



NATIONAL INCOME AND EXPENDITURE OF THE UNITED KINGDOM

1947

*Presented to Parliament by the Financial Secretary to the Treasury
by Command of His Majesty
April 1948*



LONDON
HIS MAJESTY'S STATIONERY OFFICE
ONE SHILLING NET

Cmd. 7371

INTRODUCTORY NOTES

This paper continues the estimates of national income and expenditure published in Cmd. 7099. It has been prepared by the Central Statistical Office in collaboration with Government Departments.

Estimates are given for each of the calendar years 1944 to 1947 and, for comparison, 1938. It is proposed to publish later in the year estimates for each of the ten years 1938 to 1947.

The figures for 1946 and 1947 supersede the provisional estimates given for those years in the *Economic Survey for 1948* (Cmd. 7344), which, as was stated in paragraph 197 of the *Survey*, were prepared when much of the information needed was still not available. Some of the figures, in particular the estimates of profits, capital formation at home and foreign disinvestment, are still provisional only and will be revised later.

All the statistics in this paper, unless otherwise stated, are for calendar years and relate to the United Kingdom of Great Britain and Northern Ireland.

The following symbols have been used:

... = not available

— = nil or less than half the final digit shown.

April 1948.

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NATIONAL INCOME AND EXPENDITURE OF THE UNITED KINGDOM

1947

I. NATIONAL RESOURCES AND THEIR DISPOSAL

The national income of the United Kingdom is estimated to have been about £8,770 million in 1947, some £670 million higher than in 1946. The sums set aside for the replacement and maintenance of capital equipment were perhaps £50 million higher than during the previous year. Borrowing from abroad was £295 million more than in 1946. The total rise in the resources available for expenditure on consumers' goods and services, government services and capital equipment was therefore more than £1,000 million. In 1947 altogether 6½ per cent of the value of all goods and services bought in this country was financed out of money borrowed from abroad, as compared with 4 per cent in 1946 and only just over 1 per cent in 1938.

GROSS NATIONAL PRODUCT AND BORROWING FROM ABROAD

TABLE 1

£ million

	1938	1946	1947		1938	1946	1947
National income of the United Kingdom ...	4,707	8,100	8,770	National cost of :			
Provision for depreciation and maintenance ...	450	725	775	Personal consumption ...	3,713	5,573	6,161
Gross national product...	5,157	8,825	9,545	Government ...	767	2,411	2,115
Borrowing from abroad and sale of assets to foreigners ...	70	380	675	Gross capital formation at home ⁽²⁾	747	1,221	1,944
Total resources available for use at home ...	5,227	9,205	10,220	Total resources used at home ...	5,227	9,205	10,220

⁽¹⁾ For notes on the items of this table see p. 47.

⁽²⁾ Including changes in the value of stocks and work in progress. The figures given for capital formation in table 1 are peculiarly subject to error since they are not direct estimates but are merely balancing items equal to the difference between an estimate of total resources and an estimate of personal and government expenditure. For a discussion of the differences in coverage between these figures and those published in Cmd. 7268 see Appendix I (notes to items 9 and 60).

Table 2 illustrates the same point in a slightly different way. It shows the proportion of the gross national product devoted to current consumption and to capital formation. In 1947 gross capital formation, or investment, in this country amounted to 20 per cent of our total national product as compared with 14 per cent in 1938. But as this country overspent its income to the extent of 7 per cent in 1947 total investment at home and abroad was still no more than 13 per cent of total national product: about the same as the 1938 proportion.

ALLOCATION OF THE GROSS NATIONAL PRODUCT BETWEEN DIFFERENT USES⁽¹⁾

TABLE 2

Percentages

	1938	1944	1945	1946	1947
Current expenditure					
Personal	72	50	55	63	65
Government	15	57	49	27	22
Capital formation					
Gross capital formation at home	14	—	6	14	20
External investment	— 1	— 7	— 10	— 4	— 7
Gross national product	100	100	100	100	100

(¹) For notes on the items of this table see p. 47.

II. THE NATIONAL WAGE BILL

Table 3 gives an analysis for 1946 and 1947 of one component of the national product—the wage bill—according to the branches of activity in which it was earned. It is not possible to use this table as a measure of the relative contributions of different industries to the national product since unfortunately no information is available on the ratio of wages to the total output of each industry.

Total wages rose by 14 per cent between 1946 and 1947. Nearly half of this increase is accounted for by increases in the average earnings of both men and women. The balance was due primarily to the continued increase in numbers employed and, to a small extent, to the further replacement of women by men. Rises in average earnings had contributed a smaller proportion of the 11 per cent increase in the total wage bill between 1945 and 1946.

COMPOSITION OF THE NATIONAL WAGE BILL (1)

TABLE 3

£ million

	1946					1947				
	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	Year	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	Year
Bricks, pottery, glass	9	11	13	14	47	13	15	15	16	59
Chemicals and allied trades ...	15	15	16	16	62	16	17	17	18	68
Metal manufacture ...	24	25	28	29	106	28	30	30	32	120
Engineering, shipbuilding and vehicles	133	141	147	152	573	143	158	163	167	631
Other metal goods ...	21	22	24	26	93	25	28	29	30	112
Textiles ...	31	34	36	38	139	35	41	43	44	163
Clothing ...	18	20	22	24	84	22	25	26	26	99
Food, drink and tobacco ...	22	24	24	26	96	27	28	29	30	114
Wood and cork manufactures ...	10	12	13	14	49	13	14	15	16	58
Paper and printing ...	15	17	18	20	70	19	22	22	23	86
Other manufacturing	11	12	13	14	50	14	15	16	17	62
Total manufacturing	309	333	354	373	1,369	355	393	405	419	1,572
Building and contracting ...	55	63	71	74	263	68	76	82	88	314
Gas, electricity and water ...	12	13	14	15	54	16	16	16	16	64
Mining and quarrying	59	60	64	65	248	65	68	74	75	282
Total of above industries	435	469	503	527	1,934	504	553	577	598	2,232
Farming ...	...	...	...	...	171	...	...	...	...	193
Transport and communications (2) ...	...	...	...	...	380	...	...	...	...	420
Public administration	...	...	...	...	235	...	...	...	...	260
Distribution and other services (including domestic service) (2)	...	...	...	...	375	...	...	...	...	425
Total	...	...	...	...	3,095	...	...	...	...	3,530

(1) For notes on the items in this table see p. 47.

(2) Figures for these services are less reliable than those for the other industries.

III. PRIVATE INCOME

The total of private income is greater than the national income since it includes, in addition, interest on the national debt and social security benefits and other transfer incomes received from public authorities.

Table 4 analyses private income by types of income and shows the relation of total income before deduction of direct tax liabilities to the amount available for current consumption or for saving.

TOTAL PRIVATE INCOME BEFORE AND AFTER TAX

TABLE 4

£ million

	1938	1944	1945	1946	1947
<i>Income from work and property</i>					
Wages	1,735	2,840	2,780	3,095	3,530
Salaries	1,110	1,465	1,530	1,630	1,720
Pay and allowances of the Armed Forces ...	78	1,175	1,221	512	335
Rents	380	385	394	398	400
Profits and interest ⁽¹⁾	1,570	2,787	2,851	2,942	3,242
<i>Total private income from work and property</i>	<i>4,873</i>	<i>8,652</i>	<i>8,776</i>	<i>8,577</i>	<i>9,227</i>
<i>Social security benefits and other transfer incomes</i>	<i>270</i>	<i>344</i>	<i>490</i>	<i>878</i>	<i>684</i>
<i>Total private income before tax</i>	<i>5,143</i>	<i>8,996</i>	<i>9,266</i>	<i>9,455</i>	<i>9,911</i>
<i>less Liabilities for direct taxes</i>	<i>— 531</i>	<i>— 2,175</i>	<i>— 2,119</i>	<i>— 1,739</i>	<i>— 1,725</i>
<i>Private income after tax</i>	<i>4,612</i>	<i>6,821</i>	<i>7,147</i>	<i>7,716</i>	<i>8,186</i>
<i>less Undistributed profits</i>	<i>— 170</i>	<i>— 210</i>	<i>— 230</i>	<i>— 260</i>	<i>— 320</i>
<i>Personal disposable income</i>	<i>4,442</i>	<i>6,611</i>	<i>6,917</i>	<i>7,456</i>	<i>7,866</i>

⁽¹⁾ Including farmers' profits, professional earnings and national debt interest.

Private income from work and the ownership of property rose by £650 million between 1946 and 1947. Transfer incomes fell by some £200 million: a rise in social security benefits was more than outweighed by a fall in total payments to men and women recently demobilised. The net rise in total private income was therefore about £450 million. As tax liabilities remained more or less unchanged—a fall in tax rates being balanced by a rise in incomes—private disposable income also increased by about the same amount. Personal disposable income, the amount available for personal expenditure or saving, increased by rather less, as the amounts added to company reserves or not yet distributed to shareholders increased sharply.

Table 5 compares the effects of direct taxation on different types of income in 1938 and 1947.

PRIVATE INCOME FROM WORK AND PROPERTY BEFORE AND AFTER TAX⁽¹⁾

TABLE 5

Percentages

	1938	1947
<i>Before taxes on income</i>		
Wages	36	40
Salaries	23	19
Interest, profits and rent	41	41
<i>Civilian income from work and property</i>	<i>100</i>	<i>100</i>
<i>After taxes on income</i>		
Wages	39	44
Salaries	24	20
Interest, profits and rent	37	36
<i>Civilian income from work and property</i>	<i>100</i>	<i>100</i>

⁽¹⁾ The figures in this table exclude the income of the Armed Forces. For notes on this table see p. 48.

The redistributive effects of direct taxation are shown in a different way in table 6. This table shows the shares of personal income that went to persons in different ranges of income before and after income tax and surtax.

DISTRIBUTION OF PRIVATE INCOME BY RANGES OF INCOME ⁽¹⁾

TABLE 6

Range of income before tax	Number of incomes	Total income before tax	Total income after income tax and surtax ⁽²⁾ at		Proportion of income before tax retained after deduction of taxes at	
			1938-39 rates	1946-47 rates	1938-39 rates	1946-47 rates
		000's	£ million	£ million		Per cent.
<i>Private income in 1938</i>						
Private income at the disposal of individuals ⁽³⁾ which can be allocated to different ranges :—						
Under £250 ...	...	2,463	2,459	2,443	99.8	99.2
£250—500 ...	2,000	679	662	625	97.5	92.0
£500—1,000 ...	670	455	415	360	91.2	79.1
£1,000—2,000 ...	224	304	259	209	85.2	68.8
£2,000—10,000 ...	98	360	255	185	70.8	51.4
£10,000—and over	8	175	76	36	43.4	20.6
Unallocated private income ...	—	707 ⁽⁴⁾	592	...	83.7	...
Total private income	—	5,143 ⁽⁴⁾	4,718	...	91.7	...
<i>Private income in 1946</i>						
Private income at the disposal of individuals ⁽³⁾ which can be allocated to different ranges :—						
Under £250 ...	...	3,030	3,023	2,996	99.8	98.9
£250—500 ...	6,600	2,260	2,207	2,086	97.7	92.3
£500—1,000 ...	1,740	1,190	1,093	951	91.8	79.9
£1,000—2,000 ...	495	670	578	466	86.3	69.6
£2,000—10,000 ...	157	547	392	293	71.7	53.6
£10,000 and over	8	148	68	35	45.9	23.6
Unallocated private income ...	—	1,610 ⁽⁴⁾	...	1,030	...	64.0
Total private income	—	9,455 ⁽⁴⁾	...	7,827	...	82.8

⁽¹⁾ For notes on this table see p. 49.

⁽²⁾ The estimates of income in this table relate to calendar years ; the tax-rates used are those that were current in the fiscal years 1938-39 and 1946-47.

⁽³⁾ A married couple is for income tax purposes counted as one individual.

⁽⁴⁾ Including all liabilities for National Defence Contribution and Excess Profits Tax, which are deducted together with income tax in arriving at retained income.

Both tables 5 and 6 exaggerate the redistributive effects of fiscal policy since they are concerned only with direct taxation. No analysis of the incidence of taxes on outlay exists. The growing importance of indirect taxation is reflected in table 7, which sets out total personal liabilities to tax, both direct and indirect, and relates them to personal income.

PROPORTION OF PERSONAL INCOME REQUIRED TO MEET TAXATION

TABLE 7

£ million

	1938	1944	1945	1946	1947
Personal income	4,884	8,074	8,411	8,709	9,153
Direct tax liabilities	442	1,463	1,494	1,253	1,287
Indirect taxes on consumption... ..	611	1,294	1,359	1,489	1,685
less Subsidies to consumption	-36	-202	-249	-323	-425
Total tax liabilities in respect of personal income	1,017	2,555	2,604	2,419	2,547
Tax liabilities as a percentage of personal income	21	32	31	28	28

IV. PERSONAL EXPENDITURE AND SAVING

In 1938, 3½ per cent of personal disposable income was saved; during the war the proportion saved rose to a peak of 16 per cent in 1944. Since then the proportion has fallen steadily and in 1947 was about 5¼ per cent.

PERSONAL EXPENDITURE AND SAVING

TABLE 8

	1938	1944	1945	1946	1947
<i>£ million</i>					
Personal expenditure at market value ...	4,288	5,544	5,996	6,739	7,421
Personal saving	154	1,067	921	717	445
Personal disposable income	4,442	6,611	6,917	7,456	7,866
<i>Percentages</i>					
Personal expenditure at market value ...	96·5	83·9	86·7	90·4	94·3
Personal saving	3·5	16·1	13·3	9·6	5·7
Personal disposable income	100·0	100·0	100·0	100·0	100·0

Although personal disposable income was in 1947 £400 million higher than in 1946 personal saving was £270 million lower. Correspondingly, personal expenditure was up by £670 million: 10 per cent higher than in the previous year and 73 per cent higher than in 1938. About £230 million more was spent on food than in 1946, £85 million more on tobacco, over £90 million more on clothing and £90 million more on durable household goods.

These changes were due in part to increases in prices and in part to changes in the quantity of goods and services purchased. Some attempt has been made, without complete success, to isolate the second of these factors. The goods and services actually bought in 1946 and 1947 have been revalued as nearly as possible at their 1938 prices. In the right-hand columns of table 9 these adjusted figures are expressed as percentages of actual expenditure in 1938.

The volume of consumption of necessities in 1947 is shown to have been, on the whole, still well below the pre-war level. It is mainly in the field of semi-luxuries, freely available, that the figures are appreciably higher than in 1938. In general, there was an increase in consumption between 1946 and 1947; tobacco and entertainments were the only groups to show a fall.

PERSONAL EXPENDITURE ON CONSUMERS'
GOODS AND SERVICES⁽¹⁾
(1938=100)

TABLE 9

Percentages

	At current market prices		Revalued at 1938 prices	
	1946	1947	1946	1947
Food	137	155	96	102
Alcoholic beverages	238	238	96	95
Tobacco	341	390	133	117
Rent, rates and water charges	109	115	104	106
Fuel and light	148	157	111	117
Durable household goods	129	168	63	77
Other household goods	111	122	80	81
Clothing	137	158	74	84
Books, newspapers and magazines	164	186	139	155
Private motoring	95	106	56	59
Travel	166	182	143	143
Communication services	186	193	145	145
Entertainments	286	273	163	155
Other services	134	148	94	99
Other goods	175	212	86	95
Total personal expenditure	157	173	98	102

⁽¹⁾ Detailed analyses of personal expenditure at current prices and at 1938 prices are given in tables 20 and 21 of Appendix III. The various groups of expenditure are defined in the notes on pp. 44 to 46.

It would be misleading to show these comparisons without a recital of the qualifications to which they are subject. They are comparisons of the total consumption of a changing population and not of consumption per head. In measuring this consumption it is impossible to make full allowance for changes in the quality of goods and services. Nor is it practicable to make any deduction for the loss of satisfaction caused by obstacles to freedom of choice.

Thus, consumption of food is shown in this table to have been in 1947 2 per cent more than in 1938. But this is no measure of a change in satisfaction unless it be assumed that consumers were quite indifferent whether they ate the selection of food available in 1947 or the selection actually bought in 1938.

It is important to bear in mind these qualifications when interpreting the figures of table 9. They do not purport to measure changes in the national "standard of living": they are merely a crude first approximation to such a measurement.

V. THE MAIN TABLES

- Table 10. Estimates of National Income and Expenditure
- Table 11. Estimates of Private Income and Outlay
- Table 12. Revenue Account of Public Authorities
- Table 13. Combined Capital Account

ESTIMATES OF NATIONAL

TABLE 10

	1938	1944	1945	1946	1947
1. Rent of land and buildings... ..	380	385	394	398	400
2. Interest and profits, including farming profits and professional earnings ...	1,404	2,445	2,430	2,465	2,785
3. Salaries	1,110	1,465	1,530	1,630	1,720
4. Wages	1,735	2,840	2,780	3,095	3,530
5. Pay and allowances (in cash and kind) of serving members of the Armed Forces	78	1,175	1,221	512	335
6. National income	4,707	8,310	8,355	8,100	8,770

For notes on the items of this table see pp. 20 to 23.

INCOME AND EXPENDITURE

£ million

	1938	1944	1945	1946	1947
<i>Consumption</i>					
7. Personal expenditure on consumers' goods and services	4,288	5,544	5,996	6,739	7,421
8. Government current expenditure on goods and services	789	5,233	4,495	2,473	2,168
<i>Additions to assets</i>					
9. Net capital formation at home	320	(-494)	(-11)	(530)	(1,245)
10. Net lending abroad and purchase of assets and financial claims from overseas	-70	-659	-875	-380	-675
11. Net national expenditure at market value	5,327	9,624	9,605	9,362	10,159
12. Subsidies	36	218	262	337	442
13. less Indirect taxes	-656	-1,532	-1,512	-1,599	-1,831
14. Net national expenditure	4,707	8,310	8,355	8,100	8,770

ESTIMATES OF PRIVATE

Personal

TABLE 11

	1938	1944	1945	1946	1947
<i>Income from work and property</i>					
15. Rent, interest and profits	1,691	2,248	2,390	2,594	2,884
16. Wages and salaries	2,845	4,305	4,310	4,725	5,250
17. Pay and allowances of the Armed Forces	78	1,175	1,221	512	335
<i>Transfer incomes</i>					
18. Social security payments	229	246	259	330	430
19. Miscellaneous transfer incomes	41	98	231	548	254
20. Personal income before tax	4,884	8,072	8,411	8,709	9,153

Other Private

30. Other private income before tax	259	924	855	746	758
31. Other private income before tax	259	924	855	746	758

Private

37. Private income before tax	5,143	8,996	9,266	9,455	9,911
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For notes on the items of this table see pp. 23 to 25.

INCOME AND OUTLAY

Income

£ million

	1938	1944	1945	1946	1947
<i>Consumption</i>					
21. National cost of consumers' goods and services	3,713	4,452	4,886	5,573	6,161
22. Indirect taxes less subsidies	575	1,092	1,110	1,166	1,260
<i>Direct tax liabilities</i>					
23. Payments of income tax and surtax ...	309	1,127	1,186	1,117	960
24. Payments of death duties	78	107	119	142	163
25. Employees' national insurance contributions	55	70	69	86	122
26. Miscellaneous	—3	24	20	—7	—8
27. Additions to tax reserves	3	135	100	—85	50
<i>Saving</i>					
28. Personal saving	(154)	(1,065)	(921)	(717)	(445)
29. Personal outlay	4,884	8,072	8,411	8,709	9,153

Income

<i>Direct tax liabilities</i>					
32. Payments of Excess Profits and Profits Tax	15	517	475	391	286
33. Other direct tax payments	62	242	250	220	262
34. Additions to tax reserves	12	—45	—100	—125	—110
<i>Saving</i>					
35. Undistributed profits	170	210	230	260	320
36. Other private outlay	259	924	855	746	758

Income

38. Private outlay	5,143	8,996	9,266	9,455	9,911
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REVENUE ACCOUNT OF

TABLE 12

	1938	1944	1945	1946	1947
<i>Taxes</i>					
39. Direct taxes	516	2,087	2,119	1,949	1,785
40. Indirect taxes	656	1,532	1,512	1,599	1,831
41. Total tax revenue	1,172	3,619	3,631	3,548	3,616
<i>Income from property</i>					
42. Trading profits, interest and rent... ..	57	103	71	53	87
43. less National debt interest... ..	-223	-445	-492	-530	-544
44. Revenue	1,006	3,277	3,210	3,071	3,159

For notes on the items of this table see pp. 25 and 26.

COMBINED CAPITAL

TABLE 13

	1938	1944	1945	1946	1947
<i>Saving</i>					
53. Private saving	324	1,275	1,151	977	765
54. Additions to tax reserves	15	90	—	-210	-60
55. Saving of public authorities	-89	-2,631	-2,204	-915	-441
<i>Provision for depreciation and maintenance</i>					
56. Sums set aside	450	500	550	725	775
<i>Transfers from public authorities to private capital account</i>					
57. Compensation received in respect of war damage claims	—	113	167	131	266
58. Excess Profits Tax post-war refunds	—	—	—	167	40
59. Saving and other sums set aside	700	-653	-336	875	1,345

For notes on the items of this table see pp. 26 and 27.

PUBLIC AUTHORITIES

£ million

	1938	1944	1945	1946	1947
45. Current expenditure on goods and services	789	5,233	4,495	2,473	2,168
46. Subsidies	36	218	262	337	442
<i>Transfers to private current accounts</i>					
47. Social security payments	229	246	259	330	430
48. Miscellaneous transfers	41	98	231	548	254
<i>Transfers to private capital accounts</i>					
49. Payments in respect of war damage claims	—	113	167	131	266
50. Excess Profits Tax post-war refunds ...	—	—	—	167	40
<i>Saving</i>					
51. Surplus on current account	—89	—2,631	—2,204	—915	—441
52. Current expenditure and capital transfers less deficit	1,006	3,277	3,210	3,071	3,159

ACCOUNT

£ million

	1938	1944	1945	1946	1947
60. Gross capital formation at home	770	6	539	1,255	2,020
61. Net lending abroad and purchase of assets and financial claims from overseas ...	—70	—659	—875	—380	—675
62. Gross capital formation	700	—653	—336	875	1,345

APPENDIX I

NOTES ON THE MAIN TABLES

Table 10. Estimates of National Income and Expenditure

1. This item represents the income from the ownership of lands, houses, etc., as assessed for income tax under Schedule A, after allowance has been made for maintenance and repair. Incomes from these sources below the effective income tax exemption limit, or received by non-profit-making bodies (*e.g.* charities, colleges), are included. Premises occupied by their owners are treated on the same basis as rented premises. Rents paid by occupiers in excess of Schedule A values are excluded from this item, since they cannot be estimated. So far as they attract income tax under Schedule D they have been included in profits.

2. Aggregate profits here are net, after current business losses have been deducted. This item excludes interest on the national debt and also income due to foreigners after deduction of income tax, but includes miscellaneous government income such as trading profits, receipts under the railway agreement, certain receipts from abroad and central government taxes paid by foreigners. It also includes profit and interest not brought into assessment, including income in kind and the amounts received by persons below the income tax exemption limit or by non-profit-making bodies, and incomes, whether or not below the income tax exemption limit, accruing to persons working on their own account. In addition to profits and interest this item includes rents paid in excess of Schedule A values, so far as they attract income tax under Schedule D.

3. Aggregate salaries include: (a) the whole of the earnings of shop assistants, (b) salary earners' allowances not brought under assessment to income tax.

4. This item includes an allowance for the income in kind (food, lodging, etc.) of, *e.g.* domestic servants, miners and farm workers. The estimate of personal expenditure on consumption at market prices (item 7) includes a similar allowance.

5. This item includes: (i) the pay and cash allowances of, and the value of issues of food and clothing to, members of H.M. Forces and Auxiliary Services, other than those on release leave, (ii) the pensions and retired pay of former members of the Armed Forces other than pensions awarded for death or disability attributable to war service. The corresponding item in Cmd. 7099 included also the sums accruing during their period of service to the credit of members of the Armed Forces and subsequently received as a post-war pay credit. These have in this Paper been treated as a transfer income received at the time the sums are freed and forming part of item 19 of table II. War pensions and payments and issues of civilian clothing to members of the Armed Forces on release leave are also treated as a transfer income and form part of that item.

6. This item is the sum of items 1 to 5 and is an estimate of the incomes received by factors of production in, or only temporarily absent from, the United Kingdom in the course of producing the current output of goods and services of all kinds. These incomes are before tax, since all taxes, direct and indirect, falling on them, whether paid directly by individuals (including non-profit-making bodies) or through businesses or public authorities, will be paid

out of them. The item excludes that part of gross receipts which is allowed in the calculation for tax purposes of net rent and profit in respect of the maintenance and repair or replacement of all existing capital equipment.

The estimates of labour income given in items 3, 4 and 5 do not include employers' contributions to the national insurance funds (unemployment, health and pensions insurance). These payments are, however, included in the income figures for some countries and are therefore shown separately in item 47 of table 16.

7. This item shows the money value of all consumers' goods and services either bought by individuals and non-profit-making bodies or received by them as income in kind. The figures shown here are therefore at prices which include those indirect taxes (taxes on outlay in a wide sense, including local rates and employers' contributions to national insurance and war risks insurance premiums) which appear in the market value of these goods and services. They exclude costs which, being met by government subsidies, do not enter into market values.

8. This item excludes expenditure by public authorities which does not arise from a direct demand for goods and services. Thus it excludes (i) transfer payments and (ii) loan repayments, payments to sinking funds, etc., by the central government. It excludes, moreover, the issue to the Land Fund in 1946 of £50 million; when the Fund acquires any land its expenditure will form part of public capital formation. Loan repayments and payments to sinking funds by local authorities on rate fund account are included in lieu of depreciation allowances as part of the current cost of providing the services. Subsidies, which are shown in item 12 below, are excluded; so also are operating expenses incurred in the provision of services which are sold and not made freely available. Net non-war capital expenditure is excluded from this item and is included in item 9.

This item purports to measure the value of the work currently performed on government account. The Exchequer's cash issues have therefore been adjusted as far as possible for changes in departments' cash balances and in the Government's liabilities to industry.

The series of government expenditures given here is not a consistent measure of the value of the total amount of goods and services currently at the disposal of public authorities since it includes resources obtained by borrowing from, or the sale of assets to other countries but not, except in 1945, those obtained under Lend-Lease.

The 1945 figure includes an amount of £161 million (\$650 million) to cover the final settlement with the Government of the United States of Lend-Lease, Reciprocal Aid, surplus war property and other claims although since no cash payment has been made this expenditure has never been included in Exchequer issues.

9. In Cmd. 7099 it was explained that this item was composed of (a) gross expenditure, both public and private, on fixed capital and its upkeep, i.e. new additions replacements and repairs (including war damage repairs), less (b) maintenance expenditure and depreciation allowances deducted from gross revenue in arriving at the figures of net rent and profits shown in items 1 and 2, less (c) increases in assurance reserves to meet claims by business insurers, less (d) receipts in respect of business insurance claims for damage (other than war damage) to fixed capital, less (e) expenditure on the maintenance of the property of government non-trading undertakings, less (f) sums repaid to lenders and transferred to sinking funds by local

authorities on rate-fund account, *plus* (g) the increase in stocks (including replacements of war losses) and work in progress as valued for the calculation of profits in item 2.

This formal definition still holds. But, in order that the figures given shall not mislead, it must be explained that because of the conventions adopted in estimating item 10, external investment, the present item includes outlay on certain items that would perhaps more properly be treated as elements in external investment. Examples are net increases in the value of exports already shipped for which cash has not yet been paid and net additions to the overseas capital equipment of British oil companies. These two items may together be of the order of £100 million in each of the years 1946 and 1947.

The estimates of capital investment in Cmd. 7268 differ from these series given here in that they are estimates of gross and not of net expenditure. There are other differences of definition which are discussed in the note to item 60 (p. 27).

It is impossible to reconcile the two figures in detail because it has not been possible to make a direct estimate of all the constituents of capital formation for any year later than 1938. For later years the estimates given here have been obtained by subtracting the sum of items 7, 8, 12 and 13 from item 6 and are therefore entirely dependent on the accuracy of those estimates. The estimates of this item are undoubtedly the most vulnerable estimates in the whole Paper.

10. This item is an estimate of the net change in the external assets of the United Kingdom. It is equal to the surplus (or deficit) of the balance of payments on current account, *i.e.* to the difference between this country's current receipts from abroad and its current payments to foreigners. The coverage of the item therefore depends on the conventions adopted in measuring those current receipts and payments. In this Paper the conventions adopted in Cmd. 7324 have been followed.

The current account published in Cmd. 7324 is essentially a cash account. It records payments of cash for imports, as distinct from arrivals in this country, and cash received for exports, as distinct from shipments from this country. Thus, it does not reflect at all increases during 1946 and 1947, both years of expanding exports, in the amount of short-term trade credit outstanding to cover exports already shipped but not yet paid for.

Moreover, the remittances of British oil companies operating abroad are entered on the receipts side of the current account after deduction of the companies' total outgoings, including all purchases of capital equipment whether for replacement or for extensions. Further, certain advances by the Government of the United Kingdom to other governments have been treated as current payments.

The effect of adopting these and certain other conventions in the current account is to restrict somewhat the scope of the term "external assets" in the capital account. The present item, "external investment", does not include, for example, increases in short-term credits to foreign importers of British exports; nor does it include net increases in the overseas capital equipment of British oil companies.

Lend-Lease has entered into this item, as into item 8, in only one year: the 1945 figure includes the liability of £161 million to the Government of the United States to cover the net sum due for the settlement of Lend-Lease and reciprocal aid, etc., mentioned in the note to item 8.

11. This item (the sum of items 7 to 10) represents the total expenditure at market value by the United Kingdom on current consumption and on additions to assets. It differs from the national income because it includes certain payments (indirect taxes) not going to factors of production and excludes others (subsidies) which do remunerate factors of production.

12. This item is included here since it represents payments in respect of costs not appearing in the market value of goods and services. It is restricted to the following classes of payments made by the central government towards the cost of goods and services bought by the public: (i) agricultural subsidies such as the beet sugar subsidy, milk subsidy, wheat deficiency payments and grants in respect of fertilizers, grassland ploughing and field drainage, (ii) acreage payments, (iii) losses incurred on the commercial accounts of the Ministry of Food and the Ministry of War Transport, (iv) subsidies in respect of coal paid by the Ministry of Fuel and Power, (v) subsidies in respect of utility cloth and footwear, (vi) certain subsidies in respect of raw materials and fertilizers met by the Ministry of Supply, (vii) housing subsidies and (viii) subsidies of the civil aviation companies.

13. This item consists of taxes on outlay. These taxes require to be deducted from item 11 since they enter into the market value of goods and services but do not remunerate any factor of production, *i.e.* do not form part of the national income.

The item includes (i) customs and excise duties, (ii) motor vehicle duties, (iii) stamp duties, (iv) the trading profit of the Post Office, (v) broadcast receiving licences, (vi) local rates, (vii) compulsory contributions of employers to the national health and unemployment insurance and contributory pensions schemes and (viii) premiums paid under the commodities and marine war risks insurance schemes.

The estimated amount of taxes which enter into the value of exports and are therefore ultimately paid by foreigners has been deducted since these receipts are treated as a part of government income from property and therefore of the national income.

14. This item is the sum of items 11 to 13 and is an estimate of expenditure on the factors of production in, or only temporarily absent from the United Kingdom. It is, therefore, by definition equal to item 6.

Table 11. Estimates of Private Income and Outlay

15. This item is composed of items 1 and 2 of table 10, *plus* national debt interest and the increase in interest accrued on National Savings Certificates (*i.e.* less item 43 of table 12), *less* private income not accruing to persons (item 31), *less* trading profits, interest and rents received by public authorities (item 42 of table 12).

16. The sum of items 3 and 4 of table 10.

17. The same as item 5 of table 10.

18. Old age pensions, contributory pensions, supplementary pensions, family allowances; the Ministry of Food's contributions towards the cost of food and vitamin products supplied under the National Milk Scheme and the milk-in-schools and vitamin schemes; cash benefits under the national health insurance scheme; unemployment insurance benefits; unemployment allowances and outdoor relief paid by local authorities. These payments are shown separately as items 28, 53, 54, 55 and 64 of Appendix II.

19. This item consists of post-war income tax credits, war gratuities, and pay credits, the pay and cash allowances of members of the armed forces on release leave and the cost of the civilian clothing issued to them on their release, cash payments in respect of war pensions and service grants, billeting allowances, fireguards' subsistence allowances, travelling and lodging allowances of transferred workers, trainees' wages and lodging allowances, State scholarships and maintenance allowances to students. A breakdown of this item is given in item 29 of table 14.

20. This item is the sum of items 15 to 19; it is the total of incomes received by persons (including non-profit-making bodies).

21. This item is equal to item 7 of table 10, *less* item 22.

22. That part of the excess of indirect taxes (item 13 of table 10) over subsidies (item 12 of table 10) which falls on consumers' expenditure.

23. This item includes all payments of income tax and surtax on personal income. For the years 1944 to 1946 the series given here is higher than the corresponding series in Cmd. 7099, where accruals of tax credits were treated as personal saving and not as tax payments.

25. The contributions of employees and voluntary contributors to the national insurance schemes (health, unemployment and pensions).

26. War damage contributions and premiums and other minor direct taxes, *less* direct taxes estimated to have been paid by foreigners.

27. This item shows the additions to direct tax reserves that a careful citizen would make each year on the assumption that current rates of tax would still be in force when he was assessed on his current income. The additions made to such hypothetical tax reserves in any year, together with the tax actually paid during that year, are equal to the estimated total outstanding tax liabilities at the end of the year on the assumption that tax rates remain unchanged. The present series therefore differs in definition from the series previously given in Cmd. 7099.

28. This item represents the excess of personal income over outgoings on consumers' goods and services and liability for taxes and compulsory contributions. It includes the increase in life assurance funds of companies, since only that part of the premium payments which covers the insurance companies expenses and profits has been included in personal expenditure. It has been obtained throughout by subtracting the sum of items 21 to 27 from item 20 and therefore depends on the accuracy of those items.

This item differs from the corresponding item in Cmd. 7099 since income tax repayable as post-war credits has been treated here as a tax payment and not as saving.

29. This item is the sum of items 21 to 28, which show the various forms of personal outlay. Current income may be (a) spent on consumers' goods and services, (b) paid away in taxes and the like, (c) set temporarily aside against increased liabilities to tax or (d) added to past savings. Since this list is exhaustive the item is by definition equal to item 20.

30. This item is equal to that part of the national income (item 6 of table 10) which is neither paid out to persons nor accrues to public authorities as net income from property (items 42 and 43 of table 12).

32. The total payments of Excess Profits Tax and Profits Tax (formerly National Defence Contribution). Post-war refunds of Excess Profits Tax have not been deducted.

33. This item is composed of other direct taxes such as income tax and war damage contributions and premiums met out of other private income. The figures for 1946 and 1947 exclude income tax on post-war refunds of Excess Profits Tax, which have been brought into the capital account (item 58 of table 13) after deduction of income tax. Together with items 23, 24, 25, 26 and 32 it is equal to item 39 of table 12.

34. This item shows the excess of the estimated ultimate liability for Excess Profits Tax and Profits Tax on the profits of each year, on the assumption that current tax rates remain unchanged, over current payments of these taxes. The series differs from the series of tax liabilities previously given in Cmd. 7099.

35. An estimate of that part of companies' profits which has been carried to reserve or not yet paid out in dividends. Post-war refunds of Excess Profits Tax have been treated as a capital receipt (item 58 of table 13) and therefore do not enter into this item.

36. The sum of items 32 to 35 and by definition equal to item 31.

37. The sum of items 20 and 31; equal to item 6 of table 10, *plus* items 47 and 48 of table 12, *less* items 42 and 43 of table 12.

38. The sum of items 29 and 36.

Table 12. Revenue Account of Public Authorities

This table summarises the income and current expenditure of public authorities in the United Kingdom. Transfers between one public authority and another, such as Exchequer grants to local authorities and similar contributions to the national insurance funds are excluded from both sides of the account. In the separate accounts for the central government, the local authorities and the national insurance funds shown in Appendix II each transfer is shown as a payment by one authority and a receipt by another.

Expenditure on goods and services is here net in the sense that it is after deduction of goods and services sold by public authorities to the general public, which are included either in personal expenditure on consumption or in private net capital formation at home.

39. This item includes all taxes on income and capital (other than the small amount paid by foreigners) together with gifts, fines and other similar receipts. It is made up of items 1 to 7 and 46 of Appendix II; the notes on these items contain full definitions. It is equal to the sum of items 23, 24, 25, 26, 32 and 33 of table 11.

The corresponding item in Cmd. 7099 (item 39 of table 17) excluded income tax repayable as post war credits.

40. This item includes all taxes on outlay (other than the amount estimated to enter into the value of British exports, which has been treated as government income from property).

The item is made up of items 9 to 19, 47 and 58 of Appendix II; more detailed definitions are given in the notes to those items. It is equal to item 13 of table 10.

41. The sum of items 39 and 40; equal to the sum of items 21, 46, 47 and 58 of Appendix II.

42. This item consists of (i) the trading profits of government departments and local authorities which carry on business in competition with private enterprise; (ii) the investment income of the national insurance funds; (iii) certain Exchequer receipts (*e.g.* under the Bank of England Act, 1946), used to make payments of interest on the national debt; (iv) taxes directly paid by foreigners or entering into the value of British exports; (v) in the years

1944 to 1946, as a negative element, the loss made by the Exchequer as a result of illicit trading by British troops and other Government employees abroad. The item is made up of items 22, 23, 48 and 59 of Appendix II.

43. Total interest on the national debt, whether part of the permanent debt charge or met out of specific receipts such as receipts under the Bank of England Act, 1946, together with the increase in interest accrued on National Savings Certificates. National debt interest is here treated as negative government income. To the recipients of the income, whether they are private individuals and companies, or public authorities (*e.g.* national insurance funds), it is, of course, positive income and appears as an element in items 15 and 30 of table II.

44. The sum of items 41 to 43; *i.e.* equal to tax revenue and miscellaneous trading profits, etc., of public authorities, less national debt interest.

45. This item is made up of items 26, 51, 52 and 62 of Appendix II.

46. This item is identical with item 12 of table 10; it is made up of items 27 and 63 of Appendix II.

47. This item is equal to item 18 of table II; it is made up of items 28, 53, 54, 55 and 64 of Appendix II. The notes to those items give more detailed definitions.

48. This item is equal to item 19 of table II; a breakdown of the figure is given in item 29 of Appendix II, the note to which gives a more detailed definition. Unlike the corresponding item in Cmd. 7099 (item 48 of table 17) this item includes payments of post-war income tax and pay credits.

49. Payments in respect of claims under the commodities and marine war risks insurance schemes and the War Damage Act. The same as item 57 of table 13.

50. These refunds are shown (as also in table 13: item 58) after deduction of income tax.

51. This item measures the difference between the revenue of public authorities and their expenditure other than on the acquisition of assets. It is made up of items 35, 56 and 65 of Appendix II and is identical with item 55 of table 13.

52. The sum of items 45 to 51; equal to items 36, 57 and 66 of Appendix II, less items 30 and 31 of Appendix II.

Table 13. Combined Capital Account

53. The sum of items 28 and 35 of table II.

54. The sum of items 27 and 34 of table II.

55. The same as item 51 of table 12.

56. These allowances are treated here in a narrow sense in that they exclude, except in the case of buildings, highways and bridges, the greater part of outlays for current repair work.

So far as the private sector is concerned, the estimates are based mainly on the allowances, as computed for income tax purposes, which were due each year, *viz.* allowances for repairs, etc. under Schedule A and wear and tear and obsolescence allowances under Schedule D. In fact, when firms are assessed under both Schedules A and D the Schedule A allowances are non-operative and the deduction allowed for repairs before tax is chargeable is the actual amount spent.

An addition has been made to income tax allowances to cover the amount received by business insurers in respect of claims for damage (other than war damage) to fixed capital goods and the increase in assurance reserves to meet

business claims of all kinds. Expenditure on making good such damage appears in gross capital formation; by the practice here adopted provision for insurable loss is treated identically with provision to meet normal wear and tear.

In the case of local authorities sums repaid to lenders and transferred to sinking funds are treated as the equivalent of depreciation allowances, as explained in the note to item 9. Expenditure by public authorities on maintaining highways and bridges is included, as is also Post Office capital expenditure charged to Vote.

Total depreciation allowances have increased sharply in the last two years. Firms which have recently replaced old plant with a low written-down value or even fully depreciated, by new plant bought at higher prices would in any case have become entitled to considerably increased tax-free wear and tear allowances, since these allowances are calculated on the original cost of assets. The introduction in 1947 of special initial allowances on all new plant installed contributed further to the increase.

Gross capital formation has, except in 1938, been, perforce, estimated by adding the sums allowed for depreciation and maintenance to the figure of net capital formation obtained as a residual in table 10. In Cmd. 7099 it was suggested that as a consequence any change in the allowance made for depreciation in this table would alter the figure of gross capital formation (item 60), while leaving item 9, net capital formation, unchanged. As critics have pointed out, this conclusion was erroneous; in fact, it is precisely the residual net figure which would be directly affected since a rise in depreciation allowances would be compensated by an equal fall in profits.

57. The same as item 49 of table 12.

58. The same as item 50 of table 12.

60. Composed of total expenditure on fixed capital works, etc., together with the change in the value of stocks and work in progress implied in the calculation of profits. As explained in the note to item 56 this item is treated here in a narrow sense since, except in the case of buildings, highways and bridges, the greater part of outlays on repair work is excluded.

The figure given in this table for 1947 is significantly different from the estimate of the rate of capital investment at mid-1947 given in Cmd. 7268. It is impossible to reconcile the two figures in detail since the figure given here is not a direct estimate obtained by aggregating the value of different types of capital expenditure. But there is every logical reason for expecting a difference between the two figures and strong practical reason for believing that the difference here revealed is in the right direction. The figure in Cmd. 7268 related to mid-1947: prices rose appreciably in the second half of the year. It related to expenditure on certain specified types of building and manufacturing work only. It made no allowance for changes in the value of inventories or of work in progress other than in the building industry. Finally, it was a direct estimate not dependent in any way on the conventions adopted by others in measuring external investment; it therefore included no allowance for any change in the value of British exports shipped but not yet paid for, or for net additions to the overseas capital equipment of British oil companies. As is suggested in the note to item 9 (p. 22) these last two omissions alone may account for about £100 million of the difference between the figure given here and the one in Cmd. 7268.

61. The same as item 10 of table 10.

62. The sum of items 60 and 61.

APPEN

REVENUE, BORROWING AND CENTRAL

TABLE 14

Revenue

	1938	1944	1945	1946	1947
<i>Direct taxes</i>					
1. Income tax	312	1,279	1,353	1,262	1,141
2. Surtax	59	74	73	75	81
3. Profits Tax	15	35	35	35	31
4. Excess Profits Tax	—	482	440	356	255
5. Death duties... ..	78	107	119	142	163
6. War damage premiums	—	49	39	2	1
7. Miscellaneous	—3	—9	—9	—9	—9
8. Total	461	2,017	2,050	1,863	1,663
<i>Indirect taxes</i>					
9. Customs and excise duties on drink ...	107	360	375*	364	356
10. Customs and excise duties on tobacco ...	84	385	408	438	541
11. Purchase tax... ..	—	95	109	161	217
12. Entertainments duty	8	46	50	55	49
13. Other customs and excise duties	138	202	150	147	179
14. Motor vehicle duties	35	28	35	45	50
15. Broadcast receiving licences	4	5	5	8	11
16. Stamp duties... ..	21	17	23	35	50
17. Post Office surplus	11	39	37	27	20
18. War risks insurance premiums	—	58	14	5	—
19. Miscellaneous	—17	—6	—8	—27	—38
20. Total	391	1,229	1,198	1,258	1,435
21. Total tax revenue	852	3,246	3,248	3,121	3,098
<i>Income from property</i>					
22. Receipts under the railway agreement ...	—	49	33	—20	—40
23. Miscellaneous	41	33	12	45	96
24. less National debt interest... ..	—223	—445	—492	—530	—544
25. Revenue	670	2,883	2,801	2,616	2,610

For notes on the items of this table see pp. 35 and 36.

DIX II

EXPENDITURE OF PUBLIC AUTHORITIES GOVERNMENT

Account

£ million

	1938	1944	1945	1946	1947
26. Current expenditure on goods and services					
a. Wages and salaries	138	} 4,763	3,996 {	769	592
b. Other	302			1,158	998
27. Subsidies	14	196	240	314	418
<i>Transfers to private current account</i>					
28. Social security payments :					
a. Non-contributory pensions	47	110	117	131	49
b. Family allowances	—	—	—	19	55
c. Milk and vitamin products	—	21	22	28	36
d. Unemployment allowances	35	2	2	4	3
29. Other transfers :					
a. War gratuities and pay credits	—	—	82	229	60
b. Pay and allowances of members of the Armed Forces on release leave	—	—	61	166	36
c. War pensions and service grants	38	72	77	82	81
d. Post-war income tax credits	—	—	—	54	51
e. Miscellaneous	3	26	11	17	26
<i>Transfers to other public authorities</i>					
30. Grants to local authorities	169	263	272	293	300
31. Exchequer contributions to national insur- ance funds	47	59	62	60	136
32. Total current expenditure	793	5,512	4,942	3,324	2,841
<i>Transfers to private capital account</i>					
33. Payments in respect of war damage claims	—	113	167	131	266
34. Excess Profits Tax post-war refunds	—	—	—	167	40
<i>Saving</i>					
35. Surplus on current account	—123	—2,742	—2,308	—1,006	— 537
36. Current expenditure and capital transfers less deficit	670	2,883	2,801	2,616	2,610

TABLE 15

	1938	1944	1945	1946	1947
37. Surplus on current account	-123	-2,742	-2,308	-1,006	-537
38. Maintenance provision	10	5	8	13	24
39. Net borrowing	147	2,750	2,290	966	491
40. Receipts available for capital formation ...	34	13	-10	-27	-22

For notes on the items of this table see p. 37.

TABLE 16

	1938	1944	1945	1946	1947
46. Direct taxes	55	70	69	86	122
47. Indirect taxes	54	71	69	84	116
48. Income from property	9	15	17	20	21
49. Grants from central government	47	59	62	60	136
50. Revenue	165	215	217	250	395

For notes on the items of this table see p. 37.

GOVERNMENT

Account

£ million

	1938	1944	1945	1946	1947
41. Expenditure on new assets and the maintenance of existing assets... ..	34	13	48	135	136
42. less Change in value of inventories ... ..	...	...	...	-18	42
43. less Sales of surplus stores	—	—	-58	-202	-200
44. Purchases of existing assets from private ownership	—	—	—	58	—
Gross capital formation at home	34	13	-10	-27	-22

INSURANCE FUNDS

Account

£ million

	1938	1944	1945	1946	1947
<i>Current expenditure on goods and services</i>					
51. Medical benefit	12	15	15	19	21
52. Expenses of administration	14	11	13	15	17
<i>Transfers to private current account</i>					
53. Contributory pensions	47	65	63	75	214
54. Sickness benefit	22	32	32	32	32
55. Unemployment benefit	55	4	9	26	28
<i>Saving</i>					
56. Surplus on current account	15	88	85	83	83
57. Current expenditure and surplus	165	215	217	250	395

TABLE 17

	1938	1944	1945	1946	1947
58. Indirect taxes	211	232	245	257	280
59. Income from property	7	6	9	8	10
60. Grants from the central government ...	169	263	272	293	300
61. Revenue	387	501	526	558	590

TABLE 18

	1938	1944	1945	1946	1947
67. Surplus on current account	19	23	19	8	13
68. Depreciation allowances	100	100	105	110	113
69. Net borrowing	87	-65	-33	95	219
70. Receipts available for capital formation ...	206	58	91	213	345

For notes on the items in tables 17 and 18 see pp. 37 and 38.

AUTHORITIES

Account

£ million

	1938	1944	1945	1946	1947
62. Current expenditure on goods and services	323	444	471	512	540
63. Housing subsidies	22	22	22	23	24
<i>Transfers to private current account</i>					
64. Outdoor relief	23	12	14	15	13
<i>Saving</i>					
65. Surplus on current account	19	23	19	8	13
66. Current expenditure and surplus... ..	387	501	526	558	590

Account

£ million

	1938	1944	1945	1946	1947
71. Gross capital formation	206	58	91	213	345
72. Gross capital formation	206	58	91	213	345

THE FINANCE OF CENTRAL GOVERNMENT BORROWING

TABLE 19

£ million

	1938	1944	1945	1946	1947
<i>Public borrowing at home</i>					
73. Post Office and Trustee Savings Banks ...	1	325	355	270	30
74. National Savings Certificates ...	3	265	159	61	131
75. Defence Bonds ...	—	112	154	194	—28
76. Other public issues (net) ...	73	896	1,176	—2	—305
77. Increase in fiduciary issue ...	10	150	150	50	—
78. Increase in Treasury Bills held outside government departments and in Bank Ways and Means ...	—189	537	565	321	114
79. Treasury deposit receipts ...	—	394	—158	40	—274
80. Tax reserve certificates ...	—	113	41	—132	—125
81. Total ...	—102	2,792	2,442	802	—457
<i>Finance through government agencies</i>					
82. Unemployment Fund ...	—1	72	69	68	62
83. National Health Funds ...	—	5	3	1	—2
84. Local Loans Fund ...	—3	8	4	—53	1
85. Other extra-budgetary receipts, etc. ...	264	—87	—348	—68	361
86. less Sinking funds ...	—11	—16	—16	—17	—17
87. Total ...	249	—18	—288	—69	405
<i>Gifts and loans from abroad</i>					
88. Gifts from the Governments of Australia and New Zealand ...	—	—	—	—	30
89. Canadian Government interest-free loan	—	—13	—14	—21	—26
90. Reconstruction Finance Corporation loan	—	—11	—11	—9	—9
91. Credit granted by the United States Government as part of the Lend-Lease settlement ...	—	—	161	—	—
92. Drawings on United States and Canadian Government lines of credit ...	—	—	—	279	812
93. Total ...	—	—24	136	249	807
94. less Subscriptions under the Bretton Woods Agreement Act, 1945 ...	—	—	—	—8	—25
95. less Loans to local authorities ...	—	—	—	—8	—202
96. less Advances to the National Coal Board	—	—	—	—	—37
97. Total borrowing less lending and repayments ...	147	2,750	2,290	966	491

For notes on the items of this table see p. 38.

NOTES ON TABLES IN APPENDIX II

Table 14. Central Government: Revenue Account.

The classification of government transactions adopted in this Paper departs radically from that of the Exchequer Returns. Revenue includes only tax receipts and income from government property and trading undertakings. (National debt interest is treated as a deduction from income from property.) Expenditure on current account consists of all Exchequer issues, whether classed as Ordinary Expenditure or appearing "below the line" in the Exchequer Returns, other than those made for capital expenditure or as loans to industry, local authorities, etc. Exchequer issues that result merely in a temporary increase in departmental balances have been, so far as possible, omitted from expenditure and a corresponding adjustment made to borrowing. Similarly, expenditure out of departments' balances has been added to both expenditure and borrowing.

The expenditure omitted from the revenue account and treated as capital has been restricted to expenditure on the formation of new assets (mainly buildings) or the acquisition of existing assets from private owners.

It follows that the revenue account is debited with post-war refunds of excess profits tax and payments of war damage claims, both exceptional types of payment that could properly for some purposes be treated as transfers between capital accounts. The running down of government stocks of war stores has been treated as negative capital expenditure: the cash proceeds of their sale have therefore been omitted from revenue.

Central government revenue and expenditure include the current receipts and payments of the various war damage and war risks funds and of all extra-budgetary funds except the national insurance funds treated separately in table 16.

Direct taxes.—Items 1 to 5 represent net receipts by the Board of Inland Revenue.

1. This item excludes income tax on post-war refunds of Excess Profits Tax: correspondingly, these refunds are shown on the other side of the account (item 34) after deduction of income tax. Unlike the corresponding item in table 19 of Cmd. 7099 it includes income tax for which certificates of post-war credit have been issued. In Cmd. 7099 such tax was treated as a loan to the Government.

3. This tax was called the National Defence Contribution before 1946.

4. This item represents gross receipts of Excess Profits Tax. Post-war refunds have been treated as an item of expenditure (item 34).

6. Contributions and premiums under the War Damage Act, Parts I and II.

7. Inland Revenue duties other than stamp duties and those shown above, *plus* direct taxes levied by the Government of Northern Ireland, *plus* certain components of miscellaneous revenue and appropriations in aid of Votes (*e.g.* fines and gifts), *less* an estimate of direct taxes paid by foreigners (which have been treated as government income from property).

Indirect taxes.—Items 9 to 13 and item 16 represent net receipts by H.M. Customs and Excise and by the Board of Inland Revenue respectively.

17. The surplus shown in the Post Office commercial accounts.

19. Excise licences not collected by H.M. Customs and Excise, *plus* indirect taxes levied by the Government of Northern Ireland, *plus* certain appropriations in aid of Votes, *less* an estimate of indirect taxes paid by foreigners (which have been treated as government income from property).

23. Receipts from Crown Lands, *plus* the interest component of receipts from Sundry Loans, *plus* certain items in miscellaneous revenue, such as

contributions towards the cost of the war received from colonial governments and peoples, *plus* current receipts under the Bank of England Act, 1946, the Overseas Trade Guarantees Act, 1939, the Housing (Temporary Accommodation) Act, 1944, and the Building Materials and Housing Act, 1945, *plus* investment income received by the war risks insurance funds and other extra-budgetary accounts managed by the National Debt Commissioners, *plus* the excess of interest received by the Local Loans Fund over interest paid on Local Loans stock and, after the disappearance in 1947 of Local Loans Stock, the annuity paid by the Local Loans Fund to the Exchequer.

24. See note to item 43 of table 12 (p. 26).

26*a*. Pay and allowances of members of the Armed Forces, and wages and salaries of the staffs of government departments other than workers directly engaged in manufacture or employed by the Post Office, whose staff is paid not out of tax revenue and borrowing but out of the proceeds of sale of stamps, etc.

26*b*. This item includes, in 1944 and 1945, war expenditure, even though of a capital nature. It includes an adjustment for changes in government liabilities to industry for work done. Except in 1946 and 1947 no adjustment has been made for changes in inventories; changes in certain stocks in 1946 and 1947 are separately shown in the capital account (item 42).

27. Agricultural subsidies such as the beet sugar subsidy, milk subsidy, wheat deficiency payments and grants in respect of fertilisers, grassland ploughing and field drainage; acreage payments; losses incurred on the commercial accounts of the Ministry of Food and the Ministry of Transport; subsidies in respect of coal paid by the Ministry of Fuel and Power; subsidies in respect of utility cloth and certain raw materials met by the Board of Trade and the Ministry of Supply; subsidies to civil aviation companies.

28*a*. Old age pensions and supplementary pensions. The fall in the amounts paid under this head in 1947 was due to a change in administrative practice; the Exchequer contributions to the national insurance funds (item 31) and the pensions paid by those funds (item 53 of table 16) show counterbalancing rises. The figures for 1947 includes an estimate of the value of coupons exchanged for tobacco by old age pensioners.

28*c*. The Ministry of Food's contributions to the cost of milk provided under the National Milk and milk-in-schools schemes and of orange-juice, cod-liver oil and vitamin tablets provided under the vitamin schemes.

28*d*. Allowances paid by the National Assistance Board.

29*a* to *f*. The sum of these items is identical with item 19 of table 11.

29*a*. Post-war pay credits are here shown in the years in which they were paid: in Cmd. 7099 they were shown in the years in which they accrued.

29*d*. Post-war income tax credits paid. In Cmd. 7099 such payments were treated as a repayment of government debt; it has seemed, on balance, more realistic to treat them here as transfers which increase personal income and so influence personal savings in the year in which they are made.

29*e*. Fireguards' allowances, billeting allowances and transfer payments made by the Government of Northern Ireland.

31. The same as item 49 of table 16.

32. The same as item 60 of table 17.

33. Payments in respect of claims under the commodities and marine war risks insurance schemes and the War Damage Act. The same as item 57 of table 13.

34. These payments are shown after deduction of income tax.

Table 15. Central Government: Capital Account

37. The same as item 35 of table 14.
38. The amount provided for maintenance work on buildings and roads together with the Health Departments' annuity payments to the Exchequer on account of capital expenditure on temporary houses.
39. The term "borrowing" is here used in a wide sense to cover all capital receipts as well as loans. The channels through which this borrowing was financed are detailed in table 19.
41. Post Office loan expenditure, Road Fund expenditure on improvements and new construction and expenditure on the manufacture of prefabricated houses, *plus* expenditure on maintenance of roads and buildings. All expenditure connected with the war has been excluded even though it was of a capital nature.
42. The change in the value of certain government-owned stocks. Figures are available only for 1946 and 1947 and even so are incomplete. In previous years all changes in stocks are reflected in the estimates of government current expenditure (item 26*b* of table 14).
- 43 and 44. These two items are given separately since they represent mere transfers of existing assets from private to public ownership and *vice versa*. Item 43 shows the total sales of surplus war stores, whether or not the proceeds have been paid into the Exchequer. Item 44 includes only the State's expenditure on acquiring the assets of the Bank of England. The nationalisation of the coal mines is not yet reflected in the figures since no stock has yet been issued to the former owners. Logically, this item should include also purchases of land and buildings, which have here been included in item 42.

Table 16. National Insurance Funds: Revenue Account

This table sets out the revenue account of the Unemployment Fund, the various national health insurance funds and the contributory pensions scheme.

46. Contributions of employees and voluntary contributors.
47. Employers' contributions.
48. Investment income, mainly national debt interest.
49. Exchequer contributions to the Unemployment Fund, national health insurance funds and Treasury Pensions and Special Pensions Accounts. Equal to item 31 of table 14.
51. Cash benefits under the national health insurance scheme.
53. This item and item 49 on the other side of the account both rise sharply in 1947 partly because of a change in administrative practice. Item 28*a* of table 14 is reduced below the level of previous years for the same reason.

Table 17. Local Authorities: Revenue Account

58. Composed of local rates and central government contributions in lieu of rates, with the exception of water rates, which are treated as current receipts from a trade service.
59. An estimate of the profits from trading services and corporation estates treated in such a way that contributions to rate fund accounts are included while transfers from rate fund accounts in aid of deficiencies are not.
60. Equal to item 30 of table 14.
62. This item consists of all local authorities' expenditure on revenue account other than that recouped from the private sector of the economy in the form of fees, rents, etc., *less* the housing subsidies shown separately in item 63, *plus*, in 1944 and 1945, capital expenditure on emergency services.

63. The excess of local authorities' expenditure on housing service revenue account over their receipts from rents.

64. Public assistance (out-relief) in cash and kind.

Table 18. Local Authorities: Capital Account

67. The same as item 65 of table 17.

68. Sums repaid to lenders and transferred to sinking funds (which are treated as the equivalent of depreciation allowances), *plus* an estimate of sums provided for maintenance of highways and bridges and included in item 71.

71. Capital expenditure on works, *less* receipts from the sale of assets, *plus* maintenance of highways and bridges.

Table 19. The Finance of Central Government Borrowing

73. The increase in investments from the net deposits in the Post Office and Trustee Savings Banks.

74 and 75. Receipts *less* repayments.

76. Receipts from public issues, *e.g.* National War Bonds and Savings Bonds and Other Debt (net), *less* securities redeemed (including, in 1947, Local Loans Stock) and excluding purchases of government securities (war or pre-war issues) by public departments and by the Land Fund.

78. The increase in bills held by the market, by Empire Funds and by foreign governments, and in Bank Ways and Means Advances.

79. Receipts *less* repayments.

80. The increase in the amount of certificates outstanding.

82, 83 and 84. The net increase in these funds available for loan to the Exchequer, *less* the excess of interest received over interest paid by the Local Loans Fund, which has been included in central government revenue.

85. The net increase in government securities held by the Exchange Equalisation Account, *plus* the reduction in the Exchequer balance, *plus* repayments of principal included in receipts from Sundry Loans and Miscellaneous Receipts, *less* government lending included in Ordinary Expenditure, *less* net issues under the North Atlantic Shipping Act, 1934, Tithe Act, 1936, Anglo-Turkish (Armaments Credit) Agreement Act, 1938, Overseas Trade Guarantees Act, 1939, Housing (Scotland) Act, 1944 and New Towns Act, 1946. The item also includes an allowance for the increase or decrease in government liabilities to industry and, in 1946, the amount of 3 per cent. Treasury Stock issued on the occasion of the nationalisation of the Bank of England (to balance item 44 of table 15).

91. The net sum due from the United Kingdom to the United States for the settlement of Lend-Lease and Reciprocal Aid, for the acquisition of surplus property and the United States interest in installations located in the United Kingdom and for the settlement of claims.

94. This item includes only those parts of the United Kingdom's subscriptions to the International Monetary Fund and the International Bank which were made in gold. The remainder, which was re-lent to the Government, has not here been shown either as government lending or government borrowing.

95. Issues under the Local Authorities Houses Act, 1945, Section 3 (1).

96. Issues under the Coal Industry Nationalisation Act, 1946, Section 34 (1).

97. The same as item 39 of table 15.

APPENDIX III

CONSUMERS' EXPENDITURE

PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES AT CURRENT MARKET PRICES

TABLE 20

£ million

	1938	1944	1945	1946	1947
1. Food—					
a. Household expenditure					
Bread and cereals	162	261	266	285	324
Meat and bacon	325	331	299	328	310
Fish	53	53	71	82	83
Oils and fats	78	60	58	62	61
Sugar, preserves, and confectionery	111	114	116	117	162
Dairy products	164	233	245	256	261
Fruit	85	48	52	90	153
Potatoes and vegetables	99	155	164	184	246
Beverages	68	71	77	85	89
Other manufactured food	38	34	63	78	81
Total	1,183	1,360	1,411	1,567	1,770
b. Other personal expenditure	104	162	171	194	225
Total food	1,287	1,522	1,582	1,761	1,995
2. Alcoholic beverages—					
a. Beer	195	529	550	510	481
b. Other	90	136	139	168	197
3. Tobacco—					
a. Cigarettes	144	429	476	511	582
b. Other	33	79	87	92	108
4. Rent, rates and water charges	491	516	523	536	564
5. Fuel and light—					
a. Coal	108	121	120	120	127
b. Electricity	35	49	53	65	70
c. Gas	38	58	66	75	80
d. Other	16	25	28	31	33
6. Durable household goods—					
a. Furniture and furnishings	152	68	92	176	243
b. Hardware	82	59	80	125	150
7. Other household goods—					
a. Matches... ..	10	10	9	11	13
b. Soap	30	29	29	28	31
c. Other	14	16	18	21	22
8. Clothing—					
a. Footwear	73	90	91	108	131
b. Other clothing :					
(i). Men's and boys' wear	127	125	130	157	184
(ii) Women's, girls' and infants' wear	246	279	293	346	389
9. Books, newspapers and magazines—					
a. Books	10	21	23	28	31
b. Newspapers	36	43	45	51	58
c. Magazines	18	21	23	26	30
10. Private motoring	127	11	37	121	134
11. Travel—					
a. Railway	55	90	102	104	101
b. Other	108	124	142	166	195

TABLE 20—cont.

£ million

	1938	1944	1945	1946	1947
12. Communication services—					
a. Postal	18	36	33	32	32
b. Telephone and telegraph	11	18	19	22	24
13. Entertainments					
a. Cinemas	64	149	117	121	108
b. Other			44	62	67
14. Other services	483	444	502	645	716
15. Other goods	177	201	229	309	375
16. Income in kind of the Armed Forces ...	17	206	204	111	60
17. Adjustment	—7	40	110	100	90
18. Total	4,288	5,544	5,996	6,739	7,421

The total shown in the figures in table 20 relates to expenditure out of personal income, *i.e.* the income of individuals and of charities and other non-profit-making bodies. The estimates for groups 1 to 15 include purchases in the United Kingdom by visitors to this country and exclude all expenditure abroad by British troops and tourists.

Item 17 consists of a rough estimate of expenditure abroad out of British personal income *less* expenditure in the United Kingdom by foreign visitors.

Expenditure on consumers' goods and services by business firms and public authorities is as far as possible excluded except in certain cases where the object purchased is resold to persons as part of a composite product or service. Thus personal expenditure on meals in restaurants and hotels is spread over several categories. The cost to the establishment of the food used appears in item 1; the rent of the building in item 4; the chinaware and cooking utensils in item 6; and the allowance for the purely service and managerial element of expenditure in item 14.

The figures represent the expenditure of consumers in the above sense on goods and services of all kinds whether these are provided out of new production or from stock. Secondhand goods are not included but an allowance is made in item 14 for the costs including profit, of handling and reconditioning them.

PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES REVALUED AT 1938 PRICES

TABLE 21

£ million

	1938	1944	1945	1946	1947	Price index in 1947
	£ million					1938=100
1. Food	1,287	1,120	1,136	1,241	1,307	153
2. Alcoholic beverages—						
a. Beer ⁽¹⁾	195	211	232	199	189	254
b. Other	90	63	65	76	82	241
3. Tobacco—						
a. Cigarettes	144	177	193	203	178	327
b. Other	33	28	32	33	29	371
4. Rent, rates and water charges	491	503	506	512	522	108
5. Fuel and light—						
a. Coal	108	84	78	75	76	166
b. Electricity	35	51	57	73	81	87
c. Gas	38	43	47	53	55	145
d. Other	16	15	16	17	18	182
6. Durable household goods—						
a. Furniture and furnishings	152	30	42	81	105	231
b. Hardware	82	30	40	67	75	200
7. Other household goods—						
a. Matches	10	7	6	8	9	150
b. Soap	30	24	24	23	22	137
c. Other	14	9	10	12	13	178
8. Clothing—						
a. Footwear	73	53	54	62	75	175
b. Other clothing—						
(i) Men's and boys' wear	127	69	70	84	95	194
(ii) Women's, girls' and infants' wear	246	153	155	184	203	192
9. Books, newspapers and magazines—						
a. Books	10	16	17	20	21	145
b. Newspapers	36	40	41	47	53	110
c. Magazines	18	17	19	22	25	120
10. Private motoring	127	8	25	71	75	179
11. Travel—						
a. Railway	55	78	88	84	75	135
b. Other	108	110	127	149	158	123
12. Communication services—						
a. Postal	18	28	25	24	23	142
b. Telephone and telegraph	11	14	15	18	19	125
13. Entertainments	64	90	94	104	99	176
14. Other services	483	343	369	455	480	149
15. Other goods	177	113	120	153	169	221
16. Income in kind of the Armed Forces	17	152	146	78	39	153
17. Adjustment ⁽²⁾	—7	27	72	64	54	168
18. Total	4,288	3,706	3,921	4,292	4,424	168

⁽¹⁾ The standard barrel has been taken as the unit of quantity in this table.

⁽²⁾ There is no proper basis for revaluing the adjustment given in the corresponding line of table 20. The figures given here are in the same ratio to the series given in table 20 as the total of items 1 to 16 in this table is to the total of items 1 to 16 in table 20.

The method used in calculating the figures in table 21 has in every case been to revalue at the appropriate 1938 prices as many individual items as possible within each group of goods and services bought in any year. The resulting products have then been added in order to arrive at a total for each group.

In interpreting the figures it is essential to bear in mind exactly what they attempt to measure.

First, all the figures relate to changes in total consumption and not in consumption per head.

Secondly, although wherever possible an attempt has been made to revalue the goods and services bought at appropriate 1938 prices there is no doubt that it has been impossible fully to take account of changes in quality, some of which have been in an upward direction but most of which have been downward movements. Refinements of the methods of revaluation used have in some cases—notably food—brought some improvement in this respect, as compared with the series given in Cmd. 7099. In the case of expenditure on beer it has been possible to allow fully for changes in quality by using the standard barrel instead of the bulk barrel as the unit of quantity. But in certain cases there is a conceptual difficulty in taking any account of quality changes. In the case of what may be considered joint products—*e.g.* a loaf of bread *plus* its delivery to one's house—the only part of the joint product that lends itself to quantitative measurement is the loaf. The disappearance of delivery services during the war is thus not shown as a decline in consumption although there was obviously a decline in satisfaction. Similarly the partial restoration of these services since the war is not shown as an improvement in consumption.

Thirdly, the figures do not claim to measure consumer satisfactions since they make no allowance for restrictions on consumers' choice. Some of the items which have shown rises have been merely inadequate substitutes for other unobtainable items.

This last qualification is particularly relevant to the interpretation of the movement of the total shown for each year. The last line of the table purports to show what the goods and services actually consumed in each year would have cost in 1938. The fact that the 1947 aggregate is rather higher than the 1938 figure does not, in itself, mean that standards of consumption were by 1947 back at their pre-war level. It means simply that the particular collection of goods and services actually bought in 1947 would, if bought in 1938, have cost rather more than the goods and services that consumers in fact preferred to buy in that year.

The price indices given for each group of expenditure in the last column of table 21 are, formally, current-weighted arithmetic averages. Each has in fact been obtained by dividing the total of expenditure on all items of the group at current prices by the corresponding total at 1938 prices.

Table 20 gave estimates of expenditure on goods and services by consumers. The next table shows the amount received by the producers and sellers of these goods and services. This is made up of consumers' expenditure, *less* indirect taxes paid to public authorities, *plus* subsidies received from public authorities. The method of allocation of taxes and subsidies used is described in the notes to table 1 on p. 47.

The individual groups of expenditure in the table have been adjusted only for those taxes and subsidies which are specific to them. That part of general indirect taxes (*e.g.* duties on commercial motor vehicles and employers' national insurance contributions) estimated to fall on consumption is deducted separately in item 17b.

NATIONAL COST OF CONSUMERS' GOODS AND SERVICES

TABLE 22

£ million

	1938	1944	1945	1946	1947
1. Food	1,249	1,600	1,720	1,949	2,241
2. Alcoholic beverages	176	310	319	323	320
3. Tobacco	90	124	145	159	169
4. Rent, rates and water charges	368	381	378	386	408
5. Fuel and light	195	255	267	290	310
6. Durable household goods	230	105	146	259	336
7. Other household goods	50	49	50	53	58
8. Clothing	436	468	485	576	669
9. Books, newspapers and magazines	64	85	90	105	119
10. Private motoring	95	7	24	88	98
11. Travel	149	204	232	256	280
12. Communication services	27	44	40	45	50
13. Entertainments	51	98	105	119	113
14. Other services	472	434	490	627	691
15. Other goods	172	167	187	249	297
16. Income in kind of the Armed Forces	17	211	211	115	63
17 a. Adjustment	— 7	40	110	100	90
b. less Unallocated net indirect taxes	— 121	— 130	— 113	— 126	— 151
18. Total	3,713	4,452	4,886	5,573	6,161

NOTES ON THE TABLES IN APPENDIX III

1. Food—purchases of food, including non-alcoholic beverages, by households, together with the value at farm prices of farm produce consumed on farms and the cost to the caterer of food provided in canteens, restaurants and hotels. The full value of the welfare foods provided under the National Milk, milk-in-schools and vitamin schemes is included in this item.

The composition of the sub-groups of household expenditure is shown in greater detail below:

Bread and cereals ...	Bread, flour, cakes, biscuits, cereal breakfast foods, oatmeal, rice, barley products, semolina, macaroni, sago, tapioca, arrowroot, cornflour, custard and blancmange powders.
Meat and bacon ...	Meat, offal, canned meat, bacon and ham, sausages and other meat products, rabbits, game and poultry.
Fish ...	Fresh and canned fish.
Oils and fats ...	Butter, margarine, lard and other edible fats.
Sugar, preserves and confectionery.	Sugar, syrup and treacle, jam, marmalade, fruit curd, honey, chocolate and sugar confectionery and table jellies.
Dairy products ...	Liquid, dried and condensed milk, cheese, eggs in shell, dried, liquid and frozen eggs.
Fruit ...	Fresh, canned and frozen fruit, dried fruit, crystallized fruit and nuts.
Potatoes and vegetables.	Potatoes and potato products; fresh, canned and frozen vegetables; pulses, pickles and sauces.
Beverages ...	Tea, cocoa, coffee, coffee essence and soft drinks.
Other manufactured food.	Infants' and invalids' foods, welfare foods (<i>e.g.</i> cod liver oil, orange juice), and miscellaneous manufactured foods of which the most important are condiments, canned soup and ice cream.

2. Alcoholic beverages—

a. Beer, ale, stout and porter.

b. Imported wines, British wines, spirits, cider and perry.

3. Tobacco—purchases in the United Kingdom, including gifts to troops overseas. An allowance has been made for the wartime concession by which members of the Armed Forces were able to buy a limited quantity of tobacco at N.A.A.F.I. canteens at reduced prices. All tobacco bought since the introduction, in October 1947, of the coupon scheme for old age pensioners has been valued at its full retail price and the value of the coupons surrendered has been included in transfer incomes.

a. Home-produced cigarettes.

b. Home-produced pipe tobacco, cigars, snuff and all imports of finished tobacco products.

4. Rent, rates and water charges—includes an allowance for buildings occupied by non-profit-making bodies and for hotels, boarding houses, etc. in addition to private dwelling houses. There can be no doubt that the figures are too low since they take no account of any rents which are charged in excess of Schedule A income tax valuations.

5. Fuel and light—includes the value of the fuel and power only. The cost of the hire of equipment is included in item 14.

a. Coal—includes miners' coal valued at pithead prices.

b. Electricity.

c. Gas.

d. Coke, oil fuels and firewood.

6. Durable household goods—

a. Furniture, furnishings, household textiles, floor coverings and musical instruments (including wireless sets, gramophones and accessories).

b. Pottery and glassware, ironmongers' goods, electrical goods, heating and cooking appliances, sewing machines and refrigerators.

7. Other household goods—

a. Matches.

b. Toilet, shaving and household soap, scourers, etc.

c. Polishes, candles and nightlights, miscellaneous cleaning materials, etc.

8. Clothing—

a. Footwear covers all new boots, shoes, slippers, etc., but not socks and stockings, repairs or repair materials.

b. Other clothing covers all kinds of garments, dress materials, millinery, haberdashery, etc. An allowance for the making-up of customers' materials is included but expenditure on alterations and repairs appears in item 14. All dress materials are allocated to *b.* (ii), and so are such things as knitting wool and general haberdashery. Infants for this purpose are children under about four years of age.

9. Books, newspapers and magazines—

a. Books.

b. Newspapers.

c. Magazines.

10. Private motoring—comprises an estimate of the purchases by persons of motor-cars, motor-cycles and motor accessories and the running expenses incidental to their use, together with an allowance for dealers' margins on second-hand vehicles.

11. Travel—includes all travel in public conveyances paid for out of personal income and therefore the travel of members of the Armed Forces when at their own expense.

a. Main line, joint line and London Passenger Transport Board railways.

b. Buses, coaches, trams, trolley-vehicles, taxis, etc.

12. Communication services—

a. Postage on letters, parcels, etc., and the poundage on postal and money orders

b. Telephone rentals, local and trunk calls and telegrams.

13. Entertainments—

a. Admissions to cinemas

b. Admissions to theatres, concert-halls, music-halls, sporting events, dance-halls, skating rinks and all other places of public amusement and hire of radio rediffusion equipment, expenditure on broadcast receiving licences.

14. Other services—includes expenditure out of personal income on medical services not provided under the national health insurance scheme, undertaking, hairdressing, hotel and restaurant services, domestic service, repairs to furniture, clothing, footwear, watches, etc., dealers' margins on second-hand goods (other than motor vehicles), all forms of assurance, charges and stamp duties on property transfers, the hire of domestic heating and cooking equipment and other miscellaneous services. Expenditure on assurance includes only the expenses and profits of insurance companies.

15. Other goods—includes stationery, fancy goods, jewellery, bicycles, travel goods, toys and sports goods, chemists' wares other than drugs and medicines provided under the national health insurance scheme, flowers, garden seeds, domestic pets, etc., and dog and gun licences.

16. Income in kind of the Armed Forces—cost of providing members of H.M. Forces and Auxiliary Services with food and clothing, including civilian clothing issued on release from the services.

17. Adjustment—The figures in all the previous categories include expenditure in the United Kingdom by tourists from overseas and Allied troops temporarily resident in this country and exclude expenditure abroad by British tourists and members of the Armed Forces. An adjustment is needed to convert the total to a total of purchases out of British income. The adjustment given here also includes a rough allowance for the excess of personal remittances abroad from this country over remittances received in this country from overseas. This is because remittances sent abroad appear in British income but not in British expenditure whereas remittances received from overseas are not treated as income although they finance British expenditure.

APPENDIX IV

NOTES ON CERTAIN TABLES

Table 1. Gross National Product and Borrowing from Abroad

The estimates of the national cost of particular kinds of expenditure given explicitly in table 1 and as percentages of the gross national product in table 2 are in each case derived from the estimates of expenditure at market value given in table 10, by deducting indirect taxes estimated to be contained therein and adding subsidies.

The allocation of indirect taxes and subsidies over the four categories of expenditure (personal consumption, government current expenditure, exports and gross capital formation) is inevitably to some extent arbitrary. The method followed has been to adjust each of the four categories of expenditure for taxes and subsidies known to be specific to them; components of expenditure known to contain no general indirect taxes (*e.g.* expenditure on domestic service, government expenditure on the wages and salaries of civil servants and the Armed Forces) were then deducted and the general taxes and subsidies spread *pro rata* over the remaining parts of gross national expenditure. Net taxes included in the value of exports were added to the national income as part of government income from property; the others were deducted in order to arrive at the estimates of the national cost of particular items shown in table 1.

The allocation of the indirect taxes *less* subsidies included in items 7 to 9 of table 10 is given below.

ALLOCATION OF INDIRECT TAXES AND SUBSIDIES

TABLE 23

£ million

	1938	1944	1945	1946	1947
Net indirect taxes attributable to—					
Personal consumption	575	1,092	1,110	1,166	1,260
Government current expenditure	22	216	136	62	53
Gross capital formation at home	23	6	4	34	76
Total indirect taxes <i>less</i> subsidies	620	1,314	1,250	1,262	1,389

Table 3. Composition of the National Wage Bill

Wage-earners include all employees other than administrative, technical and clerical staff. Operatives employed in stores and warehouses and canteen staffs are included as wage-earners. The following classes are excluded and treated in this paper as salary-earners: managers, superintendents and works foremen; research, experimental, development, technical and design staff; draughtsmen and tracers; office (including works' office) staff; shop assistants, nurses, members of police forces and of the National Fire Service. Prisoners of war employed in this country are also excluded.

Since payments for holidays have been treated as earned during the actual period of holiday, decreases in numbers at work during the holiday seasons are not reflected in the quarterly estimates of wage bills.

The industrial groups are based on the Ministry of Labour's industrial classification; the grouping of industries, where it is not self-evident, is shown below. The groups have been chosen to coincide as far as possible with those of the new *Standard Industrial Classification*; the Roman numerals shown below in brackets indicate the orders in the standard industrial classification

to which the different industrial groups correspond, but the correspondence is not exact.

Manufacturing industry

Bricks, pottery, glass etc.: bricks, etc.; cast stone, etc.; cement, etc.; pottery; glass manufacture; glass bottles. (III)

Chemicals and allied trades: includes coke-ovens. (IV)

Metal manufacture: pig iron; steel melting, etc.; manufacture of non-ferrous metals; tin plates; iron and steel tubes; stoves, grates and general ironfounding. (V)

Engineering, shipbuilding and vehicles: general engineering; electrical engineering; marine engineering; constructional engineering; motor vehicles, etc.; carriages, carts, etc.; railway carriages, etc.; shipbuilding; electrical apparatus; heating and ventilating apparatus; watches and clocks, etc.; scientific instruments; musical instruments. (VI, VII and IX)

Other metal goods: wire and wire netting; hand tools, cutlery, etc.; bolts and nuts, etc.; brass and allied metal wares; metal industries not separately specified. (VIII)

Textiles. (X)

Clothing. (XII)

Food, drink and tobacco. (XIII)

Wood and cork manufactures: excludes carriages and carts. (XIV)

Paper and printing: excludes stationery requisites (not paper). (XV)

Other manufacturing: leather tanning, etc.; leather goods; stationery requisites (not paper); rubber; oilcloth, etc.; brushes and brooms; toys and games; other manufactures. (XI and XVI)

Other industries and services

Building and contracting: includes electrical wiring. (XVII)

Gas, electricity and water. (XVIII)

Mining and quarrying: all mining and quarrying (other than open-cast coal mining which is classified by the Ministry of Labour as civil engineering). (II)

Farming: excludes fishing.

Transport and communications: includes the communication services operated by the Post Office. (XIX)

Public administration: national and local government service, other than trading services.

Distribution and other services: distributive trades; commerce, banking, insurance and finance; professional services; entertainments, sports, etc.; hotels and catering, etc.; laundries; job dyeing and dry cleaning; private domestic service; other services; fishing.

Table 5. Private Income from Work and Property Before and After Tax

It will be understood that in the case of mixed incomes the allocation of tax can only be arbitrary. Thus, if, for example, an individual's income is derived partly from wages and partly from interest-bearing securities, the tax payable depends partly on the size of his tax-free allowances and these are calculated with reference to his total income and not with reference to its separate component parts.

The allocation of tax payments used in compiling table 5 is given in more detail and for all the years since 1938 in the table that follows. Additions to tax reserves (items 27 and 34 of table II) are not included below: they were, however, deducted from interest, profits and rent in arriving at the figures of income after tax drawn in table 5.

DIRECT TAXATION PAID IN RESPECT OF DIFFERENT TYPES OF INCOME AND PROPERTY

TABLE 24

£ million

	1938	1944	1945	1946	1947
<i>On income</i>					
Rent of land and buildings—					
Income tax	59	113	118	116	99
Surtax	7	8	8	8	8
Interest and profits—					
Income tax ⁽¹⁾	207	622	636	657	606
Surtax	43	53	51	52	55
N.D.C., E.P.T. ⁽²⁾ , etc.	15	517	475	391	286
Salaries—					
Income tax	43	280	312	278	254
Surtax	9	13	14	15	18
Employees' national insurance contri- butions	4	7	7	9	13
Wages—					
Income tax	2	240	255	195	160
Surtax	—	—	—	—	—
Employees' national insurance contri- butions	51	63	62	77	109
Pay of Armed Forces—					
Income tax	1	24	32	16	22
<i>On property</i>					
Land and buildings—					
Death duties, corporation and land tax ...	10	13	16	20	22
War damage contribution... ..	—	40	39	2	1
Interest bearing securities ⁽³⁾ —					
Death duties and corporation duty ...	22	36	43	55	65
Other stocks and shares—					
Death duties and corporation duty ...	37	47	48	52	60
Other forms of property—					
Death duties	9	12	13	15	16
War damage contributions	—	9	—	—	—
<i>Unallocated</i>					
Miscellaneous taxes	—3	—10	—10	—9	—9
Total direct taxes	516	2,087	2,119	1,949	1,785

(1) Excluding income tax on Excess Profits Tax post-war refunds.

(2) No deduction has been made for post-war refunds of tax.

(3) Government and municipal stocks, bonds, mortgages and debentures.

Table 6. Distribution of Private Income by Ranges of Income

This table relates to income received in 1938 and 1946 and shows the amount of private income at the disposal of individuals which can be allocated to different ranges of income. The category of unallocated private income is not the same as other private income shown in item 30 of table II since, while the undistributed profits of companies and all liabilities for National Defence Contribution and Excess Profit Tax are common to both, the figures in table 6 contain in addition all personal income (including the income of non-profit-making bodies) which cannot be allocated to ranges of income. Examples are the investment income of charities, the increase in assurance funds and certain unassessed income. All transfer incomes (items 18 and 19 of table II) other than war gratuities have been included in the incomes below £250.

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