



# NATIONAL INCOME AND EXPENDITURE OF THE UNITED KINGDOM 1946 to 1948

*Presented to Parliament by the Financial Secretary to the Treasury*

*by Command of His Majesty*

*April 1949*

LONDON

HIS MAJESTY'S STATIONERY OFFICE

ONE SHILLING NET

Cmd. 7649



## INTRODUCTORY NOTES

This paper continues the estimates of national income and expenditure published in Cmd. 7371.\* It has been prepared by the Central Statistical Office in collaboration with Government Departments.

A number of the estimates presented here for earlier years differ from those previously published. In part this is due to changes of definition which are explained in the notes; in the main it is due to the use of later information which has upset earlier provisional calculations. This process of revision is continuous and it is to be expected that revisions will have to be made later to the estimates now published, not only for 1948 but for earlier years too.

It cannot be too strongly emphasised that the estimates in this paper are not based on exact information collected by census enumerators or obtained by scientifically designed sample enquiries. They are, in almost every case, estimates based on incomplete information collected by Government Departments in a form designed to suit needs other than those of the national income investigator. In some cases the information available is exiguous in the extreme. Little is known about the distribution trades, little about wages and salaries in some other service industries, little about changes in the value of manufacturers' and distributors' inventories and work in progress. In other cases the available information is so scanty that it has been possible to make no direct estimate at all. Thus, the estimates of personal saving in this paper are all residues obtained by subtracting estimates of expenditure from estimates of income.

Even in cases where information is more complete it is available only after considerable delay. It is impossible to publish final estimates of traders' profits until their tax assessments have been agreed: with the present system of assessment this may be several years after the profits have been earned.

Some of the tables in this paper contain more detailed estimates than have previously been published. Notably, professional earnings, farmers' profits and the profits of other sole traders and partnerships are now distinguished from company profits. The figures shown are the best estimates that could be made, but as there has been no body of accumulated experience to draw on in making them it would be surprising if they stood the test of time as well as other estimates in more familiar fields.

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, 1949.



# CONTENTS

|  | <i>Table<br/>number</i> | <i>Page<br/>number</i> |
|--|-------------------------|------------------------|
| <b>I. National Resources and their Disposal</b>  |                         |                        |
| Gross national product and assistance from abroad ...  | 1                       | 5                      |
| Composition of gross national expenditure ... ..   | 2                       | 6                      |
| Allocation of the gross national product between<br>different uses ... ..                              | 3                       | 7                      |
| <b>II. The Composition of the National Income</b>  |                         |                        |
| Composition of the national income ... ..  | 4                       | 8                      |
| The national wage bill ... ..  | 5                       | 9                      |
| Company profits and dividends ... ..   | 6                       | 10                     |
| <b>III. Personal Income</b>  |                         |                        |
| Composition of personal income ... ..  | 7                       | 11                     |
| Personal income from work and property before and<br>after tax ... ..                                  | 8                       | 12                     |
| Distribution of personal income by ranges of income  | 9                       | 13                     |
| Proportion of personal income required to meet<br>taxation ... ..                                      | 10                      | 14                     |
| <b>IV. Personal Expenditure and Saving</b>   |                         |                        |
| Personal expenditure and saving ... ..   | 11                      | 15                     |
| Personal expenditure on consumers' goods and services<br>as a percentage of expenditure in 1938 ... .. | 12                      | 16                     |
| <b>V. Capital Formation and its Financing</b>  |                         |                        |
| The financing of gross domestic capital formation ...  | 13                      | 17                     |
| <b>VI. The Social Accounts of the United Kingdom</b>   |                         |                        |
| Consolidated trading accounts of enterprises ... ..  | 14                      | 20                     |
| Corporate income appropriation account ... ..  | 15                      | 20                     |
| Revenue account of persons ... ..  | 16                      | 22                     |
| Revenue account of public authorities ... ..   | 17                      | 22                     |
| Combined capital account ... ..  | 18                      | 24                     |
| Current account of rest of the world with the United<br>Kingdom ... ..                                 | 19                      | 24                     |
| <b>Appendix I. Consumers' Expenditure</b>  |                         |                        |
| Personal expenditure on consumers' goods and services<br>at current market prices ... ..               | 20                      | 26                     |
| Personal expenditure on consumers' goods and services<br>revalued at 1938 prices ... ..                | 21                      | 28                     |
| National cost of consumers' goods and services ...   | 22                      | 31                     |



## Appendix II. Revenue, Borrowing and Expenditure of Public Authorities

|   |    |    |
|---|----|----|
| Central government: revenue account ... ..  | 23 | 32 |
| Central government: capital account ... ..  | 24 | 34 |
| National insurance funds: revenue account ... ..  | 25 | 34 |
| Local authorities: revenue account ... ..   | 26 | 36 |
| Local authorities: capital account ... ..   | 27 | 36 |
| Subsidies ... ..  | 28 | 38 |
| Reconciliation of the Exchequer return with the revenue<br>account of the central government ... .. | 29 | 39 |
| The finance of central government borrowing ...   | 30 | 40 |

## Appendix III. Allocation of Taxes

|  |    |    |
|--|----|----|
| Direct taxes paid in respect of different types of income<br>and property ... .. | 31 | 41 |
| Allocation of indirect taxes and subsidies ... ..                                | 32 | 42 |

## Appendix IV. Notes on the Tables. ... .. 43



# NATIONAL INCOME AND EXPENDITURE OF THE UNITED KINGDOM

1946 TO 1948

## I. NATIONAL RESOURCES AND THEIR DISPOSAL

The national income of the United Kingdom is provisionally estimated to have been about £9,675 million in 1948, £950 million higher than in 1947. The sums set aside for the replacement of capital equipment<sup>(1)</sup> and for the maintenance of roads and buildings were perhaps £75 million greater than the amounts set aside during the previous year. With the improvement in the balance of payments net loans and gifts from abroad were £510 million less than in 1947. The total rise in gross domestic expenditure was therefore £515 million.

### GROSS NATIONAL PRODUCT AND ASSISTANCE FROM ABROAD

TABLE 1

£ million

|  | 1938  | 1946  | 1947   | 1948   |
|--|-------|-------|--------|--------|
| National income of the United Kingdom ...                                  | 4,640 | 8,111 | 8,725  | 9,675  |
| Provision for depreciation and for maintenance<br>of buildings ... ..      | 450   | 700   | 750    | 825    |
| Gross national product ... ..  | 5,090 | 8,811 | 9,475  | 10,500 |
| Borrowing and gifts from abroad and sale of<br>assets to foreigners ... .. | 70    | 380   | 630    | 120    |
| Total resources available for use at home ...                              | 5,160 | 9,191 | 10,105 | 10,620 |

Table 2 sets out the main headings of expenditure.

The main changes in 1948 were an increase of over one-third in exports of goods and services, a rise of 15 per cent in gross capital formation, a rise of 7 per cent in personal expenditure and a fall of 6 per cent in current expenditure on goods and services by public authorities.

<sup>(1)</sup> Calculated on the basis of the original cost and not the replacement cost of assets.



COMPOSITION OF GROSS NATIONAL EXPENDITURE<sup>(1)</sup>

£ million

TABLE 2

|  | 1938   | 1946    | 1947    | 1948    |
|--|--------|---------|---------|---------|
| 1. Personal consumption  |        |         |         |         |
| a. Purchases from enterprises (22c) ...  | 4,139  | 6,554   | 7,265   | 7,829   |
| b. Purchases of personal services (22a + 22b) ...  | 123    | 66      | 75      | 78      |
| c. Expenditure abroad (23) ...   | 34     | 121     | 125     | 97      |
|  | 4,296  | 6,741   | 7,465   | 8,004   |
| 2. Public authorities' current expenditure   |        |         |         |         |
| a. Purchases from enterprises (33a) ...  | 302    | 773     | 685     | 715     |
| b. Provision for maintenance (35) ...  | 90     | 100     | 105     | 110     |
| c. Purchases of personal services (36):  |        |         |         |         |
| Civil ...  | 252    | 577     | 617     | 682     |
| Military ...   | 79     | 535     | 353     | 253     |
| d. Expenditure abroad (33b) ...  | 12     | 486     | 309     | 154     |
|  | 735    | 2,471   | 2,069   | 1,914   |
| 3. Gross domestic capital formation (46)   |        |         |         |         |
| a. Fixed capital formation ...   | 820    | 1,550   | 1,800   | 1,990   |
| b. Increase in value of stocks, work in progress and surplus stores transferred to private inventories ... | (— 50) | (— 78)  | (376)   | (494)   |
| c. less Sales of surplus stores by Government (including amounts exported and consumed) ...                | —      | — 287   | — 236   | — 257   |
| d. Increase in value of exports shipped but not paid for, etc. ...   | —      | 100     | 100     | 125     |
|  | 770    | 1,285   | 2,040   | 2,352   |
| 4. Exports of goods and services (52)  |        |         |         |         |
| a. Merchandise ...   | 533    | 849     | 1,083   | 1,512   |
| b. Government surpluses, etc. ...  | —      | 281     | 165     | 90      |
| c. Shipping services ...   | 100    | 162     | 205     | 250     |
| d. Tourism ...   | 28     | 12      | 21      | 35      |
| e. Other services (net) ...  | 72     | 83      | 20      | 142     |
|  | 733    | 1,387   | 1,494   | 2,029   |
| 5. less Imports of goods and services (49) ...   | — 835  | — 1,057 | — 1,524 | — 1,730 |
| a. Merchandise ...   | — 10   | — 14    | — 18    | — 18    |
| b. Business travel ...   | — 80   | — 145   | — 181   | — 190   |
| c. Shipping services ...   | — 34   | — 121   | — 125   | — 97    |
| d. Personal expenditure abroad ...   | — 12   | — 486   | — 309   | — 154   |
| e. Direct government expenditure abroad  |        |         |         |         |
|  | — 971  | — 1,823 | — 2,157 | — 2,189 |
| 6. Gross expenditure on United Kingdom goods and services at market prices ...                             | 5,563  | 10,061  | 10,911  | 12,110  |
| 7. plus Net income from abroad (53—50) ...   | 168    | 56      | 33      | 40      |
| 8. Gross national product at market prices ...   | 5,731  | 10,117  | 10,944  | 12,150  |
| 9. plus Subsidies (37) ...   | 36     | 337     | 434     | 515     |
| 10. less Indirect taxes (30) ...   | — 677  | — 1,643 | — 1,903 | — 2,165 |
| 11. Gross national expenditure at factor cost (=Gross national product) ...                                | 5,090  | 8,811   | 9,475   | 10,500  |

(<sup>1</sup>) For notes on the items of this table see p. 43. The numbers in brackets after some of the items refer to the items in the Social Accounts (tables 14 to 19). The bracketed figures in the table are residues and not direct estimates.



All these figures are in terms of market prices. Over a third of the increase in personal expenditure was due to increases in indirect taxation not offset by the rise in subsidies. If the various expenditure series are purified of their tax content a rather different picture emerges. It will be seen from table 3 that individual consumers' share in the national product in fact fell appreciably in 1948; the rise in total output was channelled mainly into exports.

### ALLOCATION OF THE GROSS NATIONAL PRODUCT BETWEEN DIFFERENT USES<sup>(1)</sup>

TABLE 3

Percentages

|   | 1938 <sup>(3)</sup> | 1946 | 1947 | 1948 |
|---|---------------------|------|------|------|
| Current expenditure at factor cost <sup>(2)</sup>     |                     |      |      |      |
| Personal ... ..                                       | 73                  | 63   | 65   | 62   |
| Government ... ..                                     | 14                  | 28   | 21   | 18   |
| Gross capital formation at factor cost <sup>(2)</sup> |                     |      |      |      |
| Domestic ... ..                                       | 15                  | 14   | 21   | 22   |
| External ... ..                                       | - 2                 | - 5  | - 7  | - 2  |
| Gross national product ... ..                         | 100                 | 100  | 100  | 100  |

<sup>(1)</sup> For notes on the items of this table see p. 44.

<sup>(2)</sup> After deduction of indirect taxes and addition of subsidies.

<sup>(3)</sup> The figures given here differ slightly from those shown in table 21 of the *Economic Survey for 1949* (Cmd. 7467).



## II. THE COMPOSITION OF THE NATIONAL INCOME

Of the total increase in national income in 1948 over 45 per cent went to wage-earners. The total wage-bill rose by about 12½ per cent. Aggregate salaries increased by 6 per cent, company profits by 17 per cent, farmers' profits by 22 per cent and profits of other traders by, as far as can at present be estimated, 10 per cent.

The rise in farmers' incomes was achieved in a year of abnormally favourable weather; the other rises continued trends that have been evident for some years.

COMPOSITION OF THE NATIONAL INCOME<sup>(1)</sup>

TABLE 4

£ million

|  | 1938  | 1946  | 1947  | 1948  |
|--|-------|-------|-------|-------|
| 1. Wages ... ..                                    | 1,735 | 3,095 | 3,530 | 3,975 |
| 2. Salaries ... ..                                 | 1,110 | 1,630 | 1,750 | 1,850 |
| 3. Pay and allowances of the Armed Forces ...      | 78    | 524   | 346   | 246   |
| 4. Professional earnings ... ..                    | 84    | 134   | 147   | 161   |
| 5. Income from farming <sup>(2)</sup> ... ..       | 60    | 190   | 203   | 248   |
| 6. Profits of other sole traders and partnership s | 440   | 815   | 880   | 970   |
| 7. Trading profits of companies ... ..             | 543   | 1,219 | 1,393 | 1,639 |
| 8. Operating profits of public enterprises ...     | 27    | 26    | 18    | 116   |
| 9. Rent of land and buildings ... ..               | 395   | 422   | 425   | 430   |
| 10. Income arising in the United Kingdom ...       | 4,472 | 8,055 | 8,692 | 9,635 |
| 11. Net income from abroad ... ..                  | 168   | 56    | 33    | 40    |
| 12. National income ... ..                         | 4,640 | 8,111 | 8,725 | 9,675 |

<sup>(1)</sup> For notes on the items of this table see p. 44.

<sup>(2)</sup> As is explained in a note on p. 44 the estimates of income from farming are derived from a calculation of the value of agricultural output in the crop-years June to May.

Only in the case of wages is it possible with existing information to add much by way of explanation to the bald totals shown in table 4. The evidence suggests that the rise in the national wage-bill in 1948 was mainly due to a rise in average earnings of both men and women, of which possibly half was attributable to increases in standard rates of wages. In 1946 and 1947 about half the increase in the total was due to increases in the number of wage-earners, and an appreciable part to the replacement of men by women and to shifts of manpower away from less highly-paid industries. But in 1948 the total number of wage-earners rose by only 1½ per cent and changes in the composition of the labour force had no significant effect.

The figures of company profits in table 4 exclude, so far as possible, any profits treated as income from abroad in the published estimates of the Balance of Payments of the United Kingdom (Cmd. 7648): that is, they exclude the profits remitted to this country by, for example, companies engaged in the production abroad of tin, rubber or tea, but include the profits of insurance companies and companies in the oil and shipping industries,



# THE NATIONAL WAGE BILL

TABLE 5

£ million

|  | 1947    |         |         |         |       | 1948    |         |         |         |       |
|--|---------|---------|---------|---------|-------|---------|---------|---------|---------|-------|
|  | 1st Qr. | 2nd Qr. | 3rd Qr. | 4th Qr. | Year  | 1st Qr. | 2nd Qr. | 3rd Qr. | 4th Qr. | Year  |
| Bricks, pottery, glass                                       | 13      | 15      | 15      | 16      | 59    | 17      | 17      | 18      | 18      | 70    |
| Chemicals and allied trades ...                              | 16      | 17      | 18      | 18      | 69    | 19      | 20      | 20      | 20      | 79    |
| Metal manufacture ...  | 28      | 30      | 31      | 31      | 120   | 32      | 34      | 34      | 35      | 135   |
| Engineering, shipbuilding and vehicles ...                   | 143     | 159     | 163     | 167     | 632   | 170     | 171     | 173     | 181     | 695   |
| Other metal goods ...  | 25      | 28      | 29      | 31      | 113   | 31      | 31      | 31      | 32      | 125   |
| Textiles ...   | 35      | 41      | 43      | 44      | 163   | 47      | 49      | 50      | 52      | 198   |
| Clothing ...   | 22      | 26      | 26      | 26      | 100   | 27      | 27      | 27      | 28      | 109   |
| Food, drink and tobacco ...                                  | 27      | 28      | 29      | 30      | 114   | 31      | 32      | 33      | 34      | 130   |
| Wood and cork manufactures ...                               | 13      | 14      | 15      | 16      | 58    | 16      | 16      | 16      | 16      | 64    |
| Paper and printing ...                                       | 20      | 22      | 22      | 23      | 87    | 24      | 24      | 25      | 26      | 99    |
| Other manufacturing  | 14      | 15      | 16      | 17      | 62    | 17      | 17      | 17      | 17      | 68    |
| Total manufacturing  | 356     | 395     | 407     | 419     | 1,577 | 431     | 438     | 444     | 459     | 1,772 |
| Building and contracting ...                                 | 68      | 76      | 82      | 88      | 314   | 91      | 93      | 95      | 95      | 374   |
| Gas, electricity and water ...                               | 16      | 16      | 16      | 16      | 64    | 17      | 17      | 18      | 18      | 70    |
| Mining and quarrying   | 65      | 68      | 74      | 78      | 285   | 82      | 84      | 89      | 85      | 340   |
| Total of above industries ...                                | 505     | 555     | 579     | 601     | 2,240 | 621     | 632     | 646     | 657     | 2,556 |
| Farming ...  | ...     | ...     | ...     | ...     | 191   | ...     | ...     | ...     | ...     | 212   |
| Transport and communications ...                             | ...     | ...     | ...     | ...     | 420   | ...     | ...     | ...     | ...     | 466   |
| Public administration  | ...     | ...     | ...     | ...     | 255   | ...     | ...     | ...     | ...     | 279   |
| Distribution and other services (including domestic service) | ...     | ...     | ...     | ...     | 424   | ...     | ...     | ...     | ...     | 462   |
| Total ...  | ...     | ...     | ...     | ...     | 3,530 | ...     | ...     | ...     | ...     | 3,975 |

For notes on the items of this table see p. 46.



wherever they were earned. The amounts excluded form part of the item, "other income", in table 6, which also includes the estimated receipts by companies of interest on public authorities' debt and dividends from abroad.

It will be seen that the whole of the increase in company profits between 1947 and 1948 went either into reserves or in provision for taxation. The amounts distributed even appear to have fallen slightly in 1948. This is in part due to a shrinkage in the field in which companies operate. If distributions of interest by the newly nationalised industries are added it will be found that the total amount distributed by corporate enterprises increased by about £30 million in 1948.

## COMPANY PROFITS AND DIVIDENDS<sup>(1)</sup>

£ million

TABLE 6

|   | 1938  | 1946  | 1947  | 1948  |
|---|-------|-------|-------|-------|
| 1. Trading profits of companies ... ..  | 543   | 1,219 | 1,393 | 1,639 |
| 2. Other income of companies ... ..   | 220   | 277   | 291   | 306   |
| 3. Total income of companies <sup>(2)</sup> ... ..  | 763   | 1,496 | 1,684 | 1,945 |
| 4. less Payments of dividends, debenture interest, etc., before deduction of tax <sup>(3)</sup> | — 506 | — 711 | — 744 | — 730 |
| 5. Gross additions to reserves ... ..   | 257   | 785   | 940   | 1,215 |
| 6. less Provision for taxes on reserves ... ..  | — 87  | — 500 | — 515 | — 670 |
| 7. Additions to free reserves ... ..  | 170   | 285   | 425   | 545   |

<sup>(1)</sup> For notes on the items of this table see p. 47.

<sup>(2)</sup> Excluding receipts of dividends from other companies.

<sup>(3)</sup> Excluding payments of dividends to other companies.



### III. PERSONAL INCOME

The level of personal income depends not only on the size of the national income but also on the proportion of corporate profits distributed, the amount paid by public authorities in debt interest, and the scale of transfer incomes provided by the State.

Between 1947 and 1948 personal income rose by £565 million, that is, by £385 million less than the increase in the national income. The difference was caused by several factors. Little of the rise in corporate profits was passed on to the individual shareholder; the Budget surplus caused a slight reduction in the total of debt interest paid. Lastly, transfer incomes fell on balance, in spite of the introduction of the new national insurance scheme, because of the completion of demobilisation, with its attendant war gratuities; payment of post-war tax credits was also on a smaller scale in 1948. Such rises in income as occurred were confined to wage-earners, salary-earners, working proprietors and professional men.

COMPOSITION OF PERSONAL INCOME

TABLE 7

£ million

|  | 1938  | 1946  | 1947  | 1948  |
|--|-------|-------|-------|-------|
| <i>Incomes from work and property</i>                  |       |       |       |       |
| 1. Wages and salaries ... ..                           | 2,845 | 4,725 | 5,280 | 5,825 |
| 2. Pay and allowances of the Armed Forces ...          | 78    | 524   | 346   | 246   |
| 3. Professional earnings ... ..                        | 84    | 134   | 147   | 161   |
| 4. Income from farming ... ..                          | 60    | 190   | 203   | 248   |
| 5. Profits of other sole traders and partnerships      | 440   | 815   | 880   | 970   |
| 6. Rent, dividends and interest ... ..                 | 1,109 | 1,446 | 1,465 | 1,479 |
| 7. Total personal income from work and property ... .. | 4,616 | 7,834 | 8,321 | 8,929 |
| <i>Transfer incomes</i>                                |       |       |       |       |
| 8. Social security payments ... ..                     | 229   | 330   | 452   | 506   |
| 9. Miscellaneous transfer incomes ... ..               | 41    | 548   | 254   | 157   |
| 10. Personal income before tax ... ..                  | 4,886 | 8,712 | 9,027 | 9,592 |

For notes on the items of this table see p. 48.

Nearly a quarter of the rise in personal income was earmarked as provision for taxes on income. Personal disposable income rose by £430 million, an increase rather higher than that of the previous year. Wages and salaries after tax increased by £473 million, the pay of the Armed Forces fell by £93 million; mixed incomes and property incomes rose by £87 million. In 1948 wage-earners received nearly half of disposable income from work and property (other than the income of the armed forces) as compared with about 40 per cent before the war; the relative share of salary-earners and others has correspondingly diminished.



# PERSONAL INCOME FROM WORK AND PROPERTY BEFORE AND AFTER TAX

TABLE 8

Percentages

|  | 1938 | 1946 | 1947 | 1948 |
|--|------|------|------|------|
| <i>Before taxes on income</i>                    |      |      |      |      |
| Wages ... ..                                     | 37   | 39   | 42   | 44   |
| Salaries ... ..                                  | 24   | 21   | 21   | 21   |
| Pay of the Armed Forces ... ..                   | 2    | 7    | 4    | 3    |
| Profits, interest and rent <sup>(1)</sup> ... .. | 37   | 33   | 33   | 32   |
| Personal income from work and property ...       | 100  | 100  | 100  | 100  |
| <i>After taxes on income</i>                     |      |      |      |      |
| Wages ... ..                                     | 39   | 43   | 46   | 48   |
| Salaries ... ..                                  | 25   | 20   | 21   | 21   |
| Pay of the Armed Forces ... ..                   | 2    | 8    | 5    | 3    |
| Profits, interest and rent <sup>(1)</sup> ... .. | 34   | 29   | 28   | 28   |
| Personal income from work and property ...       | 100  | 100  | 100  | 100  |

<sup>(1)</sup> Including professional earnings and income from farming.



The redistribution of income between different income-groups since 1938 has been equally striking.

## DISTRIBUTION OF PERSONAL INCOME BY RANGES OF INCOME

TABLE 9

| Range of income before tax                                   | Number of incomes <sup>(1)</sup> | Total income before tax <sup>(2)</sup> | Total income after income tax and surtax <sup>(3)</sup> at |               | Proportion of income before tax retained after deduction of taxes at |               |
|--|----------------------------------|--|--|---------------|--|---------------|
|  |                                  |  | 1938-39 rates  | 1947-48 rates | 1938-39 rates  | 1947-48 rates |
|  |                                  |  | 000's  | £ million     | £ million  | Per cent.     |
| 1938   |                                  |  |  |               |  |               |
| Personal income which can be allocated to different ranges:— |                                  |  |  |               |  |               |
| Under £250 <sup>(4)</sup> ...                                | ...                              | 2,463                                  | 2,459  | 2,449         | 99.8   | 99.4          |
| £250—499 ...   | 2,000                            | 679                                    | 662  | 620           | 97.5   | 91.3          |
| £500—999 ...   | 670                              | 455                                    | 415  | 368           | 91.2   | 80.9          |
| £1,000—1,999 ...   | 224                              | 304                                    | 259  | 213           | 85.2   | 70.1          |
| £2,000—9,999 ...   | 98                               | 360                                    | 255  | 189           | 70.8   | 52.5          |
| £10,000—and over   | 8                                | 175                                    | 76   | 34            | 43.4   | 19.4          |
| 1947   |                                  |  |  |               |  |               |
| Personal income which can be allocated to different ranges:— |                                  |  |  |               |  |               |
| Under £250 <sup>(4)</sup> ...                                | ...                              | 2,480                                  | 2,471  | 2,447         | 99.6   | 98.7          |
| £250—499 ...   | 7,900                            | 2,690                                  | 2,622  | 2,470         | 97.5   | 91.8          |
| £500—999 ...   | 1,850                            | 1,224                                  | 1,120  | 992           | 91.5   | 81.0          |
| £1,000—1,999 ...   | 485                              | 654                                    | 559  | 464           | 85.5   | 70.9          |
| £2,000—9,999 ...   | 165                              | 597                                    | 427  | 320           | 71.5   | 53.6          |
| £10,000 and over   | 10                               | 184                                    | 83   | 43            | 45.1   | 23.4          |

(<sup>1</sup>) A married couple is for income tax purposes counted as one individual.

(<sup>2</sup>) In addition to the income shown in the table there are amounts accruing to persons that cannot be allocated to particular ranges of income. These are estimated to have been £450 million in 1938 and £1,198 million in 1947. They consisted of income not subject to tax (e.g. interest on National Savings Certificates, dividends on co-operative societies' sales, certain allowances of the Armed Forces, income in kind, the investment income of charities), the investment income of life assurance funds, certain other incomes not assessed to tax and that part of employees' incomes which is allowed as a deduction before assessment to tax (e.g. for national insurance contributions and expenditure on tools).

(<sup>3</sup>) 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 1947-48.

(<sup>4</sup>) All transfer incomes other than family allowances and post-war tax credits have been included in incomes under £250.



Both tables 8 and 9 exaggerate the redistributive effects of fiscal policy since they are concerned only with direct taxation.

In the absence of up-to-date family budgets little is known about the incidence of indirect taxation and it is impossible to estimate the degree of exaggeration. But it can hardly be slight, for, as table 10 shows, indirect taxes, even after deduction of subsidies to consumption, make up more than half the total taxes paid by individuals out of personal income.

# PROPORTION OF PERSONAL INCOME REQUIRED TO MEET TAXATION<sup>(1)</sup>

TABLE 10

£ million

|   | 1938  | 1946  | 1947  | 1948  |
|---|-------|-------|-------|-------|
| Personal income (21) ... ..                         | 4,886 | 8,712 | 9,027 | 9,592 |
| Provision for taxes on income (24 a + 25) ...       | 369   | 1,149 | 1,233 | 1,368 |
| Indirect taxes on consumption ... ..                | 617   | 1,508 | 1,728 | 2,010 |
| less Subsidies to consumption ... ..                | — 36  | — 331 | — 422 | — 504 |
| Total tax liabilities in respect of personal income | 950   | 2,326 | 2,539 | 2,874 |
| Tax liabilities as a percentage of personal income  | 19    | 27    | 28    | 30    |

<sup>(1)</sup> The numbers in brackets after the items refer to the corresponding items in the social accounts shown in tables 14 to 19.



## IV. PERSONAL EXPENDITURE AND SAVING

Personal expenditure rose by £539 million between 1947 and 1948. The increase in each of the two previous years was considerably greater: £745 million in 1946 and £684 million in 1947. The pressure of consumer demand has thus somewhat slackened. But in 1948 the increase in expenditure still exceeded the increase in disposable income so that the proportion of income saved was, over the year, not much above half the 1938 proportion.

PERSONAL EXPENDITURE AND SAVING<sup>(1)</sup>

TABLE 11

£ million

|   | 1938    | 1946    | 1947    | 1948    |
|---|---------|---------|---------|---------|
| Personal income (21) ... ..                   | 4,886   | 8,712   | 9,027   | 9,592   |
| Less Provision for taxes on income (24a + 25) | — 369   | — 1,149 | — 1,233 | — 1,368 |
| Personal disposable income ... ..             | 4,517   | 7,563   | 7,794   | 8,224   |
| Less Personal expenditure (22 + 23) ... ..    | — 4,296 | — 6,741 | — 7,465 | — 8,004 |
| Gross personal saving (24b + 26) ...          | 221     | 822     | 329     | 220     |
| <i>Percentages</i>                            |         |         |         |         |
| Personal expenditure ... ..                   | 95.1    | 89.1    | 95.8    | 97.3    |
| Gross personal saving ... ..                  | 4.9     | 10.9    | 4.2     | 2.7     |
| Personal disposable income ... ..             | 100.0   | 100.0   | 100.0   | 100.0   |

<sup>(1)</sup> The numbers in brackets after the items refer to the corresponding items in the social accounts shown in tables 14 to 19.

In the case of only one group of expenditure, private motoring, was there an actual fall in 1948. Of the rises, the most striking was in expenditure on clothing: nearly £150 million, or 20 per cent. Rather more than half this increase was accounted for by increased prices; the increase in the quantity bought was about 9 per cent. Expenditure on drink and tobacco once more rose but the increase merely went to swell receipts of indirect taxes. The quantities bought in fact decreased by about 4 per cent. The decrease in consumption of tobacco was doubtless due in part to restrictions on supplies, but in the case of beer there were no such restrictions and the fall must be attributed to pressure on consumers' purses as increased supplies of other preferred commodities have become available. Taken as a whole the composition of consumers' demand was nearer to the pre-war pattern in 1948 than in any recent year. But it is still true that the volume of consumption of necessities is below the pre-war level and that it is mainly in the field of freely available semi-luxuries that consumption is appreciably higher than in 1938.



PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES<sup>(1)</sup>  
(1938 = 100)

TABLE 12

Percentages

|                                     | At current market prices |      |      | Revalued at 1938 prices |      |      |
|-------------------------------------|--------------------------|------|------|-------------------------|------|------|
|                                     | 1946                     | 1947 | 1948 | 1946                    | 1947 | 1948 |
| Food ... ..                         | 136                      | 157  | 168  | 96                      | 102  | 103  |
| Alcoholic beverages ... ..          | 238                      | 238  | 267  | 96                      | 95   | 93   |
| Tobacco ... ..                      | 341                      | 390  | 436  | 133                     | 117  | 112  |
| Rent, rates and water charges ...   | 112                      | 118  | 122  | 104                     | 106  | 109  |
| Fuel and light ... ..               | 148                      | 157  | 177  | 111                     | 117  | 123  |
| Durable household goods ... ..      | 129                      | 168  | 186  | 63                      | 77   | 79   |
| Other household goods ... ..        | 111                      | 133  | 148  | 80                      | 85   | 89   |
| Clothing ... ..                     | 137                      | 158  | 191  | 74                      | 84   | 91   |
| Books, newspapers and magazines ... | 164                      | 186  | 198  | 139                     | 155  | 164  |
| Private motoring ... ..             | 81                       | 88   | 64   | 50                      | 52   | 35   |
| Travel ... ..                       | 166                      | 182  | 198  | 143                     | 143  | 149  |
| Communication services ... ..       | 186                      | 193  | 197  | 145                     | 145  | 148  |
| Entertainments ... ..               | 286                      | 272  | 281  | 163                     | 155  | 164  |
| Other services ... ..               | 132                      | 147  | 147  | 93                      | 99   | 96   |
| Other goods ... ..                  | 175                      | 211  | 221  | 86                      | 95   | 95   |
| Total personal expenditure ... ..   | 157                      | 174  | 186  | 99                      | 103  | 103  |

<sup>(1)</sup> Detailed analyses of personal expenditure at current prices and revalued at 1938 prices are given in tables 20 and 21 of Appendix I (pp. 26 to 30). The various groups of expenditure are defined in the notes on pp. 53 to 56.

Even in some cases where a rise in volume as compared with 1938 is shown in table 12 it by no means follows that there has been a true rise in satisfaction. All the cautions detailed in Cmd. 7371 are still relevant. The figures shown in table 12 compare the total consumption of a changing population and not consumption per head. In measuring this consumption it has been impossible to make full allowance for changes in the quality of goods and services. Nor has it been 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 1948 3 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 1948 or the selection actually bought in 1938.

It is important to bear in mind these qualifications when interpreting the figures of table 12. 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. CAPITAL FORMATION AND ITS FINANCING

Gross domestic capital formation amounted to £2,352 million in 1948; fixed capital formation accounted for about £1,990 million of the total.

Two items that could, from some points of view, more suitably be treated as external investment accounted for a further £125 million. These were the increase in exports shipped but not yet paid for, and the capital equipment exported to British oil companies operating abroad. The increase in trading stocks and work in progress is estimated to have been of the order of £400 million (of which perhaps £150 million was due entirely to price increases). This estimate is hazardous in the extreme but is not inconsistent with the residue obtained by difference in table 2.

As table 13 shows, about one-third of the total was financed by saving directly resulting from the action of public authorities, one-third by provision for depreciation by productive enterprises and 60 per cent of the remainder by additions to company reserves.

The changes compared with 1947 are great: in 1947 nearly one-third of domestic investment was financed by loans and gifts from abroad, and public authorities contributed only £11 million to the total.

### THE FINANCING OF GROSS DOMESTIC CAPITAL FORMATION<sup>(1)</sup>

TABLE 13

£ million

|   | 1938  | 1946  | 1947  | 1948  |
|---|-------|-------|-------|-------|
| 1. Surpluses of public authorities  |       |       |       |       |
| a. Central government ... ..  | — 112 | — 991 | — 427 | 304   |
| b. National insurance funds ... ..  | 15    | 83    | 80    | 105   |
| c. Local authorities ... ..   | 19    | 12    | 6     | 18    |
| d. Total (41d) ... ..   | — 78  | — 896 | — 341 | 427   |
| 2. plus Transfers to private capital accounts(44)                                       | —     | 298   | 306   | 179   |
| 3. less Transfers from private capital accounts<br>(taxes on capital) (29) ... ..       | — 78  | — 144 | — 164 | — 214 |
| 4. plus Public authorities' provision for<br>depreciation and maintenance (43b) ...     | 90    | 100   | 105   | 110   |
| 5. Additions to reserves by public enter-<br>prises (41c) ... ..                        | —     | —     | — 20  | — 5   |
| 6. plus Additions to reserves for taxes on<br>income (42) ... ..                        | 15    | — 160 | 125   | 255   |
| 7. Total sums set aside through the action of<br>public authorities ... ..              | — 51  | — 802 | 11    | 752   |
| 8. Provision for depreciation by enter-<br>prises (43a) ... ..                          | 360   | 600   | 645   | 715   |
| 9. Additions to free reserves by com-<br>panies (41b) ... ..                            | 170   | 285   | 425   | 545   |
| 10. Gross personal saving (41a+29) ... ..   | 221   | 822   | 329   | 220   |
| 11. Total sums set aside out of domestic<br>receipts ... ..                             | 700   | 905   | 1,410 | 2,232 |
| 12. Gifts and loans from abroad and sums<br>realised by sale of foreign assets (47) ... | 70    | 380   | 630   | 120   |
| 13. Gross domestic capital formation (46) ...   | 770   | 1,285 | 2,040 | 2,352 |

<sup>(1)</sup> This table is merely a rearrangement of the combined capital account shown on pp. 24-5 (table 18). The numbers in brackets after the items refer to items in that table and in table 17



## VI. THE SOCIAL ACCOUNTS OF THE UNITED KINGDOM

The following tables show the interrelations between the various estimates contained in the earlier part of the paper. They summarise in accounting form the money flows of the British economy.

The general principle is that of normal double-entry bookkeeping: every receipt by an account appears also as a payment or a negative receipt by that account or some other.

In most cases a receipt by one account is explicitly shown as a payment out of another account and a reference is given to the *contra* item in the bracketed number after the item.<sup>(1)</sup>

Table 14 sets out the consolidated trading account of all business enterprises, both public and private. On the receipts side appear the proceeds of sales to different classes of purchaser together with subsidies received from public authorities. On the payments side appear the outgoings of enterprises on purchases of imported goods and services, provision for depreciation, indirect taxes and labour costs, together with net rents and trading profits.

The trading profit of companies and public enterprises is carried down to the corporate income appropriation account, table 15. To corporate trading profits is added other income from holdings of public authorities' debt and foreign securities. Part of the total income is distributed to shareholders at home and abroad in the form of dividends and interest; part is paid to the government in taxes on profits; the remainder is carried to capital account as additions to tax reserves or to free reserves.

Table 16 shows on the receipts side the income of persons received as dividends, etc., from companies, their wages and salaries paid out of enterprises' trading accounts, their earnings from direct services to other persons and to public authorities and transfer incomes. These receipts are spent at home and abroad on consumers' goods and services, paid in taxes to the government or saved, *i.e.* put to capital account.

Table 17 shows the current non-trading receipts of public authorities (central government, local authorities and national insurance funds) and their disposal. Any surplus, whether positive or negative, is carried down to capital account.

Table 18 consolidates the capital account of the whole economy. On the receipts side appear the various sums saved out of current receipts by persons, business enterprises and government, together with the sums set aside to provide for replacement of worn-out assets. All these sums are available to finance replacement of, and additions to, the national stock of assets at home and abroad.

Table 19 summarises the relations of other countries to this country. It is, in fact, this country's balance of payments on current account looked at from the point of view of the outside world. Hence, imports appear as a receipt of money (by the outside world), exports as a payment, and so on.

It is possible to derive from these accounts all the significant totals of income and expenditure set out in the earlier tables of this paper. A few examples only will be given. The gross national product may be thought of as made up of the value of the gross output produced in this country and of net income from abroad:

---

<sup>(1)</sup> The exceptional items which have no explicit *contra* item are detailed in the notes on p. 49.



|  | 1947      | 1948   |
|--|-----------|--------|
|  | £ million |        |
| Gross output of enterprises (6+7) ... ..           | 8,308     | 9,360  |
| Services of private domestic servants (22a) ... .. | 73        | 74     |
| Gross output of public authorities (35+36) ... ..  | 1,061     | 1,026  |
| Gross domestic product ... ..                      | 9,442     | 10,460 |
| Net income from abroad (53-50) ... ..              | 33        | 40     |
| Gross national product ... ..                      | 9,475     | 10,500 |

A different grouping of items gives a distribution of income between factors of production :

|   | 1947      | 1948   |
|---|-----------|--------|
|   | £ million |        |
| Wages, salaries and the pay of the Armed Forces (17) ... .. | 5,626     | 6,071  |
| Mixed incomes (18) ... ..                                   | 1,230     | 1,379  |
| Other profits (53-50) ... ..                                | 1,444     | 1,795  |
| Rent (7c) ... ..  | 425       | 430    |
| National income ... ..                                      | 8,725     | 9,675  |
| Provision for depreciation (43) ... ..                      | 750       | 825    |
| National income and depreciation ... ..                     | 9,475     | 10,500 |

The gross national expenditure can also be obtained from these accounts, both in the form shown in table 2 and in the following form:

|   | 1947      | 1948    |
|---|-----------|---------|
|   | £ million |         |
| Personal expenditure on consumption (22+23) ... ..                              | 7,465     | 8,004   |
| Public authorities' current expenditure on goods and services (33 to 36) ... .. | 2,069     | 1,914   |
| Gross domestic capital formation (46) ... ..                                    | 2,040     | 2,352   |
| Net investment abroad (47) ... ..   | — 630     | — 120   |
| Gross national expenditure at market prices ... ..                              | 10,944    | 12,150  |
| Subsidies (37) ... ..   | 434       | 515     |
| less Indirect taxes (30) ... ..   | — 1,903   | — 2,165 |
| Gross national expenditure at factor cost ... ..                                | 9,475     | 10,500  |



# THE SOCIAL ACCOUNTS OF CONSOLIDATED TRADING

TABLE 14

| Receipts                                      | 1938  | 1946   | 1947   | 1948   |
|---|-------|--------|--------|--------|
| 1. Sales to :                                 |       |        |        |        |
| a. Persons (22c) ... ..                       | 4,139 | 6,554  | 7,265  | 7,829  |
| b. Public authorities (33a) ... ..            | 302   | 773    | 685    | 715    |
| c. Capital account (46) ... ..                | 770   | 1,285  | 2,040  | 2,352  |
| d. Abroad (52) ... ..                         | 733   | 1,387  | 1,494  | 2,029  |
| 2. Subsidies from public authorities (37) ... | 36    | 337    | 434    | 515    |
| 3. Total receipts ... ..                      | 5,980 | 10,336 | 11,918 | 13,440 |

For notes on the items of this table see p. 49.

## CORPORATE INCOME

TABLE 15

| Receipts                             | 1938 | 1946  | 1947  | 1948  |
|--------------------------------------|------|-------|-------|-------|
| Trading profits of:                  |      |       |       |       |
| a. Companies (7d) ... ..             | 543  | 1,219 | 1,393 | 1,639 |
| b. Public enterprises (7e) ... ..    | 27   | 26    | 18    | 116   |
| 10. Other income of companies ... .. | 220  | 277   | 291   | 306   |
| 11. Total corporate income ... ..    | 790  | 1,522 | 1,702 | 2,061 |

For notes on the items of this table see p. 49.



# THE UNITED KINGDOM ACCOUNT OF ENTERPRISES

£ million

| Payments                                     | 1938  | 1946   | 1947   | 1948   |
|--|-------|--------|--------|--------|
| 4. Purchases from overseas (49a) ... ..      | 925   | 1,216  | 1,723  | 1,938  |
| 5. Indirect taxes (30b) ... ..               | 672   | 1,624  | 1,887  | 2,142  |
| 6. Provision for depreciation (43a) ... ..   | 360   | 600    | 645    | 715    |
| 7. Payments to factors of production:        |       |        |        |        |
| a. Wages and salaries (17a) ... ..           | 2,474 | 4,090  | 4,597  | 5,081  |
| b. Mixed incomes (18) ... ..                 | 584   | 1,139  | 1,230  | 1,379  |
| c. Net rent ... ..                           | 395   | 422    | 425    | 430    |
| d. Trading profit of companies (9a) ... ..   | 543   | 1,219  | 1,393  | 1,639  |
| e. Surplus of public enterprises (9b) ... .. | 27    | 26     | 18     | 116    |
| 8. Total payments ... ..                     | 5,980 | 10,336 | 11,918 | 13,440 |

## APPROPRIATION ACCOUNT

£ million

| Payments   | 1938 | 1946  | 1947              | 1948               |
|--|------|-------|-------------------|--------------------|
| 12. Amounts transferred to public authorities by public enterprises ... .. | 27   | 26    | 25                | 61                 |
| 13. Dividends and interest paid by:  |      |       |                   |                    |
| a. Companies ... ..  | 506  | 711   | 744               | 730                |
| b. Public enterprises ... ..   | —    | —     | 13                | 60                 |
| 14. Companies' provision for taxation                                      |      |       |                   |                    |
| a. Payments (28b) ... ..   | 77   | 545   | 450               | 505                |
| b. Additions to tax reserves (42b) ... ..                                  | 10   | —45   | 65 <sup>(1)</sup> | 165 <sup>(1)</sup> |
| 15. Amounts placed to free reserves by:                                    |      |       |                   |                    |
| a. Companies (41b) ... ..  | 170  | 285   | 425               | 545                |
| b. Public enterprises (41c) ... ..   | —    | —     | — 20              | — 5                |
| 16. Total payments ... ..  | 790  | 1,522 | 1,702             | 2,061              |

<sup>(1)</sup> These figures differ from those shown in table 25 of the *Economic Survey for 1949* (Cmd. 7647) for reasons explained in the note to the item on p. 50.



## REVENUE ACCOUNT

TABLE 16

| Receipts                                | 1938  | 1946  | 1947  | 1948  |
|---|-------|-------|-------|-------|
| 17. Wages and salaries paid by :        |       |       |       |       |
| a. Enterprises (7a) ... ..              | 2,474 | 4,090 | 4,597 | 5081  |
| b. Public authorities (36) ... ..       | 328   | 1,094 | 956   | 916   |
| c. Other persons (22a) ... ..           | 121   | 65    | 73    | 74    |
| 18. Mixed incomes (7b) ... ..           | 584   | 1,139 | 1,230 | 1,379 |
| 19. Rent, dividends and interest ... .. | 1,109 | 1,446 | 1,465 | 1,479 |
| 20. Transfer incomes (38a) ... ..       | 270   | 878   | 706   | 663   |
| 21. Personal income ... ..              | 4,886 | 8,712 | 9,027 | 9,592 |

For notes on the items of this table see p. 50.

## REVENUE ACCOUNT OF

TABLE 17

| Receipts                                 | 1938  | 1946  | 1947  | 1948  |
|--|-------|-------|-------|-------|
| <i>Transfers</i>                         |       |       |       |       |
| 28. Direct taxes on income paid by :     |       |       |       |       |
| a. Persons (24a) ... ..                  | 364   | 1,264 | 1,173 | 1,278 |
| b. Companies (14a) ... ..                | 77    | 545   | 450   | 505   |
| 29. Direct taxes on capital (24b) ... .. | 78    | 144   | 164   | 214   |
| 30. Indirect taxes collected from :      |       |       |       |       |
| a. Persons (22b) ... ..                  | 2     | 1     | 2     | 4     |
| b. Enterprises (5) ... ..                | 672   | 1,624 | 1,887 | 2,142 |
| c. Public authorities (34) ... ..        | 3     | 18    | 14    | 19    |
|  | 1,196 | 3,596 | 3,690 | 4,162 |
| <i>Income from property</i>              |       |       |       |       |
| 31. Income from property :               |       |       |       |       |
| a. Income received ... ..                | 56    | 81    | 89    | 136   |
| b. less Debt interest ... ..             | -289  | -589  | -605  | -600  |
| 32. Total revenue ... ..                 | 963   | 3,088 | 3,174 | 3,698 |

For notes on the items of this table see p. 51.



# OF PERSONS

£ million

| Payments   | 1938  | 1946  | 1947               | 1948             |
|--|-------|-------|--------------------|------------------|
| <i>Personal expenditure</i>                        |       |       |                    |                  |
| 22. Consumption expenditure at home :              |       |       |                    |                  |
| a. Personal services (17c) ... ..                  | 121   | 65    | 73                 | 74               |
| b. Employers' insurance contributions (30a) ... .. | 2     | 1     | 2                  | 4                |
| c. Other goods and services (1a) ... ..            | 4,139 | 6,554 | 7,265              | 7,829            |
| 23. Consumption expenditure abroad (49c) ...       | 34    | 121   | 125                | 97               |
|  | 4,296 | 6,741 | 7,465              | 8,004            |
| <i>Direct tax liabilities and saving</i>           |       |       |                    |                  |
| 24. Payments of direct taxes on :                  |       |       |                    |                  |
| a. Income (28a) ... ..                             | 364   | 1,264 | 1,173              | 1,278            |
| b. Capital (29) ... ..                             | 78    | 144   | 164                | 214              |
| 25. Additions to tax reserves (42a) ... ..         | 5     | — 115 | 60                 | 90               |
| 26. Net saving (41a) ... ..                        | 143   | 678   | 165 <sup>(1)</sup> | 6 <sup>(1)</sup> |
| 27. Personal outlay and saving ... ..              | 4,886 | 8,712 | 9,027              | 9,592            |

<sup>(1)</sup> These figures differ from those given in table 25 of the *Economic Survey for 1949* (Cmd. 7647) for reasons explained in the note to the item on p. 50.

## PUBLIC AUTHORITIES

£ million

| Payments                                      | 1938 | 1946  | 1947  | 1948  |
|---|------|-------|-------|-------|
| <i>Expenditure on goods and services</i>      |      |       |       |       |
| 33. Purchases from :                          |      |       |       |       |
| a. Enterprises (1b) ... ..                    | 302  | 773   | 685   | 715   |
| b. Abroad (49b) ... ..                        | 12   | 486   | 309   | 154   |
| 34. Employers' insurance contributions (30c)  | 3    | 18    | 14    | 19    |
| 35. Provision for depreciation (43b) ... ..   | 90   | 100   | 105   | 110   |
| 36. Wages and salaries (17b) ... ..           | 328  | 1,094 | 956   | 916   |
|   | 735  | 2,471 | 2,069 | 1,914 |
| <i>Transfers</i>                              |      |       |       |       |
| 37. Subsidies to trading account (2) ... ..   | 36   | 337   | 434   | 515   |
| 38. Transfers to :                            |      |       |       |       |
| a. Revenue account of persons (20) ... ..     | 270  | 878   | 706   | 663   |
| b. Private capital account (44) ... ..        | —    | 298   | 306   | 179   |
| <i>Saving</i>                                 |      |       |       |       |
| 39. Surplus on current account (41c) ... ..   | —78  | —896  | —341  | 427   |
| 40. Total current expenditure and surplus ... | 963  | 3,088 | 3,174 | 3,698 |



TABLE 18

| Receipts  | 1938 | 1946 | 1947  | 1948  |
|---|------|------|-------|-------|
| 41. Net saving by :                             |      |      |       |       |
| a. Persons (26) ... ..                          | 143  | 678  | 165   | 6     |
| b. Companies (15a) ... ..                       | 170  | 285  | 425   | 545   |
| c. Public enterprises (15b) ... ..              | —    | —    | —20   | —5    |
| d. Public authorities (39) ... ..               | —78  | —896 | —341  | 427   |
| 42. Additions to tax reserves by :              |      |      |       |       |
| a. Persons (25) ... ..                          | 5    | —115 | 60    | 90    |
| b. Companies (14b) ... ..                       | 10   | —45  | 65    | 165   |
| 43. Provision for depreciation by :             |      |      |       |       |
| a. Enterprises (6) ... ..                       | 360  | 600  | 645   | 715   |
| b. Public authorities (35) ... ..               | 90   | 100  | 105   | 110   |
| 44. Transfers from public authorities (38b) ... | —    | 298  | 306   | 179   |
| 45. Total sums set aside... ..                  | 700  | 905  | 1,410 | 2,232 |

For notes on the items of this table see p. 52.

## CURRENT ACCOUNT OF REST OF

TABLE 19

| Receipts   | 1938  | 1946  | 1947  | 1948  |
|--|-------|-------|-------|-------|
| 49. Sales to the United Kingdom :  |       |       |       |       |
| a. Enterprises (4) ... ..  | 925   | 1,216 | 1,723 | 1,938 |
| b. Public authorities (33b) ... ..                                       | 12    | 486   | 309   | 154   |
| c. Persons (23) ... ..   | 34    | 121   | 125   | 97    |
| 50. Dividends, interest and rent received from the United Kingdom ... .. | 37    | 97    | 120   | 122   |
| 51. Total receipts from the United Kingdom                               | 1,008 | 1,920 | 2,277 | 2,311 |

For notes on the items of this table see p. 53.



# CAPITAL ACCOUNT

£ million

| Payments   | 1938 | 1946 | 1947  | 1948  |
|--|------|------|-------|-------|
| 46. Purchases of goods and services (gross capital formation at home) (1c) :             |      |      |       |       |
| a. Enterprises ... ..  | 597  | 985  | 1,631 | 1,923 |
| b. Public authorities ... ..   | 173  | 300  | 409   | 429   |
| 47. Net lending abroad and purchase of assets and financial claims from overseas (54)... | -70  | -380 | -630  | -120  |
| 48. Gross capital formation at home and abroad   | 700  | 905  | 1,410 | 2,232 |

## THE WORLD WITH THE UNITED KINGDOM

£ million

| Payments   | 1938  | 1946  | 1947  | 1948  |
|--|-------|-------|-------|-------|
| 52. Purchases from enterprises in the United Kingdom (1d) ... ..   | 733   | 1,387 | 1,494 | 2,029 |
| 53. Dividends, interest and rent paid to the United Kingdom ... .. | 205   | 153   | 153   | 162   |
| 54. Net lending to the United Kingdom (47)                         | 70    | 380   | 630   | 120   |
| 55. Total payments to the United Kingdom ...                       | 1,008 | 1,920 | 2,277 | 2,311 |



# APPENDIX I

## CONSUMERS' EXPENDITURE

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

TABLE 20

£ million

|   | 1938  | 1946  | 1947  | 1948  |
|---|-------|-------|-------|-------|
| 1. Food—                                |       |       |       |       |
| a. Household expenditure                |       |       |       |       |
| Bread and cereals ... ..                | 162   | 285   | 326   | 350   |
| Meat and bacon ... ..                   | 327   | 323   | 317   | 301   |
| Fish ... ..                             | 54    | 84    | 89    | 90    |
| Oils and fats ... ..                    | 78    | 62    | 61    | 70    |
| Sugar, preserves and confectionery      | 107   | 118   | 157   | 189   |
| Dairy products ... ..                   | 179   | 257   | 259   | 316   |
| Fruit ... ..                            | 85    | 90    | 162   | 175   |
| Potatoes and vegetables ... ..          | 99    | 184   | 247   | 260   |
| Beverages ... ..                        | 62    | 85    | 93    | 101   |
| Other manufactured food ... ..          | 36    | 77    | 82    | 76    |
| Total ... ..                            | 1,189 | 1,565 | 1,793 | 1,928 |
| b. Other personal expenditure ... ..    | 108   | 201   | 240   | 253   |
| Total food ... ..                       | 1,297 | 1,766 | 2,033 | 2,181 |
| 2. Alcoholic beverages—                 |       |       |       |       |
| a. Beer ... ..                          | 195   | 510   | 481   | 525   |
| b. Other ... ..                         | 90    | 168   | 197   | 237   |
| 3. Tobacco—                             |       |       |       |       |
| a. Cigarettes ... ..                    | 144   | 511   | 582   | 641   |
| b. Other ... ..                         | 33    | 92    | 108   | 131   |
| 4. Rent, rates and water charges ... .. | 491   | 550   | 579   | 598   |
| 5. Fuel and light—                      |       |       |       |       |
| a. Coal ... ..                          | 108   | 120   | 127   | 141   |
| b. Electricity ... ..                   | 35    | 65    | 69    | 84    |
| c. Gas ... ..                           | 38    | 75    | 81    | 91    |
| d. Other ... ..                         | 16    | 31    | 33    | 33    |
| 6. Durable household goods—             |       |       |       |       |
| a. Furniture and furnishings ... ..     | 152   | 176   | 243   | 285   |
| b. Hardware ... ..                      | 82    | 125   | 150   | 150   |
| 7. Other household goods—               |       |       |       |       |
| a. Matches ... ..                       | 10    | 11    | 13    | 14    |
| b. Soap ... ..                          | 30    | 28    | 37    | 41    |
| c. Other ... ..                         | 14    | 21    | 22    | 25    |
| 8. Clothing—                            |       |       |       |       |
| a. Footwear ... ..                      | 73    | 108   | 131   | 168   |
| b. Other clothing :                     |       |       |       |       |
| (i) Men's and boys' wear ... ..         | 127   | 157   | 184   | 225   |
| (ii) Women's, girls' and infants' wear  | 246   | 346   | 389   | 460   |
| 9. Books, newspapers and magazines—     |       |       |       |       |
| a. Books ... ..                         | 10    | 28    | 31    | 34    |
| b. Newspapers ... ..                    | 36    | 51    | 58    | 60    |
| c. Magazines ... ..                     | 18    | 26    | 30    | 33    |
| 10. Private motoring ... ..             | 127   | 103   | 112   | 81    |



TABLE 20—continued

£ million

|   | 1938               | 1946  | 1947  | 1948  |
|---|--------------------|-------|-------|-------|
| 11. Travel—   |                    |       |       |       |
| a. Railway ... ..   | 55                 | 104   | 101   | 107   |
| b. Other ... ..   | 108                | 166   | 196   | 215   |
| 12. Communication services—   |                    |       |       |       |
| a. Postal ... ..  | 18                 | 32    | 32    | 32    |
| b. Telephone and telegraph ... ..                                   | 11                 | 22    | 24    | 25    |
| 13. Entertainments—   |                    |       |       |       |
| a. Cinemas... ..  | 64                 | 121   | 108   | 112   |
| b. Other ... ..   |                    | 62    | 66    | 68    |
| 14. Other services ... ..   | 483                | 637   | 711   | 712   |
| 15. Other goods ... ..  | 177                | 309   | 373   | 392   |
| 16. Income in kind of the Armed Forces ...                          | 17                 | 111   | 60    | 41    |
| 17. less Foreign tourists' expenditure in the United Kingdom ... .. | —43 <sup>(1)</sup> | —12   | —21   | —35   |
| 18. Personal expenditure in the United Kingdom ... ..               | 4,262              | 6,620 | 7,340 | 7,907 |
| 19. Personal expenditure abroad ... ..                              | 34                 | 121   | 125   | 97    |
| 20. Total ... ..  | 4,296              | 6,741 | 7,465 | 8,004 |

For notes on the items of this table see p. 53.

<sup>(1)</sup> Including an allowance for net remittances sent to the United Kingdom.

The total shown 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 by visitors to the United Kingdom. The total of these foreign purchases is deducted in item 17.

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

|  | 1938      | 1946  | 1947  | 1948  | Price index<br>in 1948<br>1938=100 |
|--|-----------|-------|-------|-------|------------------------------------|
|  | £ million |       |       |       |                                    |
| 1. Food—   |           |       |       |       |                                    |
| a. Household expenditure                         |           |       |       |       |                                    |
| Bread and cereals ... ..                         | 162       | 173   | 185   | 194   | ...                                |
| Meat and bacon ... ..                            | 327       | 262   | 240   | 226   | ...                                |
| Fish ... ..                                      | 54        | 65    | 67    | 65    | ...                                |
| Oils and fats ... ..                             | 78        | 52    | 54    | 63    | ...                                |
| Sugar, preserves and confec-<br>tionery ... ..   | 107       | 73    | 89    | 88    | ...                                |
| Dairy products ... ..                            | 179       | 201   | 198   | 211   | ...                                |
| Fruit ... ..                                     | 85        | 57    | 87    | 93    | ...                                |
| Potatoes and vegetables ...                      | 99        | 115   | 133   | 132   | ...                                |
| Beverages ... ..                                 | 62        | 61    | 63    | 65    | ...                                |
| Other manufactured food ...                      | 36        | 47    | 49    | 48    | ...                                |
| Total ... ..                                     | 1,189     | 1,106 | 1,165 | 1,185 | ...                                |
| b. Other personal expenditure ...                | 108       | 142   | 156   | 155   | ...                                |
| Total food ... ..                                | 1,297     | 1,248 | 1,321 | 1,340 | 163                                |
| 2. Alcoholic beverages—                          |           |       |       |       |                                    |
| a. Beer ... ..                                   | 195       | 199   | 189   | 183   | 286                                |
| b. Other ... ..                                  | 90        | 76    | 82    | 81    | 294                                |
| 3. Tobacco—                                      |           |       |       |       |                                    |
| a. Cigarettes ... ..                             | 144       | 203   | 178   | 169   | 378                                |
| b. Other ... ..                                  | 33        | 33    | 29    | 30    | 442                                |
| 4. Rent, rates and water charges ...             | 491       | 512   | 522   | 534   | 112                                |
| 5. Fuel and light—                               |           |       |       |       |                                    |
| a. Coal ... ..                                   | 108       | 75    | 76    | 77    | 183                                |
| b. Electricity ... ..                            | 35        | 73    | 81    | 91    | 92                                 |
| c. Gas ... ..                                    | 38        | 53    | 56    | 58    | 156                                |
| d. Other ... ..                                  | 16        | 17    | 18    | 16    | 202                                |
| 6. Durable household goods—                      |           |       |       |       |                                    |
| a. Furniture and furnishings ...                 | 152       | 81    | 105   | 111   | 257                                |
| b. Hardware ... ..                               | 82        | 67    | 75    | 73    | 205                                |
| 7. Other household goods—                        |           |       |       |       |                                    |
| a. Matches ... ..                                | 10        | 8     | 9     | 9     | 150                                |
| b. Soap ... ..                                   | 30        | 23    | 24    | 25    | 164                                |
| c. Other ... ..                                  | 14        | 12    | 13    | 14    | 178                                |
| 8. Clothing—                                     |           |       |       |       |                                    |
| a. Footwear ... ..                               | 73        | 62    | 75    | 86    | 195                                |
| b. Other clothing :                              |           |       |       |       |                                    |
| (i) Men's and boys' wear ...                     | 127       | 84    | 95    | 105   | 214                                |
| (ii) Women's, girls' and infants'<br>wear ... .. | 246       | 184   | 203   | 216   | 213                                |
| 9. Books, newspapers and magazines—              |           |       |       |       |                                    |
| a. Books ... ..                                  | 10        | 20    | 21    | 23    | 150                                |
| b. Newspapers ... ..                             | 36        | 47    | 53    | 55    | 110                                |
| c. Magazines ... ..                              | 18        | 22    | 25    | 27    | 120                                |
| 10. Private motoring ... ..                      | 127       | 64    | 66    | 45    | 180                                |



TABLE 21—continued

|  | 1938      | 1946  | 1947  | 1948  | Price index<br>in 1948<br>1938=100 |
|--|-----------|-------|-------|-------|------------------------------------|
|  | £ million |       |       |       |                                    |
| 11. Travel—  |           |       |       |       |                                    |
| a. Railway ... ..  | 55        | 84    | 75    | 72    | 150                                |
| b. Other ... ..  | 108       | 149   | 158   | 171   | 125                                |
| 12. Communication services—  |           |       |       |       |                                    |
| a. Postal ... ..   | 18        | 24    | 23    | 23    | 141                                |
| b. Telephone and telegraph ... ..                                  | 11        | 18    | 19    | 20    | 125                                |
| 13. Entertainments—  |           |       |       |       |                                    |
| a. Cinemas ... ..  | 64        | 104   | 99    | 105   | 171                                |
| b. Other ... ..  |           |       |       |       |                                    |
| 14. Other services ... ..  | 483       | 450   | 477   | 466   | 153                                |
| 15. Other goods ... ..   | 177       | 153   | 169   | 169   | 232                                |
| 16. Income in kind of the Armed Forces ...                         | 17        | 78    | 39    | 25    | 163                                |
| 17. less Foreign tourists' expenditure in<br>United Kingdom ... .. | —43       | —8    | —12   | —19   | 180                                |
| 18. Personal expenditure in the United<br>Kingdom ... ..           | 4,262     | 4,215 | 4,363 | 4,400 | 180                                |
| 19. Personal expenditure abroad ... ..                             | 34        | 48    | 48    | 37    | 260                                |
| 20. Total ... ..   | 4,296     | 4,263 | 4,411 | 4,437 | 180                                |

For notes on the items of this table see p. 53.

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. 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. For example, the fact that trains have become less crowded in the last two years is not brought out in the series for travel as an improvement in consumption. Similarly there appears to have been a big rise in the "consumption" of newspapers since 1938. Most of the increase is due to the fact that no account has been taken of changes in size. Some improvement has taken place since 1947, but the newspaper is still very much smaller than it was in 1938 and the price index shown makes no allowance for this factor.



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 1948 aggregate is higher than the 1938 figures does not, in itself, mean that standards of consumption were by 1948 back at their pre-war level. It means simply that the particular collection of goods and services actually bought in 1948 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 note to table 32.

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 shown separately after item 17.



# NATIONAL COST OF CONSUMERS' GOODS AND SERVICES

TABLE 22

£ million

|   | 1938  | 1946  | 1947  | 1948  |
|---|-------|-------|-------|-------|
| <i>Personal expenditure after adjustment for specific taxes and subsidies</i>                               |       |       |       |       |
| 1. Food ... ..  | 1,259 | 1,983 | 2,302 | 2,539 |
| 2. Alcoholic beverages ... ..   | 177   | 323   | 321   | 341   |
| 3. Tobacco ... ..   | 90    | 159   | 169   | 151   |
| 4. Rent, rates and water charges ... ..   | 367   | 388   | 392   | 421   |
| 5. Fuel and light ... ..  | 195   | 292   | 312   | 347   |
| 6. Durable household goods ... ..   | 230   | 259   | 335   | 346   |
| 7. Other household goods ... ..   | 50    | 53    | 64    | 72    |
| 8. Clothing ... ..  | 436   | 576   | 666   | 782   |
| 9. Books, newspapers and magazines... ..  | 64    | 105   | 119   | 127   |
| 10. Private motoring ... ..   | 95    | 73    | 80    | 63    |
| 11. Travel ... ..   | 149   | 256   | 281   | 305   |
| 12. Communication services ... ..   | 27    | 45    | 50    | 52    |
| 13. Entertainments ... ..   | 51    | 119   | 112   | 118   |
| 14. Other services ... ..   | 471   | 618   | 685   | 661   |
| 15. Other goods ... ..  | 172   | 249   | 296   | 294   |
| 16. Income in kind of the Armed Forces ... ..   | 17    | 115   | 63    | 43    |
| 17. less Foreign tourists' expenditure in the United Kingdom ... ..   | -43   | -12   | -21   | -35   |
| <i>less Unallocated net indirect taxes</i>  | -126  | -158  | -192  | -226  |
| 18. Personal expenditure in the United Kingdom after adjustment for all indirect taxes and subsidies ... .. | 3,681 | 5,443 | 6,034 | 6,401 |
| 19. Personal expenditure abroad ... ..  | 34    | 121   | 125   | 97    |
| 20. Total ... ..  | 3,715 | 5,564 | 6,159 | 6,498 |

For notes on the items of this table see p. 53.



APPEN  
REVENUE, BORROWING AND  
CENTRAL GOVERNMENT :

TABLE 23

|  | 1938 | 1946  | 1947  | 1948  |
|--|------|-------|-------|-------|
| <i>Direct taxes on income</i>                            |      |       |       |       |
| 1. Income tax ... ..                                     | 312  | 1,262 | 1,141 | 1,227 |
| 2. Surtax ... ..   | 59   | 75    | 81    | 99    |
| 3. Profits Tax ... ..                                    | 15   | 35    | 31    | 154   |
| 4. Excess Profits Tax ... ..                             | —    | 356   | 255   | 129   |
| 5. Miscellaneous... ..                                   | —    | —5    | —4    | —     |
| 6. Total ... ..  | 386  | 1,723 | 1,504 | 1,609 |
| <i>Direct taxes on capital</i>                           |      |       |       |       |
| 7. Death duties ... ..                                   | 78   | 142   | 163   | 180   |
| 8. Special Contribution ... ..                           | —    | —     | —     | 33    |
| 9. War damage premiums ... ..                            | —    | 2     | 1     | 1     |
| 10. Total ... ..   | 78   | 144   | 164   | 214   |
| <i>Indirect taxes</i>                                    |      |       |       |       |
| 11. Customs and excise duties on drink ...               | 107  | 364   | 356   | 426   |
| 12. Customs and excise duties on tobacco ...             | 84   | 438   | 542   | 606   |
| 13. Purchase tax ... ..                                  | —    | 161   | 217   | 300   |
| 14. Entertainments duty ... ..                           | 8    | 55    | 49    | 49    |
| 15. Betting tax ... ..                                   | —    | —     | —     | 20    |
| 16. Other customs and excise duties ... ..               | 138  | 147   | 179   | 171   |
| 17. Motor vehicle duties ... ..                          | 35   | 45    | 50    | 49    |
| 18. Broadcast receiving licences ... ..                  | 4    | 8     | 11    | 11    |
| 19. Stamp duties ... ..                                  | 21   | 35    | 50    | 58    |
| 20. Post Office surplus ... ..                           | 11   | 27    | 20    | 18    |
| 21. Miscellaneous... ..                                  | 4    | 10    | 11    | 13    |
| 22. Total ... ..   | 412  | 1,290 | 1,485 | 1,721 |
| 23. Total tax revenue ... ..                             | 876  | 3,157 | 3,153 | 3,544 |
| <i>Transfers from other public authorities</i>           |      |       |       |       |
| 24. Contribution from the National Insurance Fund ... .. | —    | —     | —     | 19    |
| <i>Income from property</i>                              |      |       |       |       |
| 25. Miscellaneous... ..                                  | 20   | 33    | 43    | 84    |
| 26. less National debt interest ... ..                   | —223 | —530  | —545  | —538  |
| 27. Total revenue ... ..                                 | 673  | 2,660 | 2,651 | 3,109 |

For notes on the items of this table see p. 56.



DIX II.  
EXPENDITURE OF PUBLIC AUTHORITIES  
REVENUE ACCOUNT

£ million

|   | 1938 | 1946  | 1947  | 1948  |
|---|------|-------|-------|-------|
| 28. Current expenditure on goods and services                                   | 432  | 1,965 | 1,490 | 1,384 |
| <i>Transfers to trading account of enterprises</i>                              |      |       |       |       |
| 29. Subsidies ... ..  | 14   | 314   | 410   | 490   |
| <i>Transfers to revenue account of persons</i>                                  |      |       |       |       |
| 30. Social security payments :  |      |       |       |       |
| a. Non-contributory pensions ... ..   | 47   | 131   | 70    | 64    |
| b. Family allowances ... ..   | —    | 19    | 56    | 59    |
| c. Milk and vitamin products ... ..   | —    | 28    | 34    | 36    |
| d. Unemployment allowances ... ..   | 35   | 4     | 4     | 4     |
| 31. Other transfers :   |      |       |       |       |
| a. War gratuities and pay credits ... ..  | —    | 229   | 60    | 1     |
| b. Pay and allowances of members of the<br>Armed Forces on release leave ... .. | —    | 166   | 36    | 28    |
| c. War pensions and service grants ... ..                                       | 38   | 82    | 82    | 82    |
| d. Post-war income tax credits ... ..   | —    | 54    | 51    | 23    |
| e. Miscellaneous ... ..   | 3    | 17    | 25    | 23    |
| <i>Transfers to other public authorities</i>                                    |      |       |       |       |
| 32. Grants to local authorities ... ..  | 169  | 284   | 318   | 286   |
| 33. Exchequer contributions to national in-<br>surance funds ... ..             | 47   | 60    | 136   | 146   |
|   | 785  | 3,353 | 2,772 | 2,626 |
| <i>Transfers to private capital account</i>                                     |      |       |       |       |
| 34. Payments in respect of war damage claims                                    | —    | 131   | 266   | 161   |
| 35. Excess profits tax post-war refunds ... ..                                  | —    | 167   | 40    | 15    |
| 36. Payments of compensation to doctors<br>and dentists ... ..                  | —    | —     | —     | 3     |
| 37. Total current expenditure ... ..  | 785  | 3,651 | 3,078 | 2,805 |
| <i>Saving</i>   |      |       |       |       |
| 38. Surplus on current account ... ..   | —112 | —991  | —427  | 304   |
| 39. Current expenditure less deficit ... ..                                     | 673  | 2,660 | 2,651 | 3,109 |



## CENTRAL GOVERNMENT :

TABLE 24

|  | 1938 | 1946 | 1947 | 1948 |
|--|------|------|------|------|
| 40. Surplus on current account ... ..            | -112 | -991 | -427 | 304  |
| 41. Maintenance provision ... ..                 | 10   | 13   | 24   | 29   |
| 42. Net borrowing ... ..                         | 143  | 870  | 325  | -435 |
| 43. Receipts available for capital formation ... | 41   | -108 | -78  | -102 |

For notes on the items of this table see p. 58.

## NATIONAL INSURANCE FUNDS :

TABLE 25

|   | 1938 | 1946 | 1947 | 1948 |
|---|------|------|------|------|
| 1. Direct taxes ... ..                    | 55   | 86   | 119  | 174  |
| 2. Indirect taxes ... ..                  | 54   | 84   | 113  | 151  |
| 3. Income from property ... ..            | 9    | 20   | 22   | 24   |
| 4. Grants from the central government ... | 47   | 60   | 136  | 146  |
| 5. Revenue ... ..                         | 165  | 250  | 390  | 495  |

For notes on the items of this table see p. 58.



## CAPITAL ACCOUNT

£ million

|  | 1938 | 1946 | 1947 | 1948 |
|--|------|------|------|------|
| 44. Fixed capital formation                                    |      |      |      |      |
| a. Trading services ... ..                                     | 21   | 13   | 20   | 26   |
| b. Other ... ..  | 20   | 150  | 125  | 102  |
| 45. Change in value of inventories ... ..                      | —    | — 42 | 13   | 27   |
| 46. less Sales of surplus stores ... ..                        | —    | —287 | —236 | —257 |
| 47. Purchases of existing assets from private ownership ... .. | —    | 58   | —    | —    |
| 48. Gross capital formation at home ... ..                     | 41   | —108 | —78  | —102 |

## REVENUE ACCOUNT

£ million

|  | 1938 | 1946 | 1947 | 1948 |
|--|------|------|------|------|
| <i>Current expenditure on goods and services</i>           |      |      |      |      |
| 6. Medical benefit ... ..                                  | 12   | 19   | 21   | 12   |
| 7. Expenses of administration ... ..                       | 14   | 15   | 17   | 23   |
| <i>Transfers to private current account</i>                |      |      |      |      |
| 8. Contributory pensions and allowances ... ..             | 47   | 75   | 213  | 262  |
| 9. Sickness and maternity benefit ... ..                   | 22   | 32   | 31   | 52   |
| 10. Unemployment benefit ... ..                            | 55   | 26   | 28   | 19   |
| 11. Industrial injuries benefit ... ..                     | —    | —    | —    | 3    |
| <i>Transfers to other public authorities</i>               |      |      |      |      |
| 12. Contribution to cost of National Health Service ... .. | —    | —    | —    | 19   |
| <i>Saving</i>  |      |      |      |      |
| 13. Surplus on current account ... ..                      | 15   | 83   | 80   | 105  |
| 14. Current expenditure and surplus ... ..                 | 165  | 250  | 390  | 495  |



## LOCAL AUTHORITIES :

TABLE 26

|   | 1938 | 1946 | 1947 | 1948 |
|---|------|------|------|------|
| 1. Indirect taxes ... ..                  | 211  | 269  | 305  | 293  |
| 2. Grants from the central government ... | 169  | 284  | 318  | 286  |
| 3. Income from property ... ..            | 27   | 28   | 24   | 28   |
| 4. less Debt interest ... ..              | -66  | -59  | -60  | -62  |
| 5. Revenue ... ..                         | 341  | 522  | 587  | 545  |

For notes on the items of this table see p. 59.

## LOCAL AUTHORITIES :

TABLE 27

|  | 1938 | 1946 | 1947 | 1948 |
|--|------|------|------|------|
| 11. Surplus on current account ... ..            | 19   | 12   | 6    | 18   |
| 12. Depreciation allowances ... ..               | 95   | 105  | 110  | 105  |
| 13. Net borrowing ... ..                         | 87   | 73   | 214  | 232  |
| 14. Receipts available for capital formation ... | 201  | 190  | 330  | 355  |

For notes on the items of this table see p. 59.



# REVENUE ACCOUNT

£ million

|  | 1938 | 1946 | 1947 | 1948 |
|--|------|------|------|------|
| 6. Current expenditure on goods and services | 277  | 472  | 541  | 495  |
| 7. Housing subsidies ... ..                  | 22   | 23   | 24   | 25   |
| <i>Transfers to private current account</i>  |      |      |      |      |
| 8. Outdoor relief ... ..                     | 23   | 15   | 16   | 7    |
| <i>Saving</i>                                |      |      |      |      |
| 9. Surplus on current account ... ..         | 19   | 12   | 6    | 18   |
| 10. Current expenditure and surplus ... ..   | 341  | 522  | 587  | 545  |

# CAPITAL ACCOUNT

£ million

|                                    | 1938 | 1946 | 1947 | 1948 |
|------------------------------------|------|------|------|------|
| 15. Gross capital formation        |      |      |      |      |
| a. Trading services ... ..         | 48   | 40   | 46   | 28   |
| b. Other ... ..                    | 153  | 150  | 284  | 327  |
| 16. Gross capital formation ... .. | 201  | 190  | 330  | 355  |



# SUBSIDIES<sup>(1)</sup>

TABLE 28

£ million

|  | Calendar years |      |      |      | Financial year                   |
|--|----------------|------|------|------|----------------------------------|
|  | 1938           | 1946 | 1947 | 1948 | 1948-49<br>Estimated<br>out-turn |
| Food—  |                |      |      |      |                                  |
| Ministry of Food's trading losses                                    | —              | 266  | 349  | 435  | 454 <sup>(2)</sup>               |
| Acreage payments ... ..  | —              | 18   | 17   | 18   | 19                               |
| Subsidies on fertilisers and<br>molasses ... ..                      | —              | 6    | 6    | 11   | 12                               |
| Total food subsidies ...   | —              | 290  | 372  | 464  | 485                              |
| less Cost of milk and welfare<br>schemes ... ..                      | —              | — 28 | — 34 | — 36 | — 36                             |
|  | —              | 262  | 338  | 428  | 449                              |
| Other—   |                |      |      |      |                                  |
| Subsidies to agriculture ... ..                                      | 14             | 10   | 12   | 19   | 22                               |
| Trading losses of:   |                |      |      |      |                                  |
| Board of Trade ... ..  | —              | 10   | 14   | 4    | —                                |
| Ministry of Supply ... ..  | —              | 8    | 1    | 10   | 12                               |
| Utility cloth rebates ... ..   | —              | 8    | 16   | 7    | 2                                |
| Assistance to industry by Ministry<br>of Supply ... ..               | —              | 7    | 8    | 8    | 8                                |
| Subsidies on fuel ... ..   | —              | 4    | 7    | 4    | 4                                |
| Subsidies to civil aviation cor-<br>porations ... ..                 | —              | 5    | 14   | 10   | 8                                |
| Total subsidies of central govern-<br>ment (item 29 of table 23) ... | 14             | 314  | 410  | 490  | 505                              |
| Housing subsidies (item 7 of<br>table 26) ... ..                     | 22             | 23   | 24   | 25   | 25                               |
| Total subsidies (item 37 of table 17)                                | 36             | 337  | 434  | 515  | 530                              |

(<sup>1</sup>) For notes on the items in this table see pp. 59-60.

(<sup>2</sup>) This figure is made up as follows:

|   | (£ million) |
|---|-------------|
| Net cash outgoings of Ministry of Food (Civil Estimates,<br>Class X, Vote 2) ... .. | 372         |
| plus Cost of services carried on other Votes (net) ... ..                           | 17          |
| plus Interest on Exchequer advances ... ..  | — 17        |
| less Increase in value of stocks and debtors (net) ... ..                           | —           |
| plus Cost of food paid for in advance under the Andes<br>Agreement ... ..           | 82          |
|   | <u>454</u>  |



# RECONCILIATION OF THE EXCHEQUER RETURN WITH THE REVENUE ACCOUNT OF THE CENTRAL GOVERNMENT<sup>(1)</sup>

TABLE 29

£ million

|  | 1946   | 1946-7 | 1947   | 1947-8 | 1948   |
|--|--------|--------|--------|--------|--------|
| 1. Ordinary Revenue ... ..   | 3,333  | 3,341  | 3,670  | 3,845  | 3,865  |
| 2. less Exchequer issues 'above the line' ... ..   | -4,036 | -3,927 | -3,410 | -3,210 | -3,202 |
| 3. Traditional Budget Surplus ...  | -703   | -586   | 260    | 635    | 663    |
| 4. Receipts 'above the line' in Alternative Classification minus Ordinary Revenue ...  | -166   | -266   | -422   | -448   | -232   |
| 5. Exchequer issues 'above the line' minus Payments 'above the line' in Alternative Classification ... ..                                | 2      | 23     | 80     | 142    | 110    |
| 6. Surplus 'above the line' in Alternative Classification ...  | -867   | -829   | -82    | 329    | 541    |
| 7. Revenue as shown in table 23 and national debt interest minus Receipts 'above the line' in Alternative Classification ... ..          | 23     | 22     | -52    | -15    | 14     |
| 8. Payments 'above the line' in Alternative Classification minus Current Expenditure as shown in table 23 and national debt interest ... | 151    | 318    | 13     | -80    | -72    |
| 9. Adjusted surplus ... ..   | -693   | -489   | -121   | 234    | 483    |
| 10. less Capital transfers ... ..  | -298   | -305   | -306   | -320   | -179   |
| 11. Surplus on Current Account shown in table 23 ... ..  | -991   | -794   | -427   | -86    | 304    |

<sup>(1)</sup> The Alternative Classification of the Exchequer accounts referred to is that shown in the latest Financial Statement. For notes on the items of this table see pp. 60-1.



# THE FINANCE OF CENTRAL GOVERNMENT BORROWING

TABLE 30

£ million

|  | 1938 | 1946 | 1947 | 1948 |
|--|------|------|------|------|
| <i>Public borrowing at home</i>  |      |      |      |      |
| 1. Post Office and Trustee Savings Banks ...   | 1    | 270  | 30   | 71   |
| 2. National Savings Certificates ...   | 3    | 61   | 131  | 53   |
| 3. Defence Bonds ...   | —    | 194  | —28  | —87  |
| 4. Other public issues (net) ...   | 73   | —2   | —305 | —305 |
| 5. Increase in fiduciary issue ...   | 10   | 50   | —    | —125 |
| 6. Increase in Treasury Bills held outside government departments and in Bank Ways and Means ... | —189 | 321  | 114  | —199 |
| 7. Treasury deposit receipts ...   | —    | 40   | —274 | 109  |
| 8. Tax reserve certificates ...  | —    | —132 | —125 | —23  |
| 9. Total ...   | —102 | 802  | —457 | —506 |
| <i>Finance through government agencies</i>   |      |      |      |      |
| 10. National insurance funds ...   | —1   | 69   | 60   | 115  |
| 11. Local Loans Fund ...   | —3   | —53  | 1    | —5   |
| 12. Other extra-budgetary receipts etc. ...  | 260  | —154 | 196  | 13   |
| 13. less Sinking funds ...   | —11  | —17  | —17  | —23  |
| 14. Total ...  | 245  | —155 | 240  | 100  |
| <i>Gifts and loans from abroad</i>   |      |      |      |      |
| 15. Gifts from the Governments of Australia and New Zealand ...                                  | —    | —    | 30   | —    |
| 16. Canadian Government interest-free loan ...   | —    | —21  | —26  | —16  |
| 17. Reconstruction Finance Corporation loan ...  | —    | —9   | —9   | —8   |
| 18. Drawings on United States and Canadian Government lines of credit ...                        | —    | 279  | 812  | 87   |
| 19. South African gold loan ...  | —    | —    | —    | 80   |
| 20. Drawings on the International Monetary Fund ...  | —    | —    | 60   | 9    |
| 21. Receipts under the European Recovery Programme :   |      |      |      |      |
| Grant ...  | —    | —    | —    | 85   |
| Loan ...   | —    | —    | —    | 20   |
| Conditional aid ...  | —    | —    | —    | 7    |
| Unallocated ...  | —    | —    | —    | 57   |
| 22. Total ...  | —    | 249  | 867  | 321  |
| 23. less Aid granted under the European Recovery Programme ...                                   | —    | —    | —    | —12  |
| 24. less Subscriptions under the Bretton Woods Agreement Act, 1945 ...                           | —    | —8   | —85  | —    |
| 25. less Loans to local authorities ...  | —    | —8   | —202 | —243 |
| 26. less Advances to the National Coal Board ...   | —    | —10  | —38  | —31  |
| 27. less Advances under the Cotton (Centralised Buying) Act ...                                  | —    | —    | —    | —46  |
| 28. less Advances under the Overseas Resources Development Act ...                               | —    | —    | —    | —18  |
| 29. Total borrowing less lending and repayments ...  | 143  | 870  | 325  | —435 |

For notes on the items of this table see pp. 61-2.



# APPENDIX III

## ALLOCATION OF TAXES

### DIRECT TAXES PAID IN RESPECT OF DIFFERENT TYPES OF INCOME AND PROPERTY<sup>(1)</sup>

TABLE 31

£ million

|  | 1938 | 1946  | 1947  | 1948  |
|--|------|-------|-------|-------|
| <i>Taxes on income</i>   |      |       |       |       |
| Rent of land and buildings :                                   |      |       |       |       |
| Income tax ... ..  | 59   | 116   | 104   | 112   |
| Surtax ... ..  | 7    | 8     | 8     | 10    |
| Interest and profits :   |      |       |       |       |
| Income tax <sup>(2)</sup> ... ..                               | 207  | 657   | 605   | 670   |
| Surtax ... ..  | 43   | 52    | 55    | 67    |
| Profits Tax and Excess Profits Tax <sup>(2)</sup> ...          | 15   | 391   | 286   | 283   |
| Self-employed persons' national insurance contributions ... .. | —    | —     | —     | 9     |
| Salaries:  |      |       |       |       |
| Income tax ... ..  | 43   | 265   | 230   | 230   |
| Surtax ... ..  | 9    | 15    | 18    | 22    |
| Employees' national insurance contributions ... ..             | 4    | 9     | 13    | 21    |
| Wages :  |      |       |       |       |
| Income Tax ... ..  | 2    | 208   | 180   | 200   |
| Surtax ... ..  | —    | —     | —     | —     |
| Employees' national insurance contributions ... ..             | 51   | 77    | 106   | 140   |
| Pay of the Armed Forces :                                      |      |       |       |       |
| Income Tax ... ..  | 1    | 16    | 22    | 15    |
| Unallocable ... ..   | —    | —5    | —4    | 4     |
| <i>Taxes on property</i>                                       |      |       |       |       |
| Land and buildings :   |      |       |       |       |
| Death duties, corporation and land tax ...                     | 10   | 19    | 21    | 23    |
| War damage contributions ... ..                                | —    | 2     | 1     | 1     |
| Interest bearing securities <sup>(3)</sup> :                   |      |       |       |       |
| Death duties and corporation duty ...                          | 20   | 35    | 40    | 44    |
| Other stocks and shares :                                      |      |       |       |       |
| Death duties and corporation duty ...                          | 33   | 59    | 68    | 75    |
| Other forms of property :                                      |      |       |       |       |
| Death duties ... ..  | 15   | 29    | 34    | 38    |
| Unallocable (Special Contribution) ...                         | —    | —     | —     | 33    |
| Total direct taxes (items 28 and 29 of table 17) ... ..        | 519  | 1,953 | 1,787 | 1,997 |

<sup>(1)</sup> 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 both from wages and 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.

<sup>(2)</sup> Excess Profits Tax post-war refunds and the income tax thereon are excluded from these figures.

<sup>(3)</sup> Government and municipal stocks, bonds, mortgages and debentures.



# ALLOCATION OF INDIRECT TAXES AND SUBSIDIES<sup>(1)</sup>

TABLE 32

£ million

|  | 1938 | 1946  | 1947  | 1948  |
|--|------|-------|-------|-------|
| Indirect taxes on personal consumption ... | 617  | 1,508 | 1,728 | 2,010 |
| less Subsidies on personal consumption ... | -36  | -331  | -422  | -504  |
| Net indirect taxes on :                    |      |       |       |       |
| Personal consumption ...                   | 581  | 1,177 | 1,306 | 1,506 |
| Government current expenditure ...         | 16   | 51    | 45    | 55    |
| Gross domestic capital formation ...       | 21   | 45    | 78    | 31    |
| Exports of goods and services ...          | 23   | 33    | 40    | 58    |
| Total indirect taxes less subsidies ...    | 641  | 1,306 | 1,469 | 1,650 |

(<sup>1</sup>) 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, personal and government expenditure abroad, 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.



## APPENDIX IV

### NOTES ON THE TABLES

**Table 2. The Composition of Gross National Expenditure**

1. 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.

2. This item excludes expenditure by public authorities which does not arise from a direct demand for goods and services. Thus it excludes transfer payments, loan repayments and 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 forms 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 9 below, are excluded; so also are operating expenses incurred in the provision of services which are sold and not made freely available. Net capital expenditure is excluded from this item and is included in item 3.

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 estimates given here for earlier years differ significantly from those published in Cmd. 7371 (item 8 of table 10) for several reasons. The earlier estimates included interest on the non-productive debt of local authorities, which has in this paper been excluded from expenditure and treated as negative income. This change of treatment is discussed further in the note to item 12 of table 4. The earlier estimates also included some expenditure on building up inventories; this has now been eliminated and forms part of capital formation (item 3 of this table). There have also been a number of minor revisions.

3. This item is composed of total expenditure on fixed capital and its upkeep (*i.e.* new additions and replacements), expenditure on repairs (including war damage repairs) to buildings, highways and bridges and the change in the value of stocks and work in progress. Because of the conventions adopted in estimating item 4, exports, the present item includes outlay on certain items that would perhaps more properly be treated as contributing to 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 equipment of British oil companies. A rough estimate of the total of these items is shown in item 3*d*.

The sale of surplus stores by the Government has been treated as government disinvestment. In so far as these stores are not consumed or exported, but remain as assets in private hands there is, of course, no change in total investment. As item 3*c* includes total sales of surplus stores, item 3*b* includes, in principle, private investment in these stores whether they are fixed assets (ships, factories, etc.) or trading stocks. Item 3*b* is a pure residue obtained by subtracting the identifiable parts of gross investment (items 3*a*, 3*c* and 3*d*) from the total, itself a residue obtained by subtracting estimates



of other forms of national expenditure from the sum of the national income and provision for depreciation.

4, 5 and 6. These items were obtained by rearranging the estimates published in table I of Cmd. 7648 (*United Kingdom Balance of Payments 1946 to 1948 (No. 2)*).

7. Equal to item 10 less items 4 and 5 of table I in Cmd. 7648.

### **Table 3. Allocation of the Gross National Product between Different Uses**

This table shows the main classes of expenditure, each after the deduction of indirect taxes and the addition of subsidies, as percentages of the gross national product. The actual amounts of tax and subsidy estimated to fall on each class of expenditure are shown in table 32 and the note to that table explains how the allocation of taxes and subsidies was made.

### **Table 4. Composition of the National Income**

1. This item covers only the earnings of manual workers. A more extended description of the classes of workers covered is included in the notes to table 5. The estimates include an allowance for the income in kind (food, lodging, etc.) of, e.g. domestic servants, farm workers and miners. The estimate of personal expenditure on consumption at market prices (item 1 of table 2) includes a similar allowance.

2. This item includes the whole of the earnings of shop assistants, company directors' fees and, in principle, untaxed allowances.

3. This item comprises : (a) the pay and cash allowances of, and the cost of issues of food and clothing to, members of the Armed Forces and auxiliary services, other than those on release leave ; (b) the pensions and retired pay of former members of the Armed Forces other than pensions awarded for death or disability attributable to war service.

4. Professional earnings are here defined in the same way as they were in the legislation relating to the Excess Profits Tax. They exclude, that is to say, all the profits of business consisting wholly or mainly in the making of contracts on behalf of others or in the giving of commercial advice relating to contracts. Apart from this exception, they include all the earnings assessable to income tax under Schedule D of individuals and partnerships from the carrying on of professions where the profits made depend wholly or mainly on personal qualifications.

Thus, this item includes the earnings of doctors, dentists, lawyers, artists and journalists, for example, but excludes the profits of brokers, auctioneers and estate agents.

5. This item consists of the income from agriculture, horticulture and direct retailing of farmers with holdings of one acre or more. It represents the reward of the manual and managerial labour of farmers and their wives and the return on their capital. Income from landownership is excluded from this item and forms part of item 9 below.

It is estimated that in 1938 about £3 million of the total went to "spare-time" farmers and others not mainly engaged in commercial farming, and in 1948 about £9 million ; the remainder was in each year divided between roughly 360,000 full-time farmers.

The figures have been derived by subtracting from the value of the gross product of agriculture (reckoned after the elimination of duplication due to inter-farm sales) the various items of cost : rent of land, wages and salaries, purchases from other industries or from abroad and provision for depreciation of equipment. Any errors made in estimating total sales or the various items of cost will, unless they happen to cancel out, therefore pile up in the residual element, farmers' income. It is nevertheless probable that, in the peculiar circumstances of agriculture, this indirect method gives



a more accurate answer than any alternative method. The estimates were made originally for the crop years June to May; the figure given in the table for the calendar year 1947 includes five-twelfths of the income earned in the crop-year 1946-7 and seven-twelfths of the income earned in the crop-year 1947-8; similarly for other years.

6. This item includes, in principle, all the profits assessable to income tax under Schedule D and (in 1938 and 1946) to Excess Profits Tax, of unincorporated enterprises, *i.e.* sole traders and partnerships, other than the profits shown separately in items 4 and 5 above. The estimates must be admitted to be of a precarious nature, particularly in the later years.

7. This item includes the trading profits of companies and mutual societies other than those treated as income from abroad in item 11 below, together with the surpluses, before deduction of interest or dividends on sales, of co-operative societies and public boards such as the Port of London Authority. Profits are reckoned after deduction of tax-free wear and tear allowances, but before deduction of Profits Tax or Excess Profits Tax. The profits of companies in the oil, shipping and insurance industries are included here, whether earned in the United Kingdom or abroad; the profits of other companies operating abroad are excluded. This admittedly arbitrary distinction has been made in order to fit the estimates published in Cmd. 7648 (*United Kingdom Balance of Payments 1946 to 1948 (No. 2)*) into the social accounts of tables 14 to 19.

8. Operating surpluses or deficits, before deduction of interest or payments of interim income, of the trading undertakings of local authorities and the State (Board of Trade trading branches) and of the nationalised industries (coal, transport, electricity, civil aviation, Cable and Wireless, Bank of England) *plus* the income (positive or negative) accruing to the Government under the Railway Agreement before nationalisation, *plus* income tax paid by non-residents, *less* the loss made by the Exchequer in 1946 as a result of illicit trading by British troops and other Government employees abroad. The composition of this item has, of course, not been uniform from year to year.

9. The income, before deduction of mortgage interest, from the ownership of lands, houses, etc., assessable to income tax under Schedule A, after deduction of allowances for maintenance and repairs, together with excess rents assessed under Schedule D. Incomes not taxable because their recipients are persons below the effective income tax exemption limit or non-profit-making bodies (*e.g.* charities, colleges) are included. Premises occupied by their owners are treated on the same basis as rented premises.

11. This item is equal to item 53 *less* item 50 of table 19. These items are themselves identical with, respectively, item 10 and the sum of items 4 and 5 in table I of Cmd. 7648. The present item is, in essence, made up of the profits remitted home by British companies operating abroad (other than oil, shipping and insurance companies) and of interest and dividends received from abroad, *less* profits remitted to foreign parent companies by their British subsidiaries and interest and dividends (after deduction of tax) paid to non-residents.

12. This item, the sum of items 10 and 11, 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 measured before deduction of tax, since all taxes direct and indirect, falling on them, whether paid directly by individuals and non-profit-making bodies or through companies 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 for the maintenance, repair or replacement of all existing capital equipment.



The estimates given differ from those published in Cmd. 7371 partly as a consequence of the normal revisions due to later and better information and partly as a result of certain changes of definition.

In Cmd. 7371 those taxes estimated to fall on exports were treated as government income from property, so that they formed part of the national income. They have been treated here as indirect taxes and excluded from the national income. The present treatment appears to be identical with that recommended in the publication of the Statistical Office of the United Nations, *National Income Statistics of Various Countries, 1938-1947* (New York, 1948).

Interest on the "non-productive" debt of local authorities was, in Cmd. 7371 and earlier papers, treated as a factor payment and therefore included in the national income. It has here been treated in exactly the same way as national debt interest: that is, as positive private income and negative government income. The effect of this is to lower the national income by £40-£50 million throughout. The justification of this change is twofold: that the interest payments of local authorities were never a good measure of the value of the services rendered by assets such as roads, schools and hospitals, and that it was in any case quite illogical to allow an asset owned by a local authority to generate income while including nothing for the services of an identical asset owned by or transferred to the central government. The present treatment, by which, in effect, all investment in the social services is regarded as sterile, is obviously not ideal, but until some method can be found for imputing income to public authorities' real assets it is probably the least unsatisfactory of the possible alternatives.

#### **Table 5. 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 the wage bill.

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 and forestry.

*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 and forestry.

#### **Table 6. Company Profits and Dividends**

1. Gross trading profits before deduction of Profits Tax and Excess Profits Tax and before payment of debenture interest, less wear and tear allowances allowed as a deduction in calculating liabilities to income tax. The surplus of co-operative societies is included, whether distributed as interest or dividends on sales or retained. The operating profits of public boards such as the Port of London Authority, Racecourse Betting Control Board and Central Electricity Board are included. The profits of banks are measured by the difference between bank charges actually made and the banks' management expenses. Profits treated in Cmd. 7648 (*United Kingdom Balance of Payments, 1946 to 1948 (No. 2)*) as income from abroad are excluded from this item.

2. Receipts (including receipts by banks) of public debt interest, net rents, interest and dividends from abroad and the profits of British companies (other than those engaged in the insurance, shipping and oil industries) operating abroad. Companies' receipts of dividends or interest from other companies are excluded from this item, as also from item 4 below.

3. The sum of items 1 and 2 ; that is, the trading profits of all British companies (public or private), co-operative societies and public boards other than those in the nationalised industries (coal, electricity, transport, civil aviation, Cable and Wireless and Bank of England), together with their receipts of interest on public authorities' debt, net rents and income from abroad.



4. Payments (before deduction of income tax) of company dividends, debenture interest, dividends on sales and deposit interest to persons (including sole traders and partnerships), public authorities or non-residents. Payments by one British company or co-operative society to another British company or co-operative society are excluded from this item as are the offsetting receipts from item 2 above.

5. The difference between items 3 and 4.

6. The total amount of tax (income tax, Profits Tax and, in 1946, Excess Profits Tax) a company would have to pay if it were currently assessed on its current earnings, *less* income tax deducted at source on actual payment of dividends or interest *less* any overprovision in the past due to changes in tax-rates. This amount is not, of course, identical with the amount of tax actually paid on companies' additions to reserve: actual payments are shown as a separate item in item 14a of table 15.

7. The difference between items 5 and 6; that is, the amount retained by companies after payment of dividends and interest and after full provision for tax on current earnings at current rates. This is equal to the amount available for re-investment, *plus* any difference, positive or negative, between net dividends declared in the year and net dividends actually paid.

#### **Table 7. Composition of Personal Income**

1. Equal to the sum of items 1 and 2 of table 4.

2. The same as item 3 of table 4.

3. The same as item 4 of table 4.

4. The same as item 5 of table 4.

5. The same as item 6 of table 4.

6. The estimated receipts by persons resident in the United Kingdom (including non-profit-making bodies and the life funds of assurance companies) of dividends on ordinary and preference shares in British companies, debenture interest, co-operative societies' interest and dividends on sales, interest on public authorities' debt (including the increase in interest accrued on National Savings Certificates), dividends and interest on foreign securities, deposit interest and rent (before deduction of mortgage interest).

8. 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 insurance schemes; unemployment allowances and (before July 5th, 1948) outdoor relief paid by local authorities. These payments are shown separately as item 30 of table 23, items 8 to 11 of table 25 and item 8 of table 26.

9. 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, 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 31 of table 23.

10. This item, the sum of items 7 to 9, is the total of incomes received by persons (including non-profit-making bodies).

#### **Table 8. Personal Income from Work and Property Before and After Tax**

The figures in the top half of the table represent the ratios that items 1 and 2 of table 4, item 2 of table 7 and the sum of items 3 to 6 of table 7, bear to item 7 of table 7. The figures in the bottom half of the table represent the same ratios after deduction of liabilities for income tax, surtax, employees' national insurance contributions and, in 1946, Excess Profits Tax.



## NOTES ON THE SOCIAL ACCOUNTS OF THE UNITED KINGDOM

In most cases a receipt by one account is explicitly shown as a payment out of another account and a reference is given to the number of the *contra* item in brackets after the item. The exceptional items which appear only once in the tables are related as follows:

$$\text{items } (7c + 12 + 13a + 13b - 31b + 53) = \text{items } (10 + 18 + 31a + 50).$$

### **Table 14. Consolidated Trading Account of Enterprises**

An enterprise has been defined as an undertaking whose net receipts, whether positive or negative, represent the difference between the costs it incurs and the amounts it receives from sales or re-sales of goods and services. Thus, a domestic servant is not an enterprise, because no costs are incurred in providing the service offered. A doctor or a dentist is an enterprise, because he has to incur certain current operating costs; so is a small shopkeeper or a peasant proprietor, even though he employs only his own labour. A co-operative society or a State trading undertaking is an enterprise for the same reason, even though it aims to make no profit but only to cover its costs. Similarly, a house-owner (including an owner-occupier) is treated as an enterprise: the gross rent received or imputed differs from the net rent remaining after provision for repairs to the property.

All transactions between the trading account of one British enterprise and the trading account of another British enterprise have been eliminated. If they had been included both sides of this table would have been inflated by the same amount, since the sales of A to B are necessarily identically equal in value to the purchases of B from A. Sales of capital goods and the like have, however, been included among the receipts of the trading account, since the *contra* item financing them will appear, not in the trading account of the purchaser, but in his capital account. The present table therefore records, in skeleton form, the results of the transactions of British enterprises with final consumers (persons or public authorities), with capital accounts and with the world outside the United Kingdom.

Items 6 and 7 together measure the value of the gross output of British enterprises, *i.e.* the payments made to factors of production, as distinct from purchases from abroad.

7b. Professional earnings, farmers' profits and the trading profits of other sole traders and partnerships, the sum of items 4, 5 and 6 of table 4.

7c, 7d and 7e. The same as items 9, 7 and 8 respectively of table 4; for definitions, see the notes to those items.

### **Table 15. Corporate Income Appropriation Account**

This table includes the items shown in table 6, Company Profits and Dividends, and in addition, the profits of public enterprises and their disposal.

10. This item is defined in the note to item 2 of table 6, with which it is identical.

12. The profits or losses transferred by public enterprises to public authorities, the trading profits of local authorities, the annuity paid to the Exchequer by the Bank of England, the dividends on shares in Cable and Wireless paid to the Exchequer, the interest carried as a notional charge in the commercial accounts of government trading branches, the loss under the Railway Agreement (before nationalisation) borne on the Ministry of Transport's Vote and the loss incurred by the Exchequer in 1946 as a result of illicit trading operations abroad by members of the Armed Forces and other government employees.



13a. This item is defined in the note to item 4 of table 6.

13b. Payments of interest on stock and, in the case of the National Coal Board, of interim income.

14b. It is assumed that companies set aside as current tax provision sufficient money to pay tax at current rates on current earnings, less any over-provision in the past due to changes in tax-rates before profits were actually assessed. The present item is, therefore, equal to the difference between the amount set aside on this assumption and the amount of tax actually paid during the same year by companies. The estimates given here for 1947 and 1948 differ from those given in the *Economic Survey for 1949*, Cmd. 7647 (table 25) where it now seems that the allocation of additions to tax reserves between companies' reserves and individuals' reserves was wrongly made.

15a. This item is defined in the note to item 7 of table 6.

15b. The difference between item 9b and the sum of items 12 and 13b.

#### **Table 16. Revenue Account of Persons**

17a. Includes the wages and salaries of the trading undertakings of local authorities and the State.

17b. Wages and salaries of civil servants and local government employees other than those debited against trading account (e.g. the pay-roll of the Ministry of Food) plus pay and allowances of the Armed Forces and auxiliary services.

17c. Wages in cash and kind of domestic servants paid out of personal income.

19. This item consists of net rents of property owned by persons (part of item 7c of table 14), dividends and interest paid by companies and public enterprises to persons (part of items 13a and 13b of table 15), public debt interest paid to persons (part of item 31b of table 17) and income from abroad received by persons (part of item 53 of table 19). Charities and life assurance funds are here treated as persons.

20. Equal to the sum of items 8 and 9 of table 7.

22a. Including only the wages of domestic servants paid out of personal income.

22b. National insurance contributions paid by employers of the servants whose wages appear in item 22a.

22c. All personal expenditure (including expenditure on rent and rates) in the United Kingdom other than expenditure on domestic servants.

23. Expenditure abroad by British tourists and by members of the Armed Forces and other government employees. Expenditure financed out of business expense accounts is excluded since it enters into the cost of other goods and services.

26. This item is a residue obtained by deducting items 22 to 25 from item 21; any errors made in estimating those items therefore pile up here. This series of estimates, resting on no direct evidence, must be regarded as the most precarious in the whole document.

The figures shown as "personal saving" in 1947 and 1948 in the *Economic Survey for 1949*, Cmd. 7647 (table 25) differ from the figures shown here partly because they were measured before deduction of additions to personal tax reserves and partly because an error was made in estimating the ratio of tax reserves accumulated by companies to total tax reserves. This in itself illustrates the extreme unreliability of any estimates of personal saving.



## Table 17. 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 by public authorities financed by direct sales to consumers or enterprises is excluded from the right-hand side of the account; correspondingly all sales receipts are excluded from the receipts on the left-hand side.

28*b*. Profits Tax, Excess Profits Tax and income tax paid by companies, less income tax deducted at source when dividends and interest are paid.

29. Death duties, Special Contribution and war damage premiums: the three constituents are shown separately as items 7 to 9 of table 23.

30. Taxes on outlay, including employers' national insurance contributions. Taxes estimated to fall on exports which were treated as government income from property in Cmd. 7371 are here treated as indirect taxes. The various items making up the total are shown separately as items 11 to 21 of table 23, item 2 of table 25 and item 1 of table 26.

31*a*. This item is made up of amounts transferred from public enterprises (item 12 of table 15), direct taxes paid by non-residents and receipts of dividends, interest and rent (including national debt interest paid to the national insurance funds and debt interest paid by local authorities to the central government).

It differs from the corresponding item of Cmd. 7371 (item 42 of table 12) for two reasons which partly offset one another: the profits of local authorities' trading services are here included before deduction of interest (the interest being deducted in item 31*b*), and the present item excludes indirect taxes on exports, which were in Cmd. 7371 treated as government income from property.

31*b*. Total national debt interest (including the increase in interest accrued on National Savings Certificates), plus total interest on local authorities' debt. In Cmd. 7371 payment of interest on local authorities' "non-productive" debt was treated as expenditure on goods and services, and interest on other trading services' debt was deducted from government income from property. (For a further discussion of this change see the note to item 12 of table 4.)

33*a*. Public authorities' current expenditure in the United Kingdom on goods and services other than on the maintenance of buildings (which is here treated as a payment from capital account) and on direct employees.

33*b*. This item covers, so far as possible, gross government expenditure abroad other than on the payment of British employees (whose expenditure abroad is here treated as personal expenditure). It is made up of items 2(*a*), 2(*b*), 2(*c*) and 2(*d*) of table I in Cmd. 7648, plus the positive items shown in the note to item 2(*f*) of Cmd. 7648, less estimated expenditure on the pay of government employees abroad included in the foregoing items.

34. National insurance contributions paid by public authorities in respect of their employees.



35. Provision for maintenance of buildings, highways and bridges, *plus* annuities under the Housing (Temporary Accommodation) Act, 1944.

36. Includes the pay and allowances of the Armed Forces and auxiliary services; excludes wages and salaries debited against trading accounts of public authorities.

The sum of items 33 to 36, public authorities' total expenditure on goods and services, is allocated between the central government, national insurance funds and local authorities in Appendix II (item 28 of table 23, items 6 and 7 of table 25 and item 6 of table 26).

37. Made up of item 29 of table 23 and item 7 of table 26. A breakdown is shown in table 28.

38a. Social security benefits and miscellaneous transfers such as war pensions and gratuities, and post-war tax credits. The various constituents of the total are shown separately in tables 23 (items 30 and 31), 25 (items 8 to 11) and 26 (item 8).

38b. Payments in respect of war damage claims, post-war refunds of Excess Profits Tax and payments of compensation to doctors and dentists. The three items are shown separately in table 23 (items 34 to 36).

### **Table 18. Combined Capital Account**

Table 13 shows a different grouping of the items of this table, designed to bring out the extent to which public authorities have contributed directly or indirectly to the financing of domestic investment. This table groups together the various residues of the three preceding current accounts (corporate enterprises, persons and public authorities), the additions to tax reserves by companies and persons and the provision for depreciation (and for maintenance of buildings and roads) made by enterprises and public authorities. The last item on the receipts side, transfers from public authorities, appears here because the surplus of public authorities has been measured after payment of these capital transfers.

42b. The figures for 1947 and 1948 differ from those published in the *Economic Survey for 1949* (Cmd. 7647) for reasons explained in the note to item 14b of table 15.

46. Another breakdown of this item is given in table 2. The note to item 3 of that table defines the content of the item.

47. 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. 7648 have been followed.

The current account published in Cmd. 7648 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 the years 1946 to 1948, all 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. A rough estimate of the effect that a change of treatment would have is given in table 2 (item 3*d*).

Lastly, attention should be drawn to the fact that gifts from the Governments of Australia and New Zealand and grants under the European Recovery Programme, although not repayable, have been treated as capital receipts both in Cmd. 7648 and in this paper. This too means that the extent to which the United Kingdom ran down its foreign assets during 1948 is here somewhat exaggerated.

### **Table 19. Current Account of the Rest of the World with the United Kingdom**

This table is essentially the balance of payments of this country looked at from the point of view of the rest of the world. Thus, imports appear on the receipts side, because they represent receipts to the foreign exporter; exports appear on the payments side, because they are financed by payments by foreign importers.

The figures in the table are derived from table I of Cmd. 7648, which has merely been rearranged to fit into the framework of these accounts.

49*a*. Imports of merchandise and shipping and other services together with expenditure abroad by commercial travellers. The three constituents are shown separately in table 2 (items 5*a*, 5*b*, and 5*c*).

49*b*. Government expenditure abroad other than on the pay of employees.

49*c*. Expenditure abroad by British tourists (other than commercial travellers) and government employees.

50. Includes film royalties. Equal to the sum of items 4 and 5 of Cmd. 7648 (table I).

52. Exports of merchandise, government surpluses and services. A breakdown of the item is given in table 2 (items 4*a* to *e*).

53. Excluding profits of shipping, insurance and oil companies operating abroad. Identical with item 10 of Cmd. 7648 (table I).

### **NOTES ON APPENDIX I**

#### **Tables 20, 21 and 22. Personal Expenditure on Consumers' Goods and Services**

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, arrow-root, 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 (e.g. 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—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 do not take adequate account of rents 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 radio 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, knitting wool and general haberdashery are allocated to *b* (ii).
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 secondhand 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 Transport railways.
  - b. Buses, coaches, trams, trolley-vehicles, taxis, etc., and sea and air transport.
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, hire of radio rediffusion equipment and expenditure on broadcast licences.
14. Other services—includes expenditure out of personal income on medical services not provided under the National Health Scheme or, before 5th July, 1948, under national health insurance, undertaking, hairdressing, hotel and restaurant services, domestic service, repairs to furniture, clothing, footwear, watches, etc., dealers' margins on secondhand 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—costs of providing members of H.M. Forces and auxiliary services with food and clothing, including civilian clothing issued on release from the services.

17. Foreign tourists' expenditure in the United Kingdom—expenditure by foreign visitors, whether tourists, commercial travellers or employees of foreign governments.

19. Personal expenditure abroad—expenditure abroad by British tourists and government employees. Expenditure out of business expense allowances is excluded, as not being met out of personal income.

## NOTES ON APPENDIX II

### Table 23. 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 and trading stocks of the Board of Trade and Ministries of Food and Supply) or on 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 and of compensation to doctors and dentists even though these are paid into private 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.

The profits of the West African Produce Control Boards have been omitted from revenue: similarly, the subsequent redistribution of these profits has been excluded from expenditure.

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 25.

*Direct taxes*—Items 1 to 4 and 7 and 9 represent net receipts by the Board of Inland Revenue, as distinct from payments into the Exchequer.

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 35) after deduction of income tax.

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 35).



5. 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 11 to 16 and item 19 represent net receipts by H.M. Customs and Excise and by the Board of Inland Revenue respectively, as distinct from payments into the Exchequer.

12. Including receipts of duty, subsequently refunded, on tobacco sold to old-age pensioners at reduced prices. An equivalent amount is included in item 30*a* on the payments side of the account.

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

21. 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, *plus* war risks insurance premiums.

24. Contribution by the National Insurance Fund towards the expenses of the National Health Scheme.

25. The profits of the trading branches of the Board of Trade and Ministry of Supply (as shown in their commercial accounts), *plus* interest charged against trading branches' operating accounts, *plus* receipts from Crown Lands, *plus* the interest component of receipts from Sundry Loans, *plus* interest and dividends included in miscellaneous revenue, *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.

26. Total payments of interest on the National Debt, *plus* increases in interest accrued on National Savings Certificates.

28. This item includes an adjustment for changes in government liabilities to industry for work done. Expenditure on building up inventories has, so far as possible, been excluded throughout and, correspondingly, expenditure financed by increases in departments' balances due to decreases in inventories, has been included.

29. The composition of this item is shown in table 28.

30*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 33) and the pensions paid by those funds (item 8 of table 25) show counterbalancing rises. The figures for 1947 and 1948 include the estimated value of coupons exchanged for tobacco by old age pensioners; an equivalent amount is included in tax revenue (item 12 of table 23).

30*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.

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

31*a* to *e*. The sum of these items is identical with item 9 of table 7.



31e. Training allowances, State scholarships and transfer payments made by the Government of Northern Ireland.

32. The same as item 2 of table 26.

33. The same as item 4 of table 25.

34. Payments in respect of claims under the commodities and marine war risks insurance schemes and the War Damage Act.

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

36. Payments of compensation for loss of right to sell medical practices.

#### **Table 24. Central Government : Capital Account.**

40. The same as item 38 of table 23.

41. The amount provided for maintenance work on buildings and roads together with the Health Departments' annuity payments to the Exchequer as amortisation of capital expenditure on temporary houses.

42. 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 30.

44a. Post Office loan expenditure.

44b. Road Fund expenditure on improvements and new construction and expenditure on the manufacture of prefabricated houses, *plus* expenditure on maintenance of roads and buildings.

45. The change in the value of government-owned stocks. The corresponding item of Cmd. 7371 (item 42 of table 15) included only changes in stocks of food.

46. Total sales of surplus war stores, whether or not the proceeds have been paid into the Exchequer, together with sales of equipment to the Government of India (£45 million) under the Agreement of July 1948.

47. 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 been included in item 44.

#### **Table 25. 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.

1. Contributions of employees, self-employed and unoccupied persons and, until 5th July, 1948, voluntary contributors.

2. Employers' contributions.

3. Investment income, mainly national debt interest.

4. Exchequer contributions to the National Insurance Fund and before 5th July, 1948, to the Unemployment Fund, national health insurance funds and Treasury Pensions and Special Pensions Accounts. Equal to item 33 of table 23.



6. The payment of doctors and purchases of drugs, etc., by the national health insurance funds. The figure for 1948 relates only to the first half of the year; since the introduction of the National Health Scheme on 5th July such expenditure has been borne by the central government and forms part of item 28 of table 23.

8. This item and item 4 on the other side of the account both rose sharply in 1947 partly because of a change in administrative practice. Item 30a of table 23 was reduced below the level of previous years for the same reason.

12. The same as item 24 of table 23.

#### **Table 26. Local Authorities : Revenue Account**

1. 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.

2. Equal to item 32 of table 23.

3. An estimate of the profits, before deduction of interest, of local authorities' 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.

6. 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 7, less interest on "non-productive" debt. The corresponding item in Cmd. 7371 (item 62 of table 17) included such interest, which is in this paper treated as negative income. The reason for this change is discussed in the note to item 12 of table 4 (p. 46).

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

8. Public assistance (out-relief) in cash and kind. Nil since 5th July, 1948.

#### **Table 27. Local Authorities : Capital Account**

11. The same as item 9 of table 26.

12. 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.

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

#### **Table 28. Subsidies**

*Subsidies to agriculture*—Subsidies paid by the Agricultural Departments and consisting of grants or payments for grassland ploughing, hill sheep and cattle, rehabilitation of farming land, cost of lime, artificial insemination, the rearing of calves, farrowing sows, diseases of animals, improvement of livestock, grass conservation, bracken destruction and flood emergency services.

*Trading losses of Board of Trade*—Losses on trading in wool, leather and molasses and loss on home flax production.



*Trading losses of Ministry of Supply*—Losses (less profits) on trading in iron and steel, non-ferrous metals, abrasives and refractories, ethyl chloride and silicon.

*Utility cloth rebate*.—Subsidies to the manufacturers of utility cotton and wool cloth.

*Assistance to industry by the Ministry of Supply*—Cost of abnormal freight on iron ore, assistance to home producers of iron ore, losses on sale of certain high cost steel, excess cost of home manufacture of ferro-chrome, assistance to the watch-making industry and, until 1948, payments to cover the loss on sales of magnesium and home-produced aluminium.

*Subsidies on fuel*—Subsidies on indigenous oil, coal transport, opencast coal production and the coal stocking bonus paid to merchants.

### **Table 29. Reconciliation of the Exchequer Return with the Revenue Account of the Central Government**

This table sets out the relations between the figures of revenue and current expenditure shown for calendar years in table 23 and the figures of Ordinary Revenue and Exchequer Issues "above the line" published for financial years in the Exchequer Return.

The sum of items 1, 4 and 7 of this table is equal to item 27 of table 23, less item 26 of the same table, *i.e.* to the revenue of the central government before deduction of national debt interest. Similarly, the sum of items 2, 5, 8 and 10 (with signs reversed in each case) is equal to item 37 of table 23, less item 26 of the same table, *i.e.* to the current expenditure (including debt interest) of the central government.

1, 2 and 3. These items are taken from the Exchequer Return.

4 and 5. These adjustments are identical with those made in the Alternative Classification published in the latest Financial Statement, where they are fully explained.

7 and 8. A number of identical adjustments have been made both to revenue and to expenditure and are therefore reflected in both item 7 and item 8. Thus, the loss in 1946 and 1947 under the Railway Agreement and the loss in 1946 through illicit trading by government employees abroad have both been eliminated from expenditure and treated as negative income; the repayment annuity by the Defence Departments under the Defence Loans Act in 1947 has similarly been deducted from both issues and receipts; the interest debited against trading Departments' trading accounts has been included in revenue and a corresponding adjustment made to expenditure; a number of Miscellaneous Receipts which are essentially receipts from resale of goods have been deducted from revenue and expenditure on the goods sold from expenditure; other Miscellaneous Receipts resulting from mere inter-departmental transfers have been eliminated from both sides of the account.

Item 7 also includes sundry receipts of interest by accounts managed by the National Debt Commissioners, war damage contributions, war risks insurance premiums, the commercial profits of the Board of Trade's trading branches, the excess of the Post Office's trading profit over the Post Office net receipt shown in the Exchequer Return and the excess (positive or



negative) of net receipts of taxes over Exchequer receipts. The housing annuities included "above the line" in the Alternative Classification are here deducted, as they form part of item 41 of table 24, provision for maintenance. Similarly, the gifts received in 1947 from the Governments of Australia and New Zealand, shown above the line in the Alternative Classification, are here deducted since they are treated as a capital receipt in the Balance of Payment statements and, as a consequence, in table 30.

Item 8 includes increases in interest accrued on National Savings Certificates, an allowance for the fact that in 1946 Departments were paying in arrear for work already done for them in previous years, and an allowance for increases or decreases in the spending Departments' cash balances due to over-issues or under-issues from the Exchequer. In 1946 the Service Departments paid into the Post Office Savings Bank more than was actually distributed to demobilised troops; the excess has been deducted in item 8 and the corresponding shortfall in subsequent years has been added back. War damage payments that form part of Ordinary Expenditure and payments of compensation for loss of the right to sell medical practices are deducted in this item and included with other capital transfers in item 10. Expenditure that resulted in increases in the trading stocks or falls in the net outstanding liabilities of the trading branches of the Board of Trade and Ministry of Supply is deducted in this item and expenditure financed by running down stocks or increasing liabilities is added. Distributions of the profits of the West African Produce Control Boards are also deducted. (The receipts of such profits by the Exchequer are deducted from Ordinary Revenue in item 4 above.)

9. Equal to the sum of items 34 to 36 of table 23.

### **Table 30. The Finance of Central Government Borrowing**

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

2 and 3. Receipts *less* repayments.

4. 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.

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

7. Receipts *less* repayments.

8. The increase in the amount of certificates outstanding.

10 and 11. 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.

12. 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,



LONDON

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. Stationery Office at the following addresses:

York House, Kingsway, London, W.C.2 ; 13a Castle Street, Edinburgh, 2 ;

39 King Street, Manchester, 2 ; 2 Edmund Street, Birmingham, 3 ;

1 St. Andrew's Crescent, Cardiff ; Tower Lane, Bristol, 1 ;

80 Chichester Street, Belfast

OR THROUGH ANY BOOKSELLER

1949

Price 1s. 0d. net