving inadequate information and sometimes leading the public towards a wrong conclusion. Now, it is probably true that a great number of people are positively sceptical with regard to the utility of statistics, and that many more are not so much doubtful as indifferent because they do not visualise for themselves the facts which lie behind figures relating to activities which possibly are outside the normal experience; and there are those