

A SUMMARY OF THE FIGURES OF EXPENDITURE AND REVENUE PRESENTED IN THE FINANCE ACCOUNTS FOR THE YEARS 1929-30, 1939-40 AND 1949-50.

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(Read before the Society, Friday, February 16th, 1951.)

This paper is not an examination of the field of public finance—it deals with the figures in the Finance Accounts. It would require a student, which I am not, to cover the wider ground. I have even left aside the expenditure by local bodies. The Financial Statement shows that in 1939-40 Local Authorities spent £13,091,000, to which Rates contributed £6,510,000 and Central Grants £4,831,000; in 1949-50 the *estimated* figure of expenditure was £26,645,000. Rates provided £10,900,000 and Central Grants £13,845,000. The total expenditure doubled, Rates went up to 50 per cent., Central Grants were nearly trebled. Precise details are not available, but the appropriate place for these additions in Table I would be, I think, for Rates—first group, and for Grants—the Social Group, where some, are included, and Agriculture.

A simple correction for the change in value of money which has depreciated so much—as the French phrase runs, *L'or va pis toujours*—is to halve the 1950 total and deduct one-sixth from that for 1940, and this adjustment has to be made throughout; the statistical effort of representing this change throughout the whole range of figures was too great for me to attempt; the cost of living index is used for a basis.

There is little change in the form of presentation of these figures; but since it is some time since the series first appeared, it is desirable to explain that it purports to group the unco-ordinated series of votes from Supply Services with parallel issues from the Central Fund in accordance with the objects of the Expenditure; so far as it contains an inappropriate classification of certain doubtful items, the method is faulty, but uniformity of compilation showing the make-up of each group leaves the totals comparable.

In previous papers, full details were printed; on this occasion they are not repeated except for certain important groups. Briefly, it may be noted that *Oireachtas*, etc., includes Votes for the President, Salary, An Taoiseach's Office, Electoral Expenses, etc; *Debts* (see Table II); *Superannuation* 1929-30 includes Pensions, now payable by the British Government; *Local Government* excludes Housing Loan Contribution (see Debt), Housing and Relief Grants (see Social); *Judiciary*, etc., is the total of all Votes relating to these activities. *Miscellaneous* covers Stationery Office, Ordnance Survey, Office of Public Works and outlay (total £1,993,000), etc.

Defence is the precise Vote total; *Posts and Telegraphs* is the total of Vote less Capital Annuity (see Debt); *Wireless* is the Vote total. For *Commerce, Agriculture and Social*, see Tables III, IV and V. *Education* covers all cognate Votes, the total for 1950-51 is £9,139,000; of this total, Primary Education at £6,400,000, compared with £3,600,000 in 1929-30 accounts for two-thirds against four-fifths;

TABLE I.

| | 1929/30 | | 1939/40 | | 1949/50 | |
|--|---------------|-------------|---------------|-------------|---------------|-------------|
| | £000's | % | £000's | % | £000's | % |
| Oireachtas, etc. ... | 177 | ·8 | 185 | ·5 | 255 | ·3 |
| Finance, Dept. etc. ... | 737 | 3·2 | 976 | 3·0 | 1,535 | 2·0 |
| Service of Debts and Loans ... | 2,093 | 9·2 | 3,764 | 11·3 | 5,546 | 7·8 |
| Superannuation and Pensions ... | 1,974 | 8·7 | 1,020 | 3·0 | 1,711 | 2·2 |
| Local Government Office (pt.) and Local Tax Grants ... | 553 | 2·4 | 630 | 2·0 | 769 | 1·0 |
| Judiciary and Police (Votes) ... | 2,026 | 9·0 | 2,273 | 6·8 | 3,925 | 5·2 |
| External Affairs and O.E.E.C. (Votes) ... | 71 | ·3 | 98 | ·3 | 301 | ·4 |
| Miscellaneous ... | 971 | 4·3 | 1,594 | 4·8 | 2,710 | 3·6 |
| Defence (Vote) ... | 1,324 | 5·8 | 2,973 | 9·0 | 3,679 | 5·0 |
| <i>Sub-total</i> ... | <i>9,926</i> | <i>43·7</i> | <i>13,513</i> | <i>40·7</i> | <i>20,431</i> | <i>27·5</i> |
| Posts and Telegraphs ... | 2,093 | 9·2 | 2,245 | 6·7 | 5,011 | 6·7 |
| Broadcasting (Vote) ... | 24 | ·1 | 60 | ·2 | 189 | ·5 |
| Commerce ... | 243 | 1·0 | 660 | 1·8 | 2,151 | 2·8 |
| Agriculture ... | 2,291 | 10·0 | 4,219 | 12·7 | 10,093 | 13·4 |
| Education (Vote) ... | 4,504 | 20·0 | 5,049 | 15·2 | 7,808 | 10·4 |
| <i>Sub-total</i> ... | <i>9,155</i> | <i>40·3</i> | <i>12,233</i> | <i>36·6</i> | <i>25,252</i> | <i>33·8</i> |
| Social, Health, Welfare and Grants ... | 3,645 | 16·0 | 7,508 | 22·7 | 28,886 | 38·7 |
| <i>Total</i> ... | <i>22,726</i> | <i>100</i> | <i>33,254</i> | <i>100</i> | <i>74,569</i> | <i>100</i> |
| Local Loans ... | 935 | — | — | — | — | — |
| Property Losses ... | 290 | — | 3 | — | — | — |
| Road Fund ... | 897 | — | 1,138 | — | 2,552 | — |
| Advances and Shares in A.G.C. ... | 202 | — | — | — | — | — |
| Contribution to C.I.E. ... | — | — | — | — | 4,091 | — |
| | 25,050 | — | 34,395 | — | 81,212 | — |
| RECONCILIATION : | | | | | | |
| Payments from Central Fund ... | 4,198 | — | 4,949 | — | 7,897 | — |
| Supply Service Votes ... | 20,852 | — | 29,446 | — | 73,315 | — |
| | 25,050 | — | 34,395 | — | 81,212 | — |
| Value of £ | 20/- | — | 16/8 | — | 10/7 | — |

TABLE II.

| | 1929/30 | 1939/40 | 1949/50 | Estimates 1950/51 |
|---|---------|---------|---------|-------------------|
| | £000's | £000's | £000's | £000's |
| DEBT : | | | | |
| Service of Debt (C.F.) ... | 1,742 | 2,371 | 3,728 | 5,129 |
| Management of Stocks ... | 9 | 16 | 22 | 26 |
| Annuity for Damage to Property (C.F.) ... | 236 | 250 | 250 | 250 |
| Telephone Capital Annuity (Post-Tel) ... | 106 | 140 | 217 | 310 |
| Service of Bonds (Lands) ... | — | 618 | 639 | 643 |
| Housing Loan Charged (L.G.D.) ... | — | 369 | 690 | 758 |
| | 2,093 | 3,764 | 5,546 | 7,116 |

Secondary for £926,000 (£297,000), Technical for £705,000 (£146,000) and Universities £480,000 (£154,000), including the supplementary £190,000 recently passed.

The divergence of the amount in the Finance Accounts for " Issues of Year " from the figure appearing in the Estimates causes difficulty when the total is " broken down " in the analysis, more especially when Appropriations in Aid have to be deducted; it is believed that errors arising from this are small.

The summary in Table I has been provided with sub-totals which segregate the expenditure on traditional services, economic activities and education, and on social welfare. The reconciliation with the total figures in the Finance Accounts is given at the foot; there are separate Funds for Road expenditure and Local Loans; there was no group in which to place the £4,091,000 paid C6ras Iompair 6ireann, and setting it out by itself draws attention to its magnitude.

The next table gives the items relating to Debt Services, etc. A full examination of this subject would require a paper to itself, and while the table may appear somewhat inadequate, it does in actual fact gather together the relevant details as they have been grouped by former Ministers for Finance in Budget speeches. There are references to borrowing and the creation of Debt in a later part of this paper. It will be noted in Table VI (a) that there are receipts by way of dividend and interest for the three periods tabulated, totalling £335,000, £659,000 and £1,496,000. In this table the figures for 1950-51 are given so as to reveal the upward trend.

Commerce.

This table reveals part of the cost of Aviation and Meteorological Services (the full position was recently dealt with by a paper read to the Society by Mr. P. Brennan). Of the total, Meteorological Services accounted for £166,000. The special contribution to the losses of

TABLE III.

| | Finance Accounts 1929/30 | Finance Accounts 1939/40 | Finance Accounts 1949/50 |
|---|--------------------------------|--------------------------------|--------------------------------|
| | £000's | £000's | £000's |
| INDUSTRY AND COMMERCE : | | | |
| <i>Office :</i> | | | |
| Salaries, etc. | 100 | 244 | 401 |
| Research, Turf Minerals | — | 80 | 153 |
| Labour Court | — | — | 25 |
| Industrial Development Authority | — | 16 (a) | 46 |
| International Labour Office | 3 | 5 | 14 |
| <i>Votes :</i> | | | |
| Transport and Marine | 60 | 59 | 140 |
| Aviation and Meteorological Services | — | — | 1,096 |
| Gaeltacht | — | 102 | 113 |
| Fisheries | 37 | 71 | 110 |
| Industrial and Commercial Property | | | ° |
| Registration Office | 22 | 14 | 18 |
| Tourist Board | — | 1 | 35 |
| Sundry | 21 | 17 | — |
| | 243 | 609 | 2,151 |

(a) Tariff Commissions.

Córas Iompair Éireann has been placed by itself in Table I; there was no such payment before and it is probably non-recurrent in its present form, and the 1950-51 Estimates contain no such provision.

The Office cost is reduced for 1950-51 because of the transfer of the Statistical section, which then appears as a separate item on a Vote amounting to £93,850; the cost of this item for 1949-50 is noted as £78,000.

Transport and Marine *Vote* (excluding payment to C.I.E.) totals £268,000, and provided for Harbour Grants £235,000, but the issues for the year shows (the figures in the table) £140,000.

These details do not reveal the work and achievements of the Department; for that reference must be made to the details in table VII showing the advances made by the Exchequer to enterprises initiated by the various Ministers during the 20 years and the shares held in Companies operating under Acts introduced since the State was first established. These have to be further supplemented by a review of the industrial development under tariff policy. No such summary is given here nor is any attempt made to assess their value.

Agriculture.
The table for Agriculture reveals the double policy of keeping down costs by means of relief of Rates, etc., and raising earnings by subsidy to prices. Whereas in 1930 the long established payment to County Councils in relief of Rates—that of £599,011 from the Central Fund—had only been doubled, it will now be seen that the combined total of C.F. Grant and Voted money is almost £4,000,000, which is passed on to farmers; in 1950-51 £348,000 more is required to meet increased rates; the Dairy Industry receives £2,674,000 on a separate Vote to help production, exports and winter storage. For 1949-50 the chief items in Development expenditure are Egg Production, £250,000; Seed Distribution, £70,000; Farm Buildings, £74,000 (increased to £430,000 in 1950-51) while as an assistance to Land Improvement and Water Supplies £320,000 was voted (increased for 1950-51 to £3,100,000).

Under Education—County Committees £210,000; Schools and Farms, £141,000; Colleges and Universities, £84,000.

TABLE IV.

| | Finance Accounts 1929/30 | Finance Accounts 1939/40 | Finance Accounts 1949/50 |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | £000's | £000's | £000's |
| AGRICULTURE : | | | |
| <i>Office Vote :</i> | | | |
| Salaries, etc. | 124 | 192 | 343 |
| Research | 10 | 12 | 60 |
| Education and Development | 256 | 622 | 1,080 |
| Administration | 28 | 19 | 430 |
| Sundry | 13 | 5 | — |
| Subsidies | 108 (a) | 254 (b) | 2,674 (c) |
| Forestry | 55 | 201 | 447 |
| Lands (excl. Bond Loans) | 499 | 1,044 | 762 |
| Agricultural Grants (Vote) | 599 | 1,271 | 3,373 |
| " " (C.F.) | 599 | 599 | 599 |
| Rural Electrification | — | — | 325 |
| | 2,291 | 4,219 | 10,093 |

(a) Beet Sugar ; (b) Dairy ; (c) Dairy.

Since Rural Electrification pertains to Agriculture, I have taken the figure voted in 1949-50 (Industry and Commerce Vote) and combined it in this total.

From Table V it will be seen that there are a number of changes compared with earlier years; the Minister for Health now administers functions previously covered by the Office of Local Government and Public Health; the Vote covers the contribution to County Councils, etc., amounting in 1949-50 to £2,600,000 (for 1950-51, a sum of £3,400,000 has been voted): smaller items are Blood Transfusion, £25,000; Child Welfare, £18,500.

The Pension and Allowance items in the table call for little comment; there has been an increase in the rate for Old Age Pensions from 10/- to 17/6, and the Financial Statement notes that this accounts for an extra £1,551,300 for 1949-50 compared with 1948-49.

The Insurance schemes are now administered by the new Office of Social Welfare, the Vote covers Salaries, etc., totalling £790,000, offset by a contribution of £300,000 from the Unemployment Fund as an appropriation in aid. The National Health Insurance figure represents the cost of the taxpayers' contribution to the scheme. The Unemployment Vote is made up of £430,000 as the taxpayers' portion of the contributory scheme, while Unemployment Assistance accounts for a net figure of about £900,000. In earlier years, administration costs were provided in the Vote.

The cost of Relief schemes has doubled since 1940 and for next year the Estimate shows a slight increase.

As to Housing, it will be seen from the footnote that, in addition to the large sum voted, the Transition Fund has been drawn upon. The Minister devoted a special paragraph to the finances of Housing, drawing attention to the many difficult problems created by the past policy, and particularly to the low level of rents, which were disproportionate to the ability of many tenants to pay. He said that for 1950-51 the Budget would provide £5,200,000 in the form of Grants and Capital Expenditure of £8,900,000: also that half the capital cost of Local Authority Housing is borne by the taxpayer.

The provision for Unemployment and Emergency Schemes (Vote) and for payment to Local Authorities (L.G. Vote) under Local Works Act, 1949, is possibly in the wrong group; it is an economic activity of the State: it has been retained in this group because it follows the sequence of Relief schemes (so described) in earlier years; in so far as it involves the employment of the same people in same areas on the same type of work, it ceases to be relief; the money is spent on Roads, Drainage, "Improvements" and some Housing: in part, it serves to employ labour which is immobile, in part to carry out essential work, and it appears to have lost to some extent its temporary character.

The Local Government Act, 1898, provided for an allowance of half the amount raised off agriculture by Poor Rate and County Cess in the previous year; this was doubled in 1925; in 1931 £750,000 was added, making £1,948,022; a Rates Relief Act, 1946, altered the basis, which now is a primary allowance at the rate of three-fifths of the general rate on land valuations not exceeding £20 and the first £20 of higher valuations; a supplementary allowance of one-fifth of the general rate on the whole of the land valuation above £20; an employment allowance calculated at the rate of 10/- in the £ on the land valuation above £20 where men (either relatives or employees) are at work on the holding for the whole of the preceding calendar year, subject to the limitation that the allowance does not exceed £6 10s. in respect of each man at work. (In 1949-50 the labour content was £583,565).

Where else should I place the subsidies for Food, etc., except in this group, even though they interfere with a direct comparison between the three columns. The provision is shared by the whole community and not any particular section or class, but it is not, however, essentially different because of that reason, and if anybody wishes to consider it as a separate total they can easily do so.

TABLE V.

| | Finance Accounts 1929/30 | Finance Accounts 1939/40 | Finance Accounts 1949/50 | Estimates 1950/51 |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------|
| | £000's | £000's | £000's | £000's |
| SOCIAL : | | | | |
| Health Ministry (V) | — | — | 2,451 | 3,289 |
| Old Age Pensions (V) | 2,742 | 3,506 | 7,135 | 7,149 |
| Widows' Pensions (V) | — | 450 | 1,056 | 1,012 |
| Children's Allowances (V) | — | — | 2,182 | 2,230 |
| Milk, etc., Grants | 107 (a) | 351 (a) | 216 (b) | 221 (b) |
| Office of Social Welfare (V) | — | — | 383 | 379 |
| N. H. Insurance... .. | 326 | 301 | 485 | 481 |
| Unemployment Insurance | 219 | 1,352 | 1,204 | 1,361 |
| Relief Grants (L.G.) | — | — | 1,250 | 1,750 |
| Relief Schemes (V) | — | 1,222 | 1,235 | 955 |
| Housing Grants (L.G.) | 235 | 323 | 1,100 (c) | 1,635 |
| Subsidies— | | | | |
| Flour and Meal (Agricultural) | — | — | 7,766 | 7,200 |
| Tea, Sugar, etc. (L. and Com.) | — | — | 2,149 | 1,790 |
| Fuel (I. and Comm.) | — | — | 270 | — |
| Sundry items | 16 | 3 | 4 | — |
| | 3,645 | 7,508 | 28,886 | |

(a) L.G. and P.H. Vote; (b) Separate Vote.

(c) In Addition there was spent in 1949/50 a sum of £1,849,000 for Housing taken from the Transition Fund (which is being replenished in 1950/51 by the sum of £2,000,000, and from which it is estimated £3,461,000 will be taken in 1950/51); according to the Budget Speech this Fund will be closed after March, 1951, and such sums as are required will appear in the Local Government Vote.

The basis of comparison in Table VI (a) is the same as in former years. Out of the total Revenue of £69,711,000, Customs and Excise account for 54.5 per cent. against 60.6 per cent. in 1929-30 (Total Revenue then being £27,701,000) and 58.7 per cent. in 1939-40 (Total being £28,811,000). Direct taxation is 35.2 per cent. against 26.2 per cent. and 28.6 per cent. Dividends provide £53,000 and come from Agricultural Credit Corporation, £5,981; Alcohol Factories, £9,134; Sugar Co., £16,302; Industrial Credit Co., £21,387; capital involved being £300,000; £275,756; £500,000; £804,517 in same order). Interest on Exchequer Advances, £1,410,000 against £335,000 (1929-30) and £659,000 (1939-40). Of the total accounted for in the last year, E.S.B. provided £858,000 and Local Loans £551,000

In Table VI (b), the outstanding feature is the receipt of £16,140,000 for Tobacco, almost two-thirds of the total. Oils come second, yielding £3,494,000. In Table VI (c), showing Revenue from Excise, Beer and Spirits yielded £9,839,000, and if this be added to

the Customs Revenue from Wine, Beer and Spirits, £1,617,000, there is a total of £11,456,000. Since Customs and Excise together come to £38,000,000, the smokers have done better than the drinkers, and together they contribute 72½ per cent. of the total. The last Table, VI (c), also shows how the State has profited (financially) from the expenditure on Entertainment and Betting.

TABLE VI (a) Revenue.

| | '29/30 | '39/40 | '49/50 |
|----------------------------|--------|--------|--------|
| | £000 | £000 | £000 |
| Customs | 7357 | 10379 | 25445 |
| Excise | 6437 | 6339 | 12570 |
| Sub-total | 13774 | 16918 | 38015 |
| Estate Duty | 1180 | 956 | 3654 |
| Stamps | 431 | 453 | 1331 |
| " Sweepstakes | — | 334 | 234 |
| Income Tax | 3966 | 5948 | 15476 |
| Sur Tax | — | — | 1575 |
| Corpn. Prof. Tax | 220 | 524 | 2260 |
| Excess | 182 | 32 | — |
| Sub-Total | 3959 | 8247 | 24530 |
| Postal Revenue | 1220 | 1345 | 2751 |
| Telegrams | 212 | 135 | 288 |
| Telephone | 368 | 580 | 1300 |
| Sub-Total | 1800 | 2060 | 4319 |
| Damage to Property | 20 | — | 1 |
| Dividends | — | — | 53 |
| Int. on Exchequer Advances | 335 | 659 | 1443 |
| Central Bank Payment | 220 | 180 | 400 |
| Wireless Licences | 13 | 135 | 219 |
| Stamp Fees | 115 | 127 | 180 |
| Miscellaneous | 255 | 335 | 224 |
| Loans Repaid | 201 | 150 | — |
| Sale of Turf | — | — | 27 |
| ex Road Fund | — | — | 300 |
| Sub-Total | 1168 | 1586 | 2347 |
| TOTAL | 22701 | 28811 | 69711 |
| Motor Vehicles Duty | 868 | 1133 | 2552 |
| Local Loans | 604 | 633 | — |
| Land Purchase Annty. | — | 1807 | 1763 |
| | 24173 | 32389 | 74026 |

TABLE VI (b) Customs Revenue.

| | 1929/30 1939/40 1949/50 | | |
|------------------------------|-------------------------|--------|--------|
| | £000's | £000's | £000's |
| Wine | 1135 | 1124 | 464 |
| Beer | — | — | 41 |
| Spirits | — | — | 1112 |
| Tobacco | 3128 | 5306 | 16140 |
| Sub-Total | 4263 | 6430 | 17757 |
| Fruit | 42 | 149 | 231 |
| Clothing | 680 | 447 | 995 |
| Cinema Films | 22 | 57 | 79 |
| Clocks & Watches | 18 | 14 | 90 |
| Motors | 514 | 158 | 924 |
| Wireless | 31 | 80 | 70 |
| Oils | — | 1635 | 3494 |
| Sub-Total | 1307 | 2540 | 5883 |
| Balance (all other headings) | 1636 | 1795 | 1805 |
| TOTAL | 7206 | 10765 | 25445 |

TABLE VI (c) Revenue from Excise

| | 1929/30 1939/40 1949/50 | | |
|------------------------|-------------------------|------|--------|
| | £000's | % | £000's |
| Beer | 3399 | 52.3 | 3141 |
| Spirits | 2273 | 35.0 | 1734 |
| Betting | 215 | — | 182 |
| Cider and Table Waters | 27 | — | 32 |
| Entertainments | 155 | 2.4 | 327 |
| Licence Duties, etc. | 194 | — | 197 |
| Firearms Certificate | 36 | — | 43 |
| Dog Licences | 85 | — | 68 |
| Matches | 105 | — | 144 |
| Sugar | — | — | 342 |
| Tobacco | — | — | 81 |
| Tyres & Tubes | — | — | 41 |
| TOTAL | 6489 | — | 6332 |
| | | | 12638 |

Table VII shows that as between March, 1949, and March, 1950, the Public Debt was increased by American Loan Borrowing transaction £29,000,000 and an issue of £9,600,000 of 3 per cent. Exchequer Bonds, while Telephone Capital was increased by £1,100,000. References have been made to the Revenue receipts from shares and repaid advances, totalling £1,410,000 (see Table VI (a)), which is a measure of the productiveness of the asset. The outstanding economic activity is the E.S.B. and this is likely to call for still further extensions and equipment, mainly because demand is now so high and still not provided for; alternative sources of generating power are being developed and rural requirements are being now more fully satisfied; this capital expenditure is not likely to be so productive in Revenue as the earlier expenditure.

New enterprises such as Bord na Móna and Aer Rianta are responsible for over £5,000,000—the shares held in the older companies (see footnote)—have not changed much; Irish Shipping accounts now for £200,000; Irish Assurance Co., £130,000.

The margin between Liabilities and Assets as shown in these tables was £15,000,000 (1930), £32,000,000 (1940) and £57,000,000 (1950). Budget deficits between the latter two years amounted to £27,000,000 and for the current year the Minister budgeted for an

excess of Expenditure over Revenue of some £12,000,000; the outcome will, in fact, depend upon the extent to which the estimates are realised and upon supplementary votes for expenses and losses for which no provision was made.

TABLE VII.
Capital Liabilities and Assets.

| | 31st March | | |
|---|------------|--------|-----------------------|
| | 1930 | 1940 | 1950 |
| | £000's | £000's | £000's |
| LIABILITIES. | | | |
| Public Debt Loans | 16,194 | 40,395 | 71,721 ^(a) |
| Savings Certificates | 4,809 | 7,722 | 12,756 |
| Ways and Means Advances | 3,231 | — | 6,778 |
| Dollar Transactions Counterpart Loan | — | — | 8,500 |
| " " Borrowings | — | — | 21,750 |
| Telephone Capital Acts and Land Acts (Advances) | 1,829 | 16,714 | 19,051 |
| | 26,063 | 64,831 | 140,556 |
| ASSETS : | | | |
| ADVANCES to Local Loans Fund | 1,416 | 12,550 | 18,594 |
| " Electricity Supply Board | 6,453 | 12,899 | 22,811 |
| " Bord na Móna | — | — | 3,108 |
| " Others | 2,302 | 1,301 | 6,373 ^(b) |
| SHARES Aer Rianta | — | 100 | 2,000 |
| " Others | 342 | 1,857 | 2,391 ^(c) |
| Sinking Fund and Transition Fund, etc. ... | 205 | 155 | 5,536 |
| Exchequer Balance | 363 | 3,623 | 503 |
| Dollar Balance Borrowings | — | — | 13,150 |
| Dollar Loan Counterpart Fund | — | — | 8,601 |
| | 11,081 | 32,485 | 83,067 |

(a) Liability for State subvention for Loan Charges is given as involving a capital value of £11,833,000.

(b) Road Fund, Dollar Advances, Irish Tourist Board.

(c) Agricultural Credit Corporation; Sugar Co.; Industrial Credit Co.; Alcohol Co.; Irish Shipping; Irish Assurance Co.

We have now covered the Statistical analysis in an objective manner—its subjectivity resides in the form of presentation and choice of matter for comment.

There are some comments following, which are appropriate, I hope, to the second part of the Society's title—namely, Social Inquiry.

From Table I it would appear that the marked increase in the total arises more from the extension of State economic activity and social policy than in the higher cost of management, staffing, etc. It is customary to see criticisms of the cost of Public expenditure as if it was due mainly to larger staff and increased bases of remuneration. I have not had time to examine the various Votes to elicit the extent to which either or both causes operate, but the movement in the first group of items does not support any such conclusion. That a period of calm, giving time for reorganising and modernising various departments, would lead to economies in Staff and a better allocation of duties would not be denied by anyone, but such an operation requires

a period of routine to prevail, and the tempo of change during the last 20 years has largely destroyed routine. I think this comment about the Civil Service is due and, indeed, overdue, if the cost in 1950 be reduced to the 1930 value of the £ there has been no significant upward change.

The figure of Revenue and Expenditure for the Post Office shows a loss in 1949-50 of £692,000; this does not take into account work done for other Departments—valued about £550,000 in the Estimates nor provision for depreciation and capital charges. The fact is that distribution costs in this area compared with other countries are disproportionately high since over fifty per cent. of the population served reside in rural areas: a dominant factor in our own economy often overlooked or underestimated: the increased charges are inadequate to meet advancing costs and improved conditions of work.

There is one item in the second group (Table I)—namely, Education—which must not be overlooked: there has been expansion as noted in my first paragraph, but I did not then call attention to the fact that the percentage of total expenditure which this country thinks fit to devote to Education has fallen from 20 per cent. (1930) to 15 per cent. (1940) and now to little over 10 per cent. I have referred to this before and will not repeat myself. It is a measure of the ineffectiveness of past policy, no doubt, but seeing that all the efforts of the Agriculture and Commerce Departments depend for success on an intelligent understanding of modern requirements, the outlook is not encouraging; I believe that at all levels this factor is a drag upon progress; potentialities of output can be measured by the theorist—they cannot materialise unless grasped by the human beings who have to convert them into actualities at all levels of activity. The State has made itself wholly responsible for Primary Education; it would appear that there are not enough teachers to give instruction and that buildings are inadequate in size and often unsuitable. Is there not something wrong in our planning when we can find millions for Air Services and pride in our airports but neglect our schools? Perhaps someone will provide the appropriate answer. It is a productive activity.

On the important matter of Debt creation, I would point out that the separate Budget is no new device: it was introduced by Mr. E. Blythe to deal with exceptional and non-recurrent expenditure; from time to time Finance Ministers have listed certain expenditure voted in Supply as being of a capital nature, and it has been stated that for these the Minister proposes to borrow—that is to say, the Budget is to that extent expected to show a deficit; in that event he has no option, he *must* borrow. In fact, the deficits arising cannot be precisely related to expenditure, for the total does not always correspond with the Estimates as voted, and it may arise from expenditure on very different items; the procedure thus fails to disclose the real facts and, in some cases, can be questioned on the grounds that the objects listed are not productive.

For 1950-51 the Minister has budgeted for a deficit of about £12,000,000, covering a number of items selected from the Supply Service Votes, because it was deemed that they related to expenditure for which it was suitable to borrow. These, however, are mainly recurrent and by no means exceptional, so that the procedure differs from that introduced by Mr. Blythe. There is, for instance, an item of £800,000 for Expenditure on new buildings. This seems inappro-

priate because such expenditure recurs year after year, and if continuously added to Capital Account, would amount to a really formidable addition to the debt. Moreover, there is no provision, except in so far as the terms of issue provide for amortisation, in the Budget for depreciation and obsolescence to offset this outlay, and it is probable that the State is merely keeping abreast of the inevitable decay or unsuitability for modern use which attaches to all premises; further, the total includes the provision for Employment and Emergency Schemes, Land Rehabilitation, Forestry, Harbours, etc., which are remotely productive if, indeed, they do yield any return. The most surprising item is the inclusion of the Housing provision from the Local Government Vote.

All this seems unsuitable and particularly so when the Budget speech clearly revealed that there was no provision for loss by Fuel Importers, estimated to reach £3,000,000 by the end of 1950, or for the payment on Córás Iompair Éireann Debentures, and whatever further loss must inevitably be consequent upon the operation of that concern.

Would it not be more prudent to meet such expenditure from revenue? That is a view widely held and has, I know, been urged upon the Minister by the Association of Chambers of Commerce. In putting it forward, I have curtailed my comment, but the gist of the criticism is conveyed adequately.

There is a line of defence that such borrowing promotes Welfare and is socially necessary; the expenditure may do both and is intended to—but why borrow? Does it not tend to defeat Welfare? For, as carried out, it appears inflationary and inflation is damaging to Welfare.

Even when a Budget is balanced it may well be that it provides for an expenditure which is excessive in relation to the production of current goods and services.

The problem of diagnosing the trends of economic activity so as to counteract the unwelcome developments is not a scientific one. Statistical data is not always immediately available and its interpretation is seldom without difficulty and doubt; it may become a matter of optimism or pessimism. A country which has suffered from deflation will tend to prefer the unexperienced risks of inflation and vice versa. Deflation is unpleasant, it forces unwelcome readjustments, it tends towards efficiency and the cutting out of loose habits of spending and management, correcting the faults which always appear to develop in a period of inflation. Between any alternatives, financial prudence dictates that the hard and narrow path should be chosen. It is easy to be wise when it is too late.

Coming back to our own position, there is all the more need for this prudence because we are influenced by external conditions such as the increased cost of imports and the problem of spending Dollar Aid, which involves not merely capital equipment but increase of purchasing power in a scarce market. The level of expenditure tends to enhance the difficulties by increasing the demand for imported goods as well as for internal products.

The summary in Table VII reproduces the details given in the Finance Accounts. No attempt is made towards a more complete record of these such as appeared in the paper written by Dr. Joseph Brennan in January, 1935. Accepting it, however, the following points arise:—There has been a large increase in our liability for Debt. In his Budget speech, the Minister recognises that “an unduly

rapid rate of increase in the State Debt may have other undesirable consequences (apart from increasing the burden on the taxpayer) which it must and will be the aim of the Government to avoid. The risk of inflation will arise if methods of financing are employed which involve the introduction of an excessive volume of new purchasing power. This risk is less serious when the supply of goods can be augmented by the repatriation of external assets, when incomes are rising and the community increases its savings and while there is still a reserve of manpower available for gainful occupation at home. There is a further risk of a lowering of living standards if home production does not expand in such a manner as to compensate for the loss of income derived from the external assets which are realised to finance domestic capital outlay, but some relaxation of this principle is permissible where this security of the capital is enhanced by employing it at home ”.

This has been quoted in full and it may surely be questioned if the hopes of the Minister have been realised. Real incomes have not risen, the savings are not adequate, the required manpower is not available for there is virtually full employment and where there is a surplus it is not mobile (hence the relief schemes) while the Trade statistics disclose no substantial importation of capital goods—which is not surprising in view of the world shortage and Britain's export policy.

No use has been made of the National Income figures as a basis for comparison. It seems a difficult tool to use and is often used for a wrong purpose. My chief reason for putting it on one side is that the total must in itself be influenced by expenditure analysed in this paper and, therefore, it is unsuitable. I am not denying its great value in showing certain trends of Income and Expenditure, but its chief purpose is to compare one period with another period, and for that purpose the details assembled are comparable. It is, of course, possible to represent the Budget figures as percentages of its total as a mere statistical fact, but that does not either justify or condemn them as being appropriate or otherwise. In the long run, productivity is the acid test, and I have referred to that below, but I would be interested in any comments which may be made upon this view-point.

The fact is that the Minister is faced with a situation of peculiar difficulty: on the one hand, scarcity—of labour, raw materials and goods, on the other, a growing social awareness of needs and deficiencies stimulated by the wide knowledge of all facts derived from more complete statistical data calling for treatment which involves large capital expenditure and equipment. Rapid development, however, tends to enhance the strength of the obstacles and the inevitability of gradualness which is imposed on human nature's progress also comes into play. Hence frustration and disappointment.

The type of expenditure I have in mind is on Schools, Public Buildings, Economic Development—either in Commerce or Agriculture—Hospitals, etc. It is a formidable problem to arrange these in order of priority and, in addition, there are other types of expenditure as, for instance, on the National Gallery, etc., outlined by Professor Bodkin in his recent memorandum, and that, of course, would really come under the Educational group, indicating that, even there, there must be priority problems presenting great difficulty. The immediate comment which I would make is that expenditure by the citizens is not devoted to the most appropriate uses and that any

Government which is proceeding with a large development programme must depend upon larger savings on the part of the public to enable it to be carried out. If that is not done, then probably development will be in the direction of more control, perhaps, indeed, of complete control, by the State, which will have to become not only an inflexible saver, but also a stern employer in order that its objects may really be achieved.

It may be that the Minister has concluded that taxation has reached the point beyond which it cannot be increased; that, indeed, seems highly probable; many citizens in all grades think that also. In any event, higher production is the answer. In Agriculture, the volume (base 1936—100) was in 1949 at 103·0, while in Industry the figure was 154·4 and in first quarter of 1950, 148·9. Neither figure appears to encourage complacency. Was not 1936 rather a low level? How can we sustain higher public expenditure on such a basis? I am not overlooking the fact that the intervening years were of great difficulty for production: the economic war and World War No. 2 threw a great strain upon the country's resources, but things being what they were, the consequences must follow. It is probable that the public tend to expect too much too rapidly. That in itself is no harm; we must struggle with our environment, and critical discontent has been called "the gadfly of civilisation", but the operative word is "critical" and the individual citizen should take his own activities as a starting point.

I am concerned with the behaviour of citizens in reacting appropriately to varying economic contingencies: the propensity to save can and should be encouraged, the tendency to spend can be checked by suitable discouraging financial charges. But behaviour is seldom wholly influenced by statistical reasoning or rational argument. Man is affected by emotions and the conceptions of life and its meaning which inform all his activities. That line of thought would, if pursued, bring one beyond the purpose of this paper. I make one comment, however, before closing—if the citizens as a whole continue to increase their reliance upon and demands from the "State" they may be in danger of finding, in the long run, that the "State" will impose on them demands which will interfere with their freedom in such a way as will destroy their individuality.

DISCUSSION

Mr. Whitaker.—I want to pay a tribute to Mr. Eason for continuing his series of papers which stimulate discussion of public finance, a rather neglected subject in Ireland. One must admire the patience and care with which, as a layman, he has classified and assembled the Finance Account figures—a task difficult enough for the expert. He will not expect me to agree with his presentation at all points.

Before making some general remarks, inspired by the final portion of Mr. Eason's paper, I would like to suggest one correction. With reference to the £12,000,000 of voted capital expenditure in 1950-51, Mr. Eason says "there is no provision in the Budget for depreciation and obsolescence to offset this outlay". It might, however, be said that the thirty-year annuity to redeem this £12,000,000 which is included in the Budget is the same thing in Government accounting as a depreciation provision in ordinary business accounts.

Mr. Eason's surveys throw into relief two significant changes in Irish finance over the past twenty years and more especially during

the past decade—the great increase in the proportion of State revenue devoted to social services of all kinds and the enormous expansion in State capital outlay. The current Budget is predominantly concerned with redistribution of incomes and seeing that we have comparatively few big incomes in Ireland, we must now be one of the most egalitarian countries in the world not excluding Soviet Russia. This redistribution of incomes has been almost entirely at the expense of the middle classes on whom taxation has fallen with particular severity. Since 1939 expenditure on subsidies and social services has trebled, the cost of living has doubled, taxation of all kinds has more than doubled, but, if I may use a homely illustration, the average salary of officials in the Department of Finance has risen by only 50 per cent.

The State has become far and away the biggest borrower and spender on capital works. From £2,000,000 in 1939 State capital outlay has risen to over £25,000,000 this year. This seems to have been inevitable as private capital enterprise was unable to use up current savings, not to speak of sterling assets, but it is in a way unfortunate as State investment yields in the main social rather than economic returns and thus tends to raise the level of taxation. Once the strict test of full productivity is abandoned there is a wide variety of projects eminently desirable on social and long-term economic grounds. So the State has never any difficulty in finding capital projects on which to spend borrowed money. In recent years it has also been easy to find the money, except from the public. Counterpart funds provide a ready-made source of finance which can be used to supplement the public savings entrusted to the State. These Counterpart funds are of such an occult character that their use is not likely to cause such a flutter as would open creation of credit.

A word about repatriation of sterling assets. The Government itself does not own these assets and the only way it can directly force their repatriation is by maintaining capital expenditure here at a rate in excess of current resources in the hope that the excess expenditure so generated will be absorbed in purchases from abroad and not simply cause inflationary price and wage increases at home. This assumption may be tenable in times when supplies of all kinds are freely obtainable from abroad, but in the light of 1950 experience it may well be doubted whether the extra purchasing power released by State capital expenditure does not exert a disproportionately expansive effect on imports and, therefore, cause a disproportionately heavy realisation of sterling assets. The problem of State capital outlay is a difficult one: it is in a sense a gamble on what the future has in store. Will it bring further depreciation of sterling assets, shortages of imports, curtailment of capital programmes, a forced tightening of belts? If that is what is coming, it may be worth while to go ahead as fast as we can with housing and other capital improvements regardless of cost or of disproportionate loss of external resources. But if less disorderly conditions materialise, a more careful approach to capital development would be preferable. Whatever about the future, the present position is that we are living beyond our means, saving too little and consuming too much. I might say, indeed, that the only time the Irish people save on a scale commensurate with their ideas of capital development is in war time when, in fact, they have no option.