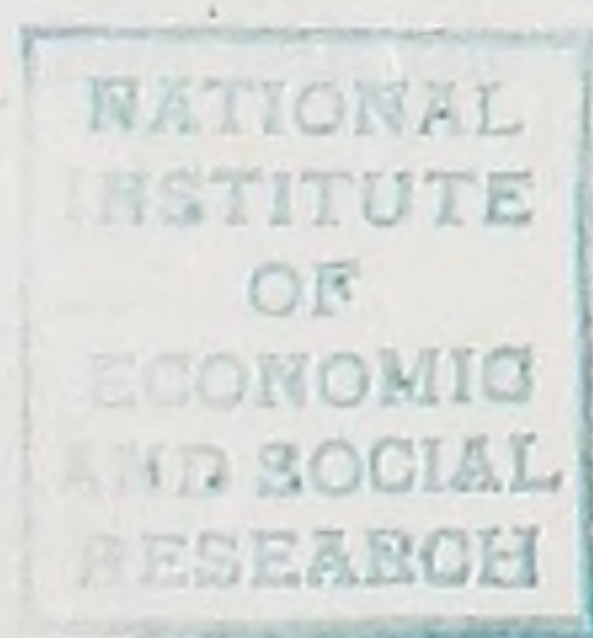




NATIONAL INCOME AND EXPENDITURE OF THE UNITED KINGDOM 1946 to 1949

*Presented by the Financial Secretary to the Treasury to Parliament
by Command of His Majesty
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NATIONAL INCOME AND EXPENDITURE OF THE UNITED KINGDOM

1946 TO 1949

I. NATIONAL PRODUCT

The gross national product⁽¹⁾ of the United Kingdom is provisionally estimated to have been £11,076 million in 1949, £828 million or 8 per cent. higher than in 1948. More than half the increase occurred in manufacturing, mining, building and public utilities. The value of the output of these industries rose by £465 million; a real increase in output, after allowing for changes in prices, of about 6½ per cent. The output of the service trades (transport, distribution, etc.) increased by £240 million; agricultural output was £38 million higher than in the previous year.

For trading enterprises as a whole the value of current output thus increased by £743 million to £9,475 million in 1949. The amounts these enterprises paid to employees increased somewhat less and the share of the current output distributed to wage-earners and salary-earners fell slightly: from nearly 62 per cent. in 1948 to just under 60 per cent. in 1949. It seems likely that this shift to profit in 1949 was a delayed effect of rises in the replacement cost of materials in 1948 which were not at once passed on to consumers.

The increase in gross profits in 1949 added little to personal incomes. Most of the increase went to provide for larger depreciation or was added to business reserves. The incomes of farmers, professional men and small traders rose by £37 million, the dividends and interest received by shareholders hardly at all. The share of wages and salaries in total personal income therefore increased somewhat.

Total personal income before tax was £412 million higher in 1949 than in the previous year. The increase in personal expenditure was less than this: £294 million. The real level of consumption, as measured by consumers' expenditure adjusted for price changes, increased by 2 per cent. in 1949 and was perhaps 6 per cent. higher than in 1938. In addition much of the increase of 15 per cent. in public authorities' current expenditure on goods and services was due to the provision by the State of services previously paid for directly by consumers.

Total expenditure on capital equipment and additions to stocks of goods fell by £125 million in 1949, but the fall was more than accounted for by a decrease in the amounts spent on the mere replacement of stocks at higher prices: both fixed capital formation and real additions to stocks and work in progress were higher in 1949 than in 1948.

Tables 1 and 2 bring together a number of these figures. The left hand side of table 1 shows in what industries the output of the years 1948 and 1949 was produced; the right hand side shows what types of income this output gave rise to. The left hand side of table 2 re-groups these incomes so as to distinguish between personal incomes and additions to reserves; the right hand side shows in what directions the incomes and additions to reserves were spent.

⁽¹⁾ The term "gross national product" is here used with a different meaning from that in tables 2 and 10 of the Economic Survey (Cmd. 7915) since it excludes inventory revaluation and net income from abroad.

GROSS NATIONAL PRODUCT,

TABLE 1

	1948	1949
Gross output, at factor cost, of :		
Goods and services produced by :		
Agriculture	553	591
Manufacturing, mining, building and public utilities	5,385	5,850
Transport, distribution, catering, professional services, etc.	2,794	3,034
Dwelling-houses	365	375
Total goods and services produced by enterprises	9,097	9,850
Services provided by public authorities	1,056	1,130
Domestic services to households	95	96
Gross national product at factor cost, ⁽²⁾	10,248	11,076
Inventory revaluation	400	75
Net income from abroad	55	50
Total	10,703	11,201

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

(2) See note (1) p. 1.

NATIONAL INCOME, DEPRECIATION

TABLE 2

	1948	1949
Wages	4,050	4,280
Salaries	2,140	2,250
Pay and allowances of Armed Forces	246	245
Income from farming	258	283
Professional earnings	170	172
Profits of other sole traders and partnerships	735	745
Rent, dividends and interest distributed to persons	1,463	1,465
Transfer incomes	692	726
Personal income before tax	9,754	10,166
Public authorities' income from property (gross)	146	148
less Debt interest paid by public authorities	—598	—591
less Transfers to persons from public authorities	—692	—726
Provision for taxes on undistributed profits	743	699
Additions to reserves of companies and public enterprises	575	530
National income	9,928	10,226
Provision for depreciation	775	975
National income and provision for depreciation	10,703	11,201

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

INCOME AND DEPRECIATION⁽¹⁾

£ million

	1948	1949
Incomes and depreciation allowances derived from :		
Current production and trade :		
Wages	3,685	3,904
Salaries	1,700	1,755
Other incomes ⁽³⁾ and depreciation	3,347	3,816
Total	8,732	9,475
Services to public authorities:		
Wages	270	280
Salaries	440	495
Pay and allowances of Armed Forces	246	245
Depreciation	100	110
Total	1,056	1,130
Services to households :		
Gross rents of dwelling houses	365	375
Wages of domestic servants	95	96
Inventory gains	400	75
Net income from abroad	55	50
Total income and depreciation	10,703	11,201

⁽³⁾ Profits of companies, public enterprises and small traders, income from farming and professional earnings, after deduction of non-recurrent gains due to the replacement of inventories at higher prices.

AND EXPENDITURE

£ million

	1948	1949
Gross national expenditure at current market value :		
Personal consumption	8,108	8,402
Public authorities' current expenditure :		
Central government	1,236	1,492
Local authorities	496	519
National insurance funds	37	26
Total	1,769	2,037
Gross domestic capital formation :		
Fixed capital formation	2,015	2,160
Value of increase in quantity of stocks and work in progress	75	150
Increased cost of replacing stocks	400	75
Increase in foreign trade credit outstanding	100	80
Investment abroad by oil companies		
Total	2,590	2,465
Net investment abroad	-150	-70
Total national expenditure at current market value	12,317	12,834
plus Subsidies paid by public authorities	570	550
less Indirect taxes paid to public authorities	-2,184	-2,183
Gross national expenditure after adjustment for indirect taxes and subsidies	10,703	11,201

Tables 3 and 4 show the gross national product sub-divided approximately by branch of activity and the type of income generated. It must be stressed that the figures shown for profits, rents and depreciation include such mixed incomes as the earnings of farmers, professional men and small traders. Since, in addition, they include provision for depreciation, the extent of which is bound to differ from industry to industry, they should not be used to make comparisons between the profitability of different branches of activity, but rather between the expenditure of the two years 1948 and 1949. The apparent stability of the salary bill of the service trades is largely to be explained by a transfer of hospital workers from the service trades as here defined to government employment with the introduction of the National Health Service.

GROSS NATIONAL PRODUCT IN 1948⁽¹⁾

TABLE 3

£ million

Branch of activity \ Type of income	Wages	Salaries	Pay of Armed Forces	Profits, rents and depreciation	Total incomes and depreciation
Agriculture	206	12	—	335	553
Manufacturing, mining, building and public utilities	2,561 ⁽²⁾	658	—	2,166	5,385
Transport, distribution, catering, professional services, etc. ...	918	1,030	—	(846)	2,794
Ownership of dwelling-houses ...	—	—	—	365	365
Domestic service	95	—	—	—	95
Services of public authorities ...	270	440	246	100	1,056
All activities... ..	4,050	2,140	246	3,812	10,248

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

(2) See footnote ⁽²⁾ to table 4.

GROSS NATIONAL PRODUCT IN 1949⁽¹⁾

TABLE 4

£ million

Branch of activity \ Type of income	Wages	Salaries	Pay of Armed Forces	Profits, rents and depreciation	Total incomes and depreciation
Agriculture	217	13	—	361	591
Manufacturing, mining, building and public utilities	2,720 ⁽²⁾	710	—	2,420	5,850
Transport, distribution, catering, professional services, etc. ...	967	1,032	—	(1,035)	3,034
Ownership of dwelling-houses ...	—	—	—	375	375
Domestic service	96	—	—	—	96
Services of public authorities ...	280	495	245	110	1,130
All activities... ..	4,280	2,250	245	4,301	11,076

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

(2) These figures differ from those shown in the seventeenth line of table 6 because the wages of operatives employed in non-trading manufacturing establishments of public authorities are classed under "services of public authorities".

II. THE COMPOSITION OF THE NATIONAL INCOME

The national income increased by £298 million in 1949. This was made up of a rise of £230 million in the wage bill, a rise of £110 million in aggregate salaries, increases of £25 million and £10 million respectively in the incomes of farmers and small traders, partly offset by a fall of £95 million in the profits of companies.

Both the moderate extent of the rise in national income and the fall in company profits are due to the coincidence of two special factors and a simple comparison between net profits in 1948 and 1949 therefore has no significance. In the first place, a large part of the increase in the gross national product was, owing to a change in the tax laws, channelled into depreciation allowances, and did not rank as profit for income tax purposes. Secondly, some £400 million of the profits earned in 1948 were of a non-recurrent nature, being merely that part of the increase in the value of manufacturers' and traders' stocks which was attributable to replacement of inventories at enhanced prices. This element of profit is believed to have been no more than £75 million in 1949, a year of smaller price increases. Sufficient information is not available to permit a calculation of the comparable figures for 1946 and 1947.

NATIONAL INCOME AND DEPRECIATION

TABLE 5

£ million

	1938	1946	1947	1948	1949
1. Wages	1,735	3,155	3,600	4,050	4,280
2. Salaries	1,110	1,775	1,920	2,140	2,250
3. Pay and allowances of the Armed Forces...	78	530	347	246	245
4. Professional earnings	84	133	156	170	172
5. Income from farming	60	190	205	258	283
6. Profits of other sole traders and partnerships	440	690	715	735	745
7. Trading profits of companies	543	1,275	1,590	1,685	1,590
8. Operating profits of public enterprises ...	25	4	28	126	140
9. Rent of land and buildings	395	445	453	463	471
10. Income arising in the United Kingdom ...	4,470	8,197	9,014	9,873	10,176
11. Net income from abroad	168	52	57	55	50
12. National income	4,638	8,249	9,071	9,928	10,226
13. Depreciation... ..	450	675	750	775	975
14. National income and depreciation ...	5,088	8,924	9,821	10,703	11,201

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

The total of salaries increased by 5 per cent. in 1949: the number of salary-earners rose by $1\frac{1}{2}$ per cent. The national wage-bill was in 1949 just over $5\frac{1}{2}$ per cent. greater than in 1948. This compares with increases of $12\frac{1}{2}$ per cent. in 1948 and of 14 per cent. in 1947. But half of the 1947 increase was due to a rise in the number of wage-earners and an appreciable part to the replacement of women by men and to shifts of manpower away from less highly-paid industries. By 1948 these factors had ceased to be important and most of the increase in the total was due to a rise in average earnings. The same was true of 1949, when the number of wage-earners increased by even less than the $1\frac{1}{2}$ per cent. recorded in 1948. The significant change in 1949 was that though average earnings continued to rise, their increase, about $4\frac{1}{2}$ per cent., was less than half as great as that which took place in 1948. Of this increase about three-fifths can be accounted for by rises in standard rates of wages; the rest was due mainly to increased overtime and higher piece-rate earnings associated with higher productivity.

...being merely that part of the increase in the value of man-
...which was attributable to replacement of
...This element of profit is believed to have
...a year of smaller price increases.
...is not available to permit a calculation of the com-
...figures for 1947 and 1948.

NATIONAL INCOME AND DEPRECIATION

	1949	1948	1947	1946
1. Wages	4,280	4,000	3,132	2,725
2. Salaries	2,200	2,110	1,752	1,440
3. Profits and allowances of the Armed Forces	243	245	230	78
4. Professional earnings	175	170	147	82
5. Income from royalties	203	229	190	40
6. Income of other self-employed persons	1,047	793	590	448
7. Trading profits of companies	1,399	1,290	1,252	949
8. Operating profits of public enterprises	140	136	26	22
9. Rent of land and buildings	371	403	422	392
10. Income arising in the United Kingdom	10,328	9,191	8,191	6,470
11. Net income from abroad	50	23	22	142
12. National income	10,378	9,214	8,213	6,612
13. Depreciation	1,032	1,032	1,032	1,032
14. National income and depreciation	11,410	10,246	9,245	7,644

THE NATIONAL WAGE-BILL⁽¹⁾

TABLE 6

£ million

	1948					1949				
	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	Year	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	Year
Bricks, pottery, glass	18	19	19	21	77	20	21	21	21	83
Chemicals and allied trades ...	21	22	21	22	86	23	24	23	24	94
Metal manufacture ...	36	37	38	39	150	39	39	40	40	158
Engineering, ship-building, electrical goods ...	113	115	113	119	460	119	119	118	119	475
Vehicles ...	60	62	64	65	251	64	65	66	66	261
Other metal goods ...	29	29	28	30	116	29	30	29	30	118
Textiles ...	45	48	49	51	193	52	54	55	57	218
Clothing ...	28	30	29	31	118	32	34	32	35	133
Food, drink and tobacco ...	33	33	32	35	133	35	38	37	38	148
Wood and cork manufactures ...	17	17	16	17	67	18	18	18	20	74
Paper and printing ...	25	26	26	27	104	28	28	28	30	114
Other manufacturing ⁽²⁾ ...	24	23	23	25	95	26	25	24	25	100
All manufacturing industries ...	449	461	458	482	1,850	485	495	491	505	1,976
Building and contracting ...	83	90	90	91	354	89	96	95	94	374
Gas, electricity and water ...	17	18	18	19	72	19	20	20	20	79
Mining and quarrying	77	80	81	82	320	82	80	83	84	329
All above industries...	626	649	647	674	2,596	675	691	689	703	2,758
Agriculture, forestry and fishing ...	...	...	...	...	219	...	...	...	...	230
Transport and communications ⁽³⁾	440	...	...	...	...	461
Public administration ⁽⁴⁾	236	...	...	...	...	244
Distribution and other services ⁽³⁾	559	...	...	...	...	587
Total ...	...	...	...	...	4,050	...	...	...	...	4,280

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

(2) Including precision instruments, jewellery, etc. and leather, leather goods and fur,

(3) Figures for these groups are less reliable than those for the others in the table,

(4) Excluding the pay and allowances of the Armed Forces.

Table 7 presents estimates of the average number of wage-earners in 1948 and 1949 receiving pay during the whole or part of a week in certain groups of industries together with estimates of the average amounts paid in a week to them. It must be explained, to avoid misunderstandings, that the number of workers on the books of an industry is necessarily greater than the number receiving pay in any week, because there is bound to be some absence from work. On the other hand, because of paid holidays and short absences from work, not all those paid in a particular week are at work for the whole week. The average earnings shown therefore measure neither the average weekly earnings of all wage-earners on the books of an industry nor the average reward for a full week's work. It should also be observed that differences between industries in the level of average earnings do not imply corresponding differences in the amount paid for work of a similar nature, since the various industries have widely different proportions of skilled and unskilled workers and of men and women.

It will be noted that the number of wage-earners receiving pay in manufacturing industries was 2 per cent. higher in 1949 than in 1948. The total number of employees on the books of these industries rose over the same period by $1\frac{1}{2}$ per cent., while the number of wage-earners on the books is believed to have increased somewhat less. The apparent discrepancy between this series and the figures shown in table 7 of wage-earners receiving pay can be explained by reduced absence from work in 1949.

Industry	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949
Food, drink and tobacco	12.1	12.3	37	38	103	105	25	26	33	35
Textile and clothing	17.4	17.5	10	10	15	15	10	10	17	17
Paper and printing	11.4	11.5	10	10	10	10	10	10	10	10
Other manufacturing	100	100	25	25	10	10	10	10	10	10
All manufacturing industries	1,710	1,715	100	100	100	100	100	100	100	100
Building and construction	10	10	10	10	10	10	10	10	10	10
Gas, electricity and water	10	10	10	10	10	10	10	10	10	10
Transport and communications	10	10	10	10	10	10	10	10	10	10
Public administration	10	10	10	10	10	10	10	10	10	10
Distribution and other services	10	10	10	10	10	10	10	10	10	10
Total	1,710	1,715	100	100	100	100	100	100	100	100

(1) For notes on the items of this table see p. 25.
 (2) Including precision instruments, jewelry, and leather goods and the like.
 (3) Figures for these groups are less reliable than those for the others in this table.
 (4) Excluding the pay and allowances of Armed Forces.

WAGE-EARNERS RECEIVING PAY AND AVERAGE WEEKLY EARNINGS IN CERTAIN INDUSTRIES⁽¹⁾

TABLE 7

	1948				1949			
	Numbers receiving pay			Average weekly earnings	Numbers receiving pay			Average weekly earnings
	Males	Females	Total		Males	Females	Total	
	'000	'000	'000	£	'000	'000	'000	£
Bricks, pottery, glass ...	197	52	249	5.92	202	54	256	6.26
Chemicals and allied trades ...	220	63	283	5.89	226	66	292	6.20
Metal manufacture	377	27	404	7.15	378	27	405	7.51
Engineering, ship-building and electrical goods	1,215	212	1,427	6.20	1,216	196	1,412	6.48
Vehicles ...	640	58	698	6.91	654	59	713	7.04
Other metal goods	264	126	390	5.69	259	120	379	6.00
Textiles ...	341	459	800	4.65	363	481	844	4.97
Clothing ...	158	381	539	4.23	163	410	573	4.47
Food, drink and tobacco ...	332	177	509	5.06	346	192	538	5.29
Wood and cork manufactures ...	195	34	229	5.63	202	36	238	5.97
Paper and printing	237	116	353	5.66	243	123	366	5.98
Other manufacturing industries ⁽²⁾	214	117	331	5.52	214	120	334	5.72
All manufacturing industries ...	4,390	1,822	6,212	5.72	4,466	1,884	6,350	5.98
Building and contracting ...	1,135	5	1,140	5.97	1,124	5	1,129	6.37
Gas, electricity and water ...	219	4	223	6.21	232	4	236	6.42
Mining and quarrying ...	741	12	753	8.17	725	12	737	8.58
All above industries ...	6,485	1,843	8,328	5.99	6,547	1,905	8,452	6.28

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

(2) Including precision instruments, jewellery, etc. and leather, leather goods and fur.

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 amounts paid by public authorities in debt interest and the scale of transfer incomes provided by the State.

Personal income in 1949 was £412 million higher than in 1948. This rise was only two-thirds of the corresponding increase in the previous year. Social security benefits increased, with a full year of the new national insurance scheme, by about as much as in the previous year. Other transfer incomes fell by rather less than in 1948. The income of the Armed Forces hardly changed. Dividends, rent and interest remained practically the same as in 1947. Wages, salaries and income from farming continued to increase, but the rises shown were only half as great as in 1948.

COMPOSITION OF PERSONAL INCOME

TABLE 8

£ million

	1938	1946	1947	1948	1949
<i>Incomes from work and property</i>					
1. Wages	1,735	3,155	3,600	4,050	4,280
2. Salaries	1,110	1,775	1,920	2,140	2,250
3. Pay and allowances of the Armed Forces...	78	530	347	246	245
4. Professional earnings	84	133	156	170	172
5. Income from farming	60	190	205	258	283
6. Profits of other sole traders and partnerships	440	690	715	735	745
7. Rent, dividends and interest	1,111	1,399	1,462	1,463	1,465
8. Total personal income from work and property	4,618	7,872	8,405	9,062	9,440
<i>Transfer incomes</i>					
9. Social security payments	229	345	472	527	588
10. Miscellaneous transfer incomes	43	549	259	165	138
11. Personal income before tax	4,890	8,766	9,136	9,754	10,166

For notes on the items of this table see p. 54.

Nearly a quarter of the increase in personal income was earmarked as provision for taxes on income. Personal disposable income rose by £312 million, an increase little more than half that of the previous year. Almost the whole of this came from increased wages, salaries and social security benefits. In 1949, as in 1948, wage-earners received nearly half of personal disposable income from work and property (other than the income of the Armed Forces) 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 9

Percentages

	1938	1946	1947	1948	1949
<i>Before taxes on income</i>					
Wages	37	40	43	45	45
Salaries	24	22	23	23	24
Pay of the Armed Forces	2	7	4	3	3
Rent, dividends and interest ⁽¹⁾	37	31	30	29	28
Personal income from work and property ...	100	100	100	100	100
<i>After taxes on income</i>					
Wages	39	43	46	47	48
Salaries	25	22	23	24	24
Pay of the Armed Forces	2	8	4	3	3
Rent, dividends and interest ⁽²⁾	34	27	27	26	25
Personal income from work and property ...	100	100	100	100	100

(1) For notes on the items of this table see p. 54.

(2) Including professional earnings, income from farming and profits of other sole traders and partnerships.

The change since 1938 in the distribution of personal income between different ranges of income has been considerable. Most of this took place during the war years.

DISTRIBUTION OF PERSONAL INCOME BY RANGES OF INCOME

TABLE 10

TABLE 10

Range of income before tax	Number of incomes ⁽¹⁾	Total income before tax ⁽²⁾	Total income after income tax and surtax ⁽³⁾ at		Proportion of income before tax retained after deduction of taxes at	
			1938-39 rates	1948-49 rates	1938-39 rates	1948-49 rates
			£ million		Per cent.	
000's	£ million					
1938						
Personal income which can be allocated to different ranges :—						
Under £250 ⁽⁴⁾	2,467	2,463	2,451	99.8	99.4
£250-499 ...	2,000	679	662	641	97.5	94.4
£500-999 ...	670	455	415	386	91.2	84.8
£1,000-1,999 ...	224	304	259	223	85.2	73.4
£2,000-9,999 ...	98	360	255	196	70.8	54.4
£10,000—and over	8	175	76	36	43.4	20.6
1948						
Personal income which can be allocated to different ranges :—						
Under £250 ⁽⁴⁾	2,439	2,429	2,411	99.6	98.9
£250-499 ...	8,650	2,929	2,855	2,770	97.5	94.6
£500-999 ...	2,295	1,519	1,391	1,296	91.6	85.3
£1,000-1,999 ...	545	730	624	543	85.5	74.4
£2,000-9,999 ...	209	729	524	415	71.9	56.9
£10,000—and over	11	195	89	47	45.6	24.1

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

(2) 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 £1,213 million in 1948. They consist 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).

(3) 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 1948-49.

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

Both tables 9 and 10 exaggerate the redistributive effects of fiscal policy since they are concerned only with the effects of direct taxation. Until up-to-date family budget enquiries are undertaken little will be known about the incidence of indirect taxation ; in the meantime it is impossible to estimate the degree of exaggeration. But it can hardly be slight, for as table 11 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.

The ratio of taxes to personal income fell slightly in 1949. This reversal of the previous trend was mainly due to changes in the pattern of consumers' expenditure.

PROPORTION OF PERSONAL INCOME REQUIRED TO MEET TAXATION⁽¹⁾

TABLE 11

£ million

	1938	1946	1947	1948	1949
Personal income (21)	4,890	8,766	9,136	9,754	10,166
Provision for taxes on income (24a + 25)	369	1,174	1,183	1,237	1,337
Indirect taxes on consumption ...	616	1,514	1,734	2,020	1,971
less Subsidies to consumption ...	-37	-356	-446	-556	-531
Total tax liabilities in respect of personal income	948	2,332	2,471	2,701	2,777
Tax liabilities as a percentage of personal income	19	27	27	28	27

(1) The numbers in brackets after the items refer to the corresponding items in the social accounts shown in tables 15 to 20.

IV. PERSONAL EXPENDITURE AND SAVING

Personal expenditure rose by £294 million between 1948 and 1949. The increase in each of the two previous years was considerably greater: £723 million in 1947 and £595 million in 1948. Since more goods and services were available in 1949 the relatively small rise in expenditure showed a slackening in the pressure of consumer demand. Moreover, in 1949 expenditure seems to have increased slightly less than disposable income. In the absence of any direct estimates all conclusions about personal savings are bound to be suspect. But it does now seem that in each of the last three years personal saving has been of the order of £400 million: that is, about the same proportion of disposable income as in 1938.

PERSONAL EXPENDITURE AND SAVING⁽¹⁾

TABLE 12

£ million

	1938	1946	1947	1948	1949
Personal income (21)	4,890	8,766	9,136	9,754	10,166
less Provision for taxes on income (24a + 25)	-369	-1,174	-1,183	-1,237	-1,337
Personal disposable income ...	4,521	7,592	7,953	8,517	8,829
less Personal expenditure (22 + 23)	-4,304	-6,790	-7,513	-8,108	-8,402
Gross personal saving (24b + 26)	217	802	440	409	427
<i>Percentages</i>					
Personal expenditure	95.2	89.5	94.5	95.2	95.2
Gross personal saving	4.8	10.5	5.5	4.8	4.8
Personal disposable income ...	100.0	100.0	100.0	100.0	100.0

⁽¹⁾ The numbers in brackets after the items refer to the corresponding items in the social accounts shown in tables 15 to 20.

In each of the post-war years the distribution of consumers' expenditure shifted slightly towards the pre-war pattern. This trend was, if anything, even more marked in 1949 than in earlier years. Expenditure on food increased by £160 million and made up over 28 per cent. of total personal expenditure, as compared with 30 per cent. in 1938 and only 25 per cent. at the end of the war. Expenditure on clothing, which increased by £150 million in 1948, went up by another £100 million, or 11 per cent. Expenditure on furniture and furnishings rose by even more than in the previous year. The amounts spent on drink and tobacco fell, partly because of a reduction in the excise duty on beer but mainly because of a fall in the quantities consumed.

Prices increased appreciably less than in the earlier post-war years: not more than 2 per cent. on the average. In the case of one group of expenditure, footwear, there was actually a fall of 3 per cent. The groups which showed the biggest rises in price were food (3 per cent.) and clothing, other than footwear, (7 per cent.).

In the case of most groups of expenditure there was an appreciable increase in the volume of consumption. This amounted to 4 per cent. in the case of food, 6 per cent. in the case of clothing and 9 per cent. in the case of durable household goods. Altogether there was a rise of about 2 per cent. in the volume of consumers' purchases. Comparisons with pre-war years are difficult because of changes, some upwards, some downwards, in the quality of goods and also because of changes in the composition of consumers' purchases. But the evidence available suggests that the consumption in 1949 was, in real terms, about 6 per cent. higher than in 1938.

PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES⁽¹⁾ (1948 = 100)

TABLE 13

Percentages

	At current market prices			Revalued at 1948 prices		
	1946	1947	1949	1946	1947	1949
Food	80	92	107	92	99	104
Alcoholic drink	89	89	94	103	102	96
Tobacco	78	89	99	118	103	97
Rent, rates and water charges ...	92	97	103	96	98	102
Fuel and light	86	91	103	95	100	101
Durable household goods	69	90	111	79	96	109
Other household goods	75	88	113	90	94	111
Clothing	72	83	111	81	91	106
Books, newspapers etc.	83	94	107	86	94	106
Private motoring	127	138	126	136	143	119
Travel	84	92	100	98	96	100
Communication services	95	98	104	96	98	102
Entertainments	102	97	97	103	97	97
Domestic service	80	92	101	86	94	100
Other services	87	97	96	97	103	93
Other goods	79	94	104	85	97	104
Total personal expenditure ...	84	93	104	97	100	102

⁽¹⁾ Detailed analyses of personal expenditure at current prices and revalued at 1948 prices are given in tables 21 and 22 of Appendix I (pp. 28 to 31). The various groups of expenditure are defined in the notes on pp. 60 to 62.

V. THE FINANCING OF CAPITAL FORMATION

The surplus on current account of public authorities in 1949 amounted to £492 million, only £3 million short of the very high 1948 figure. After adjustment for taxes on capital, capital transfers from the State and changes in private tax reserves the amount of saving directly resulting from the action of public authorities was sufficient to finance about one-quarter of total domestic capital formation, a rather lower proportion than in 1948. Provision for depreciation by enterprises and additions to corporate reserves were together £145 million greater than in 1948. Net gifts and loans from abroad were lower than in any year since 1938. As in 1948 about one-sixth of total domestic investment was financed by personal saving.

THE FINANCING OF GROSS CAPITAL FORMATION

TABLE 14

£ million

	1938	1946	1947	1948	1949
1. Surpluses of public authorities:					
a. Central government	-108	-982	-489	369	318
b. Local authorities	15	3	4	9	17
c. National insurance funds	12	83	80	117	157
d. Total (41c)	-81	-896	-405	495	492
2. plus Transfers to capital accounts (44) ...	7	303	318	204	216
3. less Taxes on capital (29)	-78	-144	-164	-214	-253
4. Public authorities' provision for depreciation and maintenance (43b)	90	85	90	100	110
5. Additions to reserves for taxes on income (42)	15	-70	232	196	8
6. Total sums set aside through the action of public authorities	-47	-722	71	781	573
7. Provision for depreciation by enterprises (43a)	360	590	660	675	865
8. Additions to free reserves by companies and public enterprises (41b)	170	335	495	575	530
9. Gross personal saving (41a + 29)... ..	217	802	440	409	427
10. Total sums set aside out of domestic receipts	700	1,005	1,666	2,440	2,395
11. Gifts and loans from abroad and sums realised by sale of foreign assets (45)... ..	70	370	600	150	70
12. Gross domestic capital formation (48) ...	770	1,375	2,266	2,590	2,465

(1) This table is merely a rearrangement of the combined capital account shown on pp. 26 and 27 (table 19). The numbers in brackets after the items refer to items in that table and in table 18.

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.⁽¹⁾

Table 15 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 16. 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 17 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 18 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 19 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 20 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.

⁽¹⁾ The exceptional items which have no explicit *contra* item are detailed in the notes on p. 54.

THE SOCIAL ACCOUNTS OF CONSOLIDATED TRADING

TABLE 15

Receipts	1938	1946	1947	1948	1949
1. Sales to :					
a. Persons (22c)	4,149	6,592	7,302	7,915	8,198
b. Public authorities (33a)	292	709	685	537	732
c. Capital account (46)	770	1,375	2,266	2,590	2,465
d. Abroad (52)	733	1,417	1,507	1,977	2,277
2. Subsidies from public authorities (37) ...	37	370	455	570	550
3. Total receipts	5,981	10,463	12,215	13,589	14,222

For notes on the items of this table see p. 54.

CORPORATE INCOME

TABLE 16

Receipts	1938	1946	1947	1948	1949
9. Trading profits of :					
a. Companies (7d)	543	1,275	1,590	1,685	1,590
b. Public enterprises (7e)	25	4	28	126	140
10. Other income of companies and public enterprises	260	325	345	355	355
11. Total corporate income	828	1,604	1,963	2,166	2,085

For notes on the items of this table see p. 55.

THE UNITED KINGDOM

ACCOUNT OF ENTERPRISES

£ million

Payments	1938	1946	1947	1948	1949
4. Purchases from overseas (49a) ...	925	1,214	1,691	1,930	2,146
5. Indirect taxes (30b)... ..	674	1,632	1,893	2,162	2,151
6. Provision for depreciation (43a) ...	360	590	660	675	865
7. Payments to factors of production :					
a. Wages and salaries (17a) ...	2,475	4,290	4,824	5,385	5,659
b. Mixed incomes (18) ...	584	1,013	1,076	1,163	1,200
c. Net rent ...	395	445	453	463	471
d. Trading profit of companies (9a) ...	543	1,275	1,590	1,685	1,590
e. Surplus of public enterprises (9b) ...	25	4	28	126	140
8. Total payments	5,981	10,463	12,215	13,589	14,222

APPROPRIATION ACCOUNT

£ million

Payments	1938	1946	1947	1948	1949
12. Amounts transferred to public authorities by public enterprises	25	4	39	70	73
13. Dividends and interest paid by :					
a. Companies	546	700	745	715	710
b. Public enterprises	—	—	12	63	73
14. Provision for taxation by companies and public enterprises:					
a. Payments (28b)	77	580	470	552	721
b. Additions to tax reserves (42b) ...	10	—15	202	191	—22
15. Amounts placed to free reserves by companies and public enterprises (41b) ...	170	335	495	575	530
16. Total payments	828	1,604	1,963	2,166	2,085

REVENUE ACCOUNT

TABLE 17

Receipts	1938	1946	1947	1948	1949
17. Payments to employees by :					
a. Enterprises (7a)	2,475	4,290	4,824	5,385	5,659
b. Public authorities (civilians) (36a) ...	250	564	609	710	775
c. Public authorities (Armed Forces) (36b)	78	530	347	246	245
d. Other persons (22a)	120	76	87	95	96
18. Mixed incomes (7b):					
a. Professional earnings	84	133	156	170	172
b. Income from farming	60	190	205	258	283
c. Profits of other sole traders and partnerships	440	690	715	735	745
19. Rent, dividends and interest	1,111	1,399	1,462	1,463	1,465
20. Transfer incomes (38a):					
a. Social security benefits	229	345	472	527	588
b. Other	43	549	259	165	138
21. Personal income	4,890	8,766	9,136	9,754	10,166

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

REVENUE ACCOUNT OF

TABLE 18

Receipts	1938	1946	1947	1948	1949
<i>Transfers</i>					
28. Direct taxes on income paid by :					
a. Persons (24a)	364	1,229	1,153	1,232	1,307
b. Companies (14a)	77	580	470	552	721
29. Direct taxes on capital (24b)	78	144	164	214	253
30. Indirect taxes collected from :					
a. Persons (22b)	1	1	1	3	5
b. Enterprises (5)	674	1,632	1,893	2,162	2,151
c. Public authorities (34)	2	10	11	19	27
	1,196	3,596	3,692	4,182	4,464
<i>Income from property</i>					
31. Income from property :					
a. Income received	54	68	106	146	148
b. less Debt interest paid	-291	-591	-607	-598	-591
32. Total revenue	959	3,073	3,191	3,730	4,021

For notes on the items of this table see p. 57.

OF PERSONS

£ million

Payments	1938	1946	1947	1948	1949
<i>Personal expenditure</i>					
22. Consumption expenditure at home :					
a. Personal services (17c)	120	76	87	95	96
b. Employers' insurance contributions (30a)	1	1	1	3	5
c. Other goods and services (1a)	4,149	6,592	7,302	7,915	8,198
23. Consumption expenditure abroad (49c)...	34	121	123	95	103
	4,304	6,790	7,513	8,108	8,402
<i>Direct tax liabilities and saving</i>					
24. Payments of direct taxes on :					
a. Income (28a)	364	1,229	1,153	1,232	1,307
b. Capital (29)	78	144	164	214	253
25. Additions to tax reserves (42a)	5	-55	30	5	30
26. Net saving (41a)	139	658	276	195	174
27. Personal outlay and saving... ..	4,890	8,766	9,136	9,754	10,166

PUBLIC AUTHORITIES

£ million

Payments	1938	1946	1947	1948	1949
<i>Expenditure on goods and services</i>					
33. Purchases from :					
a. Enterprises (1b)	292	709	685	537	732
b. Abroad (49b)	12	504	350	157	148
34. Employers' insurance contributions (30c)	2	10	11	19	27
35. Provision for depreciation (43b)	90	85	90	100	110
36. Payments to employees :					
a. Civilians (17b)	250	564	609	710	775
b. Armed Forces (17c)	78	530	347	246	245
	724	2,402	2,092	1,769	2,037
<i>Transfers</i>					
37. Subsidies to trading account (2)	37	370	455	570	550
38. Transfers to :					
a. Revenue account of persons (20)	272	894	731	692	726
b. Capital accounts (44)	7	303	318	204	216
<i>Saving</i>					
39. Surplus on current account (41c)...	-81	-896	-405	495	492
40. Total current expenditure and surplus ...	959	3,073	3,191	3,730	4,021

TABLE 19

Receipts	1938	1946	1947	1948	1949
41. Net saving by:					
a. Persons (26) ...	139	658	276	195	174
b. Companies and public enterprises (15) ...	170	335	495	575	530
c. Public authorities (39) ...	-81	-896	-405	495	492
42. Additions to tax reserves by:					
a. Persons (25) ...	5	-55	30	5	30
b. Companies (14b) ...	10	-15	202	191	-22
43. Provision for depreciation by :					
a. Enterprises (6) ...	360	590	660	675	865
b. Public authorities (35) ...	90	85	90	100	110
44. Transfers from public authorities (38b) ...	7	303	318	204	216
45. Sums received from abroad from gifts, loans and the sale of assets (54) ...	70	370	600	150	70
46. Total sums available for the finance of domestic capital formation ...	770	1,375	2,266	2,590	2,465

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

CURRENT ACCOUNT OF REST OF THE

TABLE 20

Receipts	1938	1946	1947	1948	1949
49. Sales to the United Kingdom :					
a. Enterprises (4) :					
Merchandise... ..	835	1,065	1,511	1,740	1,942
Shipping services ...	80	137	165	174	189
Business travel ...	10	12	15	16	15
b. Public authorities (33b) ...	12	504	350	157	148
c. Persons (23) ...	34	121	123	95	103
50. Dividends, interest and rent received from the United Kingdom ...	37	101	112	119	118
51. Total receipts from the United Kingdom	1,008	1,940	2,276	2,301	2,515

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

CAPITAL ACCOUNT

£ million

Payments	1938	1946	1947	1948	1949
47. Purchases of goods and services (gross domestic capital formation) (1c) :					
a. Fixed capital	820	1,550	1,800	2,015	2,160
b. Investment abroad by oil companies and increase in foreign trade credit outstanding ...	—	75	100	100	80
c. Value of increase in stocks of goods and work in progress	25	(-250)	(366)	75	150
d. Extra cost of replacing inventories at higher prices	-75			400	75
48. Gross capital formation at home	770	1,375	2,266	2,590	2,465

WORLD WITH THE UNITED KINGDOM

£ million

Payments	1938	1946	1947	1948	1949
52. Purchases from enterprises in the United Kingdom (1d) :					
a. Merchandise	533	846	1,076	1,524	1,762
b. Shipping services	100	155	194	250	277
c. Government surpluses, etc.	—	312	181	63	43
d. Tourism	28	12	21	33	43
e. Other services (net)	72	92	35	107	152
53. Dividends, interest and rent paid to the United Kingdom	205	153	169	174	168
54. Net lending to the United Kingdom (45)	70	370	600	150	70
55. Total payments to the United Kingdom ...	1,008	1,940	2,276	2,301	2,515

APPENDIX I

CONSUMERS' EXPENDITURE

PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES AT CURRENT MARKET PRICES⁽¹⁾

TABLE 21

£ million

	1938	1946	1947	1948	1949
1. Food—					
a. Household expenditure					
Bread and cereals	162	286	331	351	349
Meat and bacon	327	324	320	314	386
Fish	54	84	89	89	78
Oils and fats... ..	78	62	61	72	89
Sugar, preserves and confectionery	107	119	157	190	213
Dairy products	179	257	259	318	354
Fruit	85	90	160	176	166
Potatoes and vegetables	99	190	253	267	282
Beverages	62	85	94	99	107
Other manufactured food	36	77	82	88	88
Total	1,189	1,574	1,806	1,964	2,112
b. Other personal expenditure... ..	116	203	242	257	269
Total food	1,305	1,777	2,048	2,221	2,381
2. Alcoholic drink—					
a. Beer	195	510	481	525	497
b. Wines, spirits, cider, etc.	90	168	197	237	222
3. Tobacco—					
a. Cigarettes	144	512	583	642	632
b. Pipe tobacco, cigars and snuff	33	92	108	131	132
4. Rent, rates and water charges	491	550	579	598	613
5. Fuel and light—					
a. Coal	108	120	127	141	140
b. Electricity	35	66	70	80	85
c. Gas	38	75	81	85	90
d. Other	16	29	31	33	34
6. Durable household goods—					
a. Furniture and furnishings	152	176	243	285	332
b. Hardware	82	125	150	150	149
7. Other household goods—					
a. Matches	10	11	13	14	20
b. Soap	30	28	35	40	41
c. Other	14	23	25	29	33
8. Clothing—					
a. Footwear	73	108	131	168	170
b. Other clothing—					
(i) Men's and boys' wear... ..	127	157	184	225	256
(ii) Women's, girls' and infants' wear	246	346	389	460	522
9. Books, newspapers and magazines—					
a. Books	10	28	31	34	33
b. Newspapers	36	51	58	60	64
c. Magazines	18	26	30	33	39
10. Private motoring	127	103	112	81	102

TABLE 21—continued

£ million

	1938	1946	1947	1948	1949
11. Travel—					
a. Railway	55	104	101	107	101
b. Other	108	182	212	233	240
12. Communication services—					
a. Postal	18	32	32	32	33
b. Telephone and telegraph	11	22	24	25	26
13. Entertainments—					
a. Cinemas	64	121	108	112	105
b. Other		62	66	68	69
14. Domestic service	121	77	88	98	101
15. Other services	362	580	647	667	635
16. Other goods	177	309	369	392	407
17. Income in kind of the Armed Forces ...	17	111	58	39	32
18. less Foreign tourists' expenditure in the United Kingdom	—43 ⁽²⁾	—12	—21	—32	—37
19. Personal expenditure in the United Kingdom	4,270	6,669	7,390	8,013	8,299
20. Personal expenditure abroad	34	121	123	95	103
21. Total	4,304	6,790	7,513	8,108	8,402

(1) For notes on the items of this table see p. 60.

(2) Including an allowance for net remittances sent to the United Kingdom.

The total shown in table 21 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 16 include purchases by visitors to the United Kingdom. The total of these foreign purchases is deducted in item 18.

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 15.

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 15 for the costs including profit of handling and reconditioning them.

PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES REVALUED AT 1948 PRICES

TABLE 22

	1946	1947	1948	1949	Price index in 1949 1948=100
	£ million				
1. Food—					
a. Household expenditure					
Bread and cereals	321	340	351	336	104
Meat and bacon	364	333	314	336	115
Fish	89	94	89	79	99
Oils and fats	60	61	72	85	105
Sugar, preserves and confec- tionery	159	197	190	226	94
Dairy products	298	296	318	342	103
Fruit	110	160	176	178	93
Potatoes and vegetables	237	276	267	282	100
Beverages	94	98	99	106	101
Other manufactured food	82	84	88	87	101
Total	1,814	1,939	1,964	2,057	103
b. Other personal expenditure	233	259	257	262	103
Total food	2,047	2,198	2,221	2,319	103
2. Alcoholic drink—					
a. Beer	571	541	525	508	98
b. Wines, spirits, cider, etc.	213	239	237	220	101
3. Tobacco—					
a. Cigarettes	770	674	642	621	102
b. Pipe tobacco, cigars and snuff	140	124	131	130	102
4. Rent, rates and water charges	574	585	598	609	101
5. Fuel and light—					
a. Coal	138	140	141	138	101
b. Electricity	69	76	80	85	100
c. Gas	83	88	85	87	103
d. Other	32	34	33	33	103
6. Durable household goods—					
a. Furniture and furnishings	205	265	285	325	102
b. Hardware	137	154	150	151	99
7. Other household goods—					
a. Matches	11	13	14	16	125
b. Soap	41	40	40	43	95
c. Other	23	25	29	33	100
8. Clothing—					
a. Footwear	122	146	168	175	97
b. Other clothing :					
(i) Men's and boys' wear	177	201	225	234	109
(ii) Women's, girls' and infants' wear	391	430	460	496	105
9. Books, newspapers and magazines—					
a. Books	30	31	34	32	103
b. Newspapers	52	58	60	64	100
c. Magazines	27	30	33	39	100
10. Private motoring	110	116	81	96	106

TABLE 22—continued

	1946	1947	1948	1949	Price index in 1949 1948=100
	£ million				
11. Travel—					
a. Railway	125	111	107	101	100
b. Other	207	217	233	240	100
12. Communication services—					
a. Postal	33	32	32	32	103
b. Telephone and telegraph	22	24	25	26	100
13. Entertainments—					
a. Cinemas	121	108	112	105	100
b. Other	65	66	68	69	100
14. Domestic service... ..	82	90	98	101	100
15. Other services	653	692	667	617	103
16. Other goods	334	382	392	407	100
17. Income in kind of the Armed Forces ...	128	62	39	31	103
18. less Foreign tourists' expenditure in the United Kingdom	—14	—22	—32	—36	102
19. Personal expenditure in the United Kingdom	7,719	7,970	8,013	8,147	102
20. Personal expenditure abroad	125	124	95	98	105
21. Total	7,844	8,094	8,108	8,245	102

For notes on the items of this table see p. 60.

The figures given in table 22 have been obtained by revaluing at the appropriate 1948 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. The figures relate to changes in total consumption and not in consumption per head.

The price indices shown in the last column of the table are, formally, current-weighted arithmetic averages. Each has in fact been obtained by dividing the total expenditure on all items of the group at current prices by the corresponding total at 1948 prices.

Table 23 shows consumers' expenditure in 1938 and 1948 at 1938 prices.

In principle the method used for the revaluation has been the same as that used in calculating the figures for the previous table and the price index given in the last column has been obtained in the same way.

In interpreting the figures it is essential to bear in mind the following qualifications.

First, although wherever possible an attempt has been made to revalue the goods and services bought in 1948 at appropriate 1938 prices, there is no doubt that it has been impossible to take full account of changes in quality, some of which were in an upward direction but most of which were downward movements between these two years. In calculating 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 "consumption" of books, newspapers and magazines appears to have been higher in 1948 than in 1938, even though the consumption of *e.g.* newsprint fell over that period. For the most part this is explained by the fact that no account has been taken of changes in the size of newspapers.

Secondly, the comparison between 1938 and 1948 cannot be interpreted as a measure of the change in total consumers' satisfactions, as no allowance is made for restrictions on consumers' choice in 1948 due to rationing or shortages of particular commodities. The fact that the 1948 aggregate is higher than the 1938 aggregate does not, therefore, in itself imply that standards of consumption were 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.

CONSUMERS' EXPENDITURE IN 1938 AND 1948 AT 1938 PRICES

TABLE 23

	1938	1948	1948 as a percentage of 1938	Price index in 1948 1938=100
	£ million			
1. Food	1,305	1,338	103	166
2. Alcoholic drink	285	264	93	288
3. Tobacco	177	199	112	388
4. Rents, rates and water charges	491	534	109	112
5. Fuel and light	197	235	119	144
6. Durable household goods	234	184	79	236
7. Other household goods	54	50	93	166
8. Clothing	446	407	91	210
9. Books, newspapers and magazines	64	105	164	121
10. Private motoring	127	45	35	180
11. Travel	163	258	158	132
12. Communications	29	43	148	132
13. Entertainments	64	105	164	171
14. Domestic service	121	45	37	218
15. Other services	362	434	120	154
16. Other goods	177	169	95	232
17. Income in kind of the Armed Forces	17	23	135	166
18. less Foreign tourists expenditure in the United Kingdom	—43	—18	42	178
19. Personal expenditure in the United Kingdom	4,270	4,420	104	181
20. Personal expenditure abroad	34	37	109	260
21. Total	4,304	4,457	104	182

For notes on the Items of this table see p. 60.

Table 21 gave estimates of expenditure on goods and services by consumers. Table 24 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 34.

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 18.

PERSONAL EXPENDITURE AFTER ADJUSTMENT FOR INDIRECT TAXES AND SUBSIDIES

TABLE 24

£ million

	1938	1946	1947	1948	1949
<i>Personal expenditure after adjustment for taxes and subsidies</i>					
1. Food	1,267	1,993	2,317	2,577	2,748
2. Alcoholic drink	177	323	321	341	326
3. Tobacco	90	159	169	151	151
4. Rent, rates and water charges	368	402	420	458	471
5. Fuel and light	195	291	311	338	347
6. Durable household goods	230	259	335	346	409
7. Other household goods	50	55	65	74	81
8. Clothing	436	576	666	783	859
9. Books, newspapers and magazines	64	105	119	127	135
10. Private motoring	95	73	80	63	79
11. Travel... ..	149	272	297	323	322
12. Communication services	27	45	50	52	55
13. Entertainments	51	119	112	118	116
14. Domestic service	120	76	87	95	96
15. Other services	351	563	622	618	581
16. Other goods	172	249	292	294	309
17. Income in kind of the Armed Forces	17	115	60	42	37
18. <i>less</i> Foreign tourists' expenditure in the United Kingdom	-43	-12	-21	-32	-37
<i>less Unallocated net indirect taxes</i>	-125	-152	-200	-219	-226
19. Personal expenditure in the United Kingdom after adjustment for all indirect taxes and subsidies	3,691	5,511	6,102	6,549	6,859
20. Personal expenditure abroad	34	121	123	95	103
21. Total	3,725	5,632	6,225	6,644	6,962

For notes on the items of this table see p. 60.

REVENUE, BORROWING AND
CENTRAL GOVERNMENT :

TABLE 25

	1938	1946	1947	1948	1949
<i>Direct taxes on income</i>					
1. Income tax	312	1,262	1,141	1,227	1,385
2. Surtax	59	75	81	99	110
3. Profits tax	15	35	31	154	257
4. Excess profits tax	—	356	255	129	43
5. Miscellaneous	—	—5	—4	—3	—4
6. Total	386	1,723	1,504	1,606	1,791
<i>Direct taxes on capital</i>					
7. Death duties... ..	78	142	163	180	189
8. Special contribution	—	—	—	33	64
9. War damage premiums	—	2	1	1	—
10. Total	78	144	164	214	253
<i>Indirect taxes</i>					
11. Customs and excise duties :					
a. Beer	66	276	261	305	286
b. Wines and spirits	41	88	95	121	115
c. Tobacco	84	438	542	606	610
d. Purchase tax	—	161	217	300	282
e. Entertainments	8	55	49	49	44
f. Betting	—	—	—	20	26
g. Other	138	147	179	171	166
12. Motor vehicle duties	35	45	50	49	53
13. Broadcast receiving licences	4	8	11	11	12
14. Stamp duties... ..	21	35	50	58	53
15. Post Office surplus	11	27	20	16	13
16. Miscellaneous	4	10	11	14	15
17. Total	412	1,290	1,485	1,720	1,675
18. Total tax revenue	876	3,157	3,153	3,540	3,719
<i>Transfers from other public authorities</i>					
19. Contribution from the National Insurance Fund	—	—	—	17	42
<i>Income from property</i>					
20. Miscellaneous	20	24	62	110	116
21. less National debt interest... ..	—223	—530	—545	—538	—533
22. Total revenue	673	2,651	2,670	3,129	3,344

For notes on the items of this table see p. 62.

DIX II

EXPENDITURE OF PUBLIC AUTHORITIES
REVENUE ACCOUNT

£ million

	1938	1946	1947	1948	1949
23. Current expenditure on goods and services	428	1,930	1,572	1,236	1,492
<i>Transfers to trading account of enterprises</i>					
24. Subsidies	14	339	416	519	498
<i>Transfers to revenue account of persons</i>					
25. Social security payments	82	182	165	164	188
26. Other... ..	41	544	252	157	129
<i>Current transfers to other public authorities</i>					
27. Grants to local authorities... ..	162	275	300	335	360
28. Exchequer contributions to national insurance funds	47	60	136	145	143
<i>Transfers to capital accounts</i>					
29. Payments in respect of war damage claims	—	131	266	161	172
30. Excess profits tax post-war refunds ...	—	167	40	15	14
31. Capital grants to local authorities ...	7	4	10	20	18
32. Other capital grants	—	1	2	5	5
33. Payments of compensation to doctors and dentists	—	—	—	3	7
34. Total current expenditure... ..	781	3,633	3,159	2,760	3,026
<i>Saving</i>					
35. Surplus on current account	—108	—982	—489	369	318
36. Current expenditure and surplus ...	673	2,651	2,670	3,129	3,344

CENTRAL GOVERNMENT:

TABLE 26

	1938	1946	1947	1948	1949
37. Surplus on current account	-108	-982	-489	369	318
38. Provision for maintenance	10	9	11	9	10
39. Gross saving	-98	-973	-478	378	328
<i>Public borrowing in the United Kingdom</i>					
40. Post Office and Trustee Savings Banks ...	1	270	30	71	47
41. National Savings Certificates	3	61	131	52	24
42. Defence Bonds	—	194	-28	-87	-12
43. Other public issues (net)	73	-2	-305	-305	-247
44. Increase in fiduciary issue	10	50	—	-125	25
45. Increase in Treasury Bills and bonds held outside government departments and in Bank Ways and Means	-189	321	114	-199	555
46. Treasury deposit receipts	—	40	-274	109	-639
47. Tax reserve certificates	—	-132	-125	-23	-50
48. Total	-102	802	-457	-507	-297
<i>Borrowing from government agencies</i>					
49. National insurance funds	-1	69	60	115	162
50. Local Loans Fund	-3	-53	1	-5	2
51. Other extra-budgetary receipts, etc. ...	258	-151	314	114	66
52. less Sinking funds	-11	-17	-17	-23	-23
53. Total	243	-152	358	201	207
<i>Receipts from abroad</i>					
54. Gifts from the Governments of Australia and New Zealand	—	—	30	—	16
55. Net receipts from the Government of India under the Agreement of July 1948 ...	—	—	—	45	—
56. Canadian Government interest-free loan ...	—	-21	-26	-16	-1
57. Reconstruction Finance Corporation Loan ...	—	-9	-9	-8	-10
58. Drawings on the United States Govern- ment line of credit	—	149	707	74	—
59. Drawings on the Canadian Government line of credit	—	130	105	13	33
60. South African gold loan	—	—	—	80	-80
61. Drawings on the International Monetary Fund	—	—	60	15	—
62. Loan from the Portuguese Government ...	—	—	—	—	-4
63. less Payments of sterling under exchange guarantees	—	—	—	—	-60
64. Receipts under the European Recovery Programme :	—	—	—	82	198
a. Grant	—	—	—	20	58
b. Loan	—	—	—	7	61
c. Conditional Aid	—	—	—	55	-16
d. Unallocated	—	—	—	—	—
65. Receipts under the Intra-European Pay- ments Agreement	—	—	—	5	12
66. Total	—	249	867	372	207
67. Receipts available for capital formation and lending	43	-74	290	444	445

For notes on the items of this table see p. 65.

CAPITAL ACCOUNT

£ million

	1938	1946	1947	1948	1949
<i>Gross capital formation at home</i>					
68. Fixed capital formation :					
a. Trading services	21	13	20	26	30
b. Other	20	143	125	99	77
69. Change in value of inventories	—	—42	48	24	—
70. less Sales of surplus stores	—	—287	—253	—99	—48
71. Purchases of existing assets from private ownership	—	58	—	—	—
72. Total	41	—115	—60	50	59
<i>Government lending, etc.</i>					
73. Aid granted under the European Recovery Programme	—	—	—	12	58
74. Subscriptions under the Bretton Woods Agreement Act, 1945	—	8	85	—	14
75. Loans to local authorities	—	8	202	243	283
76. Advances to the National Coal Board	—	10	38	31	12
77. Advances under the Cotton (Centralised Buying) Act	—	—	—	46	10
78. Advances under the Overseas Resources Development Act	—	—	—	18	16
79. Advances under the Cinematograph Film Production (Special Loans) Act... ..	—	—	—	—	4
80. Advances under the New Towns Act	—	—	—	—	4
81. Loans included in Ordinary Expenditure	2	15	25	15	14
82. Loan to the Argentine Government under the Andes Agreement	—	—	—	29	—29
83. Total	2	41	350	394	386
<i>Gross capital formation and lending</i>					
84. Gross capital formation and lending ...	43	—74	290	444	445

LOCAL AUTHORITIES:

TABLE 27

	1938	1946	1947	1948	1949
1. Indirect taxes	211	269	307	307	314
2. Grants from the central government ...	162	275	300	335	360
3. Income from property	25	24	22	14	8
4. less Debt interest	-68	-61	-62	-60	-58
5. Revenue	330	507	567	596	624

For notes on the items of this table see p. 66.

LOCAL AUTHORITIES:

TABLE 28

	1938	1946	1947	1948	1949
13. Surplus on current account	12	3	4	9	7
14. Depreciation allowances	101	112	121	119	123
15. Capital grants from the central government... ..	7	4	10	20	18
16. Net borrowing	87	79	216	257	261
17. Receipts available for capital formation ...	207	198	351	405	409

For notes on the items of this table see p. 66.

REVENUE ACCOUNT

£ million

	1938	1946	1947	1948	1949
6. Current expenditure on goods and services	270	438	482	496	519
7. Housing subsidies	23	31	39	51	52
<i>Transfers to private current account</i>					
8. Outdoor relief	23	15	16	8	—
9. School meals	—	15	19	24	27
10. Scholarships	2	5	7	8	9
<i>Saving</i>					
11. Surplus on current account	12	3	4	9	17
12. Current expenditure and surplus... ..	330	507	567	596	624

CAPITAL ACCOUNT

£ million

	1938	1946	1947	1948	1949
18. Gross capital formation					
a. Trading services	46	40	59	40	26
b. Other	161	158	292	365	383
19. Gross capital formation	207	198	351	405	409

NATIONAL INSURANCE FUNDS:

TABLE 29

	1938	1946	1947	1948	1949
1. Direct taxes ...	55	86	119	178	237
2. Indirect taxes ...	54	84	113	157	194
3. Income from property ...	9	20	22	22	24
4. Grants from the central government ...	47	60	136	145	143
5. Revenue ...	165	250	390	502	598

For notes on the items of this table see p. 67.

REVENUE ACCOUNT

£ million

	1938	1946	1947	1948	1949
<i>Current expenditure on goods and services</i>					
6. Medical benefit	12	19	21	12	—
7. Expenses of administration	14	15	17	25	26
<i>Transfers to private current account</i>					
8. Contributory pensions and allowances ...	47	75	213	261	270
9. Sickness and maternity benefit	22	32	31	48	74
10. Unemployment benefit	55	26	28	19	16
11. Industrial injuries benefit	—	—	—	3	11
12. Death grant	—	—	—	—	2
<i>Transfers to other public authorities</i>					
13. Contribution to cost of National Health Service	—	—	—	17	42
<i>Saving</i>					
14. Surplus on current account	15	83	80	117	157
15. Current expenditure and surplus... ..	165	250	390	502	598

SUBSIDIES⁽¹⁾

TABLE 30

£ million

	Calendar years					Financial year
	1938	1946	1947	1948	1949	1949-50 Estimated out-turn
Food—						
Ministry of Food's trading losses	—	284	335	442	431	409 ⁽²⁾
Acreage payments	—	19	17	18	17	16
Subsidies on fertilisers and molasses	—	6	8	11	14	15
Total food subsidies ...	—	309	360	471	462	440
less Cost of milk and welfare schemes	—	—28	—34	—35	—36	—37
	—	281	326	436	426	403
Other—						
Subsidies to agriculture ...	14	10	12	19	24	26
Trading losses of :						
Board of Trade	—	10	14	2	—	—
Ministry of Supply	—	8	5	13	10	9
Utility cloth rebates	—	8	16	7	—	—
Assistance to industry by						
Ministry of Supply	—	7	8	7	4	4
Subsidies on fuel	—	4	7	4	2	2
Subsidies to civil aviation cor- porations	—	5	14	10	9	8
Housing subsidies:						
Central government	—	6	14	21	23	24
Local authorities	23	31	39	51	52	51
Total subsidies (item 37 of table 18)	37	370	455	570	550	527

(¹) For notes on the items in this table see p. 67.

(²) These figures are made up as follows :—

	(£ million) 1949-50
Net cash outgoings of Ministry of Food (Civil Estimates, Class IX, Vote 3)	423
plus Cost of services carried on other Votes (net) ...	6
plus Interest on Exchequer advances	9
less Increase in value of stocks and debtors (net) ...	—37
plus Cost of food paid for in advance under the Andes Agreement	8
	<hr/> 409

TRANSFER INCOMES

TABLE 31

£ million

	1938	1946	1947	1948	1949
<i>Social security benefits</i>					
1. Pensions :					
a. Contributory pensions	47	75	213	250	247
b. Widows' benefits and guardians' allowances	—	—	—	11	23
c. Non-contributory pensions	47	80	58	27	26
d. Tobacco coupons spent by old age pensioners	—	—	1	8	10
e. Other assistance	—	51	11	29	48
Total	94	206	283	325	354
2. Health :					
a. Sickness benefit	22	32	31	44	65
b. Maternity benefit	—	—	—	4	9
c. Death grant	—	—	—	—	2
d. Industrial injuries benefit	—	—	—	3	11
Total	22	32	31	51	87
3. Unemployment :					
a. Unemployment benefit	55	26	28	19	16
b. Outdoor relief	23	15	16	8	—
c. Other	35	4	3	4	5
Total	113	45	47	31	21
4. Other :					
a. Family allowances	—	19	58	61	63
b. Milk and welfare foods	—	28	34	35	36
c. School meals	—	15	19	24	27
Total	—	62	111	120	126
5. Total	229	345	472	527	588
<i>Other transfer incomes</i>					
6. War gratuities and pay credits	—	229	58	1	—
7. Pay and allowances of members of the Armed Forces on release leave	—	162	35	27	4
8. War pensions and service grants	38	82	82	82	83
9. Post-war income tax credits	—	54	51	23	18
10. Training allowances	—	8	11	7	6
11. Scholarships and maintenance allowances... ..	2	11	20	24	26
12. Miscellaneous	3	3	2	1	1
13. Total	43	549	259	165	138
14. Total transfer incomes	272	894	731	692	726

For notes on this table see p. 68.

RECONCILIATION OF THE EXCHEQUER RETURN WITH THE REVENUE ACCOUNT OF THE CENTRAL GOVERNMENT⁽¹⁾

TABLE 32

£ million

	1946	1947	1947-8	1948	1948-9	1949
1. Ordinary Revenue	3,333	3,671	3,845	3,865	4,007	3,966
2. Adjustments made in the Alternative Classification	-166	-423	-444	-233	-210	-162
3. Revenue Receipts in the Alternative Classification	3,167	3,248	3,401	3,632	3,797	3,804
4. Other adjustments	14	-33	12	35	50	73
5. less National debt interest ...	-530	-545	-544	-538	-532	-533
6. Total revenue as in item 22 of table 25	2,651	2,670	2,869	3,129	3,315	3,344
7. Issues "above the line" in the Exchequer Return	4,036	3,410	3,209	3,202	3,176	3,430
8. Adjustments made in the Alternative Classification	-88	-79	-146	-86	-63	-120
9. Revenue Payments as shown in the Alternative Classification	3,948	3,331	3,063	3,116	3,113	3,310
10. Issues under certain Acts shown "below the line" in the Exchequer Return	257	291	309	176	168	210
11. Other adjustments	-42	82	140	6	52	39
12. less National debt interest ...	-530	-545	-544	-538	-532	-533
13. Total current expenditure as in item 34 of table 25	3,633	3,159	2,968	2,760	2,801	3,026
14. Traditional Budget Surplus [1-7]	-703	261	636	663	831	536
15. Surplus "above the line" in the Alternative Classification [3-9]	-781	-83	338	516	684	494
16. Surplus on current account as in item 35 of table 25 [6-13]	-982	-489	-99	369	514	318

⁽¹⁾ 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 p. 69.

APPENDIX III

ALLOCATION OF TAXES

DIRECT TAXES PAID IN RESPECT OF DIFFERENT TYPES OF INCOME AND PROPERTY⁽¹⁾

TABLE 33

£ million

	1938	1946	1947	1948	1949
<i>Taxes on income</i>					
Rent of land and buildings :					
Income tax	59	116	104	112	107
Surtax	7	8	8	10	11
Interest and profits :					
Income tax ⁽²⁾	207	657	605	670	807
Surtax	43	52	55	67	75
Profits tax and excess profits tax ⁽²⁾ ...	15	391	286	283	300
Self-employed persons' national insurance contributions	—	—	—	10	26
Salaries :					
Income tax	43	265	230	230	245
Surtax	9	15	18	22	24
Employees' national insurance contributions	4	16	17	40	54
Wages :					
Income tax	2	208	180	200	212
Surtax	—	—	—	—	—
Employees' national insurance contributions	51	70	102	124	152
Pay of the Armed Forces :					
Income tax	1	16	22	15	14
Employees' national insurance contributions	—	2	1	4	5
Unallocable	—	—7	—5	—3	—4
<i>Taxes on property</i>					
Land and buildings :					
Death duties, corporation and land tax ...	10	19	21	23	25
War damage contributions	—	2	1	1	—
Interest bearing securities ⁽³⁾ :					
Death duties and corporation duty ...	20	35	40	44	45
Other stocks and shares :					
Death duties and corporation duty ...	33	59	68	75	78
Other forms of property :					
Death duties	15	29	34	38	41
Unallocable (Special contribution)	—	—	—	33	64
Total direct taxes (items 28 and 29 of table 18)	519	1,953	1,787	1,998	2,281

⁽¹⁾ 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.

⁽²⁾ Excess profits tax post-war refunds and the income tax thereon are excluded from these figures.

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

ALLOCATION OF INDIRECT TAXES AND SUBSIDIES(1)

TABLE 34

£ million

	1938	1946	1947	1948	1949
Indirect taxes on personal consumption ...	616	1,514	1,734	2,020	1,971
less Subsidies on personal consumption ...	-37	-356	-446	-556	-531
Net indirect taxes on :					
Personal consumption	579	1,158	1,288	1,464	1,440
Government current expenditure	16	40	43	46	58
Gross domestic capital formation	23	42	78	49	72
Exports of goods and services	22	33	41	55	63
Total indirect taxes less subsidies	640	1,273	1,450	1,614	1,633

(1) 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 1. Gross National Product, Income and Depreciation

The gross output of an industry, in the sense in which the term is used here, consists of the total value of goods and services produced by that industry (free of duplication) *less* purchases from other industries and from abroad. It is thus "gross" only in the sense that it is measured before deduction of provision for depreciation.

Agriculture.—The gross output from agriculture, horticulture and direct retailing of farmers with holdings of one acre or more. The estimates were made originally for the crop years June to May and have been converted to calendar years by including five-twelfths of the output of one crop-year and seven-twelfths of the following crop-year.

Manufacturing, mining, building and public utilities.—This group of industries are those covered by the Interim Index of Production. The wages and salaries of public authorities' employees in non-trading establishments in these industries are included under *Services of public authorities*.

Transport, distribution, catering, professional services, etc. This covers Orders XIX, XX, XXI, XXIII and XXIV of the Standard Industrial Classification *less* resident and non-resident domestic service.

Total goods and services produced by enterprises.—This equals the gross output of enterprises, excluding inventory revaluation. This in turn equals the sum of payments to factors of production and provision for depreciation by enterprises (the sum of items 7 and 6 of table 15) *less* inventory gains.

Dwelling houses. The services rendered by dwelling houses are here measured by their gross rents as assessed to income tax. Equal to item 4 of table 21 *less* rates and water charges.

Services provided by public authorities.—These services are valued at cost. The figures shown cover the wages and salaries of employees of public authorities other than those whose remuneration is debited against trading accounts (e.g. the staff of the Ministry of Food), together with provision for maintenance of buildings, highways and bridges (item 35 of table 18).

Domestic services to households.—These services are here measured by the wages paid by persons to domestic servants.

Inventory revaluation.—This represents the amount by which the change in value of inventories (i.e. the balance-sheet value of stocks and work in progress at the end of the year *less* the balance sheet value at the beginning of the year) exceeds the value of the physical change in inventories (i.e. the change in value if inventories at the end and at the beginning of the year are valued at constant prices—the mean of the replacement costs at the beginning and at the end of the year).

This element of inventory revaluation enters into "profit" as normally understood. The normal accounting practice in reckoning trading profit is to include among the credits to trading account the value, as shown in the balance sheet, of goods in stock and work in progress at the end of the year and to include among the debits the value, as shown in the balance sheet, of goods in stock and work in progress at the beginning of the year. In other words the value of closing stocks is classed as a "sale" to operations in the following year and the value of opening stocks as a

"purchase" from operations of the previous year. Trading profit is therefore equal to sales minus purchases *plus* any increase (or *minus* any decrease) in the balance sheet values of inventories.

The value of closing stocks may exceed the value of opening stocks because the quantity of goods in stock has increased over the year, because the unit value of goods in stock has increased or because of a combination of both factors. If there has been no increase in the quantity of goods in stock, it is clear that the whole of the increase in their book value is due to revaluation. Where there has been some increase in quantity, the element of inventory revaluation equals the difference between the increase in book value and the value of the additions to goods in stock and work in progress. In making the estimates given in this paper, increases in quantity have been valued in principle at the mean of the replacement costs at the beginning and end of the year.

Inventory revaluation has been excluded in reckoning the gross national product following the practice recommended by the Sub-Committee on National Income Statistics of the League of Nations Committee of Statistical Experts (*Measurement of National Income and the Construction of Social Accounts*, United Nations, Geneva, 1947) and by the Statistical Office of the United Nations (*National Income Statistics*, New York, 1948). The considerable difference between 1948 and 1949 in the amount of inventory revaluation emphasises the importance of distinguishing it.

Net income from abroad.—This equals dividends, interest and rent paid by the rest of the world to the United Kingdom *less* dividends, interest and rent paid to the rest of the world (equal to item 53 *less* item 51 of table 20).

Current production and trade.—Enterprises in agriculture, in manufacture mining, building and public utilities, and in transport, distribution, catering, professional services, etc., as defined above. The respective amounts derived from these three branches of activity in the form of wages, salaries and other incomes, including depreciation, are shown separately in tables 3 and 4. The total of wages and salaries derived from current production and trade equals item 7 of table 15. Other incomes and depreciation derived from current production and trade equals the sum of items, 7*b*, 7*d*, 7*e* and 6 of table 15 *less* gross rents of dwelling houses (i.e. that part of net rent, item 7*c* of table 15, and depreciation, item 6 of table 15, not paid by trading enterprises) and *less* inventory gains.

Services to public authorities.—Wage-earners include the industrial staff, messengers and attendants employed by the central government and operatives and domestic staff employed in the non-trading services of local authorities and by the various bodies operating the National Health Service. Salary-earners include the non-industrial staff of the central government, except for messengers and attendants, and the administrative, technical, professional and clerical staff employed by local authorities and by various bodies operating the National Health Service.

Table 2. National Income, Depreciation and Expenditure

Wages.—This item, the same as item 1 of table 8, covers only the earnings of manual workers. A more extended description of the classes of workers covered is included in the notes to table 6. 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 22 of table 17) includes a similar allowance.

Salaries.—This item, the same as item 2 of table 8, includes the earnings of shop assistants, company directors' fees and, in principle, untaxed allowances of salary-earners.

In previous papers the figures for salaries have been obtained as the difference between total earned income and the total wage-bill. For 1948 and 1949 independent estimates have been made of both wages and salaries and the figures of wages and salaries together reconciled with corresponding figures obtained by the Inland Revenue from the operation of P.A.Y.E.

Pay and allowances of Armed Forces.—This item, the same as item 3 of table 8, 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.

Income from farming.—This item, the same as item 5 of table 8, 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, but forms part of item 9 of table 5. Net rent, before deduction of mortgage interest, accruing to persons is included below among *Rents, dividends and interest distributed to persons*.

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 1949 about £10½ 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.

Professional earnings.—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. It is the same as item 4 of table 8.

Profits of other sole traders and partnerships.—This item (the same as item 6 of table 8) 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 shown here differ rather considerably from those published in Cmd. 7649 (the general level being now lower) and must be admitted to be still of a precarious nature, particularly in the later years.

Rents, dividends and interest distributed to persons.—The estimated receipts by persons resident in the United Kingdom (including non-profit making bodies and the life funds of insurance 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). It is the same as item 7 of table 8 and item 19 of table 17.

Transfer incomes.—Equals item 14 of table 31 where these incomes are shown separately. Equals item 9 + item 10 of table 8.

Personal income before tax.—This item, the sum of the items of table 2 so far defined, is the total of income received by persons (including non-profit making bodies).

Public authorities' income from property (gross).—This item is made up of the amounts transferred from public enterprises (item 12 of table 16), direct taxes paid by non-residents and receipts of rent, dividends and interest (including national debt interest paid to the national insurance funds and debt interest paid by local authorities to the central government). It is the same as item 31a of table 18.

Debt interest paid by public authorities.—Total national debt interest, whether part of the permanent Debt Charge or not, and including the increase in interest accrued on National Savings Certificates *plus* total interest on local authorities' debt. It is the same as item 31b of table 18.

Provision for taxes on undistributed profits.—Equals the sum of items 14a and 14b of table 16.

Additions to reserves of companies and public enterprises. The same as item 15 of table 16.

National income.—This equals personal income before tax *less* transfer incomes *plus* public authorities' net income from property (treating debt interest as negative income) *plus* undistributed profits before tax. It is also the sum of the incomes received by factors of production in, or only temporarily absent from, the United Kingdom (see note to item 12 of table 5). Since net profit and net rent are measured after deducting from gross receipts the depreciation and maintenance allowance permitted for tax purposes, there is an arbitrary element in the definition of the term "national income." A change in the legal allowances will change the national income. This is obviously unsatisfactory and can be avoided only by making a direct estimate of "true" depreciation (for which there is not the information, even if the conceptual difficulties could be overcome) or by confining attention to the sum of national income and depreciation. Since the sum of national income and depreciation includes inventory gains and net income from abroad, it is not equal to gross national product at factor cost as defined in this paper. This differs from the treatment in Cmd. 7649 and Cmd. 7915 by which gross national product included inventory gains and net income from abroad.

Provision for depreciation.—The provision for depreciation and for maintenance of buildings and roads, made by enterprises and public authorities. Equals the sum of items 43a and 43b of table 19. The rise in this item between 1948 and 1949 reflects the increase in the initial allowances in respect of plant and machinery purchased on or after 6th April, 1949.

Personal consumption.—This item (the sum of items 22 and 23 of table 17) 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. Consumers' expenditure at current market prices is given in detail in table 21.

Public authorities' current expenditure.—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 of public authorities. 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 separately, 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 gross capital formation below.

The total of this item equals the sum of items 33 to 36 of table 18. Current expenditure on goods and services by public authorities is further defined in the notes to item 23 of table 25, item 6 of 27 and items 6 and 7 of table 29.

Gross domestic capital formation.—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, the value of the increase in quantity of stocks and work in progress and the increased cost of replacing stocks at higher prices. Because of the conventions adopted in estimating 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 these items is shown.

In previous papers no direct estimate was made of the change in value of stocks and the total of gross domestic capital formation was obtained merely as a residue by subtracting estimates of other forms of national expenditure from the sum of national income and provision for depreciation. In this paper direct information has been used in forming the estimates for all the items making up gross capital formation in 1948 and 1949, although for some items, and particularly as regards stocks, the information available is partial and unsatisfactory. The final estimates given here have been drawn up in the light of all available information, both direct and indirect.

Net investment abroad.—This item is a measure of the change in the external assets of the United Kingdom. For further discussion, see note to item 45, table 19.

Subsidies.—These are shown in detail in table 30. Equals item 37 of table 18.

Indirect taxes.—Equals item 30 of table 18.

Tables 3 and 4. Gross National Product in 1948 and 1949

Agriculture.—The figures for salaries represents the earnings of managers, clerks, bailiffs and foremen and the figures for wages, the earnings of all other agricultural workers.

Manufacturing, mining, building and public utilities.—The figure given here for wages and salaries exclude the earnings of Admiralty employees in ship-building, marine engineering, torpedo and explosives factories, War Office employees in R.E.M.E. workshops, employees in Royal Ordnance Factories and employees of the Admiralty, Air Ministry and War Office engaged in building and civil engineering work. For this reason the figures for the total wage-bill of these industries given in table 6 are higher than those given here for wages.

Transport, distribution, catering, professional services, etc.—The figures for profits, rents and depreciation have been placed in brackets since they have been obtained as a residual and are therefore untrustworthy and very liable to revision.

Table 5. National Income and Depreciation

Items 1 to 6 are the same as the corresponding items in table 2. The items in table 2 corresponding to items 4, 5 and 6 ought in principle to be lower, since the figures are given here before deduction of interest on borrowed money, but there is not adequate information with which to make the necessary adjustment.

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 and directors' fees, but before deduction of profits tax or excess profits tax and debenture interest. 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 and later White Papers on the Balance of Payments of the United Kingdom into the social accounts of tables 15 to 20.

The estimates of this item given here differ rather considerably from those in Cmd. 7649. The effect of the revisions is that the main part of the increase in profits since 1946 is now shown as taking place between 1946 and 1947 instead of between 1947 and 1948.

8. The trading profits, after deduction of provision for depreciation but before deduction of interest and provision for amortisation of debt, of the National Coal Board, the British Electricity Authority, the British Transport Commission, the British Gas Council, together with the trading profits of the Board of Trade, the Ministry of Supply and 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, income tax paid by non-residents, the loss under the Railway Agreement (before nationalisation) borne by 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. The composition of this item, of course, has not been uniform from year to year. It is the same as item 9b of table 16.

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 20. These items are themselves identical in composition with, respectively, item 10 and the sum of items 4 and 5 in table I of Cmd. 7648 and later White Papers on the Balance of Payments. 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, together with income from abroad and inventory gains. 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, in the calculation for tax purposes of net rent and profit, is allowed for the maintenance, repair or replacement of all existing capital equipment.

Table 6. The National Wage Bill

Wage-earners include all employees other than administrative, technical and clerical staff. According to this division, factory workers, working foremen, transport workers, storemen and warehousemen are included among wage-earners. The following classes are excluded and treated as salary-earners: managers, superintendents and works foremen; research, experimental, development, technical and design staff; draughtsmen and tracers; office (including works office) staff clerks and typists; commercial travellers, shop assistants; nurses; members of police forces and of the National Fire Service. Prisoners of war employed in this country are excluded as their earnings are not treated as part of the national income.

The wage-bill represents the total gross cash earnings of wage-earners, inclusive of bonuses, together with remuneration in kind (e.g. coal free or at concessionary prices for coal miners, food and lodging for domestic servants) before any deductions are made for income tax or insurance contributions.

Payments for holidays have been treated as earned during the period in which the holidays are taken. It follows that the quarterly wage-bills given do not reflect changes in output caused by the taking of holidays with pay. A rough allowance is made for unpaid holidays.

The estimates in this paper differ from those previously published. In the first place additional information derived from the operation of the National Insurance Act has led to a general revision of the figures. In the second place the industrial grouping now used corresponds precisely with that of the *Standard Industrial Classification*, though separate figures are not shown for all the industrial Orders. In last year's paper (Cmd. 7649) efforts to obtain correspondence were limited by the need to use employment figures differently classified. It is hoped at a later date to publish a revised analysis of the total wage-bill for earlier years using the *Standard Industrial Classification*.

Table 7. Wage-earners Receiving Pay and Average Weekly Earnings in Certain Industries

The estimates here of average weekly earnings are based on data from the earnings enquiries of the Ministry of Labour. They attempt to show the

average for all weeks in the year and therefore are not exactly comparable with the Ministry of Labour figures which relate only to one week in April and October.

Table 8. Composition of Personal Income

The way in which total personal income before tax is made up has already been shown for 1948 and 1949 in table 2. For definitions of the various items see the notes to that table.

Table 9. 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 to 3 and the sum of items 4 to 7 of table 8, bear to item 8 of table 8. 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:

$$\text{items } (7c + 12 + 13a + 13b - 31b + 53) = \text{items } (10 + 19 + 31a + 50).$$

Table 15. 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 shop-keeper 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 increases in the value of inventories, however, have 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.

The treatment of charities is somewhat involved. Charitable undertakings are treated as enterprises which sell only to persons, their sales proceeds being identically equal to their factor payments (wages and salaries). Other payments by charities (purchases from other enterprises) are recorded as purchases by persons from enterprises.

Banks are treated as enterprises whose sales proceeds are charges made to customers and whose trading profit is therefore equal to the difference (often negative) between charges and management expenses. This treatment

is by no means ideal. As soon as the data permit it is intended to follow the practice adopted in the official calculations of the Australian national income, in which the services of banks are measured by the wages and salaries of bank employees and the management expenses of banks are treated as an independent category of national expenditure in the same way as expenditure by public authorities on goods and services is already treated in this paper.

Items 6 and 7 together measure the value of the gross output *plus* inventory gains, of British enterprises, *i.e.* the sum of payments made to factors of production and depreciation.

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 5.

7c, 7d and 7e. The same as items 9, 7 and 8 respectively of table 5; for definitions, see the notes to those items.

Table 16. Corporate Income Appropriation Account

9a. 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 before nationalisation of the electricity industry 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)*) and later White Papers on the Balance of Payments as income from abroad are excluded from this item (see note to item 7 of table 5).

9b. The trading profits, after deduction of provision for depreciation but before deduction of interest and provision for amortisation of debt, of the National Coal Board, the British Electricity Authority, the British Transport Commission, the British Gas Council, together with the trading profits of the Board of Trade, the Ministry of Supply and 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, income-tax paid by non-residents, the loss under the Railway Agreement (before nationalisation) borne by 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. The composition of this item has, of course, not been uniform from year to year.

10. Receipts by companies (including banks) and public enterprises 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 13a. Companies' receipts of dividends from public enterprises and public enterprises' receipts of dividends and interest from companies are included here and correspondingly in item 13.

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. 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 10 above.

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

14b. It is assumed that companies and public enterprises 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 and public enterprises.

15. The difference between item 11 and the sum of items 12 to 14: that is, the amount retained by companies and public enterprises after payment of dividends and interest, transfers by public enterprises to public authorities, and 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 17. Revenue Account of Persons

17a. Includes the wages and salaries of all trading undertakings, whether publicly or privately owned, and of charities.

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) together with the wages and salaries of employees of the authorities operating the National Health Service. Fees paid to doctors, dentists, etc., working for the National Health Service are included in professional earnings.

17c. Pay and allowances of the Armed Forces and auxiliary services.

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

18a, 18b and 18c. Identical with items 4, 5 and 6 of table 8 and defined in the notes to table 2.

19. This item consists of net rents of property owned by persons (part of item 7c of table 15), dividends and interest paid by companies and public enterprises to persons (part of items 13a and 13b of table 16), public debt interest paid to persons (part of item 31b of table 18) and income from abroad received by persons (part of item 53 of table 20). Charities and life assurance funds are here treated as persons.

20a and 20b. Equal to items 5 and 13 of table 31, in which these items are analysed in detail.

22a. Including only the wages in cash and kind of domestic servants paid out of personal income.

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

22*c*. 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 equal to the difference between item 21 and the sum of items 22 to 25 and also to the difference between item 48 and the sum of items 41*b*, 41*c* and 42 to 45 of table 19. Estimates of this item are not based on direct information and must be regarded as amongst the most precarious in this paper. Mention should be made however of the fact that for 1948 and 1949 item 48 (the total of gross domestic capital formation) was not obtained merely as a residue but rests on some direct information about its various components. (See note to table 2.)

Table 18. 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 and if made to persons, are included as a sale by enterprises in table 15.

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 25.

30. Taxes on outlay, including employers' national insurance contributions. The various items making up the total are shown separately as items 11 to 16 of table 25, item 1 of table 27 and item 2 of table 29.

31*a*. This item is made up of item 12 of table 16, amounts transferred from public enterprises, including the profits of local authorities' trading services before deduction of interest, together with direct taxes paid by non-residents and receipts of dividends, interest and rent (including national debt interest paid to the national insurance funds, interest paid by nationalised undertakings to local authorities, and debt interest on loans from the Public Works Loan Board paid by local authorities to the central government). It is equal to item 20 of table 25, item 3 of table 27 and item 3 of table 29.

31*b*. Total national debt interest (including the increase in interest accrued on National Savings Certificates), plus total interest on local authorities' debt.

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 the following items shown in Cmd. 7648 and the latest White Paper on the United Kingdom's Balance of Payments—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 of the pay of government employees abroad included in the foregoing items.

34. National insurance contributions paid by public authorities in respect of their employees, including the Armed Forces.

35. Provision for maintenance of buildings, highways and bridges *plus* amortisation of local authorities' debt incurred to finance rate-fund services.

36. The pay and allowances of the Armed Forces and auxiliary services.

36a. 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, local authorities and national insurance funds in Appendix II (item 23 of table 25, item 6 of table 27 and items 6 and 7 of table 29).

37. Made up of item 24 of table 25 and item 7 of table 27. A breakdown is shown in table 30.

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 table 31.

38b. Payments in respect of war damage claims, post-war refunds of excess profits tax, payments of compensation to doctors and dentists, and capital grants to local authorities and other bodies. The various items are shown separately in table 25 (items 29 to 33).

Table 19. Combined Capital Account

Table 14 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 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.

45. 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 and later papers on the balance of payments have been followed (with the exceptions discussed in the notes to items 49a and 54 of table 20).

The current account published in the White Papers on the Balance of Payments 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. It is expected that these logical inconsistencies will be put right in future papers on the balance of payments. In the meantime a rough provisional estimate of the effect that a change in treatment would have is given in 47*b* of this table.

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 White Papers on the Balance of Payments and in this paper. This, too, means that the extent to which the United Kingdom ran down its foreign assets during 1948 and 1949 is here somewhat exaggerated.

47*c*. This is measured after deduction of the amount of surplus stores sold by the Government (shown separately as item 70 of table 26).

Table 20. 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 the latest White Paper on the Balance of Payments. The items have merely been rearranged to fit into the framework of these social accounts.

49*a*. Imports of merchandise and shipping and other services together with expenditure abroad by commercial travellers. Imports of British stocks previously held abroad and imports (net) re-exported to Germany without reimbursement are excluded. (The figures are given in the notes to items 1(*c*) & 2(*c*) of the latest White Paper on the Balance of Payments.) An equivalent amount is deducted from exports.

49*b*. Gross 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 table I of the White Paper on Balance of Payments.

52. Exports of merchandise, government surpluses and services. (But see note to item 49*a*.)

53. Excluding profits of shipping, insurance and oil companies operating abroad. Identical with item 10, table I of the latest White Paper on the Balance of Payments.

54. This item differs in 1948 from the corresponding item in Cmd. 7648 and later White Papers on the Balance of Payments because transactions resulting from the financial agreement with the Government of India have been treated as capital, and not as current items. This is in conformity with the treatment adopted in the Alternative Classification of the Exchequer Accounts shown in the Financial Statement.

NOTES ON APPENDIX I

Tables 21, 22, 23 and 24. 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, arrowroot, cornflour, custard and blancmange powders.
Meat and bacon	Meat, offal, canned meat, bacon and ham, sausages and other meat products, rabbits, game and poultry.
Fish	Fresh and canned fish.
Oils and fats	Butter, margarine, lard and other edible fats.
Sugar, preserves and confectionery.	Sugar, syrup and treacle, jam, marmalade, fruit curd, honey, chocolate and sugar confectionery and table jellies.
Dairy products	Liquid, dried and condensed milk, cheese, eggs in shell, dried, liquid and frozen eggs.
Fruit	Fresh, canned and frozen fruit, dried fruit, crystallized fruit and nuts.
Potatoes and vegetables ...	Potatoes and potato products; fresh canned and frozen vegetables; pulses, pickles and sauces.
Beverages	Tea, cocoa, coffee, coffee essence and soft drinks.
Other manufactured food ...	Infants' and invalids' foods, welfare foods (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 drink—

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 15.

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, soapless detergents, 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 15.

All dress materials, knitting wool and general haberdashery are allocated to 8*b* (ii).

9. Books, newspapers and magazines—

a. Books.

b. Newspapers.

c. Magazines—includes time-tables, programmes and miscellaneous printed papers.

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—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, the hire of radio rediffusion equipment and expenditure on broadcast licences.

14. Domestic service—expenditure out of personal income on the wages, in cash and kind, and the national insurance contributions of indoor and outdoor domestic servants. Expenditure by doctors and dentists is, in principle, not included since it ranks as a business expense for income tax purposes.

15. 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 (the expenses and profits of insurance companies), charges and stamp duties on property transfers, net expenditure on betting (i.e. amounts staked *less* winnings), the hire of domestic heating and cooking equipment, and other miscellaneous services.

16. 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.

17. 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.

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

20. 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 25. 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.

Expenditure out of amounts appropriated in aid of Votes has also been included except where the amounts are received from the sale of services, the re-sale of goods, the refund of earlier expenditure or are merely a

transfer from another department. An equivalent amount is added to revenue, if the appropriations-in-aid are in the nature of tax receipts or income from property, deducted from borrowing, if they are in the nature of capital receipts, or deducted from capital expenditure, if they arise from the sale of capital assets.

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 29.

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 30) 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 30).

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 and 14 represent net receipts by H.M. Customs and Excise and by the Board of Inland Revenue respectively, as distinct from payments into the Exchequer.

11c. Includes receipts of duty, subsequently refunded, on tobacco sold to old-age pensioners at reduced prices. An equal amount is included in item 25 on the payments side of the account.

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

16. 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.

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

20. The amounts transferred from public enterprises *plus* 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, *less* the loss under the Railway Agreement (before nationalisation), *less* the loss incurred by the Exchequer in 1946 as a result of illicit trading by British troops and Government employees abroad, *plus* receipts from crown Lands, *plus* the interest component of receipts from Sundry Loans, *plus* interest and dividends included in miscellaneous revenue, *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, *plus* receipts applicable to national debt interest. These receipts consist of (a) interest on Exchequer advances to the Local Loans Fund, to the Building Materials and Housing Fund and to various nationalised undertakings, (b) amounts received from the Bank of England, the National Coal Board and Cable and Wireless to cover interest on compensation stock, (c) interest on advances made to enable the Board of Trade to take over commercial debts to British exporters. [The Acts which lay down that these receipts shall be used to pay interest on the National Debt are: the Overseas Trade Guarantees Act, 1939; Housing (Scotland) Act, 1944 (section 4); Local Authorities Loans Act, 1945 (section 3 (1)); Building Materials and Housing Act, 1945 (section 4 (1)); Bank of England Act, 1946 (section 1 (4)); Housing (Financial Provisions) (Scotland) Act, 1946 (section 14); Cable and Wireless Act, 1946 (section 3 (5)); Coal Industry Nationalisation Act, 1946 (section 28 (2)); Cotton (Centralised Buying) Act, 1947 (section 21 (3)) and Export Guarantees Act, 1949.]

21. Total payments of interest on the National Debt, whether part of the Permanent Debt Charge or not, *plus* increases in interest accrued on National Savings Certificates.

23. 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.

24. Total subsidies as shown in table 30 *less* housing subsidies of local authorities.

25. This consists of the following items from table 31:—1c (non-contributory pensions); 1d (tobacco coupons spent by old-age pensioners); 1e (supplementary pensions and allowances paid by the National Assistance Board); 3c (unemployment allowances paid by the Assistance Board until 5th July, 1948, and, after that date, unemployment benefit paid under the National Insurance Act, 1946); 4a (family allowances); 4b (milk and welfare foods).

26. This consists of other transfer incomes paid by the central government and is equal to item 13 of table 31 *less* the part of scholarship and maintenance allowances paid by local authorities (item 10 of table 27).

27. The same as item 2 of table 27. This item differs from the corresponding item in Cmd. 7649 because it includes capital grants to local authorities which are now shown separately as item 31 of this table.

28. The same as item 4 of table 29.

29. Payments in respect of claims under the commodities and marine war risks insurance schemes, the War Damage Act, and the War Damage (Public Utility Undertakings, etc.) Act, 1949.

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

31. Those grants by the central government to local authorities which are treated by them as capital receipts. In Cmd. 7649 all were treated as going to the current account of local authorities.

- 32. Capital grants to universities and the British Broadcasting Corporation.
- 33. Payments of compensation for loss of right to sell medical practices.

Table 26. Central Government : Capital Account

- 37. The same as item 35 of table 25.
- 38. The amount provided for maintenance work on buildings and roads. The corresponding item in Cmd. 7649 also included the Health Departments' annuity payments to the Exchequer as amortisation of capital expenditure on temporary houses. In this paper these payments are treated as subsidies as explained in the note to table 30.
- 40. The increase in investments from the net deposits in the Post Office and Trustee Savings Banks.
- 41 and 42. Receipts *less* repayments.
- 43. 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.
- 44. The increase in bills and bonds, held by the market, by Empire Funds and by foreign governments, and in Bank Ways and Means Advances.
- 46. Receipts *less* repayments.
- 47. The increase in the amount of certificates outstanding.
- 49 and 50. 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.
- 51. 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* increases in the spending Departments' balances with the Paymaster, *less* increases in net debts owed to the trading Departments, *less* net issues under the North Atlantic Shipping Act, 1934, Tithe Act, 1936, Anglo-Turkish (Armaments Credit) Agreement Act, 1938, Overseas Trade Guarantees Act, 1939, Housing (Scotland) Act, 1944, and New Towns Act, 1946. The item also includes an allowance for the increase or decrease in government liabilities to industry and, in 1946, the amount of 3 per cent. Treasury Stock issued on the occasion of the nationalisation of the Bank of England (to balance item 71).
- 64. The total of receipts under the European Recovery Programme, as shown here, differs from the figures given in the latest White Paper on the Balance of Payments for two reasons. In this paper receipts by the Irish Republic are excluded and item 64a is shown after deduction of five per cent., the amount allocated to the use of the United States Government in the United Kingdom.
- 68a. Post Office loan expenditure.
- 68b. Road Fund expenditure on improvements and new construction and expenditure on the manufacture of prefabricated houses, *plus* expenditure on maintenance of roads and buildings.
- 69. The change in the value of government-owned stocks.
- 70. Total sales of surplus war stores, whether or not the proceeds have been paid into the Exchequer. This item differs from the corresponding item of Cmd. 7649 (item 46 of table 24) because of the exclusion of sales

of equipment to the Government of India under the agreement of July, 1948. These sales have been treated in this paper as overseas disinvestment.

71. 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 68.

74. This item includes only those parts of the United Kingdom's subscriptions to the International Monetary Fund and the International Bank which were not immediately re-lent in sterling to the Government. The remainder has been excluded from both lending and borrowing.

75. Issues under the Local Authorities Loans Act, 1945, Section 3 (1).

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

Table 27. 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 27 of table 25. In Cmd. 7649 the corresponding item included capital grants which are here treated as a receipt by local authorities' capital account.

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. The interest received from nationalised industries is also included.

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.

7. Net payments by the central government to local authorities towards permanent and emergency housing *plus* the excess of expenditure by local authorities on housing revenue account over their receipts from government grants and rents. This item differs from the corresponding item in Cmd. 7649 (item 7 of table 26) which consisted merely of the excess of local authorities' expenditure on housing revenue account over their receipts from rents.

8. Public assistance (out-relief) in cash and kind. Nil since 5th July, 1948. Equal to item 3*b* of table 31.

9. Equal to item 4*c* of table 31.

10. Equal to the part of item 11 of table 31 paid by local authorities.

Table 28. Local Authorities : Capital Account

13. The same as item 11 of table 27.

14. 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 the maintenance of highways and bridges.

15. The same as item 31 of table 25.

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

Table 29. National Insurance Funds : Revenue Account

This table sets out the revenue account of the National Insurance Fund and the Industrial Inquiries Fund and for the period before 5th July, 1948, 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 of 1948 relates only to the first half of the year; since the introduction of the National Health Scheme on 5th July, 1948, such expenditure has been borne by the central government and forms part of item 23 of table 25.

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. Payments by the central government (item 1c of table 31) were reduced below the level of previous years for the same reason.

13. The same as item 19 of table 25.

Table 30. 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.

Housing subsidies.—This item, and therefore the total of subsidies, differ from the corresponding estimates in Cmd. 7649. In the first place housing subsidies paid by the central government are included. These are made up of annuities paid out of the Ministry of Health Vote under the Housing

(Temporary Accommodation) Act, 1944, and payments into the Building Materials and Housing Fund under the Building Materials and Housing Act, 1945. The annuity payments represent the amortisation of capital expenditure on temporary houses built by the Ministry of Works, but controlled and let by local authorities, and are here treated as subsidising the housing service which local authorities provide. In the second place the housing subsidies paid by local authorities have here been defined as net payments by the central government to local authorities towards permanent and emergency housing *plus* the excess of expenditure by local authorities on housing revenue account over their receipts from government grants and rents. In Cmd. 7649 they were defined as the excess of local authorities' expenditure on housing revenue account over their receipts from rents.

Table 31. Transfer Incomes

1a, and 1b. Pensions paid out of the National Insurance Fund and, before 5th July, 1948, from the Treasury Pensions and Special Pensions Accounts.

1c. Old age pensions paid by the central government. 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 4 of table 29) and the pensions paid by these funds (item 1a) show counterbalancing rises.

1d. The estimated value of coupons exchanged for tobacco by old age pensioners; an equivalent amount is included in tax revenue (item 11c of table 25).

1e. Supplementary pensions and allowances paid by the National Assistance Board.

2. Cash payments from the National Insurance and Industrial Injuries Funds and, before 5th July, 1948, from the National Health Insurance Funds.

3a. Unemployment benefit paid by the National Insurance Fund and, before 5th July, 1948, by the Unemployment Fund.

3b. Public assistance (out-relief) in cash and kind paid by local authorities. This payment ceased at 5th July, 1948.

3c. Unemployment allowances paid by the Assistance Board until 5th July, 1948. Since that date the item consists of unemployment benefit paid under the National Insurance Act, 1946.

4a. Includes family allowances paid by the Government of Northern Ireland, which in Cmd. 7649 were included in miscellaneous transfer payments.

4b. 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.

4c. The net cost to local authorities of meals provided in schools. The cost of administering the milk-in-schools scheme is also included in this item.

8. Pensions and grants awarded for death or disability due to war service.

10. Travelling and lodging allowances of transferred workers and trainees' wages and lodging allowances.

11. Includes grants by both the central government and local authorities.

12. Transfer payments made by the Government of Northern Ireland which have not been allocated to specific items.

Table 32. 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, the figures of Ordinary Revenue and Exchequer Issues "above the line" published for financial years in the Exchequer Return, and the figures of Revenue Receipts and Revenue Payments on the Alternative Classification published for financial years in the Financial Statement.

1 and 7. These items are taken from the Exchequer Return.

2 and 8. These adjustments are identical, for the financial years 1947-8 and 1948-9, with those made in the Alternative Classification published in the Financial Statements for the same year. The adjustments for calendar years conform with those for financial years.

3 and 9. These items are the same for financial years as those given in the Financial Statements for the year concerned. For calendar years they have been estimated on a comparable basis.

4. These adjustments are as follows: The housing annuities and the gifts received in 1947 from the Governments of Australia and New Zealand, shown "above the line" in the Alternative Classification, are here deducted as they are treated as capital items. In addition certain items in Miscellaneous Receipts are deducted—surplus appropriations-in-aid surrendered to the Exchequer, transfers from other departments, receipts from the resale of goods and sale of services to the public. Corresponding deductions are made on the expenditure side in the adjustments shown in item 11 of this table. Receipts from the sale of assets included in Miscellaneous Receipts are excluded both from revenue and current expenditure and treated as government negative capital expenditure.

Taxes not included in Ordinary Revenue—dog and gun licences, certain excise licences and taxes levied by the Government of Northern Ireland—are added together with war damage premiums, war risks insurance premiums, appropriations-in-aid of the nature of taxes, the excess of net receipts of taxes over receipts by the Exchequer and the excess of the Post Office trading profit over the Post Office net receipt.

Interest not included in Ordinary Revenue is added. This is made up of interest on sundry accounts managed by the National Debt Commissioners, net interest retained by the Local Loans Fund, interest received by the National Land Fund and interest debited against the trading accounts of trading departments. The profits of these trading departments are also added. The receipts of profits from the West African Produce Control Board are excluded from revenue and the distribution of such profits by the Exchequer excluded from expenditure. Losses included in Ordinary Expenditure, for example the loss in 1946 and 1947 under the Railway Agreement and the loss in 1946 through illicit trading by government employees abroad, have been deducted. Finally, transfers from other public authorities, for example, the contribution of the National Insurance Fund to Health Service, have been added.

5 and 12. National debt interest is treated in this paper as negative income from property and not as expenditure.

10. War damage payments, excess profits tax post-war refunds, and net issues to the Civil Contingencies Fund.

11. These adjustments are as follows: Various constituents of Miscellaneous Receipts excluded from revenue (see note to item 4) are deducted.

Losses included in Ordinary Expenditure are also deducted. Expenditure met out of taxes not included in Ordinary Revenue is added, and also expenditure financed by running down government owned stocks or by increasing trading liabilities. An allowance has been made for the fact that in 1946 Departments were paying in arrear for work already done for them in previous years and for changes in the spending Departments' cash balances. 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 and the shortfall in subsequent years added back. Finally services rendered by Departments without reimbursement have been included in expenditure and also the increase in interest accrued on National Savings Certificates.

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