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CENTRAL STATISTICAL OFFICE

NATIONAL INCOME AND EXPENDITURE 1946-1951

AUGUST 1952

LONDON: HER MAJESTY'S STATIONERY OFFICE
SIX SHILLINGS NET

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CONTENTS

	<i>Page</i>
FOREWORD	1
INTRODUCTION	3
TABLES	14
I. SUMMARY TABLES	
1. Gross national product	14
2. Personal income and outlay	14
3. Corporate income appropriation account	16
4. Revenue account of Central Government and National Insurance Funds	16
5. Current account of local authorities	16
6. Combined capital account	18
7. Transactions with the rest of the world	18
8. Social accounts of the United Kingdom, 1951	20
II. INDUSTRIAL INPUT AND OUTPUT	
9. Gross national product by industry of origin	22
10. Profits, rent and depreciation by industry	22
11. Wages and salaries by industry	23
12. National wage bill	23
13. Inter-industry transactions, 1948	24
III. PERSONAL INCOME AND OUTLAY	
14. Personal income and taxation	26
15. Personal expenditure on consumers' goods and services at current market prices	27
16. Personal expenditure on consumers' goods and services revalued at 1948 prices	29
17. Personal expenditure at factor cost... ..	31
IV. COMPANIES	
18. Appropriation account	32
19. Company trading profits by industry	34
V. PUBLIC CORPORATIONS	
20. Operating account	36
21. Appropriation account	36
VI. CENTRAL GOVERNMENT AND NATIONAL INSURANCE FUNDS	
22. Revenue account	38
23. Capital account	40
24. Revenue account of national insurance funds	40

FOREWORD

This paper gives estimates of the national product, income and expenditure of the United Kingdom for the years 1946 to 1951. It is issued in fulfilment of the undertaking given in the foreword to the White Paper on Preliminary National Income and Expenditure Estimates, 1948 to 1951 (Cmd. 8486) of March 1952, to provide the detailed analyses which could not then be included and to revise the figures.

The later date of publication of this paper has made it possible to put the figures, especially those for 1951, on a firmer basis by using later information. The extra time has also made it possible to make certain extensions of the material presented.

The tables are grouped into nine Sections. Section I, the "summary tables", consists of seven balancing accounts, the first of which presents the gross national product, while each of the others covers the transactions of some major sector or activity of the economy. They follow almost identically the same lines as Tables 1-7 of the Preliminary White Paper (Cmd. 8486). Table 8 presents the social accounts of the United Kingdom in 1951, in a form designed to show at a glance how the various sectors and types of activity recorded in this system of statistics are related to one another. The remaining eight Sections are devoted to particular aspects of the economy, and give further analyses of the figures in the summary tables.

There are six new tables—Tables 13, 20, 31, 34, 37 and 38—apart from additions to old tables. Table 13 describes the structure of the economy of the United Kingdom in the year 1948 by means of an "input-output" table. The object is to show on the one hand how much each major industry of the economy buys from other industries and from abroad and how much it pays for the services of factors of production; and on the other hand to show how much it sells to other industries, to foreigners and to United Kingdom final buyers such as persons and public authorities.

Table 20 gives estimates of the total receipts of public corporations from sales, etc. and their current operating expenses (wages, materials, etc.).

Table 31 gives in summary form a separate capital account for each of the sectors of the economy distinguished in this paper. Previously these have always been shown combined.

Table 34 gives estimates of gross fixed capital formation revalued at 1948 prices. Tables 37 and 38 give tentative analyses of the increase in value of stocks divided between sectors and industries respectively.

The chief additions to the old tables are in Table 18 where there is more detail of dividends, Table 19 which gives company profits by industry before as well as after deduction of depreciation, and Table 25 which analyses current expenditure of local authorities by type of service.

There have been some changes in treatment since the National Income White Paper of April, 1951 (Cmd. 8203). Several of these are the consequences of an attempt to make a more consistent distinction than hitherto between domestic and overseas transactions, and in particular to exclude so far as possible from the reckoning of domestic income (though not, of course, from the national income) the profits of British companies operating abroad. This affects the figures for company trading profits and net income from abroad in Table 1 as well as the account of transactions with the rest of the world (Table 7) and the appropriation account for companies (Table 18).

Another important change—the redefinition of gross capital formation, depreciation and the gross national product so as to exclude current expenditure on building maintenance and repair—was made in March, 1952 and was commented on briefly in the White Paper of that date (Cmd. 8486).

The treatment of stock appreciation also follows that of Cmd. 8486 rather than that of

Cmd. 8203. Further study of the available information confirms the view recorded in Cmd. 8486 that satisfactory estimates cannot be made of the division of this item (itself very imprecisely estimated) between sectors (companies, persons, Government, etc.). The income and saving of particular sectors are therefore presented throughout gross of stock appreciation. Only in reckoning the income and saving of the economy as a whole has an adjustment been made. Stock appreciation therefore appears as a single figure with no sector analysis.

The introduction which follows this foreword gives a short account of the principles on which the estimates are constructed. It

attempts (a) to explain the meaning of the national income and gross national product and to show how they are built up, (b) to describe the system of social accounts which underlies all the estimates, and (c) to define the aims of further development of the estimates. A final section includes some provisional estimates of the various items of national expenditure at constant prices, as a contribution to the measurement of real national resources and their allocation between various uses.

The estimates have been prepared by the Central Statistical Office in collaboration with other Government Departments.

August, 1952.

The following symbols have been used:

- ... not available.
- nil or less than half
the final digit shown.

INTRODUCTION

The earliest studies in the field of statistics to which this paper belongs had as their main object the estimation of a single figure, the national income or national dividend. This was a measure of the goods and services becoming available to the nation for consumption or adding to wealth. To arrive at such a measure remains a principal object of statistical work in this field, and Section I below outlines the way in which this paper tries to achieve it.

2. With the rapid extension of the use of national income estimates which has taken place in the last fifteen years, however, new objectives have been added to the original one. More stress is now laid on the analysis of the national income into its components, and on the measurement of transactions between different parts of the economy. This approach has led to the organisation of the estimates into a series of "social accounts", as they are called, which aim in principle at tracing every important money "flow" from its origin in one account to its destination in another. The estimates given in this paper can all be fitted into a system of social accounts, and Section II describes the system employed here.

3. Further development of the statistics is continuing on two main lines. The first consists in the analysis of what in the social accounts is shown as a single flow into component parts the separate measurement of which is of value for economic analysis. Examples are the division of income flows between industries, or of expenditures between different groups of commodities. Developments on these lines are outlined in Section III. Secondly, a need is widely felt for the analysis of movements in figures of expenditure on goods and services between changes in quantity and changes in price. The usual form of this work is the revaluation of an expenditure flow, e.g. consumption, capital formation or imports, at constant prices. Estimates of this type are the subject of Section IV.

I. The national income and the gross national product

4. As has been said above, the national income is a measure of the value of goods and

services becoming available to the nation for consumption or adding to wealth. It may be considered either as a sum of incomes or as a sum of expenditures. From the first point of view, the national income is the total of the incomes of all United Kingdom residents (including institutions such as British companies and the British Government) so far as they are derived from current economic activity, i.e. from a contribution to "production" in its widest sense. This qualification is necessary because not all income is derived from economic activity. Incomes such as old age pensions, national insurance benefits and family allowances are not a reward for any current service to production. The command over resources which they confer upon their recipients is obtained directly or indirectly at the expense of other income-earners, and for this reason they are often called "transfers". Another kind of income which is here regarded as a transfer is interest on the National Debt. The National Debt has been incurred almost exclusively in financing abnormal current expenditures (mainly in war), and cannot without straining language be regarded as the counterpart of any real assets yielding an income of newly produced goods or services. Interest on the National Debt is therefore excluded from the national income. But wages and salaries, rents and profits arising from production and trade are all included, as are the wages and salaries of Government employees, including the pay of the Armed Forces.

5. The great bulk of the income of United Kingdom residents arises from production in the United Kingdom, but some arises abroad (e.g. dividends received by United Kingdom citizens from abroad), while some of the income arising in the United Kingdom may be paid to foreigners. Thus the total of income arising in the United Kingdom is not quite the same as the national income of the United Kingdom: it has to be adjusted by subtracting income paid abroad and adding income received from abroad.

6. The national income may also be regarded as being "generated" by certain expenditures, chiefly expenditures on goods and services.

Since all economic activity leads to the production of goods and services, this approach is fundamentally consistent with the first. But the national income is not obtained by adding up the values of all goods and services exchanged in the economy. Many commodities are bought by business enterprises and used in production, and their value is covered by the sale of the product to which they have contributed—they are, so to speak, bought for resale. If both the original commodity and the product to which it contributed were counted in estimating the national expenditure, there would be double-counting, which in the case of goods exchanged many times might reach enormous proportions. The principle adopted therefore is to exclude any goods and services bought by a business enterprise for resale—‘intermediate’ expenditure, as it is sometimes called. Their value is fully covered in the price of the ultimate product to which they contribute. The national expenditure is thus confined to “final” expenditure, i.e. expenditure by a buyer who acquires the article for some other purpose than current use in further production. The most important kind of final expenditure is expenditure by individual persons and families on goods for their own consumption. But there are other forms of final expenditure. One form is the expenditure by the Government on goods and services used by it in providing collective public services for which no charge is made. In this case there is no resale and there is, therefore, no other way in which the value of these goods and services (which include the work done by employees of public authorities) would find a place in the national expenditure. Another form of final expenditure is capital formation, i.e. expenditure on the acquisition of new capital assets such as factories, ships, houses, etc., or on additions to stocks and work-in-progress. Such expenditure, even when made by a business undertaking, is not a cost of current production and is therefore not ‘intermediate’ expenditure.

7. Part of the value of the goods and services sold in the United Kingdom is derived ultimately from imported goods and services. To this extent the final expenditure of United Kingdom buyers generates income not in the United Kingdom but abroad. In reckoning the national income of the

United Kingdom, therefore, the value of current imports must be subtracted from the total of expenditure by United Kingdom final buyers. Conversely, the sale of goods and services abroad generates income in the United Kingdom. The value of exports must therefore be added to the total of expenditure by United Kingdom buyers.

8. Final expenditure on goods and services by United Kingdom buyers *less* imports, *plus* exports, is the same as the total of United Kingdom final output—the domestic product, as it is called. As was explained above, this is not quite the same as the national income of the United Kingdom. It has to be adjusted by the addition of net income from abroad.

9. A further complication arises from the existence of indirect taxes and subsidies on particular goods and services. If, as is natural, the expenditure on goods and services making up the national total is entered at market prices, their value will cover not only the income arising in their production but also any tax on their sale. To take an extreme example, expenditure on tobacco exceeds by hundreds of millions of pounds the income generated in the production and sale of tobacco, the difference going to the Exchequer as customs duty. Conversely, the market price of some foods and other consumer goods is reduced below the costs of production of these goods by the payment of Government subsidies. It is considered that the contribution to the national income of a given branch of production is, in general, best measured in terms of the rewards of the factors of production which it employs, since this gives the best available measure of the comparative productive capacity of the factors engaged in the work. To obtain the national income at “factor cost”, as it is called, it is necessary to subtract the amount of indirect taxes from the national expenditure at market prices, and to add subsidies.

10. Table 1 of this paper, showing estimates of the gross national product of the United Kingdom in each year from 1946 to 1951, is based on these ideas. The total to which each side of the table adds, the gross national product, differs in one important respect from the national income. It is fundamental to the concept of the national income that it

measures what is available to the nation for consumption or adding to wealth *after maintaining capital intact*. This means, *inter alia*, that in reckoning the national income by whichever of the two methods described, an allowance must be made for the current depreciation of the fixed capital of the nation. The income generated in the production of any commodity must be reckoned after setting aside a provision for the replacement of fixed capital used up during the period. Further, it is the *real* capital of the nation which must be maintained intact if the measure of the national income is not to give misleading results. The correct measurement of the national income therefore requires that income shares should be defined after allowing for the current depreciation of capital at current replacement cost.

11. Unfortunately, however, it has not yet been possible from available material to construct estimates of income on these principles. The depreciation allowances recorded in this paper are, in the main, those granted for taxation purposes, and do not purport to follow the principles just described; further, as is explained in the notes to Table 31 (item 4), they have shown sharp changes from time to time in accordance with changes in the tax laws. The available measures of entrepreneurs' income are affected in an equal but opposite direction by these special characteristics of the present measures of depreciation. In order to obtain a measure of the value of goods and services available to the nation that will not be vitiated by these factors, the procedure adopted is to add back to the total of incomes the depreciation allowances deducted in measuring profits. Thus the attempt to obtain a measure of the national income which allows for the current depreciation of fixed capital is, in effect, abandoned. The resulting magnitude, the sum of incomes and depreciation provisions, is called the gross national product.

12. The justification for this procedure is that there is good reason to believe that the "true" national income, though smaller than the gross national product, will generally follow fairly closely its year to year movements. This presumption is based on the facts (1) that the "true" current depreciation of fixed capital

is not a very large proportion of the national income—certainly not more than about 10 per cent., and (2) that many of the factors which would affect its size would also affect the size of the gross national product in the same way. It is therefore considered likely that though the gross national product does not *measure* the true national income, it is a reasonably reliable indicator of its movements. There is no doubt that it is superior, from this point of view, to the "apparent" national income as shown in this paper, i.e. the gross national product *less* the total of depreciation provisions.

13. The left hand side of Table 1 builds up the gross national product from the expenditure side. The first two items represent current expenditure on goods and services by persons and public authorities (Central Government, national insurance funds and local authorities) respectively. The third item, gross domestic capital formation, is divided into two very different parts, gross fixed capital formation, and capital formation in stocks and work in progress. The former is gross in the sense that no deduction is made from the total of acquisitions of new capital equipment to allow for the making good of current depreciation. This feature reflects the fact that the total to which the table builds up is the gross national product and not the national income. If it had been the latter, the item included here would have been "net fixed capital formation" i.e. new acquisitions *less* the amount required to make good current depreciation.

14. Capital formation in stocks is measured by the value of the physical increase in stocks and work in progress. In a period of rising prices this will be smaller than the increase in total value of stocks; in periods of falling prices, it will be larger. The difference between the two figures enters into the estimates in a way which is explained below (para. 20).

15. The items so far mentioned add up to the total of final expenditures by United Kingdom residents. To this total the value of exports and income received from abroad has to be added, while imports and income paid abroad are subtracted, and the resulting figure is the gross national expenditure at market prices. From this indirect taxes are deducted, and subsidies added, to yield the gross national

expenditure at factor cost, or the gross national product.

16. The right hand side of Table 1 shows how the gross national product is measured from the income side. It is the sum of (1) the gross domestic product, or total income from economic activity in the United Kingdom, and (2) the net income of United Kingdom residents from abroad (item 20). The main items, Nos. 10-19, represent the earnings of various types of factors of production engaged in production in the United Kingdom, but it is emphasized that the classification does not even approximately represent the rewards of the various "pure" factors of production of economic theory. Existing information does not permit the statistical identification of such pure factor shares. The classification of income adopted here is determined in part by the legal forms of business enterprise in the United Kingdom, and in part by the administrative practices of the taxation authorities. A broad distinction may however be made between the pure labour incomes on the one hand and the profit incomes on the other.

17. The group of pure labour incomes has three components, wages and salaries, the pay and allowances of the Armed Forces, and employers' national insurance contributions. In line with normal international practice the third item is treated as a form of income to the employee which is, so to speak, taxed at source.

18. The profit incomes are, in principle, balancing items in the accounts of producers: they represent the residue obtained by subtracting the costs of production, in the shape of payments for employed factors of production, imports, indirect taxes and depreciation, from the total sales receipts (including "sales" to stock). It is because the income share of entrepreneurs is defined in this way that the two sides of the gross national product table must balance. The group of profit incomes may be further subdivided between two sub-groups, (1) the pure property incomes, and (2) the "mixed" incomes which are partly a reward for work and only partly an income from property. The first sub-group contains four items, (1) the trading profits of companies, (2) the trading surpluses of public corporations, (3) the profits of other public enterprises, and (4) rent. The first

covers all profits of companies arising from operations in the United Kingdom. The distinction between the second and third items turns on the extent of financial independence; the public corporations are, broadly speaking, the boards of nationalised industries which have a considerable degree of autonomy, while the "other public enterprises" are public trading bodies such as the Government Trading Departments and the local authority trading services, which enjoy much less financial independence. The rent item includes a notional income from owner-occupied houses. This is one of a very few cases in the paper where an estimate is recorded in the tables even though no money actually passes—the measure, in fact, of an imaginary transaction. This device of "imputation" is resorted to reluctantly, and only in cases where it is felt that an important economic fact would be obscured if the record confined itself to actual transactions. Thus for example it is undesirable that the national income should appear to shrink merely because people who had been tenants bought the houses they were living in. On the other hand, it is usually difficult to find a satisfactory way of fixing the value to be put on an imputed transaction; this applies to rent as well as to other cases of imputation.

19. The group of "mixed incomes", or incomes paid to those whose economic activity consists of the joint provision of work and property, has three items, professional earnings, income from farming, and profits of other sole traders and partnerships. Between them these cover the field of non-corporate business enterprise.

20. Except for depreciation and income from abroad, both of which have been discussed already, the remaining item in Table 1 is stock appreciation. The necessity for including this item arises from the fact that normal business accounting treats the stocks of business enterprises in a different way from that required by the principle on which the estimation of the national income is based. The national income, as has been said above, is a measure of what is available to the nation after maintaining the real capital of the nation intact. This means that the contribution of the entrepreneur to the national income must be reckoned after charging as a current cost

the *replacement* cost of the materials used in production, which, if prices are changing, will in general be different from their *original* cost. This is not, however, the principle on which normal accounting is based. That is related to the maintenance intact of *money* capital, and for this purpose the value of stocks and work-in-progress is normally set at cost or market value, whichever is the lower. In periods of rising prices cost is the lower and the accounting principle amounts to the same thing as charging the materials used at their original cost. In periods of falling prices the position is more complicated; the effect of normal accounting is then to value stocks and work-in-progress at the current market prices and to charge materials used at something more than their replacement costs, but not necessarily at their original costs. In either case, however, profits as reckoned by normal accounting will diverge from the entrepreneurs' share in the national income to the extent to which the growth in the value of stocks as entered in the calculation of profits exceeds the value of the physical change in stocks. Expenditure which raises the *physical* volume of stocks is treated not as a cost of production but as a part of capital formation.

21. The estimation of stock appreciation is difficult because of the paucity of information about the commodity composition of stocks, about changes in their value and quantity, and above all about the changes in the prices at which they are valued for balance-sheet purposes. The information at present available does not permit the estimation of more than a single total figure for the whole economy. This figure can be applied to the total of profits items in Table 1 (items 13-18) to yield a total for the entrepreneurial share in the national income. It is not possible, however, to make a sufficiently reliable estimate of the distribution of stock appreciation among the various kinds of profit income. The figures given for these profit items are thus all reckoned on normal accounting principles. As such they are in themselves figures of considerable practical importance. The adjustment for stock appreciation, although so difficult to estimate with any confidence, is also important since if it were not made the movement of the figures for gross

capital formation and the gross national product would be highly misleading in periods when prices were changing rapidly.

II. The Social Accounts

22. At an early stage in the development of national income estimation it was recognised that the analysis of the total into its component parts, e.g. into types of income payment or types of final expenditure, was more than merely a statistical method of building up to the total—that it was of considerable interest in itself. Somewhat later, the technique of organising the statistical material into balancing tables, which in Section I was applied to the gross national product, was seen to be capable of extension to cover the transactions of a particular sector or kind of economic activity within the whole economy. Finally the conclusion was reached that the whole body of material of the kind presented in this paper could best be regarded as recording the transactions in a series of “social accounts”. A “social account” is conceived of as the account for a single entity or group of entities—such as persons, companies, the Government, etc.—or for the economy as a whole, recording its transactions in some particular field of economic activity. It is an account because both the payments by, and the receipts of, the group engaged in the particular activity are recorded, and the items on the two sides are so defined that their totals must balance. In combining the accounts of different entities to form a “consolidated” group account, payments *between* the constituent individual accounts are usually omitted on both sides, so that the account represents the transactions of the group as a whole with the outside world.

23. The statistics presented in this paper are related to a system of accounts which is based on a two-fold division of the relevant transactions, (1) between kinds of economic activity, and (2) between “sectors” or groups of entities. Under the first head three kinds of economic activity are recognised, namely production, consumption and adding to wealth, to each of which a particular kind of account is appropriate—respectively an operating account, an income-and-expenditure account,

and a capital account. Under the second head six sectors are recognised, namely (1) persons and private non-profit-making bodies, (2) companies, (3) public corporations, (4) the Central Government, (5) local authorities and (6) the rest of the world in so far as it has transactions with the United Kingdom. In theory it would be possible to have each kind of account for each sector as well as for the United Kingdom as a whole, but in practice some of these accounts would be of little interest. In this paper a production account is given for the United Kingdom as a whole, but not for each individual sector; an income-and-expenditure account and a capital account are given for each United Kingdom sector; while the account given for the rest of the world is a single one which brings in transactions of all kinds. A summary version of these accounts appears in Table 8, where sector accounts elsewhere given separately are in some cases combined in order to reduce the complexity of the table. Table 8 is as far as possible "articulated", i.e. each payment from one account is shown as an identifiable receipt in another account. Tables 1-7 also constitute a series of social accounts; in these however "articulation" has been subordinated to the aim of providing a convenient summary of statistical information for practical purposes.

24. The consolidated production account for the United Kingdom is shown explicitly for 1951 in Table 8 (Account I); it can be constructed for other years, in all essentials, from the information given elsewhere in the paper (mainly in Table 1). Such an account shows the operating receipts and expenditures of all agencies engaged in production in the United Kingdom, taking "production" in the wide sense to include transport, distribution and personal services, as well as the work done by domestic servants and by the employees of public authorities (including the Armed Forces), and the "services" of houses. The receipts of such an account are chiefly sales of goods and services to final buyers; sales to intermediate buyers who use the goods in current production are excluded both from the receipts and from the expenditures. In an "articulated" system of accounts the receipts side shows separately the sales to each of the other accounts in the system. Thus

in Table 8 the sales of goods and services to (a) the current account of persons, (b) the current account of public authorities, (c) to capital accounts (capital formation), and (d) to the rest of the world (exports), are shown separately. The receipts side of the account also includes subsidies from public authorities. On the payments side the account shows the various current operating expenses, i.e. payments to employed factors of production (wages, salaries, etc.), provision for depreciation, purchases of goods and services from the rest of the world, and indirect taxes, and the balancing item of trading profit or operating surplus, the latter being divided according to the sector to which it accrues as income.

25. An income-and-expenditure account is given for each of the five United Kingdom sectors, i.e. for persons (Table 2), companies (Table 18), public corporations (Table 21), Central Government and national insurance funds (Table 4 or (in more detail) Table 22), and local authorities (Table 5 or (in more detail) Table 25). An income-and-expenditure account shows the sources of current income of the group and the various ways in which it is disposed of. In general, current income is derived partly from services to production (and is then paid from the production account) and partly from transfers from other sectors (and is then paid from other income-and-expenditure accounts). Thus, for example, the income of persons in wages and salaries and profits of non-corporate enterprises are derived from services to production, while national insurance benefits are a transfer from public authorities. Dividends and interest received by persons come in the first place from other income-and-expenditure accounts, e.g. of companies or the Central Government. More remotely, some of this income derives via corporate trading profits from production, while the part which consists of national debt interest is a pure transfer. Unfortunately, not enough information is available to make it possible to divide the total of dividends and interest paid to persons between the amounts coming from each of the various sectors—nor, indeed, is it possible to divide in this way the items of dividends and interest received by any of the sectors.

26. The type of income received varies, of course, considerably from sector to sector. The sources of personal income have been detailed above. Companies and public corporations have as their chief source of income the trading surpluses received from their operating accounts, with non-trading income such as interest as a subsidiary element. Since the production account is related to production in the United Kingdom, the income of British companies from trading operations abroad has to be treated as non-trading income. In conformity with the principle of consolidating the accounts of all the entities within the sector, dividends paid by one company to another are not included in non-trading income. They are also omitted from dividends paid on the other side of the account.* The chief sources of income of public authorities, on the other hand, are transfers from other sectors—indirect taxes received from the production account and direct taxes received from income-and-expenditure accounts.

27. On the payments side of the income-and-expenditure accounts the nature of the chief items again varies considerably from sector to sector. In the personal account current expenditure on goods and services, purchased partly from the production account and partly from overseas (tourist expenditure), is much the largest item, while direct tax payments, mainly to the United Kingdom Central Government, also bulk large. In the income-and-expenditure accounts of companies and public corporations, on the other hand, there is no expenditure on goods and services; most of the income is paid out in dividends and interest to the various recipients of property income, or paid to the United Kingdom Government or other governments in taxes. Local authorities' current expenditure is chiefly on goods and services, while the Central Government has large expenditures on debt interest, insurance benefits and other transfers as well as on goods and services purchased from home production or from abroad.

*The available information does not make it possible similarly to apply the principle of consolidation so as to exclude from the appropriation account of public corporations payments of interest to each other; nor can it be applied to payments between companies and public corporations when the two are combined, as in Tables 3 and 8.

28. The balance of current income over payments to other sectors (the various items described above) represents sums set aside for various purposes, and is transferred to the capital account of the sector. In the case of persons this balancing item has two parts, given separately in Table 2. The first part, "additions to tax reserves", is the excess of the provision made by persons for direct taxes over the amount actually paid in the year. The taxes paid on business income in any one year relate in general to the income of a previous year, but it is assumed here that money is set aside out of current income to meet the tax that is likely to be levied on that income in future. From the taxpayers' own point of view, "saving" is what is left after meeting *provision* for tax, as well as his other outlay, but since the money added to tax reserves remains for the time being in the taxpayers' own possession, it is treated in the social accounts as a transfer to his capital account and is available to meet calls made on that account in the year. The second part of "sums set aside" is personal saving and provision by non-corporate businesses for stock appreciation. As explained above in the figures for a single sector these two cannot be separated.

29. The balance on the corporate appropriation accounts has three sub-items (shown separately in Tables 3, 18 and 21), namely, (1) additions to tax reserves, an item parallel to the similar item in the current account of persons already described, (2) additions to dividend reserves, an analogous item reflecting any difference between the dividends attributable to the income of a year and the amount actually paid as dividend in the year, and (3) saving and provision for stock appreciation, which corresponds to the reinvestment of corporate profits as seen by the enterprise itself. All three items are transferred to the capital accounts of companies and public corporations.

30. Just as the operating accounts of the various United Kingdom sectors are consolidated in this paper in the production account for the whole of the United Kingdom, so their income-and-expenditure accounts may be consolidated to produce an income-and-expenditure account for the nation. When

this is done the transfers of income between the income-and-expenditure accounts of different United Kingdom sectors cancel each other out. All that remains on the receipts side is the income derived from the production account, *plus* property income received from abroad, *less* property income paid abroad. This will be recognised as identical with the national income as defined in Section I, i.e. the sum of the domestic product and net income from abroad.

31. In the case of the revenue accounts of the Central Government and National Insurance Funds (Tables 4 and 22), the meaning of the balancing item requires some explanation. Tables 4 and 22 are not quite on all fours with the other income-and-expenditure accounts. The difference arises from the fact that there are certain types of payment between the Government and the rest of the economy which are current transactions from the Government's point of view, but capital transactions from the point of view of the non-government sector. Among government receipts the death duties and other capital taxes fall into this category; among government expenditure payments of war damage compensation and certain other transfers must be so regarded. Tables 4 and 22 present the Government accounts from the Government's own point of view, i.e. they include the capital taxes as revenue and the compensation payments as expenditure. The income-and-expenditure accounts of the other sectors, however, do not contain the death duties as current tax payments or the compensation as current receipts, since from their point of view these are transactions in the capital and not in the current account. This divergence causes no difficulty so long as the accounts of the various sectors are taken separately. When, however, they are brought together it is necessary to adopt a consistent treatment; otherwise neither the current account nor the capital account of the whole economy would balance. In the combined capital account for the United Kingdom (Table 6) an adjustment is made which has the effect of treating these items as capital at both ends. This gives a figure (there called "saving of Central Government") which differs from the Central Government surplus as measured in Table 4. The same

treatment is followed in the Social Accounts for 1951 (Table 8).

32. Besides a production account and an income-and-expenditure account, each sector may be regarded as having a capital account which records transactions related to the activity of adding to wealth—a savings-and-investment account, as it is sometimes called. In this paper material constituting a highly condensed capital account is presented for each sector. In Table 8 this material is summarised into two accounts, one combining the capital accounts of persons, companies and public corporations, and the other those of the various types of public authority. The elements of a separate capital account for each sector are presented in Table 31, though not in the usual accounting form. More detailed capital accounts are given for two sectors only, the Central Government and National Insurance Funds (Table 23), and the local authorities (Table 26).

33. The receipts of a capital account may be grouped under four main headings, (1) depreciation provisions transferred from the sector's operating account, (2) sums set aside from the income-and-expenditure account, (3) transfers from other capital accounts, and (4) sums raised at the cost of relinquishing financial assets or accepting liabilities. The second heading, as explained above (paras. 28 and 29), includes additions to tax reserves and to dividend and interest reserves as well as saving and provision for stock appreciation. The third heading may include such items as death duties, receipts of compensation for war damage, etc., and capital transfers from other governments such as aid under the European Recovery Programme. The fourth heading includes sums raised by borrowing in the new issue market or from banks, etc., by selling financial assets such as stocks and shares, or by running down cash or bank balances.

34. Payments may be divided under three heads, (1) expenditure on the acquisition of real capital assets (fixed assets or stocks and work-in-progress) from the production account (gross capital formation), (2) transfers to other capital accounts (the same items as mentioned above regarded from the point of view of the payor), and (3) the acquisition of financial assets or reduction of liabilities. The last

item would include lending on long or short term, purchasing securities and increasing cash or bank balances.

35. In Tables 8 and 31 the two items recording changes in financial assets are combined for each sector; in Table 8 the net change is entered as a payment or receipt according to sign. Further, since the interest in Table 31 is in the provision of funds for financing capital formation in the United Kingdom, capital formation abroad has been included with the change in financial assets. This telescoping of a complicated series of flows in both directions is made necessary by lack of information.

36. The remaining account shows the overseas transactions of the United Kingdom as seen by the rest of the world, so that the "receipts" of the account are United Kingdom debits, and conversely (Table 7 and column VII of Table 8). This account rounds off the system by recording the other end of all transactions which affect a United Kingdom sector at one end only. The left hand side includes receipts from the sale of goods and services (including "invisible" services such as shipping, films, tourism, etc.) to the United Kingdom production account, to persons in the United Kingdom or to public authorities. It also includes property income received from the United Kingdom, taxes paid to foreign governments by United Kingdom persons or companies, personal remittances abroad and grants from the United Kingdom Government to persons or governments abroad. On the payments side the items include the purchase of goods and services from the United Kingdom production account (United Kingdom exports in the broadest sense), property income paid to the United Kingdom, capital transfers and "net lending" to the United Kingdom. Property income received by the United Kingdom from abroad includes the profits of British companies operating abroad. The head office of these companies in the United Kingdom is thus treated as a United Kingdom resident to which accrues as income the profits of the establishment trading abroad—the overseas establishment being itself a foreign resident. Capital transfers from abroad includes E.R.P. grants and sums paid

to the United Kingdom Government under war settlements. Net lending to the United Kingdom is, like net borrowing by a United Kingdom sector, the net result of a number of different types of transactions in financial assets. Included in these transactions are changes in the United Kingdom reserves of gold and dollars, a fall in which is a form of "net lending" to the United Kingdom and a rise a form of "net borrowing" from the United Kingdom.

III. Further Analysis

37. The social accounts form a framework into which the estimates contained in this paper can be fitted with advantages both for clear understanding and for ensuring accuracy and mutual consistency in the estimates themselves. But the construction of a system of social accounts, even if articulated in considerable detail, by no means exhausts the useful development of the estimates. A flow which, from the point of view of any practicable system of social accounts, is indivisible may be capable of fruitful analysis in a number of different ways. It is in this kind of analysis, rather than in the further elaboration of the social accounts, that the recent developments embodied in this series of papers have mainly lain.

38. The analysis of the gross national product by industry of origin, given in Tables 9-12, is one example of this kind of analysis. Tables 10, 11 and 12 show for various forms of income generated in United Kingdom production the amount arising in each industry. Table 10 covers what may be called the share of property and entrepreneurship in the gross national product, while Table 11 covers the share of employed labour; Table 12 is limited to one part of the latter. The sum for each industry of its shares of Table 10 and Table 11 represents its contribution to the gross national product. From another point of view this sum represents the "value added" by the industry, i.e. the excess of the value of its output over the value of the goods and services purchased from outside and used in production. This is the source from which all the incomes derived from the industry are drawn, and in combination with depreciation provisions they exhaust it.

39. Table 13 embodies a further development of analysis by industry. This is an "input-output" table for the United Kingdom in 1948 (1948 is the only post-war year for which the necessary information is available). It shows for each industry, first, the amount of its current purchases of goods and services from each other industry and from abroad, and also its purchases of factors of production, divided between employed labour on the one hand and the services of other factors of production (including the entrepreneurs) on the other. Secondly, it shows the receipts of the industry from the sale of its products to other industries, to final buyers in the United Kingdom, and to foreigners. The purchases of each industry occupy one of the columns in the table; its sales occupy one of the rows. From a social accounting point of view the table may be regarded as an articulated series of operating accounts for a number of industrial sectors, reversing the process of consolidation which underlies the production account of the whole economy.

40. This table gives a picture, admittedly very summary since the number of separate sectors is so small, of the industrial structure of the country and of its relation to factors of production on the one hand and final buyers on the other. By following its indications it is possible to track down the ultimate requirements in factor services and imports of any particular form of final expenditure.

41. A different and more familiar type of analysis is that which divides figures of expenditure on goods and services between different types of commodity. Commodities may be classified by the purpose which they serve or by their technical characteristics; in practice, commodity classifications often show the influence of both principles. This is true of the classification of consumers' expenditure which appears in Tables 15-17 of this paper, following the same lines as corresponding tables in past papers. Further examples of the analysis of expenditure on goods and services are found in the field of capital formation. Gross fixed capital formation is analysed both by the technical character of the capital asset (Table 33) and by the industry in which capital formation takes place (Tables 35 and 36). Capital formation in stocks and work in progress is also analysed by industry (Table 38).

42. On the income side, besides the classification of incomes by industry already referred to, there is a more detailed industrial classification of company trading profits (Table 19) and a classification of company dividends between preference dividends, ordinary dividends, etc. (Table 18.)

43. Finally in the Section (VIII) which is devoted to certain aspects of the transactions of public authorities as a group, there are analyses of subsidies and grants to persons by type of service in some detail, together with an analysis of direct taxes by type of income on which they fall (Table 29) and of indirect taxes by the type of final expenditure which they (immediately or ultimately) affect (Table 30).

IV. Estimates of expenditure at constant prices

44. In interpreting figures of expenditure on goods and services at current prices, many of which appear in this paper, it is generally thought desirable to be able to analyse the change in total value over a period between a price change and a quantity change. The desire persists in spite of the well recognised difficulties (indeed the impossibility) of obtaining unique answers when the patterns of expenditure and prices are both changing, and the almost insuperable problems created by changes in quality and the introduction of new products.

45. Previous papers in this series have for some time contained estimates of consumers' expenditure revalued at constant prices. In the present paper these estimates appear in Table 16. A new series of estimates of fixed capital formation revalued at constant prices is given in Table 34. In both cases the prices at which the revaluation has been made are those of 1948.

46. The value of calculations of this sort is of course much enhanced if the method is extended to cover other types of final expenditure. Ultimately it may then be possible to aggregate the various forms of expenditure and obtain a total of goods and services used which can be compared with independent estimates from the supply side. Some preliminary work on these lines has yielded the estimates given in the table below. No attempt has,

however, been made as yet to reconcile the implied total of supplies from home production with a direct estimate from the output side.

47. The table gives estimates of final expenditure on goods and services at current prices and at constant (1950) prices. The current price estimates are derived from the figures presented in the main tables of this paper, and are in terms of factor cost, i.e. each commodity or service is valued not in terms of its market price but at its cost in terms of payments to factors of production (see para. 9 above). The right-hand part of the table gives each item of the left-hand part revalued at 1950 prices.

48. It is emphasised that in some of its components the material available for a calculation of this kind is seriously defective. The

results should be regarded as giving a general picture, but not as having precise accuracy. The figures for consumption (item 1) and fixed capital formation (item 3a) are related to, though not identical with, those given in Tables 16 and 34 respectively (these two tables being in terms of *market* prices and based on 1948). The figures for capital formation in stocks and work in progress are very precarious. The estimates for imports and exports include allowances for "invisible" items such as tourism, shipping and Government overseas expenditure, and move differently from the existing Board of Trade index numbers of volume of imports and exports both because of this wider scope and because the latter are based on 1947 values. The revaluation of public authorities' expenditure is based on scanty material and must be regarded as provisional.

Final expenditure on goods and services at current and at constant (1950) prices, 1948-51

£ million

	At current factor cost				At 1950 factor cost			
	1948	1949	1950	1951	1948	1949	1950	1951
1. Personal consumption ...	7,047	7,416	7,772	8,321	7,465	7,615	7,772	7,685
2. Public authorities' current expenditure on goods and services ...	1,795	1,993	2,013	2,381	1,920	2,050	2,013	2,165
3. Gross domestic capital formation:								
(a) Fixed capital formation ...	1,414	1,539	1,624	1,769	1,505	1,595	1,624	1,580
(b) Physical increase in stocks and work in progress ⁽¹⁾	190	67	— 165	380	170	40	— 165	315
4. Exports of goods and services ...	1,926	2,189	2,645	3,261	2,080	2,295	2,645	2,755
5. <i>less</i> Imports of goods and services	—2,196	—2,394	—2,792	—4,073	—2,615	—2,785	—2,792	—3,200
6. Total supplies from home production (gross domestic product)	10,176	10,810	11,097	12,039	10,525	10,810	11,097	11,300

⁽¹⁾ In comparing the two series of figures for this item it must be remembered that it may have negative as well as positive components. In particular, the 1948 and 1949 figures reflect the fact that certain commodities, the stocks of which fell substantially in those years, rose sharply in price between 1949 and 1950.

TABLE 1

Expenditure generating gross national product	1946	1947	1948	1949	1950	1951
1. Personal consumption	7,135	7,875	8,392	8,748	9,190	9,880
2. Public authorities' current expenditure on goods and services	2,398	1,893	1,828	2,030	2,058	2,440
3. Gross domestic capital formation						
a. Fixed capital formation	935	1,240	1,466	1,599	1,697	1,862
b. Value of physical increase in stocks and work in progress	-136	249	195	70	-168	387
4. Exports and income received from abroad ...	1,450	1,735	2,359	2,647	3,305	3,868
5. <i>less</i> Imports and income paid abroad	-1,875	-2,325	-2,405	-2,613	-3,045	-4,384
6. Gross national expenditure at market prices ...	9,907	10,667	11,835	12,481	13,037	14,053
7. <i>less</i> Taxes on outlay and local rates	-1,551	-1,785	-2,021	-1,981	-2,059	-2,263
8. Subsidies	359	455	554	509	469	464
9. Gross national expenditure at factor cost ... (= gross national product)	8,715	9,337	10,368	11,009	11,447	12,254

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

Personal income

TABLE 2

Income (including stock appreciation)	1946	1947	1948	1949	1950	1951
1. Wages and salaries	4,925	5,530	6,230	6,585	6,990	7,735
2. Pay and allowances of the Armed Forces ...	597	422	262	258	255	326
3. Employers' insurance contributions	84	113	157	197	199	205
4. Professional earnings	154	160	185	200	205	208
5. Income from farming	196	210	267	310	294	295
6. Profits of other sole traders and partnerships	815	850	800	815	855	885
7. Rent, dividends and interest received by persons	1,193	1,235	1,255	1,291	1,336	1,256
8. National insurance benefits and other current grants from public authorities	674	683	704	743	759	788
9. Total	8,638	9,203	9,860	10,399	10,893	11,698

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

TABLES
product

£ million

Shares in gross national product	1946	1947	1948	1949	1950	1951
10. Wages and salaries	4,925	5,530	6,230	6,585	6,990	7,735
11. Pay and allowances of the Armed Forces ...	597	422	262	258	255	326
12. Employers' insurance contributions	84	113	157	197	199	205
13. Professional earnings	154	160	185	200	205	208
14. Income from farming	196	210	267	310	294	295
15. Profits of other sole traders and partnerships	815	850	800	815	855	885
16. Trading profits of companies	1,155	1,411	1,423	1,378	1,576	1,992
17. Trading surpluses of public corporations ...	13	3	68	81	102	148
18. Profits of other public enterprises	62	48	80	76	97	59
19. Rent of land and buildings	434	432	434	442	442	416
20. Net income from abroad	38	108	192	199	350	215
21. <i>less</i> Stock appreciation	-150	-450	-300	-250	-700	-1100
22. Depreciation	392	500	570	718	782	870
23. National income and depreciation (=gross national product)	8,715	9,337	10,368	11,009	11,447	12,254

and outlay

£ million

Current outlay and saving	1946	1947	1948	1949	1950	1951
10. Consumption	7,135	7,875	8,392	8,748	9,190	9,880
11. Remittances abroad (net)	-15	46	43	25	-1	4
12. Provision for taxes on income						
<i>a.</i> Payments	1,197	999	1,038	1,048	1,083	1,184
<i>b.</i> Additions to tax reserves	-108	-10	-23	36	4	80
13. National insurance contributions	170	232	335	436	440	452
14. Total current outlay	8,379	9,142	9,785	10,293	10,716	11,600
15. Saving and provision for stock appreciation	259	61	75	106	177	98
16. Total	8,638	9,203	9,860	10,399	10,893	11,698

SUMMARY TABLES

TABLE 3

Corporate income

Income (including stock appreciation)	1946	1947	1948	1949	1950	1951
1. Trading profits of companies and trading surpluses of public corporations ...	1,168	1,414	1,491	1,459	1,678	2,140
2. Other corporate income...	453	553	610	584	712	728
3. Total ...	1,621	1,967	2,101	2,043	2,390	2,868

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

TABLE 4

Revenue account of Central Government and

Revenue	1946	1947	1948	1949	1950	1951
1. Direct taxes on income ...	1,716	1,495	1,595	1,780	1,795	1,907
2. Direct taxes on capital ...	143	164	215	254	190	194
3. Taxes on outlay ...	1,282	1,478	1,703	1,655	1,722	1,902
4. National insurance contributions ...	170	232	335	436	440	452
5. Profits and other income from property (including stock appreciation) ...	53	71	137	145	176	171
6. Current grants from overseas governments ...	—	—	—	—	—	18
7. Total ...	3,364	3,440	3,985	4,270	4,323	4,644

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

TABLE 5

Current account of

Current revenue	1946	1947	1948	1949	1950	1951
1. Rates ...	269	307	318	326	337	361
2. Grants from the Central Government ...	244	264	278	286	294	327
3. Profits and other income from property ...	67	66	65	68	75	82
4. Total ...	580	637	661	680	706	770

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

SUMMARY TABLES

appropriation account

£ million

Allocation of income	1946	1947	1948	1949	1950	1951
4. Dividends and interest						
a. Payments... ..	690	762	795	803	837	924
b. Additions to dividend and interest reserves	58	35	-15	6	60	39
5. Provision for taxation						
a. Payments... ..	519	496	557	732	712	723
b. Additions to tax reserves	—	176	168	-32	99	457
6. Saving and provision for stock appreciation ...	354	498	596	534	682	725
7. Total	1,621	1,967	2,101	2,043	2,390	2,868

National Insurance Funds

£ million

Expenditure	1946	1947	1948	1949	1950	1951
8. Current expenditure on goods and services ...	1,930	1,370	1,300	1,490	1,498	1,816
9. Subsidies... ..	350	444	542	496	455	450
10. National insurance benefits	133	272	332	374	384	404
11. Other pensions and grants to persons ...	506	369	334	333	337	345
12. National debt interest	481	514	504	502	501	544
13. Current grants to local authorities	244	264	278	286	294	327
14. Grants abroad	98	38	33	38	44	40
15. Transfers to capital accounts	552	393	219	248	160	117
16. Total expenditure	4,294	3,664	3,542	3,767	3,673	4,043
17. Surplus	-930	-224	443	503	650	601
18. Total	3,364	3,440	3,985	4,270	4,323	4,644

local authorities

£ million

Current expenditure	1946	1947	1948	1949	1950	1951
5. Current expenditure on goods and services ...	468	523	528	540	560	624
6. Housing subsidies	9	11	12	13	14	14
7. Current grants to persons	35	42	38	36	38	39
8. Debt interest	61	61	62	66	72	79
9. Total current expenditure	573	637	640	655	684	756
10. Current surplus... ..	7	—	21	25	22	14
11. Total	580	637	661	680	706	770

SUMMARY TABLES

Combined

TABLE 6

Receipts	1946	1947	1948	1949	1950	1951
1. Saving and provision for stock appreciation						
<i>a.</i> Personal	259	61	75	106	177	98
<i>b.</i> Corporate	354	498	596	534	682	725
<i>c.</i> Saving of Government						
<i>i.</i> Government surplus	-930	-224	443	503	650	601
<i>ii.</i> <i>less</i> Taxes on capital	-143	-164	-215	-254	-190	-194
<i>iii.</i> Transfers to capital accounts	552	393	219	248	160	117
<i>d.</i> Current surplus of local authorities ...	7	—	21	25	22	14
2. <i>less</i> Stock appreciation	-150	-450	-300	-250	-700	-1100
3. Additions to dividend reserves	58	35	-15	6	60	39
4. Additions to tax reserves	-108	166	145	4	103	537
5. Provision for depreciation	392	500	570	718	782	870
6. Net gifts and loans from abroad						
<i>a.</i> War disposals, settlements, etc.	164	129	96	34	27	21
<i>b.</i> Investment and financing	344	545	26	-5	-244	521
7. Total	799	1,489	1,661	1,669	1,529	2,249

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

Transactions with the

TABLE 7

United Kingdom debits	1946	1947	1948	1949	1950	1951
1. Imports of merchandise into the United Kingdom	1,081	1,560	1,791	1,974	2,372	3,497
2. Other imports	615	571	405	420	420	576
3. Property income paid abroad	179	194	209	219	253	311
4. Current transfers (net)	83	84	76	63	43	26
5. Net investment abroad	-344	-515	112	159	383	-478
6. Total	1,614	1,894	2,593	2,835	3,471	3,932

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

SUMMARY TABLES

capital account

£ million

Payments	1946	1947	1948	1949	1950	1951
8. Gross fixed capital formation	935	1,240	1,466	1,599	1,697	1,862
9. Value of physical increase in stocks and work in progress	-136	249	195	70	-168	387
10. Total (=gross domestic capital formation) ...	799	1,489	1,661	1,669	1,529	2,249

rest of the world

£ million

United Kingdom credits	1946	1947	1948	1949	1950	1951
7. Exports of merchandise from the United Kingdom	905	1,135	1,588	1,820	2,225	2,708
8. Other exports	328	298	370	409	477	634
9. Property income received	217	302	401	418	603	526
10. Capital transfers (net)						
a. Grants, etc.	—	30	138	154	139	43
b. War disposals, settlements, etc.	164	129	96	34	27	21
11. Total	1,614	1,894	2,593	2,835	3,471	3,932

TABLE 8

	I Production account of the United Kingdom		II Persons' current account	
	Receipts	Payments	Receipts	Payments
1. Income payments to factors of production				
<i>a.</i> Wages, salaries and Forces' pay	—	8,266	8,266	—
<i>b.</i> Profits and rents of non-corporate businesses	—	1,579	1,579	—
<i>c.</i> Trading profits and rents of companies and public corporations... ..	—	2,287	—	—
<i>d.</i> Profits and rents accruing to public authorities	—	137	—	—
2. Depreciation				
<i>a.</i> Provision by public authorities	—	114	—	—
<i>b.</i> Provision by corporate and non-corporate business	—	756	—	—
3. Taxes on outlay and local rates	—	2,263	—	—
4. Transfers of income				
<i>a.</i> National insurance benefits and other grants to persons from public authorities	—	—	788	—
<i>b.</i> Dividends and interest, <i>plus</i> profits from abroad	—	—	1,065	—
<i>c.</i> Taxes on personal income and national insurance contributions	—	—	—	1,636
<i>d.</i> Taxes on corporate income	—	—	—	—
<i>e.</i> Personal remittances abroad (net)	—	—	—	4
<i>f.</i> Current grants between United Kingdom Government and governments, etc., abroad	—	—	—	—
5. Subsidies	464	—	—	—
6. Current expenditure on goods and services				
<i>a.</i> Personal expenditure at home and abroad	9,737	—	—	9,880
<i>b.</i> Public authorities' current expenditure at home and abroad	2,292	—	—	—
7. Overseas trade				
<i>a.</i> United Kingdom exports of goods and services	3,342	—	—	—
<i>b.</i> Imports of goods and services by United Kingdom businesses	—	3,782	—	—
8. Sums set aside (saving, additions to tax or dividend reserves and provision for stock appreciation)				
<i>a.</i> By persons	—	—	—	178
<i>b.</i> By corporate bodies	—	—	—	—
<i>c.</i> By public authorities	—	—	—	—
9. Gross domestic capital formation and stock appreciation				
<i>a.</i> By public authorities	756	—	—	—
<i>b.</i> By corporate and non-corporate business	2,593	—	—	—
10. Capital transfers				
<i>a.</i> Taxes on capital	—	—	—	—
<i>b.</i> War damage compensation and other government transfers to capital accounts	—	—	—	—
<i>c.</i> Capital transfers from abroad	—	—	—	—
11. Net change in financial assets and overseas real assets	—	—	—	—
12. Total	19,184	19,184	11,698	11,698

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

II. INDUSTRIAL INPUT AND OUTPUT

Gross national product by industry of origin

TABLE 9

£ million

Industry	1948	1949	1950	1951
1. Agriculture, forestry and fishing	623	676	664	688
2. Mining and quarrying	389	408	418	453
3. Manufacturing	3,922	4,173	4,629	5,321
4. Building and contracting	650	688	724	795
5. Gas, electricity and water	203	223	243	269
6. Transport and communication	856	876	901	1,090
7. Distributive trades	1,375	1,465	1,566	1,663
8. Other services	1,022	1,073	1,135	1,211
9. Total production and trade	9,040	9,582	10,280	11,490
10. Public administration and defence	734	743	752	865
11. Public health and educational services	253	319	352	396
12. Ownership of dwellings	261	266	264	238
13. Domestic services to households	108	99	96	92
14. Services to private non-profit-making bodies	80	51	53	58
15. Gross domestic product at factor cost and stock appreciation	10,476	11,060	11,797	13,139
16. less stock appreciation	-300	-250	-700	-1,100
17. Gross domestic product at factor cost	10,176	10,810	11,097	12,039
18. Net income from abroad	192	199	350	215
19. Gross national product at factor cost	10,368	11,009	11,447	12,254

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

Profits⁽¹⁾, rent and depreciation by industry

TABLE 10

£ million

Industry	1948	1949	1950	1951
1. Agriculture, forestry and fishing	374	417	407	417
2. Mining and quarrying	41	53	58	51
3. Manufacturing	1,355	1,415	1,654	1,999
4. Building and contracting	123	137	144	151
5. Gas, electricity and water	85	94	101	110
6. Transport and communication	308	307	314	442
7. Distributive trades	784	818	887	919
8. Other services	437	459	472	492
9. Services of public authorities ⁽²⁾	59	54	52	54
10. Ownership of dwellings	261	266	264	238
11. Total (including stock appreciation)	3,827	4,020	4,353	4,873

For notes on the items of this table see p. 63.

⁽¹⁾ Includes stock appreciation.⁽²⁾ Corresponds to items 10 and 11 of Table 9.

INDUSTRIAL INPUT AND OUTPUT

Wages and salaries⁽¹⁾ by industry

TABLE 11

£ million

Industry	1948	1949	1950	1951
1. Agriculture, forestry and fishing	249	259	257	271
2. Mining and quarrying	348	355	360	402
3. Manufacturing	2,567	2,758	2,975	3,322
4. Building and contracting	527	551	580	644
5. Gas, electricity and water	118	129	142	159
6. Transport and communication	548	569	587	648
7. Distributive trades	591	647	679	744
8. Other private services ⁽²⁾	773	764	812	869
9. Public administration and defence	685	700	711	823
10. Public health and educational services	243	308	341	384
11. Total	6,649	7,040	7,444	8,266

For notes on the items of this table see p. 63.

⁽¹⁾ Includes employers' national insurance contributions and (under item 9) the pay and allowances of the Armed Forces.⁽²⁾ This industrial group corresponds to the sum of items 8, 13 and 14 of Table 9.

National wage bill

TABLE 12

£ million

Industry	1948	1949	1950	1951
1. Agriculture, forestry and fishing	228	237	234	248
2. Mining and quarrying	320	326	330	370
3. Manufacturing industries				
a. Bricks, pottery, glass, etc.	81	88	95	107
b. Chemicals and allied trades	94	103	112	127
c. Metal manufacture... ..	159	167	178	196
d. Engineering, shipbuilding and electrical goods	448	461	492	555
e. Vehicles	265	284	311	345
f. Metal goods not elsewhere specified	115	118	125	139
g. Textiles	196	219	243	275
h. Clothing	116	127	136	145
i. Food, drink and tobacco	149	163	173	195
j. Manufactures of wood and cork	71	76	81	90
k. Paper and printing	103	113	125	141
l. Other manufacturing	99	101	112	124
All manufacturing industries	1,896	2,020	2,183	2,439
4. Building and contracting... ..	450	466	492	546
5. Gas, electricity and water	80	87	96	108
6. Transport and communication	389	405	418	464
7. Public administration and defence ⁽¹⁾	146	151	153	169
8. Public health and educational services	56	70	79	87
9. Distributive trades and other services ⁽²⁾	505	508	525	554
10. Total	4,070	4,270	4,510	4,985

For notes on the items of this table, see p. 63.

⁽¹⁾ Excludes the pay and allowances of the Armed Forces.⁽²⁾ This industrial group corresponds to the sum of items 7, 8, 13 and 14 of Table 9.

TABLE 13

SALES BY \ PURCHASES BY					
	Agri- culture, forestry and fishing 1.	Mining and quarrying 2.	Food, drink and tobacco 3.	Other manufac- turing 4.	Building and contracting 5.
1. Agriculture, forestry and fishing ... ..	...	—	460	28	—
2. Mining and quarrying	5	...	12	196	11
3. Food, drink and tobacco	66	—	...	6	—
4. Other manufacturing	84	73	125	...	340
5. Building and contracting	15	20	7	70	...
6. Electricity, gas and water	3	6	13	107	3
7. Other production and trade ⁽¹⁾	100	20	150	490	70
8. Other ⁽²⁾	—	—	—	—	—
9. Imports	60	12	323	798	36
10. Adjustments ⁽⁵⁾	—	—	—	19	—
11. Goods and services <i>valued at factor cost</i> ...	333	131	1,090	1,714	460
12. Wages and salaries ⁽⁶⁾	249	348	220	2,347	527
13. Profits ⁽⁴⁾ , rent and depreciation	374	41	280	1,075	123
14. Net indirect taxes	—	—	—	—	—
15. Total input	956	520	1,590	5,136	1,110

For notes on the items of this table see p. 63.

(¹) Transport and communication, distributive trades and other services (items 6-8 of Table 9).

(²) Public administration and defence, public health and educational services, ownership of dwellings, domestic services to households and services to private non-profit-making bodies (items 10-14 of Table 9).

INDUSTRIAL INPUT AND OUTPUT

transactions 1948

£ million

Electricity, gas and water	Other production and trade ⁽¹⁾	Other ⁽²⁾	Final Buyers				Exports	Total output
			Persons ⁽³⁾	Public authorities	Gross domestic capital formation			
					Fixed 11.	Stocks ⁽⁴⁾ 12.		
6.	7.	8.	9.	10.	11.	12.	13.	14.
—	2	—	405	19	—	32	10	956
107	61	—	85	7	4	—3	35	520
—	9	—	1,339	20	—	60	90	1,590
60	330	—	1,375	335	773	389	1,252	5,136
3	103	—	260	85	517	30	—	1,110
...	45	—	195	15	36	2	5	430
55	...	—	2,379	205	69	—	445	3,983
—	—	—	449	987	—	—	—	1,436
2	180	—	590	122	35	—20	58	2,196
—	—	—	—30	—	—20	—	31	—
227	730	—	7,047	1,795	1,414	490	1,926	17,357
118	1,724	1,116	—	—	—	—	—	6,649
85	1,529	320	—	—	—	—	—	3,827
—	—	—	1,345	33	52	5	32	1,467
430	3,983	1,436	8,392	1,828	1,466	495	1,958	29,300

⁽³⁾ Includes private non-profit-making bodies.⁽⁴⁾ Includes stock appreciation.⁽⁵⁾ Sales by final buyers.⁽⁶⁾ Includes employers' insurance contributions and (in column 8) the pay and allowances of the Armed Forces.

III. PERSONAL INCOME AND OUTLAY

Personal income and taxation

TABLE 14

	£ million					
	1946	1947	1948	1949	1950	1951
Before provision for taxes on income and national insurance contributions						
1. Wages	3,165	3,610	4,070	4,270	4,510	4,985
2. Salaries	1,760	1,920	2,160	2,315	2,480	2,750
3. Pay of the Armed Forces	597	422	262	258	255	326
4. Employers' insurance contributions	84	113	157	197	199	205
5. Profits, rent, dividends and interest ⁽¹⁾	2,358	2,455	2,507	2,616	2,690	2,644
6. National insurance benefits and other current grants from public authorities	674	683	704	743	759	788
7. Total personal income before tax	8,638	9,203	9,860	10,399	10,893	11,698
After provision for taxes on income and national insurance contributions						
8. Wages	2,903	3,348	3,752	3,916	4,148	4,563
9. Salaries	1,472	1,655	1,874	1,991	2,149	2,372
10. Pay of the Armed Forces	574	399	244	239	238	306
11. Profits, rent, dividends and interest ⁽¹⁾	1,763	1,911	1,950	2,003	2,082	1,963
12. National insurance benefits and other current grants from public authorities	667	669	690	730	749	778
13. Total personal income after provision for taxes on income and national insurance contributions	7,379	7,982	8,510	8,879	9,366	9,982
14. Provision for taxes on income and national insurance contributions	1,259	1,221	1,350	1,520	1,527	1,716
15. Indirect taxes on consumption <i>less</i> subsidies to consumption	1,099	1,207	1,345	1,332	1,418	1,559
16. Total tax liabilities in respect of personal income	2,358	2,428	2,695	2,852	2,945	3,275
17. Tax liabilities as percentage of personal income	27	26	27	27	27	28

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

⁽¹⁾ Including professional earnings, income from farming and profits of other sole traders and partnerships.

Personal expenditure at current market prices

£ million

TABLE 15

	1946	1947	1948	1949	1950	1951
1. Food						
a. Household expenditure	285	331	354	379	384	424
Bread and cereals	316	318	309	372	505	514
Meat and bacon	84	89	89	77	77	98
Fish	62	61	71	87	105	126
Oils and fats	119	157	190	205	206	255
Sugar, preserves and confectionery	288	288	347	396	421	432
Dairy products	90	160	176	169	177	194
Fruit	190	253	267	281	280	311
Potatoes and vegetables	86	94	99	105	105	114
Beverages	88	93	82	81	77	82
Other manufactured food						
Total	1,608	1,844	1,984	2,152	2,337	2,550
b. Other personal expenditure	196	235	246	265	290	317
Total food	1,804	2,079	2,230	2,417	2,627	2,867
2. Alcoholic drink						
a. Beer	510	481	525	502	497	530
b. Wines, spirits, cider, etc.	168	198	237	222	237	258
Total alcoholic drink	678	679	762	724	734	788
3. Tobacco						
a. Cigarettes	512	582	635	624	645	684
b. Pipe tobacco, cigars and snuff	92	108	130	130	122	117
Total tobacco	604	690	765	754	767	801
4. Rent, rates and water charges	602	631	648	659	677	701
5. Fuel and light						
a. Coal	120	127	141	140	152	165
b. Electricity	66	70	80	82	88	103
c. Gas	75	81	85	90	94	105
d. Other	29	31	33	33	36	41
Total fuel and light	290	309	339	345	370	414
6. Durable household goods						
a. Furniture and furnishings	176	243	285	347	412	466
b. Hardware	125	150	150	149	155	150
Total durable household goods	301	393	435	496	567	616
7. Other household goods						
a. Matches	11	13	14	20	19	20
b. Soap	28	35	40	45	53	67
c. Other cleaning materials, etc.	23	25	29	35	36	38
Total other household goods	62	73	83	100	108	125
8. Clothing						
a. Footwear	108	131	168	170	174	185
b. Other clothing						
i. Men's and boys' wear	157	180	225	261	290	301
ii. Women's, girls' and infants' wear	346	392	460	521	541	560
Total clothing	611	703	853	952	1,005	1,046

PERSONAL INCOME AND OUTLAY

TABLE 15 (contd.)

								£ million	
								1946	1947
								1948	1949
								1950	1951
9. Books, newspapers and magazines									
a. Books	...	...	...	...	...	...	...	28	31
b. Newspapers	...	...	...	...	...	...	...	51	58
c. Magazines	...	...	...	...	...	...	...	26	30
Total books, newspapers and magazines								105	119
10. Private motoring								129	147
11. Travel									
a. Railway	...	...	...	...	...	...	...	104	101
b. Other	...	...	...	...	...	...	...	183	213
Total travel								287	314
12. Communication services									
a. Postal	...	...	...	...	...	...	...	32	32
b. Telephone and telegraph	...	...	...	...	...	...	...	22	24
Total communication services								54	56
13. Entertainments									
a. Cinemas	...	...	...	...	...	...	...	121	108
b. Other	...	...	...	...	...	...	...	62	66
Total entertainments								183	174
14. Domestic service								77	88
15. Other services								753	819
16. Other goods								376	441
17. Income in kind of the Armed Forces								111	58
18. less Expenditure by foreign tourists, etc. in the United Kingdom								- 13	- 21
19. Personal expenditure in the United Kingdom								7,014	7,752
20. Personal expenditure abroad								121	123
21. Total								7,135	7,875
								8,392	8,748
								9,190	9,880

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

Personal expenditure revalued at 1948 prices

TABLE 16

								1946	1947	1948	1949	1950	1951	Price index in 1951 1948=100
								£ million						
1. Food														
a. Household expenditure														
Bread and cereals								324	344	354	337	316	321	132
Meat and bacon								358	329	309	330	416	366	140
Fish								89	94	89	78	63	67	146
Oils and fats								59	61	71	82	87	83	152
Sugar, preserves and confectionery								159	197	190	217	212	247	103
Dairy products								330	320	347	387	398	380	114
Fruit								110	160	176	181	177	180	108
Potatoes and vegetables								241	276	267	272	266	280	111
Beverages								94	98	99	103	102	103	111
Other manufactured food								86	88	82	82	77	76	108
Total								1,850	1,967	1,984	2,069	2,114	2,103	121
b. Other personal expenditure								226	251	246	255	262	261	121
Total food								2,076	2,218	2,230	2,324	2,376	2,364	121
2. Alcoholic drink														
a. Beer								571	549	525	501	497	495	107
b. Wines, spirits, cider, etc.								213	240	237	220	238	256	101
Total alcoholic drink								784	789	762	721	735	751	105
3. Tobacco														
a. Cigarettes								770	673	635	613	626	656	104
b. Pipe tobacco, cigars and snuff								140	124	130	128	120	113	104
Total tobacco								910	797	765	741	746	769	104
4. Rent, rates and water charges								626	635	648	656	666	676	104
5. Fuel and light														
a. Coal								138	140	141	138	145	145	114
b. Electricity								69	76	80	81	89	97	106
c. Gas								83	87	85	87	87	91	115
d. Other								32	34	33	33	35	35	117
Total fuel and light								322	337	339	339	356	368	113
6. Durable household goods														
a. Furniture and furnishings								205	265	285	340	387	366	127
b. Hardware								137	154	150	151	153	139	108
Total durable household goods								342	419	435	491	540	505	122
7. Other household goods														
a. Matches								11	13	14	16	15	16	125
b. Soap								41	40	40	45	55	58	116
c. Other cleaning materials, etc.								23	25	29	35	36	36	106
Total other household goods								75	78	83	96	106	110	114
8. Clothing														
a. Footwear								122	146	168	175	179	155	119
b. Other clothing														
i. Men's and boys' wear								177	197	225	239	260	233	129
ii. Women's, girls' and infants' wear								391	433	460	495	506	469	119
Total clothing								690	776	853	909	945	857	122

PERSONAL INCOME AND OUTLAY

TABLE 16 (contd.)

	1946	1947	1948	1949	1950	1951	Price index in 1951 1948=100
	£ million						
9. Books, newspapers and magazines							
a. Books	30	31	33	32	33	34	109
b. Newspapers	52	58	60	65	66	65	112
c. Magazines	27	30	33	32	30	31	129
Total books, newspapers and magazines	109	119	126	129	129	130	115
10. Private motoring	140	153	105	136	164	172	130
11. Travel							
a. Railway	125	111	107	101	95	95	102
b. Other	208	219	237	247	246	253	106
Total travel	333	330	344	348	341	348	105
12. Communication services							
a. Postal	33	32	32	31	32	35	106
b. Telephone and telegraph	22	24	25	26	27	29	107
Total communication services ...	55	56	57	57	59	64	106
13. Entertainments							
a. Cinemas	121	108	112	105	107	105	105
b. Other	65	66	68	69	68	71	100
Total entertainments	186	174	180	174	175	176	103
14. Domestic service	81	90	95	88	83	79	105
15. Other services	837	867	815	765	736	747	113
16. Other goods	412	460	454	459	460	449	110
17. Income in kind of the Armed Forces	128	62	39	31	29	36	122
18. <i>less</i> Expenditure by foreign tourists, etc. in the United Kingdom	-15	-23	-33	-43	-58	-64	114
19. Personal expenditure in the United Kingdom ...	8,091	8,337	8,297	8,421	8,588	8,537	114
20. Personal expenditure abroad	125	124	95	100	96	114	125
21. Total	8,216	8,461	8,392	8,521	8,684	8,651	114

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

Personal expenditure at factor cost

TABLE 17

£ million

	1946	1947	1948	1949	1950	1951
Personal expenditure after deduction of specific taxes and addition of subsidies						
1. Food	2,004	2,327	2,570	2,763	2,954	3,177
2. Alcoholic drink	324	322	341	332	355	405
3. Tobacco	157	168	152	152	162	178
4. Rent, rates and water charges	460	476	501	512	526	534
5. Fuel and light	293	313	341	346	370	414
6. Durable household goods	260	336	348	426	475	505
7. Other household goods	54	64	74	86	94	110
8. Clothing	578	669	787	869	926	974
9. Books, newspapers and magazines	105	119	126	134	139	150
10. Private motoring	97	111	81	110	144	171
11. Travel	275	301	332	335	323	335
12. Communication services	45	49	51	54	58	66
13. Entertainments	128	125	131	130	131	136
14. Domestic service	77	88	95	91	87	83
15. Other services	750	816	790	768	762	811
16. Other goods	316	365	357	365	367	390
17. Income in kind of the Armed Forces	116	60	42	35	35	47
18. <i>less</i> Expenditure by foreign tourists, etc. in the United Kingdom	-13	-21	-33	-44	-61	-73
<i>less</i> Unallocated net indirect taxes	-111	-143	-134	-153	-189	-235
19. Personal expenditure in the United Kingdom after adjustment for all indirect taxes and subsidies	5,915	6,545	6,952	7,311	7,658	8,178
20. Personal expenditure abroad	121	123	95	105	114	143
21. Total	6,036	6,668	7,047	7,416	7,772	8,321

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

Appropriation

TABLE 18

Receipts	1946	1947	1948	1949	1950	1951
1. Trading profits of companies operating in the United Kingdom	1,155	1,411	1,423	1,378	1,576	1,992
2. Income earned abroad						
<i>a.</i> Trading profits of British companies operating abroad ...	139	194	219	189	261	283
<i>b.</i> Balance of payments adjustment'	5	20	32	26	68	48
3. Non-trading income	305	331	344	354	368	382
4. Total	1,604	1,956	2,018	1,947	2,273	2,705

For notes on the items of this table, see p. 70.

PANIES

account

£ million

Payments	1946	1947	1948	1949	1950	1951
5. Dividends and interest						
<i>a.</i> Payments						
i. Debenture interest	60	60	49	42	43	47
ii. Dividends on preference shares	122	123	114	103	103	102
iii. Dividends on ordinary shares	328	384	402	389	394	447
iv. Co-operative society dividends and interest ...	41	43	42	44	45	45
v. Interest on building society shares and deposits ...	21	22	25	29	31	34
vi. Other	106	113	106	108	125	144
<i>b.</i> Additions to dividend reserves	58	23	-35	6	60	35
Total provision for dividends	736	768	703	721	801	854
6. Provision for taxation						
<i>a.</i> Payments	517	494	555	733	712	695
<i>b.</i> Additions to tax reserves	—	176	168	-37	95	456
7. Saving and provision for stock appreciation						
<i>a.</i> Undistributed profits of British companies	346	498	560	504	597	652
<i>b.</i> Balance of payments adjustment	5	20	32	26	68	48
8. Total	1,604	1,956	2,018	1,947	2,273	2,705

TABLE 19

Industry	1947		
	Gross profits	Depreciation allowances	Net profits
1. Forestry and fishing	13	4	9
2. Mining and quarrying	6	2	4
3. Manufacturing industries			
Bricks, pottery, glass, etc.	35	5	30
Chemicals and allied trades	91	13	78
Metal manufacture	84	13	71
Engineering, shipbuilding and electrical goods	149	24	125
Vehicles	66	10	56
Other metal goods	53	7	46
Textiles	126	15	111
Clothing	41	3	38
Food, drink and tobacco	216	16	200
Manufactures of wood and cork	19	2	17
Paper and printing	79	9	70
Other manufacturing	63	7	56
All manufacturing industries	1,022	124	898
4. Building and contracting	30	6	24
5. Gas, electricity and water	41	28	13
6. Transport and communication	201	91	110
7. Distributive trades	331	25	306
8. Other services ⁽¹⁾	113	7	106
9. Adjustments	-31	28	-59
10. Total	1,726	315	1,411

For notes on the items of this table see p. 71.

⁽¹⁾ Excluding banks, etc.

profits by industry

£ million

1948			1949			1950		
Gross profits	Depreciation allowances	Net profits	Gross profits	Depreciation allowances	Net profits	Gross profits	Depreciation allowances	Net profits
11	4	7	7	6	1	4	8	-4
7	2	5	8	3	5	12	4	8
41	8	33	43	10	33	48	11	37
93	18	75	96	27	69	123	32	91
100	22	78	111	27	84	120	28	92
191	28	163	224	37	187	260	41	219
79	14	65	83	15	68	101	18	83
58	8	50	59	11	48	67	13	54
166	19	147	187	29	158	252	35	217
45	4	41	46	5	41	50	6	44
197	20	177	183	27	156	198	32	166
22	3	19	20	4	16	21	4	17
81	11	70	79	13	66	100	16	84
66	9	57	61	12	49	72	11	61
1,139	164	975	1,192	217	975	1,412	247	1,165
32	9	23	39	13	26	39	13	26
23	15	8	8	4	4	7	4	3
146	65	81	150	103	47	138	95	43
324	30	294	336	40	296	356	44	312
119	10	109	119	13	106	121	13	108
-54	25	-79	-53	29	-82	-53	32	-85
1,747	324	1,423	1,806	428	1,378	2,036	460	1,576

TABLE 20

Receipts							1946	1947	1948	1949	1950	1951
1. Sales	...	...	...	...	...	...	183	578	1,287	1,526	1,724	2,409
2. Subsidies	...	...	...	...	...	...	7	16	13	10	10	6
3. Total	...	...	...	...	...	...	190	594	1,300	1,536	1,734	2,415

For notes on the items of this table see p. 72.

Appropriation

TABLE 21

Receipts							1946	1947	1948	1949	1950	1951
1. Trading surplus	...	...	...	...	...	...	13	3	68	81	102	148
2. Other income	...	...	...	...	...	...	4	8	15	15	15	15
3. Total	...	...	...	...	...	...	17	11	83	96	117	163

For notes on the items of this table see p. 73.

CORPORATIONS

account

£ million

Payments	1946	1947	1948	1949	1950	1951
4. Wages and salaries	43	336	660	741	776	994
5. Purchases of goods and services	124	223	478	588	716	1,109
6. Rents	2	4	6	7	6	6
7. Provision for depreciation	6	23	71	95	108	131
8. Taxes on outlay						
a. Rates	1	4	15	21	22	23
b. Motor vehicle licence duties	1	1	2	3	4	4
9. Trading surplus	13	3	68	81	102	148
10. Total	190	594	1,300	1,536	1,734	2,415

account

£ million

Payments	1946	1947	1948	1949	1950	1951
4. Interest						
a. Payments	12	17	57	88	96	105
b. Additions to reserve for future interest payments	—	12	20	—	—	4
5. Provision for taxation						
a. Payments	2	2	2	—1	—	28
b. Additions to tax reserves... ..	—	—	—	5	4	1
6. Saving and provision for stock appreciation	3	—20	4	4	17	25
7. Total	17	11	83	96	117	163

VI. CENTRAL GOVERNMENT AND Revenue

TABLE 22

Revenue								1946	1947	1948	1949	1950	1951
Direct taxes on income													
1. Income tax	...	...	...	...	...	...	...	1,250	1,128	1,213	1,370	1,404	1,485
2. Surtax	...	...	...	...	...	...	...	75	81	99	110	114	125
3. Profits tax	...	...	...	...	...	...	...	35	31	154	257	264	301
4. Excess profits tax etc.	...	...	...	...	...	...	...	356	255	129	43	13	-4 ⁽¹⁾
5. Total ⁽²⁾	1,716	1,495	1,595	1,780	1,795	1,907
Taxes on capital													
6. Death duties	...	...	...	...	...	...	...	143	164	182	190	184	191
7. Special contribution	...	...	...	...	...	...	...	—	—	33	64	6	3
8. Total ⁽²⁾	143	164	215	254	190	194
Taxes on outlay													
9. Customs and excise duties													
a. Beer...	...	...	...	...	...	...	...	276	261	305	286	266	261
b. Wines and spirits	...	...	...	...	...	...	...	88	95	121	115	120	128
c. Tobacco	...	...	...	...	...	...	...	438	541	598	600	602	622
d. Purchase tax	...	...	...	...	...	...	...	161	217	300	282	299	338
e. Entertainments	...	...	...	...	...	...	...	55	49	49	44	44	45
f. Betting	...	...	...	...	...	...	...	—	—	20	26	25	26
g. Other	...	...	...	...	...	...	...	147	179	171	166	228	333
10. Motor vehicle licence duties	...	...	...	...	...	...	...	44	50	49	53	57	63
11. Stamp duties	...	...	...	...	...	...	...	35	50	58	53	52	62
12. Post Office surplus	...	...	...	...	...	...	...	27	21	16	14	13	7
13. Miscellaneous	...	...	...	...	...	...	...	11	15	16	16	16	17
14. Total	...	...	...	...	...	...	...	1,282	1,478	1,703	1,655	1,722	1,902
15. Total tax revenue	...	...	...	...	...	...	...	3,141	3,137	3,513	3,689	3,707	4,003
Other revenue													
16. National insurance contributions ⁽³⁾	170	232	335	436	440	452
17. Profits and other income from property	...	...	...	...	...	...	...	53	71	137	145	176	171
18. Current grants from overseas governments	...	...	...	...	...	...	...	—	—	—	—	—	18
19. Total	...	...	...	...	...	...	...	3,364	3,440	3,985	4,270	4,323	4,644

For notes on the items of this table, see p. 74.

⁽¹⁾ Repayments exceeded receipts.

⁽²⁾ For further analysis, see Table 29.

NATIONAL INSURANCE FUNDS

account

£ million

Expenditure								1946	1947	1948	1949	1950	1951
20. Current expenditure on goods and services (net)													
<i>a.</i> Defence								1,545	935	700	720	760	1,025
<i>b.</i> Other								385	435	600	770	738	791
Total								1,930	1,370	1,300	1,490	1,498	1,816
Transfers													
21. Subsidies (4)								350	444	542	496	455	450
22. National insurance benefits (3)								133	272	332	374	384	404
23. Other pensions, assistance and current grants to persons (5) ...								506	369	334	333	337	345
24. National debt interest								481	514	504	502	501	544
25. Current grants to local authorities								244	264	278	286	294	327
26. Grants abroad								98	38	33	38	44	40
27. Transfers to capital accounts													
<i>a.</i> Post-war refunds of excess profits tax								167	40	15	14	11	7
<i>b.</i> War damage compensation								131	266	161	186	102	78
<i>c.</i> Capital grants to local authorities								3	9	20	16	12	10
<i>d.</i> War gratuities and pay credits								229	60	1	—	—	—
<i>e.</i> Other								22	18	22	32	35	22
28. Total								4,294	3,664	3,542	3,767	3,673	4,043
29. Surplus								—930	—224	443	503	650	601
30. Total								3,364	3,440	3,985	4,270	4,323	4,644

(3) For detail, see Table 24.

(4) For detail, see Table 27.

(5) For detail, see Table 28.

CENTRAL GOVERNMENT AND NATIONAL INSURANCE FUNDS

Capital

TABLE 23

Receipts	1946	1947	1948	1949	1950	1951
1. Surplus	-930	-224	443	503	650	601
2. Provision for depreciation	19	31	39	44	47	50
3. Gifts from abroad	—	30	149	271	248	58
4. Sales of surplus war stores held abroad	80	64	61	60	6	4
5. Loan repayments from foreign governments	75	14	8	13	33	28
6. Borrowing from foreign governments	279	812	363	91	21	5
7. National savings	526	133	37	60	-8	-2
8. Sales and new issues of government securities (net)	44	-320	-310	-258	23	710
9. Net short-term borrowing at home and abroad	159	-293	-293	-137	5	-1,328
10. Increase in fiduciary issue	50	—	-125	25	25	75
11. Miscellaneous net borrowing and other capital receipts						
a. Net receipts from war settlements, etc., abroad	84	65	35	-26	21	17
b. Other	-222	-96	-16	-52	52	18
12. Total	164	216	391	594	1,123	236

For notes on the items of this table, see p. 77.

Revenue account of

TABLE 24

Current revenue	1946	1947	1948	1949	1950	1951
1. Contributions from employers						
a. Armed Forces	15	8	8	8	7	9
b. Other insured persons	69	105	149	189	192	196
2. Contributions from insured persons						
a. Armed forces	4	5	5	5	5	6
b. Other employed persons	82	114	163	207	209	213
c. Self-employed persons	—	—	8	22	22	23
d. Non-employed persons	—	—	2	5	5	5
3. Grants from the Central Government	60	136	145	144	147	133
4. Income from property	20	22	24	26	33	34
5. Total	250	390	504	606	620	619

For notes on the items in this table, see p. 80.

CENTRAL GOVERNMENT AND NATIONAL INSURANCE FUNDS

account

£ million

Payments	1946	1947	1948	1949	1950	1951
13. Fixed capital formation						
<i>a.</i> Trading bodies	19	33	37	44	43	51
<i>b.</i> Other	101	80	80	67	77	107
14. Increase in value of stocks						
<i>a.</i> Trading bodies	-105	8	11	-26	-75	55
<i>b.</i> Strategic stocks		-92	-60	-32	-27	127
<i>c.</i> less Sales of surplus war stores in the United Kingdom		-102				-23
15. Capital grants abroad	—	—	11	117	109	15
16. Net lending to local authorities	61	206	252	288	257	363
17. Net lending to public corporations	18	41	74	27	36	63
18. Loans to foreign governments	30	35	15	8	15	37
19. Repayments of debt to foreign governments	47	36	33	104	46	58
20. Increase in deposits with International Monetary Fund and Bank	8	25	-9	15	-42	10
21. Increase in foreign reserves	87	-156	-53	-18	684	-627
22. Total	164	216	391	594	1,123	236

National Insurance Funds

£ million

Current expenditure	1946	1947	1948	1949	1950	1951
6. Current expenditure on goods and services						
<i>a.</i> Costs of administration	15	17	26	28	26	25
<i>b.</i> Insurance medical service	19	21	12	—	—	—
7. Expenditure on benefits						
<i>a.</i> Contributory pensions and allowances	75	213	250	249	253	271
<i>b.</i> Widows' benefits and guardians' allowances	—	—	11	22	23	24
<i>c.</i> Unemployment benefit	26	28	20	16	15	11
<i>d.</i> Sickness benefit	32	31	44	66	68	70
<i>e.</i> Maternity benefit	—	—	4	9	9	9
<i>f.</i> Death grant	—	—	—	1	2	3
<i>g.</i> Injury benefit	—	—	3	9	9	9
<i>h.</i> Disablement and industrial death benefit ⁽¹⁾	—	—		2	5	7
8. Contributions towards cost of National Health Service	—	—	17	42	41	42
9. Current surplus	83	80	117	162	169	148
10. Total	250	390	504	606	620	619

⁽¹⁾ The cost of industrial death benefit is estimated at £0.2 millions in 1949, £0.3 millions in 1950 and £0.5 millions in 1951.

VII. LOCAL
Current

TABLE 25

Current revenue									1946	1947	1948	1949	1950	1951
1. Rates	...	...	...	...	...	...	...	...	269	307	318	326	337	361
2. Grants from the Central Government...	...	...	...	...	...	...	...	...	244	264	278	286	294	327
3. Income from property														
a. Trading profits	...	...	...	...	...	...	...	...	19	18	13	11	10	10
b. Rent	...	...	...	...	...	...	...	...	44	45	49	54	61	68
c. Other	...	...	...	...	...	...	...	...	4	3	3	3	4	4
4. Total	...	...	...	...	...	...	...	...	580	637	661	680	706	770

For notes on the items of this table, see p. 81.

Capital

TABLE 26

Receipts									1946	1947	1948	1949	1950	1951
1. Surplus on current account	...	...	...	...	...	...	...	...	7	—	21	25	22	14
2. Grants from the Central Government	...	...	...	...	...	...	...	...	13	16	25	41	17	15
3. Provision for depreciation	...	...	...	...	...	...	...	...	61	63	55	55	59	64
4. Net borrowing	...	...	...	...	...	...	...	...	75	226	274	263	310	346
5. Total	...	...	...	...	...	...	...	...	156	305	375	384	408	439

For notes on the items of this table, see p. 82.

AUTHORITIES

account

£ million

Current expenditure								1946	1947	1948	1949	1950	1951
5. Current expenditure on goods and services													
i. Great Britain													
a.	General administrative services	...	...	...	...	...	...	28	34	38	40	43	45
b.	Law and order	...	...	...	...	...	...	31	34	37	40	43	47
c.	Civil defence	...	...	...	...	...	...	11	8	4	2	2	8
d.	Social services												
i.	Education	...	...	...	...	...	...	173	194	218	236	247	288
ii.	Child care	...	...	...	...	...	...	11	11	8	11	16	19
iii.	Health	...	...	...	...	...	...	72	81	62	45	38	38
iv.	National assistance	...	...	...	...	...	...	25	28	17	12	11	12
e.	Services to industry and trade	...	...	...	...	...	...	5	6	6	6	7	8
f.	Environmental services												
i.	Roads	...	...	...	...	...	...	57	64	63	65	65	66
ii.	Sewerage and refuse disposal	...	...	...	...	...	...	27	30	32	34	36	37
iii.	Public lighting	...	...	...	...	...	...	6	7	8	9	10	11
iv.	Fire service	...	...	...	...	...	...	3	3	10	13	12	12
v.	Other	...	...	...	...	...	...	12	14	16	18	21	23
ii.	Northern Ireland	...	...	...	...	...	...	7	9	9	9	9	10
Total								468	523	528	540	560	624
6. Housing subsidies								9	11	12	13	14	14
7. Grants to persons													
a.	Outdoor relief	...	...	...	...	...	...	15	16	8	—	—	—
b.	School meals	...	...	...	...	...	...	15	19	22	26	25	25
c.	Scholarships	...	...	...	...	...	...	5	7	8	10	13	14
8. Debt interest								61	61	62	66	72	79
9. Total current expenditure								573	637	640	655	684	756
10. Current surplus								7	—	21	25	22	14
11. Total								580	637	661	680	706	770

account

£ million

Payments								1946	1947	1948	1949	1950	1951
6. Gross capital formation													
a.	Trading services	...	...	...	...	...	...	37	57	47	41	42	40
b.	Housing	...	...	...	...	...	...	104	217	270	267	266	284
c.	Other	...	...	...	...	...	...	15	31	58	76	100	115
7. Total								156	305	375	384	408	439

VIII. COMBINED PUBLIC AUTHORITIES

Subsidies

TABLE 27

£ million

	1946	1947	1948	1949	1950	1951
1. Agriculture, forestry and fishing						
<i>a.</i> Fertilisers and molasses	7	8	12	14	12	5
<i>b.</i> Acreage payments	18	17	18	16	12	2
<i>c.</i> Attested herds	—	—	—	—	3	6
<i>d.</i> Other subsidies to agriculture and fishing	9	10	18	25	22	25
2. Trade and raw materials						
<i>a.</i> Board of Trade—raw material subsidies	11	14	3	—	—	—
<i>b.</i> Ministry of Supply—raw material subsidies	8	5	15	10	7	6
<i>c.</i> Assistance to industry by the Ministry of Supply and the Board of Trade	7	8	7	4	4	5
<i>d.</i> Subsidies on fuel	4	7	4	2	1	—
<i>e.</i> Utility cloth rebates	8	16	7	—	—	—
3. Employment and training	2	3	4	4	3	2
4. Subsidies to civil aviation corporations	5	14	11	8	8	5
5. Trading losses of the Ministry of Food (excluding the cost of milk and welfare foods schemes and cost of food rationing)	237	296	390	357	324	334
6. Housing subsidies—						
<i>a.</i> Central Government	34	46	53	56	59	60
<i>b.</i> Local authorities	9	11	12	13	14	14
7. Total subsidies	359	455	554	509	469	464
<i>of which:—</i>						
8. Subsidies paid by Central Government (7 less 6 <i>b</i>)	350	444	542	496	455	450

For notes on the items of this table, see p. 83.

COMBINED PUBLIC AUTHORITIES

Current grants to persons⁽¹⁾ from public authorities

TABLE 28

£ million

	1946	1947	1948	1949	1950	1951
1. Release leave pay and allowances and compassionate pensions	163	36	27	6	2	1
2. Education and child care						
a. Scholarships and maintenance allowances paid by:—						
i. Central Government	6	12	16	16	13	10
ii. Local authorities	5	7	8	10	13	14
b. Grants for universities, sciences and the arts	6	8	10	13	17	18
c. Other grants to non-profit-making bodies	5	5	6	7	8	7
3. Nutrition and health						
a. Milk and welfare foods, etc.	30	35	36	37	36	40
b. School meals	15	19	22	26	25	25
4. National insurance, family allowances, pensions and assistance						
a. National insurance						
i. Health benefits	32	31	51	87	93	98
ii. Unemployment benefits	26	28	20	16	15	11
iii. Contributory pensions and widows' benefits, etc.	75	213	261	271	276	295
b. War pensions and service grants	77	77	77	76	73	71
c. Non-contributory pensions	81	58	30	28	27	25
d. Assistance grants	54	14	33	56	66	78
e. Outdoor relief	15	16	8	—	—	—
f. Family allowances	20	58	62	63	64	66
5. Industrial services for the disabled	—	—	1	1	2	3
6. Agriculture, forestry and fishing—grants for research	1	2	3	4	4	4
7. Employment—training and resettlement	8	11	7	6	4	2
8. Industry and commerce—grants for scientific research	—	1	1	1	2	2
9. Post-war income tax credits	54	51	23	17	17	16
10. Legal aid, assistance to migrants, etc.	1	1	2	2	2	2
11. Total	674	683	704	743	759	788
<i>of which:—</i>						
12. National insurance benefits (4a)	133	272	332	374	384	404
13. Other pensions and grants to persons paid by the Central Government (11 less 12 and 14)	506	369	334	333	337	345
14. Current grants to persons paid by local authorities (2a ii, 3b and 4e)	35	42	38	36	38	39

For notes on the items of this table, see p. 83.

⁽¹⁾ The term "persons" includes non-profit-making bodies and institutions serving persons, e.g. universities.

COMBINED PUBLIC AUTHORITIES

National insurance contributions and direct taxes paid in respect of different types of income⁽¹⁾ and property

TABLE 29

£ million

	1946	1947	1948	1949	1950	1951
1. Direct taxes on income	1,716	1,495	1,595	1,780	1,795	1,907
2. National insurance contributions	170	232	335	436	440	452
3. Total	1,886	1,727	1,930	2,216	2,235	2,359
<i>of which:—</i>						
4. Rent of land and buildings						
<i>a.</i> Income tax	119	105	110	112	111	108
<i>b.</i> Surtax	3	3	3	3	3	3
5. Interest and profits						
<i>a.</i> Income tax ⁽²⁾	654	596	654	782	811	793
<i>b.</i> Surtax	55	60	76	85	87	95
<i>c.</i> Profits tax and excess profits tax ⁽²⁾	391	286	283	300	277	297
<i>d.</i> Insurance contributions of self-employed and non-employed persons	—	—	10	27	27	28
6. Income from employment						
<i>a.</i> Salaries						
<i>i.</i> Income tax	253	222	226	242	247	295
<i>ii.</i> Surtax	17	18	20	22	24	27
<i>iii.</i> Employees' insurance contributions	18	25	40	60	60	61
<i>b.</i> Wages						
<i>i.</i> Income tax	198	173	195	207	213	265
<i>ii.</i> Employees' insurance contributions	64	89	123	147	149	152
<i>c.</i> Pay of the Armed Forces						
<i>i.</i> Income tax	19	18	13	14	12	14
<i>ii.</i> Employees' insurance contributions	4	5	5	5	5	6
<i>d.</i> Employers' insurance contributions	84	113	157	197	199	205
7. Total taxes on capital	143	164	215	254	190	194
<i>of which:—</i>						
8. Land and buildings						
Death duties and land tax	19	21	23	26	25	27
9. Interest-bearing securities ⁽³⁾						
Death duties	35	40	45	49	51	53
10. Other stocks and shares						
Death duties	60	69	76	77	72	74
11. Other forms of property						
Death duties	29	34	38	38	36	37
12. Special contribution	—	—	33	64	6	3

For notes on the items of this table, see p. 84.

(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

TABLE 30

£ million

					1946	1947	1948	1949	1950	1951
Indirect taxes on personal consumption ...	...	...	...	...	1,446	1,648	1,883	1,829	1,878	2,014
<i>less</i> Subsidies on personal consumption ...	...	...	...	...	-347	-441	-538	-497	-460	-455
Net indirect taxes on:										
Personal consumption ...	...	...	...	...	1,099	1,207	1,345	1,332	1,418	1,559
Current expenditure by public authorities ...	...	...	...	...	41	40	33	37	45	59
Gross domestic capital formation ...	...	...	...	...	32	56	57	63	70	100
Exports of goods and services ...	...	...	...	...	20	27	32	40	57	81
Total indirect taxes <i>less</i> subsidies ...	...	...	...	...	1,192	1,330	1,467	1,472	1,590	1,799

For notes on this table, see p. 84.

IX.—GROSS CAPITAL FORMATION

The financing of gross domestic capital formation

TABLE 31

£ million

		Persons (including non-corporate businesses)	Com- panies	Public corpora- tions	Central Govern- ment	Local authori- ties	Total
1. Saving and provision for stock apprecia- tion	1948	75	592 ⁽¹⁾	4	447	21	1,139
	1949	106	530 ⁽¹⁾	4	497	25	1,162
	1950	177	665 ⁽¹⁾	17	620	22	1,501
	1951	98	700 ⁽¹⁾	25	524	14	1,361
2. Additions to tax reserves	1948	-23	168	—	—	—	145
	1949	36	-37	5	—	—	4
	1950	4	95	4	—	—	103
	1951	80	456	1	—	—	537
3. Additions to dividend reserves	1948	—	-35	20	—	—	-15
	1949	—	6	—	—	—	6
	1950	—	60	—	—	—	60
	1951	—	35	4	—	—	39
4. Provision for depreciation	1948	81 ⁽²⁾	324 ⁽²⁾	71	39	55	570
	1949	96 ⁽²⁾	428 ⁽²⁾	95	44	55	718
	1950	108 ⁽²⁾	460 ⁽²⁾	108	47	59	782
	1951	123 ⁽²⁾	502 ⁽²⁾	131	50	64	870
5. Capital transfers	1948	116	78	—	15	25	234
	1949	105	63	39	-60	41	188
	1950	97	46	—	6	17	166
	1951	68	34	—	-53	15	64
6. Taxes on capital	1948	-215	—	—	215	—	—
	1949	-254	—	—	254	—	—
	1950	-190	—	—	190	—	—
	1951	-194	—	—	194	—	—
7. Net borrowing, less net overseas capital formation	1948	267	-137	132	-648	274	-112
	1949	214	-125	171	-682	263	-159
	1950	113	-141	180	-845	310	-383
	1951	210	33	287	-398	346	478
8. Gross domestic capital formation and stock appreciation	1948	301	990	227	68	375	1,961
	1949	303	865	314	53	384	1,919
	1950	309	1,185	309	18	408	2,229
	1951	385	1,760	448	317	439	3,349
of which							
a. Fixed capital formation	1948	210	570	194	117	375	1,466
	1949	220	605	279	111	384	1,599
	1950	195	675	299	120	408	1,697
	1951	195	700	370	158	439	1,862
b. Increase in value of stocks and work in progress	1948	91	420	33	-49	—	495
	1949	83	260	35	-58	—	320
	1950	114	510	10	-102	—	532
	1951	190	1,060	78	159	—	1,487

For notes on the items of this table, see p. 85.

(1) Including the following amounts for the 'balance of payments adjustment' (£ million):—
1948: 32; 1949: 26; 1950: 68; 1951: 48. See note to item 2b of Table 18.

(2) Including the following amounts in respect of 'initial' allowances (£ million)

	1948	1949	1950	1951
Non-corporate businesses	13	23	28	32
Companies	91	176	193	217

GROSS CAPITAL FORMATION

Gross fixed capital formation by sector

TABLE 32

£ million

	1948	1949	1950	1951
1. Central Government				
a. Trading	37	44	43	51
b. Other	80	67	77	107
2. Local authorities				
a. Trading	47	41	42	40
b. Housing	270	267	266	284
c. Other	58	76	100	115
3. Public corporations	194	279	299	370
4. Companies	570	605	675	700
5. Persons and non-corporate enterprises	210	220	195	195
6. Total	1,466	1,599	1,697	1,862

For notes on the items of this table, see p. 88.

Gross fixed capital formation by type of asset

TABLE 33

£ million

	1947	1948	1949	1950	1951
1. Public road passenger vehicles	21	32	37	35	23
2. Road goods vehicles	69	71	74	75	80
3. Passenger cars	35	34	48	45	58
4. Railway rolling stock	37	43	40	41	44
5. Ships	70	78	76	76	70
6. Aircraft	16	14	25	11	8
7. Plant and machinery and equipment	408	518	586	675	794
8. New housing	330	340	315	315	335
9. Other new buildings and works, and improvements to existing buildings (including housing)	215	290	349	373	397
10. Legal fees, stamp duties, etc.	39	46	49	51	53
11. Total	1,240	1,466	1,599	1,697	1,862

For notes on the items of this table, see p. 88.

Gross fixed capital formation revalued at average 1948 prices

TABLE 34

£ million

	1947	1948	1949	1950	1951
1. Public road passenger vehicles	24	32	35	32	20
2. Road goods vehicles	76	71	73	68	61
3. Passenger cars	39	34	47	44	44
4. Railway rolling stock, ships and aircraft	135	135	135	115	97
5. Plant and machinery and equipment	450	518	560	620	660
6. New housing	350	340	310	300	285
7. Other new buildings and works, and improvements to existing buildings (including housing)	230	290	345	350	325
8. Legal fees, stamp duties, etc.	42	46	47	48	50
9. Total	1,346	1,466	1,552	1,577	1,542

For notes on the items of this table, see p. 88.

GROSS CAPITAL FORMATION

Gross fixed capital

TABLE 35

	1948				1949			
	Plant and machinery	Vehicles, ships and aircraft	Buildings and works	Total	Plant and machinery	Vehicles, ships and aircraft	Buildings and works	Total
<i>Expenditure on equipment and building</i>								
1. Agriculture	58	5	21	84	52	6	24	82
2. Forestry	—	—	1	1	—	—	1	1
3. Fishing	—	5	—	5	—	5	—	5
4. Coal mining	16	1	7	24	21	1	9	31
5. Other mining and quarrying	6	1	—	7	6	1	—	7
6. Manufacturing industry	241	30	102	373	278	32	110	420
7. Building and contracting industry	14	4	1	19	15	5	1	21
8. Electricity	70	1	25	96	80	3	34	117
9. Gas	18	1	8	27	21	1	8	30
10. Water	2	—	11	13	3	—	17	20
11. Railways	2	44	17	63	3	40	19	62
12. Road passenger transport	—	32	1	33	—	37	2	39
13. Roads	1	1	7	9	1	1	6	8
14. Shipping	—	69	1	70	—	66	1	67
15. Harbours, docks and canals	1	1	5	7	2	1	6	9
16. Air transport	1	14	3	18	1	26	4	31
17. Postal, telegraph and wireless communication	34	1	2	37	40	1	3	44
18. Ministry of Supply research and development	3	—	10	13	3	—	11	14
19. New housing	—	—	340	340	—	—	315	315
20. Education	1	—	23	24	2	—	37	39
21. Child care	—	—	1	1	—	—	1	1
22. Police, prisons and fire service	—	1	—	1	—	1	1	2
23. Health services	2	1	10	13	3	2	11	16
24. Sewerage	1	—	7	8	1	—	10	11
25. Arterial drainage	—	—	2	2	—	—	3	3
26. Other local government buildings	—	—	6	6	—	—	7	7
27. Other Central Government buildings	—	—	14	14	—	—	12	12
28. British Broadcasting Corporation	1	—	—	1	1	—	—	1
29. Other	46	60	5	111	53	71	11	135
30. Total expenditure on equipment and building	518	272	630	1,420	586	300	664	1,550
31. Legal fees, stamp duties, etc.				46				49
32. Total				1,466				1,599

For notes on the items of this table, see p. 88.

formation by industry

£ million

1950				1951				
Plant and machinery	Vehicles, ships and aircraft	Buildings and works	Total	Plant and machinery	Vehicles, ships and aircraft	Buildings and works	Total	
								<i>Expenditure on equipment and building</i>
52	6	26	84	56	8	25	89	1. Agriculture
—	—	1	1	—	—	1	1	2. Forestry
—	4	—	4	—	2	—	2	3. Fishing
18	—	9	27	18	1	11	30	4. Coal mining
5	1	1	7	5	1	1	7	5. Other mining and quarrying
331	35	126	492	407	38	140	585	6. Manufacturing industry
16	6	1	23	23	8	1	32	7. Building and contracting industry
100	2	36	138	115	2	37	154	8. Electricity
24	1	9	34	28	1	12	41	9. Gas
4	—	20	24	4	—	22	26	10. Water
3	41	14	58	3	44	13	60	11. Railways
1	35	3	39	1	23	4	28	12. Road passenger transport
2	1	7	10	2	1	5	8	13. Roads
—	68	1	69	—	63	1	64	14. Shipping
2	1	7	10	2	1	7	10	15. Harbours, docks and canals
1	11	4	16	1	8	5	14	16. Air transport
39	1	3	43	46	1	4	51	17. Postal, telegraph and wireless communication
6	—	12	18	8	—	15	23	18. Ministry of Supply research and development
—	—	315	315	—	—	335	335	19. New housing
2	—	50	52	2	—	62	64	20. Education
—	—	1	1	—	—	1	1	21. Child care
1	1	1	3	1	1	2	4	22. Police, prisons and fire service
4	1	12	17	4	1	12	17	23. Health services
1	—	12	13	1	—	15	16	24. Sewerage
—	—	3	3	—	—	3	3	25. Arterial drainage
—	—	8	8	—	—	8	8	26. Other local government buildings
—	—	12	12	—	—	10	10	27. Other Central Government buildings
1	—	1	2	1	—	1	2	28. British Broadcasting Corporation
62	68	—7	123	66	79	—21	124	29. Other
675	283	688	1,646	794	283	732	1,809	30. Total expenditure on equipment and building
			51				53	31. Legal fees, stamp duties, etc
			1,697				1,862	32. Total

GROSS CAPITAL FORMATION

Gross fixed capital formation in manufacturing industry

TABLE 36

£ million

Standard Industrial Classification Order		1948				1949				1950			
		Plant and machinery	Vehicles	Buildings and works	Total	Plant and machinery	Vehicles	Buildings and works	Total	Plant and machinery	Vehicles	Buildings and works	Total
	<i>Purchases</i>												
	1. Great Britain												
	<i>a. Government-financed expenditure</i> ...	2	—	13	15	2	—	8	10	6	—	6	12
	<i>b. War damage repairs</i> ...	—	—	7	7	—	—	7	7	—	—	7	7
	<i>c. Other:</i>												
III	Bricks, pottery, glass, cement, etc. ...	13	2	5	20	12	2	5	19	12	3	5	20
IV	Mineral oil refining	4	—	2	6	14	—	4	18	21	—	11	32
	Other chemicals and allied trades ...	28	3	8	39	33	4	11	48	45	3	13	61
V	Metal manufacture	28	1	12	41	36	1	15	52	42	2	14	58
VI	Engineering, ship-building and electrical goods ...	41	6	14	61	41	6	14	61	42	8	16	66
VII	Vehicles ...	20	3	5	28	19	3	6	28	27	3	7	37
VIII	Metal goods not elsewhere specified ...	14	2	4	20	13	2	4	19	14	2	6	22
IX	Precision instruments, jewellery, etc. ...	4	—	1	5	3	1	1	5	2	1	1	4
X	Textiles ...	30	2	7	39	37	3	11	51	38	3	11	52
XI	Leather, leather goods and fur ...	2	—	1	3	2	—	1	3	2	—	1	3
XII	Clothing ...	8	1	3	12	6	2	2	10	5	2	3	10
XIII	Food and drink ...	30	10	7	47	31	10	10	51	40	9	13	62
	Tobacco ...	2	—	1	3	2	—	1	3	2	—	1	3
XIV	Manufactures of wood and cork ...	4	2	1	7	5	2	1	8	5	4	2	11
XV	Paper and printing	19	2	5	26	20	2	3	25	23	2	3	28
XVI	Other manufacturing industries ...	8	1	4	13	9	1	3	13	9	1	3	13
	Total, Great Britain	257	35	100	392	285	39	107	431	335	43	123	501
	2. Northern Ireland	3	1	2	6	6	1	3	10	7	1	3	11
	3. Total purchases ...	260	36	102	398	291	40	110	441	342	44	126	512
	4. <i>less</i> Sales of plant and vehicles ...	—19	—6	—	—25	—13	—8	—	—21	—11	—9	—	—20
	5. Total purchases <i>less</i> sales ...	241	30	102	373	278	32	110	420	331	35	126	492

For notes on the items of this table, see p. 90.

GROSS CAPITAL FORMATION

Capital formation in stocks and work in progress by sector

TABLE 37

£ million

	1948	1949	1950	1951
<i>Increase in value of stocks and work in progress</i>				
1. Central Government				
a. Trading	11	-26	-75	55
b. Strategic				127
c. less Disposal of surplus stores	-60	-32	-27	-23
2. Public corporations	33	35	10	78
3. Companies... ..	420	260	510	1,060
4. Non-corporate enterprises	91	83	114	190
5. Total increase in value	495	320	532	1,487
6. less Stock appreciation	-300	-250	-700	-1,100
7. Value of physical increase in stocks	195	70	-168	387

For notes on the items of this table, see p. 90.

Capital formation in stocks and work in progress by industry

TABLE 38

£ million

	1948	1949	1950	1951
<i>Increase in value of stocks and work in progress</i>				
1. Agriculture	32	34	34	35
2. Mining and quarrying	13	8	-10	13
3. Manufacturing industry	340	145	390	800
4. Other industries and services				535
5. Government strategic stocks	170	165	145	127
6. less Disposal of Government surplus stores	-60	-32	-27	-23
7. Total increase in value	495	320	532	1,487
8. less Stock appreciation	-300	-250	-700	-1,100
9. Value of physical increase in stocks	195	70	-168	387

For notes on the items of this table, see p. 91.

NOTES

I. Summary Tables

Tables 1-7 present a summary of the information given in the more detailed tables which follow. Each table is in form an account with receipts on the left hand side and payments on the right, the two sides balancing. Further, the tables form an inter-connected whole in the sense that every payment in any one account appears in some form as a receipt in another account. In many cases the corresponding receipt item can be readily identified because it appears by itself, and to this extent the accounts are "articulated", but sometimes it is merged in a larger receipt item or divided between several items. The object in these tables is to provide a convenient and useful summary of statistical information, not to display the full extent of articulation which is possible. This latter objective is the basis of Table 8, which gives the social accounts for the United Kingdom in 1951 in a form in which substantially every payment is readily identifiable as a receipt.

The following notes to individual items in the summary tables are intended to give a general idea of the content of each item. More detailed definitions are given in the notes to subsequent sections, except in the case of *Rent* (item 19 of Table 1) which does not appear as a distinct item outside the summary tables, and the items of Table 7 (*Transactions with the rest of the world*).

Table 1—Gross national product

The gross national product is defined, and the basis of its measurement explained, in the Introduction. The left hand side of the table shows the expenditure flows which generate the gross national product; the right hand side shows how the gross national product is divided between different kinds of income payment to the factors of production.

1. *Personal consumption*.—Expenditure on consumers' goods and services by persons and non-profit-making bodies, at market prices, *plus* the value of income in kind. A further analysis in greater detail is given in Tables 15-17, 15-19.

2. *Public authorities' current expenditure on goods and services*.—Current expenditure by the Central Government, National Insurance Funds and local authorities constituting a direct demand for goods and services (including the services of Government employees). Excludes (a) current

expenditure on national insurance benefits and other grants to persons, subsidies and debt interest; (b) expenditure on fixed capital assets and on adding to stocks, which are included under item 3; and (c) loans and repayments of loans. Equals the sum of item 20 of Table 22 and item 5 of Table 25.

3a. *Gross fixed capital formation*.—Expenditure on new fixed capital assets (buildings, plant and machinery, etc.) whether for replacement of or addition to existing assets, and on improvement of existing assets. Includes all expenditure on new house-building. This definition differs from that adopted in Cmd. 8203 and previous White Papers in that it excludes from gross fixed capital formation current expenditure on the repair of buildings. See notes to Tables 32-36.

3b. *Value of physical increase in stocks and work in progress*.—Increase in quantity of stocks and work in progress held by trading enterprises, or by the Government for strategic purposes, valued at average prices of the year. See notes to Tables 37-38.

4. *Exports and income received from abroad*.—Value of United Kingdom exports of goods and services (including goods and services sold to foreign tourists), *plus* rent, dividends, interest and profits received from abroad. See notes to Table 7.

5. *Imports and income paid abroad*.—Value of United Kingdom imports of goods and services (including goods and services purchased abroad by the United Kingdom Government or United Kingdom residents travelling for business or pleasure), *plus* rent, dividends, interest and profits paid abroad. See notes to Table 7.

6. *Gross national expenditure at market prices*.—The total of items 1-5.

7. *Taxes on outlay and local rates*.—Taxes related to the volume of production of, or trade in, particular goods and services, as distinct from taxes related to the income or capital resources of particular individuals, companies, etc. Equals the sum of item 14 of Table 22 and item 1 of Table 25.

8. *Subsidies*.—Payments made to a producer or trader by a public authority with the object of reducing the price below the cost of production, including the financing by public authorities

of deliberate losses on public trading services, e.g. in food and housing. The detailed composition of the item is shown in Table 27.

9. *Gross national expenditure at factor cost.*—The sum of items 6, 7 and 8.

10. *Wages and salaries.*—Gross cash earnings of wage-earners and salaried employees, before deduction of income tax or insurance contributions, plus income in kind. See notes to items 1 and 2 of Table 14.

11. *Pay and allowances of the Armed Forces.*—Includes retired pay and pensions and income in kind (food and clothing) and also the pay of reserve forces. See note to item 3 of Table 14.

12. *Employers' insurance contributions.*—Employers' contributions to the national insurance scheme. This is regarded (in accordance with international practice) as part of employee income deducted at source. Same as item 1 of Table 24.

13. *Professional earnings.*—Income, before tax, of professional workers not in salaried employment. See notes to item 5 of Table 14.

14. *Income from farming.*—Income, before deduction of tax or interest payments, of farmers, including companies engaged in agriculture. See notes to item 5 of Table 14.

15. *Profits of other sole traders and partnerships.*—Trading profits, before tax, of non-corporate enterprises other than those engaged in providing professional services or in farming. See notes to item 5 of Table 14. Here and elsewhere in this paper "profits" are to be understood as reckoned after deduction of depreciation.

16. *Trading profits of companies.*—Trading profits, before tax, of companies and co-operative societies operating in the United Kingdom. See notes to Tables 18 and 19. See also note to item 15.

17. *Trading surpluses of public corporations.*—The trading surpluses, before tax, of the public boards engaged in providing coal, electricity, gas, transport, etc. See notes to Tables 20 and 21.

18. *Profits of other public enterprises.*—The profits of the trading departments of the Central Government and of local authorities. See notes to item 17 of Table 22 and item 3a of Table 25.

19. *Rent of land and buildings.*—The income (imputed in the case of owner-occupiers) arising from the ownership of land

and buildings. It is made up of four parts. (1) In the case of privately owned houses (owner-occupied or let), property used by non-profit-making bodies serving persons, and property used by hotels, restaurants and other bodies treated in this paper as selling a composite product to persons (see notes to Table 15), the income is measured by the excess of rents received (as measured in item 4 of Table 15) over the costs of insurance and an estimated provision for repairs. (2) The second part consists of the income from the ownership of land and premises used for business purposes or let to public authorities. It is measured by the net Schedule A value of the property. (3) The third part consists of the income from houses owned and let by local authorities and from other property owned by local authorities, other than that used by trading services. It is measured by the interest on local authority housing and rate-fund debt. (4) The fourth part consists of the income of the Central Government from the ownership of Crown Lands and office buildings. For office buildings a notional figure has been estimated from the rental values of typical office buildings according to type and area.

20. *Net income from abroad.*—The excess of rent, dividends, interest and profits received by the United Kingdom from abroad over rent, dividends, interest and profits paid abroad. See notes to items 3 and 9 of Table 7.

21. *Stock appreciation.*—The part of the change in the value of stocks and work-in-progress during the year which arises from increases in the prices at which stocks and work-in-progress are valued. See notes to Tables 37 and 38.

22. *Depreciation.*—The provision allowed (in general, by the Inland Revenue) for the wear and tear of fixed capital in reckoning trading profits of enterprises, together with allowances for the depreciation of similar assets held by public authorities. See notes to item 4 of Table 31.

23. *National income and depreciation.*—The sum of items 10-22 inclusive.

Table 2—Personal income and outlay

This table shows the sources of income of persons and non-profit-making bodies and the various ways in which it is disposed of. The profit items (4, 5 and 6) are shown before deduction of stock appreciation.

1. *Wages and salaries*.—Same as item 10 of Table 1.

2. *Pay and allowances of the Armed Forces*.—Same as item 11 of Table 1.

3. *Employers' insurance contributions*.—Same as item 12 of Table 1.

4. *Professional earnings*.—Same as item 13 of Table 1.

5. *Income from farming*.—Same as item 14 of Table 1.

6. *Profits of other sole traders and partnerships*.—Same as item 15 of Table 1.

7. *Rent, dividends and interest received by persons*.—Receipts by persons and non-profit-making bodies (including the life funds of insurance companies) of rent, dividends (including co-operative society dividends) and interest. See notes to item 5 of Table 14.

8. *National insurance benefits and other current grants from public authorities*.—National insurance benefits, national assistance, family allowances, war pensions, scholarships, etc.; also grants to non-profit-making bodies serving persons. The detailed composition is given in Table 28.

10. *Consumption*.—Same as item 1 of Table 1.

11. *Remittances abroad (net)*.—Net remittances abroad by persons, including legacies and funds taken abroad by emigrants.

12. *Provision for taxes on income*.—Provision for tax on current income at current rates. See note to item 14 of Table 14.

a. *Payments*.—Income tax and surtax paid in the year.

b. *Additions to tax reserves*.—The excess of provision for income tax over the actual payments in the year.

13. *National insurance contributions*.—Includes contributions paid by employers and by the self-employed. See Table 24.

14. *Total current outlay*.—The sum of items 10-13.

15. *Saving and provision for stock appreciation*.—The excess of item 9 over item 14. The figure is obtained as a residual and is subject to a large margin of error.

Table 3—Corporate income appropriation account

This table is obtained by combining the appropriation accounts of companies (Table 18) and of public corporations (Table 21). It shows the

sources of corporate income (defined before deduction of stock appreciation) and the way it is disposed of.

1. *Trading profits of companies and trading surpluses of public corporations*.—The sum of items 16 and 17 of Table 1.

2. *Other corporate income*.—This item is made up of three parts:—(1) the non-trading income of companies and public corporations operating in the United Kingdom, the chief components being rents and public debt interest; (2) the profits of British companies operating abroad; and (3) a balance of payments adjustment (see note to item 2 b of Table 18).

The total is equal to the sum of items 2 and 3 of Table 18 and item 2 of Table 21.

4. *Dividends and interest*.—Dividends and interest (before deduction of income tax) paid out of the year's income, divided between (a) the amount actually paid in the year, and (b) the amount added to reserve for payment in a future year. Dividends, etc., paid by one company to another are excluded. Equal to the sum of item 5 of Table 18 and item 4 of Table 21.

5. *Provision for taxation*.—Provision for taxation on current income at current rates, divided between (a) the amount actually paid in the year, and (b) the amount added to reserve for payment in a future year. See notes to item 6 of Table 18 and item 5 of Table 21.

6. *Saving and provision for stock appreciation*.—The excess of item 3 over the sum of items 4 and 5. Equals the sum of item 7 of Table 18 and item 6 of Table 21.

Table 4—Revenue account of Central Government and National Insurance Funds

This presentation of the revenue and expenditure of the Central Government differs in a number of important respects from the Exchequer Accounts. See notes to Table 22.

1. *Direct taxes on income*.—Receipts from income tax, surtax, profits tax and excess profits tax. Same as item 5 of Table 22.

2. *Direct taxes on capital*.—Death duties and the special contribution. Same as item 8 of Table 22. These are regarded as falling on private capital accounts, not on current accounts. See note to item 17 of this table.

3. *Taxes on outlay*.—Same as item 14 of Table 22. The chief items are customs and excise duties, motor vehicle duties, stamp duties and the Post Office surplus.

4. *National insurance contributions.*—Contributions by employers, employees and the self-employed, i.e. the sum of items 1 and 2 of Table 24.

5. *Profits and other income from property (including stock appreciation).*—Profits of Government trading departments, plus rent, dividends and interest (other than government debt interest) received by the Government. Same as item 17 of Table 22.

6. *Current grants from overseas governments.*—Receipts from the United States Government under the Katz-Gaitskell agreement and the Military Security Act. Same as item 18 of Table 22.

8. *Current expenditure on goods and services.*—Excludes expenditure on fixed capital assets (buildings, machinery, etc.). See notes to item 2 of Table 1, and Table 22.

9. *Subsidies.*—The chief items are subsidies to agriculture, subsidies on certain raw materials, food and housing subsidies. See notes to Table 27.

10. *National insurance benefits.*—Payments of contributory pensions, widows' and guardians' benefits, unemployment and sickness benefit and other national insurance benefits. Equals total of item 7 of Table 24.

11. *Other pensions and grants to persons.*—Family allowances, national assistance, war pensions, scholarships, etc., and grants to non-profit-making bodies serving persons. The composition is shown in Table 28.

12. *National debt interest.*—Excludes payments within the Central Government and the National Insurance Funds. Same as item 24 of Table 22.

13. *Current grants to local authorities.*—Includes equalisation grants and grants towards specific services. Excludes capital grants. Same as item 25 of Table 22.

14. *Grants abroad.*—Grants to Colonial Governments for welfare and development, etc., to certain foreign governments (Jordan, etc.) and to international organisations, together with pensions paid to persons abroad. Same as item 26 of Table 22.

15. *Transfers to capital accounts.*—Payments of war damage compensation, compensation to doctors and dentists, etc. Same as item 27 of Table 22. It should be noted that these payments are not included in personal income (Table 2). See note to item 17.

16. *Total expenditure.*—The sum of items 8-15 inclusive.

17. *Surplus.*—The excess of item 7 over item 16. It should be noted that since government revenue as here defined includes a payment from private capital accounts (item 2), and government expenditure includes a payment to private capital accounts (item 15), the surplus does not measure the contribution of the Government to the total of national saving in the sense in which, for example, item 15 of Table 2 measures the contribution of persons to the total of national saving. For this reason an adjustment has to be made to the government surplus in the Combined capital account (Table 6, item 1 c).

Table 5—Current account of local authorities

1. *Rates.*—Local rates and payments in lieu of rates. Same as item 1 of Table 25.

2. *Grants from the Central Government.*—Same as item 13 of Table 4.

3. *Profits and other income from property.*—Profits of local authority trading services, and rents, dividends and interest received by local authorities. Includes a notional rent for local authority houses and other fixed assets owned by local authorities. See notes to item 3 of Table 25.

5. *Current expenditure on goods and services.*—Includes wages and salaries of local government employees, and a notional rent for office buildings, etc. Includes also a notional provision for depreciation of fixed assets held by services other than trading services and housing, measured by the amortisation of debt incurred by these services. See notes to item 5 of Table 25.

6. *Housing subsidies.*—The excess of the current costs of local authority housing estates (including interest and amortisation) over receipts in rents and central government grants. Same as item 6 of Table 25.

7. *Current grants to persons.*—Outdoor relief, school meals and scholarships. Same as item 7 of Table 25.

9. *Total current expenditure.*—The total of items 5-8.

10. *Current surplus.*—The excess of item 4 over item 9.

Table 6—Combined capital account

This table is a consolidated capital account for all United Kingdom sectors (persons, corporate bodies, Central Government and local authorities) taken together. It brings together on the

left hand side the various sources of funds available for financing the gross domestic capital formation shown on the right hand side. These include provisions for the depreciation of fixed capital, saving (here shown for each sector before deduction of stock appreciation, with a single adjustment below), additions to dividend and interest reserves and additions to tax reserves. All these are transfers from operating or current income and expenditure accounts of United Kingdom sectors to their capital accounts. Capital formation in the United Kingdom may also be financed by a gift or loan from abroad; and conversely, some of the funds made available by United Kingdom sectors may be lent or given to foreigners and so not be available for the finance of capital formation in the United Kingdom. The net amount so received by the United Kingdom (which may of course be negative) is entered as item 6. This amount is also, from another point of view, the means of financing the deficit (or, if negative, of absorbing the surplus) on the United Kingdom current balance of payments. Gifts and loans *between* United Kingdom sectors do not appear because they cancel out when the sector capital accounts are combined. See Table 31 where a separate capital account is given for each sector.

1. *Saving and provision for stock appreciation.*
 - a. *Personal.*—Same as item 15 of Table 2.
 - b. *Corporate.*—Same as item 6 of Table 3.
 - c. *Saving of Government.*—The surplus of the Central Government and National Insurance Funds (item 17 of Table 4), *less* receipts from taxes on capital, *plus* transfers to capital accounts. See note to item 17 of Table 4.
 - d. *Current surplus of local authorities.*—Same as item 10 of Table 5.
2. *Stock appreciation.*—Same as item 21 of Table 1.
3. *Additions to dividend reserves.*—Item 4b of Table 3.
4. *Additions to tax reserves.*—The excess of provision for direct tax due to the United Kingdom Government from persons and corporate bodies over taxes actually paid by them to the Government in the year. The sum of item 12b of Table 2 and item 5b of Table 3.
5. *Provision for depreciation.*—Same as item 22 of Table 1.
6. *Net gifts and loans from abroad.*—Item 10 less item 5 of Table 7. See general note to table above.

8. *Gross fixed capital formation.*—Same as item 3a of Table 1.

9. *Value of physical increase in stocks and work in progress.*—Same as item 3 b of Table 1.

Table 7. Transactions with the rest of the world

This table is an account of the transactions, current and capital, between normal residents of the United Kingdom and the rest of the world. Tourists or commercial travellers from the United Kingdom temporarily travelling abroad, members of the Armed Forces and Government employees working abroad, other than locally recruited staff, and the crew of British ships and aircraft are all included among normal residents of the United Kingdom. But citizens of the United Kingdom usually living abroad are excluded. A business undertaking with its head office in the United Kingdom, but mainly operating abroad, is treated in a special way. The part operating abroad is treated as a foreign resident; the part at home is treated as resident of the United Kingdom. The profit from operations abroad is treated as a current receipt by the head office and included in item 9 of this table.

The table follows the practice of the periodical Balance of Payments White Papers (Cmd. 8505 and previous papers in the same series) in the definition of 'normal resident', but differs from those papers in the method of classifying items. Further, although the headings in the Tables are broadly similar to those of Table 7 of Cmd. 8486, there have been some changes in the allocation of items between the headings.

1. *Imports of merchandise into the United Kingdom.*—Expenditure on commodities imported into the United Kingdom.

2. *Other imports.*—Purchases from abroad by normal residents of the United Kingdom of goods and services other than commodities imported into the United Kingdom.

3. *Property income paid abroad.*—Rent, interest, profits and dividends originating in the United Kingdom and paid to non-residents. Taxes paid to foreign governments are treated as payments of dividends.

4. *Current transfers (net).*—Current grants paid abroad by the United Kingdom Central Government *less* current grants received from overseas governments, *plus* net current remittances abroad by persons in the United Kingdom.

5. *Net investment abroad.*—The net increase in the overseas assets, real and financial, of United Kingdom residents, including the gold and dollar reserves.

7. *Exports of merchandise from the United Kingdom.*—Exports of commodities from the United Kingdom.

8. *Other exports.*—Sales of goods and services by United Kingdom residents to the rest of the world, other than commodities exported from the United Kingdom.

9. *Property income received.*—Rent, interest, profits and dividends received from overseas by United Kingdom residents. Taxes paid by foreigners to the United Kingdom Government are included here.

10. *Capital transfers (net):*

a. *Grants, etc.*—Item B I of Table 1 of the Balance of Payments White Paper.

b. *War disposals, settlements, etc.*—Item A. 6 (f) of Table 1 of the Balance of Payments White Paper, less the part of the United Kingdom's gold and dollar payments to the European Payments Union which was reimbursed by the United States Government (included under item 4). 48)

Table 8—The social accounts of the United Kingdom, 1951

Table 8 presents a summary of the chief money flows of the economy in 1951 in the social accounting form described in Section II of the Introduction. It is designed to show the maximum degree of "articulation" feasible with present information. In general, every receipt by an account appears also as a payment in another account, each such flow between accounts having a line of the table to itself. The receipt and payment both appear on the same line. Thus item 1a, "Wages, salaries and forces' pay", appears both as a payment from the "Production account of the United Kingdom" and as a receipt by the "Current account of persons". There is one group of flows, that of "Dividends and interest, etc." (item 4b), where information does not permit the separate measurement of the flows between pairs of sectors. The total of the various payments items under this head is, of course, equal to the total of receipts items, but it is not possible to estimate the various constituent flows, e.g. dividends and interest paid to persons by corporate bodies. This is the only case where separate identification of the paired flows, or "articulation", is impossible, though there are a few cases (items 6a, 6b and 11) where a flow which is the sum of two items is split only on the payments or on the receipts side. In these cases the identification of the paired flows presents no difficulty, e.g. the total personal expenditure on goods and services of £9,880m.

is readily seen to consist of (1) a flow of £9,737m. from persons to the United Kingdom production account, and (2) a flow of £143m. from persons to the rest of the world (tourist expenditure abroad).

Each pair of columns of the table constitutes an account. The accounts are defined partly in terms of economic function and partly in terms of type of economic institution (or "sector").

Account I records the payments and receipts of all United Kingdom persons or bodies engaged in production.

Account II records the current income and outlay of persons and non-profit-making bodies, and covers essentially the same ground as Table 2.

Account III is an appropriation account for companies and public corporations, and covers the same items as Table 3. Companies and public corporations are here combined only in order to simplify the table; separate figures are given in Sections V and VI of the Tables. The account does not cover the productive operations of these corporate bodies, which are included along with those of other producers in Account I.

Account IV is a current account for all public authorities taken together, i.e. it covers local authorities and National Insurance Funds as well as the Central Government. These public authorities have already appeared in Account I as producers; in Account IV they appear as consumers. The salaries paid to civil servants and other Government employees appear on the payments side of Account I; the work done by these employees is then considered as being sold to public authorities as consumers, and its value (at cost) therefore appears as a payment in Account IV.

Account IV differs from the sum of Tables 4 and 5 in two ways, (a) in that it excludes both from receipts and payments any grants from one public authority to another, and (b) that it excludes taxes on capital from receipts and transfers to private capital accounts from payments. The latter difference arises from the necessity in this table to keep the treatment of various sectors in line with one another (see para. 31 of Introduction).

Account V is a capital account for persons and companies, here combined in order to simplify the table.

Account VI, the capital account of public authorities, includes capital taxes as a receipt and transfers to private capital accounts as a payment. It also includes capital transfers from abroad.

Account VII is an overseas balance of payments account which includes capital as well as current items. It covers the same ground as Table 7, except that some small items are treated gross instead of net.

The following notes show where the various items of the social accounts appear (in most but not all cases as separately identifiable figures) in the Summary Tables or elsewhere in the paper. Definitions may be found by following these references.

1a. *Wages, salaries and Forces' pay.*—The sum of items, 10, 11 and 12 of Table 1.

1b. *Profits and rents of non-corporate businesses.*—The sum of items 13, 14 and 15 plus part of item 19 of Table 1. The allocation of rent made in this table between persons, corporate bodies and public authorities is very rough.

1c. *Trading profits and rents of companies and public corporations.*—The sum of items 16 and 17 plus part of item 19 of Table 1. See note to item 1b above.

1d. *Profits and rents accruing to public authorities.*—The sum of item 18 and part of item 19 of Table 1. See note to item 1b above.

2a. *Depreciation provision by public authorities.*—Part of item 22 of Table 1. See notes to item 4 of Table 31.

2b. *Depreciation provision by corporate and non-corporate business.*—Part of item 22 of Table 1. See notes to item 4 of Table 31.

3. *Taxes on outlay and local rates.*—Item 7 of Table 1.

4a. *National insurance benefits, etc.*—Item 8 of Table 2.

4b. *Dividends and interest, plus profits from abroad.*—Reading across the table, the figures represent (1) dividends and interest received by persons (item 7 of Table 2 less rents included in 1b above), (2) non-trading income of companies and public corporations (item 2 of Table 3 less rents included in 1c above), (3) dividends and interest paid by companies and public corporations (item 4a of Table 3), (4) property income of public authorities, other than rents and profits (the sum of item 5 of Table 4 and item 3 of Table 5, less item 1d above), (5) public debt interest (the sum of item 12 of Table 4 and item 8 of Table 5), (6) property income paid abroad (item 3 of Table 7), and (7) property income received from abroad (item 9 of Table 7).

4c. *Taxes on personal income and national insurance contributions.*—The sum of payments by persons of taxes on income (item 12a of Table 2) and national insurance contributions (item 13 of Table 2).

4d. *Taxes on corporate income.*—Payments of income tax and profits tax by companies and public corporations (item 5a of Table 3).

4e. *Personal remittances abroad (net).*—Item 11 of Table 2.

4f. *Current grants between U.K. Government and governments, etc. abroad.*—Items 6 and 14 of Table 4.

5. *Subsidies.*—Item 8 of Table 1.

6a. *Personal expenditure at home and abroad.*—Item 1 of Table 1. For the division between expenditure at home and abroad, see Table 15.

6b. *Public authorities' current expenditure at home and abroad.*—Item 2 of Table 1.

7a. *U.K. exports of goods and services.*—The sum of items 7 and 8 of Table 7.

7b. *Imports of goods and services by U.K. business.*—The sum of items 1 and 2 of Table 7, less amounts included under 6a and 6b above.

8a. *Sums set aside by persons.*—The sum of items 12b and 15 of Table 2.

8b. *Sums set aside by corporate bodies.*—The sum of items 4b, 5b and 6 of Table 3.

8c. *Sums set aside by public authorities.*—The sum of item 1c of Table 6 and item 10 of Table 5.

9a. *Gross capital formation and stock appreciation by public authorities.*—The sum of items 1 and 2 of Table 32, plus item 1 of Table 37.

9b. *Gross capital formation and stock appreciation by corporate and non-corporate business.*—The sum of items 3, 4 and 5 of Table 32, plus items 2, 3 and 4 of Table 37.

10a. *Taxes on capital.*—Item 2 of Table 4.

10b. *War damage compensation and other Government transfers to capital accounts.*—Part of item 15 of Table 4. See Table 31.

10c. *Capital transfers from abroad.*—Item 10 of Table 7.

11. *Net change in financial assets and overseas real assets.*—Sum of relevant sectors in Table 31, item 7.

II. Industrial Input and Output

Tables 9-12 form a group which shows the distribution by industry of origin of the various kinds of income which make up the gross national product. Table 10 shows how much of profits, rents and depreciation taken together—non-labour income—arises in each industry, while Table 11 makes a similar analysis of wages, salaries and other labour incomes taken together. In Table 9 the figures from these two tables are added together to show the contribution of each industry to the gross national product. Table 12 gives a more detailed industrial breakdown of one part of labour income, namely wages.

Table 9—Gross national product by industry of origin

The figures for each industry represent the sum of the wages, salaries, employers' national insurance contributions, rent, trading profits (including stock appreciation), and provision for depreciation originating in the industry. It is identical with the excess of the value of the goods and services produced by the industry over the cost of goods and services used in production, no allowance being made for the depreciation of fixed capital. In this context the value of goods produced is reckoned at factor cost, i.e. it excludes any indirect taxes paid by the producer but includes any subsidy received by him from public authorities.

Trading profits of bodies engaged in banking and finance are defined, as in past papers, as the difference between bank charges, commissions, etc., and management expenses.

Definition of industries

The definition of the various branches of industry follows the Standard Industrial Classification.

1. *Agriculture, forestry, and fishing*.—Order I of the Standard Industrial Classification.

2. *Mining and quarrying*.—Order II of the Standard Industrial Classification.

3. *Manufacturing*.—Orders III-XVI of the Standard Industrial Classification.

4. *Building and contracting*.—Order XVII of the Standard Industrial Classification. Building work done by the direct employees of public authorities and undertakings in transport and communication are no longer classified to those industries, but are now included in building and contracting. This change brings the definition

of the industry used here into line with that of the Census of Production. Building work done by the direct employees of gas, electricity and water undertakings is included under item 5.

5. *Gas, electricity and water*.—Order XVIII of the Standard Industrial Classification. See note to item 4.

6. *Transport and communication*.—Order XIX of the Standard Industrial Classification.

7. *Distributive trades*.—Order XX of the Standard Industrial Classification.

8. *Other services*.—Orders XXI, XXIII and XXIV of the Standard Industrial Classification, other than public health and educational services shown separately as item 11, domestic services to households shown separately as item 13, and services to non-profit-making bodies shown separately as item 14.

10. *Public administration and defence*.—Order XXII of the Standard Industrial Classification. The services rendered are measured by the sum of (i) wages, salaries, retired pay and employers' national insurance contributions in respect of employees in national and local government service; (ii) pay and allowances in cash and kind and retired pay of the Armed Forces; (iii) rent of land and buildings occupied by the administrative services of public authorities; (iv) depreciation of fixed assets owned by public authorities and used in connection with public administration.

11. *Public health and educational services*.—Health and education services provided by public authorities, valued at the sum of (i) wages, salaries and employers' national insurance contributions in respect of staffs employed, (ii) rent of land and buildings, and (iii) depreciation of school buildings.

12. *Ownership of dwellings*.—The services rendered by dwellings, including property occupied by non-profit-making bodies. They are measured by the sum of (1) the rent income (imputed in the case of owner-occupiers) arising from the ownership of property (excluding any income from the sale of services ancillary to the provision of furnished or unfurnished accommodation), and (2) the amortisation of the capital cost of houses owned by local authorities, here treated as a provision for depreciation. The first of these components is equal to that part of "rent" (item 19 of Table 1) which arises from dwellings and from property occupied by non-profit-making bodies.

13. *Domestic services to households*.—These services are measured by the wages and employers' insurance contributions paid in respect of domestic servants employed by private households.

14. *Services to private non-profit-making bodies*.—The wages and salaries and employer's insurance contributions of staff employed by private non-profit-making bodies (e.g. charities, the universities, social clubs, etc.).

16. *Stock appreciation*.—The change in the total balance sheet value of stocks and work in progress during the year less the value of the physical change in stocks.

18. *Net income from abroad*.—Interest, profits, dividends and rent paid by the rest of the world to the United Kingdom less similar payments by the United Kingdom to the rest of the world.

Table 10—Profits, rent and depreciation by industry

"Profits, rent and depreciation" includes professional earnings and income from farming, as well as the profits of other sole traders and partnerships, and the trading profits and surpluses of companies and public corporations. These items are defined in the notes to Tables 14, 18 and 20. No deduction has been made for stock appreciation.

The industrial grouping follows the Standard Industrial Classification.

Table 11—Wages and salaries by industry

The table shows for each industry the total of wages, salaries and employers' insurance contributions paid. The pay and allowances of the Armed Forces are included under the heading "Public administration and defence". For definitions of these items see the notes to Table 14.

The industrial grouping follows the Standard Industrial Classification.

Table 12—National wage bill

"Wages" is defined in the notes to Table 14.

The industrial grouping follows the Standard Industrial Classification.

Table 13—Inter-industry transactions, 1948

In this table the United Kingdom economy is divided among eight major industries, and estimates are given for each industry of (a) its

purchases for use in current production of the goods and services of each of the other industries, of the services of factors of production, and of imports, and (b) the sales of its products to each of the other industries, to final buyers in the United Kingdom, and to overseas buyers. The purchases of each industry are recorded in a column, its sales in a row. Final purchases by personal consumers, public authorities, capital accounts, and overseas buyers occupy columns 9-13, while sales to United Kingdom buyers of imports, labour services and services of other factors of production occupy rows 9, 12 and 13 respectively and net indirect taxes appear in row 14.

The sum of rows 12 and 13 (incomes and depreciation generated) is identical with the sum of columns 9 to 13 less rows 9 and 14, and equal to the gross domestic product at factor cost plus stock appreciation.

The figures relate only to purchases and sales of goods and services, and exclude all financial transactions and all transfers between different industries and sectors of the economy. Indirect taxes and subsidies are treated as though they were paid or received by final buyers and not, as in other tables of this paper, as being paid or received by the industry selling taxed or subsidised goods and services. The allocation of indirect taxes and subsidies between different types of final buyers is derived from Table 30.

The value of the output of each industry is measured at factor cost, i.e. at its selling value minus indirect taxes and plus subsidies. The output is reckoned free of duplication, i.e., it excludes that part of the output of each establishment which is sold (or transferred) to other establishments within the same industry.

The value of the output of the distributive trades (part of item 7) is measured as equal to the gross profit margin on the goods and services sold, and is equal to the incomes and depreciation generated plus the cost of goods and services used in selling goods and services produced by other industries. It does not include the factory value of the goods distributed. Thus in effect the manufacturers are regarded as selling their output to the industry or final buyer who buys from the distributor; the latter is treated as an agent who sells only his own services.

The value of the output of the industries included under "Other" (item 8) is taken as equal to the incomes and depreciation generated. Purchases of goods and services by non-profit-making

institutions, domestic servants, and public authorities are recorded in final demand as direct purchases from the appropriate industries by the final consumers themselves.

The items in row 10, "adjustments", arise from the fact that there does not correspond to all purchases a sale by a producer. Instead there corresponds in some cases a sale by a final consumer or by a capital account, e.g. sales by persons of used clothes, waste paper, etc. to industry, or parcels posted overseas by persons (negative personal expenditure) and sales of second-hand plant and machinery for scrap or for export (negative fixed capital formation).

All sales and purchases are measured in terms of seller's value (the amount received by the seller) as distinct from purchaser's value (the amount paid by the purchaser). Transport and distribution charges, equal to the excess of the purchaser's value over the seller's value, are considered as sales by "other production and trade" to the purchaser. Thus sales by "other production and trade" to persons comprises (i) items 11, 12, 13 and the greater part of item 15 of Table 17, and (ii) the value of the services rendered by transport and communication and the distributive trades in handling goods purchased by persons from industry and in handling

imports entering directly into personal consumption without processing by manufacturing industries.

Definition of industries

1. *Agriculture, forestry and fishing*.—Order I of the Standard Industrial Classification.

2. *Mining and quarrying*.—Order II of the Standard Industrial Classification.

3. *Food, drink and tobacco*.—Order XIII of the Standard Industrial Classification.

4. *Other manufacturing*.—Orders III to XII, and XIV to XVI of the Standard Industrial Classification.

5. *Building and contracting*.—Order XVII of the Standard Industrial Classification.

6. *Gas, electricity and water*.—Order XVIII of the Standard Industrial Classification.

7. *Other production and trade*.—The industries included in items 6-8 of Table 9, i.e., transport and communication, distributive trades, and other services.

8. *Other*.—The services included in items 10-14 of Table 9, i.e., public administration and defence, public health and educational services, ownership of dwellings, domestic services to households, and services to private non-profit-making bodies.

III. Personal Income and Outlay

Definition of persons

The term "persons" as used in this paper includes besides "individuals" private non-profit-making bodies such as churches, universities, charities and social clubs where such bodies can be considered as collective organisations providing a service to individuals. It also includes the life funds of insurance companies, these funds being treated as the property of the persons insured. The income of all these bodies is included with that of other persons in Table 2, and their current expenditure on goods and services is included in consumption (item 10). Gifts from one person or non-profit-making body to another person or non-profit-making body are regarded as inter-personal and do not appear on either side of the account.

It is not possible to distinguish statistically between the business and personal income of persons controlling non-corporate enterprises (sole traders and partnerships). In consequence the item here called "personal saving" includes all the undistributed profits of non-corporate enterprises.

Table 14.—Personal income and taxation

1. *Wages*.—The total gross cash earnings of "wage-earners", defined as explained below, inclusive of bonuses and paid holidays, together with remuneration in kind (e.g. coal free or at concessionary prices for coal miners, food and lodging for domestic servants) before deductions for income tax or national insurance contributions but after deduction of expenditure on tools and special clothing recognised as a necessary expense of work.

The distinction between wage-earners and salary-earners follows lines derived from the Census of Production, the earnings inquiries of the Ministry of Labour and with certain exceptions the administrative practice of the Inland Revenue, before the introduction of Pay-As-You-Earn, in deciding which employees were to be assessed half-yearly and which yearly. The first two distinguish "operatives" from "administrative, technical and clerical workers"; the third formerly distinguished between "manual" and "non-manual" workers. The category of "wage-earners" in this paper is based on those of "operatives" and "manual" workers in the codes referred to. It includes factory workers, operative workers in transport such as drivers and conductors, storemen, warehousemen, porters,

messengers, postmen, waiters, cooks and domestic servants. It is emphasized that the distinction is based on occupation, not on the period of payment or on the size of income. Thus some weekly-paid employees, e.g. shop assistants, are here treated as salary earners.

2. *Salaries*.—See note to item 1 above. The term "salary-earner" covers administrative, technical and clerical workers in the sense used in the Census of Production and non-manual workers in the sense used by the Inland Revenue before the introduction of Pay-As-You-Earn. Commercial travellers, shop-assistants, policemen and firemen are all classed as salary-earners. The figures given here include an estimate for company directors' fees. Any expenditure recognised as a necessary part of earning an income has been deducted from gross salaries. For example, where a commercial traveller has to meet his travelling expenses out of what he is paid by his employer, the amount included here as his salaried income is the net amount left to him after paying his expenses. Likewise, expenditure on business travel is not included in personal expenditure.

Employers' national insurance contributions are shown separately as item 4, but employers' contributions to a pension fund or to a group pension scheme with an insurance company and any other superannuation contributions by an employer are included here. Where pensions are paid under a non-contributory scheme (e.g. the Civil Service) the pensions currently being paid to retired employees are included in place of the actuarial accruing liability in respect of present employees.

3. *Pay of the Armed Forces*.—This item comprises: (a) the pay and cash allowances of, and the cost of issues of food and clothing to, members of the Armed Forces and auxiliary services, excluding those on release leave, but including those serving in Government Departments; (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; (c) the pay and allowances of Reserve Forces; (d) the pay and allowances of Polish troops serving with the British forces. The estimates of this item, especially for earlier years, have been revised upwards.

4. *Employers' insurance contributions*.—Equals item 1 of Table 24. After deduction of national insurance contributions as a whole, this category of income from employment disappears.

5. *Profits, rent, dividends and interest.*—Includes the following four items, given separately in Table 2: professional earnings, income from farming, profits of other sole traders and partnerships, and rent, dividends and interest received by persons.

Professional earnings are 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.

The item includes the estimated addition to doctors' incomes arising from the Danckwerts award. This has been allocated over the various years since 1948 in the proportions in which it is attributable to each of them.

Income from farming 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 the ownership of land and buildings is excluded from this item, and included as part of rent.

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. It is believed 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 1948 includes five-twelfths of the income earned in the crop year 1947-8 and seven-twelfths of the income earned in the crop year 1948-9; similarly for other years.

Profits of other sole traders and partnerships include, in principle, all the profits assessable to income tax under Schedule D and (in 1946) to excess profits tax of unincorporated enterprises,

i.e. the profits of sole traders and partnerships, other than professional earnings and income from farming.

Rent, dividends and interest received by persons.—The estimated receipts by persons resident in the United Kingdom (including non-profit-making bodies and the life funds of insurance companies) of income from the ownership of land and buildings, dividends on ordinary and preference shares in British companies, debenture interest, co-operative societies' interest and dividends on sales, interest on public authorities' debts (including the increase in interest accrued on National Savings Certificates), dividends and interest on foreign securities, building society and bank deposit interest, less interest paid. The item includes a notional rent for owner-occupied dwellings (see note to item 19 of Table 1).

6. *National insurance benefits and other current grants from public authorities.*—Equals item 11 of Table 28. The content of the item is described in the notes to that table.

14. *Provision for taxes on income and national insurance contributions.*—All persons subject to income tax under Schedule D (i.e. professional persons, farmers, and other sole traders and partnerships) are treated as setting aside sufficient money to pay tax at current rates on current earnings and as adding to, or deducting from, the amounts thus set aside in respect of the earnings of the previous year enough to take account of any upward or downward changes in tax rates. The total amount that would be set aside in this way together with actual payments of other taxes on income represents what is called here "provision for taxes on income". Any difference between this amount and actual payments is called "additions to tax reserves".

In reckoning incomes after tax, payments of tax have been deducted to obtain items 8, 9 and 10 (since none of the income is subject to tax under Schedule D) but provision for tax has been deducted to obtain item 11. The difference between item 7, the total of personal income before tax, and item 13, the total of income after provision for tax and national insurance contributions, is therefore equal to the present item. Table 29 shows an analysis of tax payments according to the type of tax and the incidence of the various types of income.

15. *Indirect taxes on consumption less subsidies to consumption.*—The allocation of indirect taxes and subsidies between different categories of final expenditure is given in Table 30.

16. *Total tax liabilities in respect of personal income.*—The sum of items 14 and 15.

17. *Tax liabilities as a percentage of personal income.*—Item 16 as a percentage of item 7.

Tables 15-17—Personal expenditure on consumers' goods and services

The total shown in Table 15 relates to expenditure out of personal income, i.e. the income of individuals and of charities and other non-profit-making bodies. The figures represent the expenditure of persons in the above sense on goods and services of all kinds whether these are provided out of new production or from stock. Purchases of land, houses and other buildings and expenditure on improvements to houses and buildings are, however, excluded and treated as fixed capital formation; stamp duties, legal fees and agents' commissions incurred in connection with the transfer of ownership of land and buildings are similarly treated (see general notes to Tables 32-38).

In principle the estimates of consumers' expenditure given in this paper represent purchases of goods (both new and second-hand) *less* the proceeds of sales of used goods. It follows from this treatment that the transfer of ownership of a second-hand good between two consumers makes no net contribution to the total of consumers' expenditure except in so far as costs are incurred in the transfer (e.g. handling and reconditioning costs and dealers' margins). The purchase by one consumer is balanced by the sale by another consumer. But consumers' purchases of second-hand goods from a business capital account (e.g. purchases of used passenger cars from a business concern) or from government surplus disposals are included in consumers' expenditure; and, correspondingly, sales to a business capital account or for scrap represent a net deduction in arriving at the total of consumers' expenditure. The data available on purchases and sales of second-hand goods are, however, insufficient to make it possible to apply these principles consistently in every case. An estimate of dealers' margins arising from the transfer of ownership amongst consumers of second-hand goods is included in items 10 (motor vehicles) and 16 (other goods).

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 in principle 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, the allowance for the purely service and managerial element of expenditure in item 15.

The only substantial revisions to previous figures for the items included in this table are in items 4, 15 and 16 (Rent, Other services and Other goods). Expenditure on "Other services" is now defined so as to include tenants' owner-occupiers' expenditure on interior decoration, both of which were formerly included in gross capital formation.

Information which has come to hand during the past year suggests that expenditure on miscellaneous goods (item 16) has been underestimated in past years. The figures have therefore been revised.

The figures given in Table 16 have been obtained by revaluing at the appropriate 1948 prices each group of goods and services bought in any year. This revaluation is made separately for the different items within each group so far as the data allow. 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.

The method of revaluing expenditure on beer has been changed since the preparation of last year's paper in this series. In past years full allowance was made for quality changes by using the standard barrel as the unit of quantity. The price index now used is based on the mean of prices of a bulk barrel and a standard barrel and is the same as that used in compiling the interim index of retail prices.

Table 15 gives estimates of expenditure on goods and services by consumers. Table 17 shows the amount received by the producers and sellers of these goods and services. This is made up of consumers' expenditure, *less* indirect taxes paid to public authorities, *plus* subsidies received from public authorities. The method of allocation of taxes and subsidies used is described in the notes to Table 30.

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. licence duties on

commercial motor vehicles) which is estimated to fall on consumption is shown separately after item 18.

The composition of the expenditure groups shown in Tables 15-17 is given below.

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, corn-flour, custard and blanc-mange 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*.—The value of coupons surrendered by old age pensioners is no longer included (as it was in Cmd. 8203).

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

4. *Rent, rates and water charges*.—This item relates to dwelling houses, land and buildings occupied by non-profit-making bodies and hotels, boarding houses, etc. The element of rent in this item is made up of (1) an imputed rent for owner-occupied buildings, including the cost of insurance and current repairs other than interior decoration, (2) for other land and buildings, the rent paid less any part representing charges for incidental services such as use of furniture, hot water and heating, and (3) tenants' expenditure on current repairs, other than interior decoration.

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 pit-head prices.
- b. Electricity.
- c. Gas.
- d. Coke, oil fuels and firewood.

6. *Durable household goods*.—

- a. Furniture, furnishings, household textiles, floor coverings, and musical instruments (including wireless and television 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 8b (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 less sales by persons of motor-cars, motor-cycles and motor accessories and the running expenses, repairs, etc., incidental to their use.

11. *Travel*—

a. Railways—Includes 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 charges 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*—This item includes the following expenditure out of personal income—

i. Expenditure on medical services not provided under the National Health Service (or, before 5th July, 1948, under national health insurance).

ii. Expenditure on hotel and restaurant services (so far as this exceeds the elements of cost included elsewhere, e.g. under items 1, 2, 4, 5 and 6).

iii. Fees, etc., for private education (in excess of the elements of cost included elsewhere).

iv. Owner-occupiers' and tenants' expenditure on the interior decoration of houses. Other expenditure by owner-occupiers and tenants on current repairs to houses is included as part of rent in item 4. All expenditure on improvements to houses is included under gross capital formation.

v. Expenditure on repairs to furniture, clothing, footwear, watches, etc.

vi. Dealers' margins on the transfer of ownership of second-hand goods other than motor vehicles.

vii. Expenditure on the hire of domestic equipment (e.g. cookers).

viii. The component of insurance and assurance premia representing the expenses and profits of insurance companies, other than the part related to the insurance of buildings. The cost of the latter is included under item 4.

ix. Legal fees and stamp duties on leases, mortgages, transfers of financial assets, etc. (but not fees and stamp duties incurred in the transfer of ownership of land and buildings).

x. Bank charges and stamp duties on cheques.

xi. Net expenditure on betting (i.e. amounts staked less winnings).

xii. The wages and salaries of employees of non-profit-making institutions, e.g. universities, churches, social clubs, etc.

xiii. Expenditure on hairdressing, undertaking, laundry, dry cleaning 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 by the National Health Service, flowers, garden seeds, domestic pets, etc., and dog and gun licences.

17. *Income in kind of the Armed Forces*—Cost of providing members of H.M. Forces and auxiliary services with food and clothing, including civilian clothing issued on release from the services.

18. *Expenditure by foreign tourists, etc., in the United Kingdom*.—Expenditure by foreign visitors, whether tourists or commercial travellers and by the armed forces and employees of foreign governments.

20. *Personal expenditure abroad*—Expenditure abroad by British tourists, members of the armed forces and government employees. Expenditure out of business expense allowances is excluded.

IV. Companies

The term "companies" as used here includes all companies and other corporate trading bodies (other than public corporations as defined in Section V) operating in the United Kingdom, whether British or foreign, together with British companies operating abroad. Co-operative societies are included here, but companies engaged in agriculture are excluded.

Table 18—Appropriation account of companies

1. *Trading profits of companies operating in the United Kingdom.*—Profits are reckoned after deduction of depreciation allowances and directors' fees, but before deduction of profits tax, income tax, debenture interest and bank interest. The surpluses of co-operative societies, before deduction of interest or dividends on sales, are included.

Companies engaged in banking and finance are treated as enterprises whose only sale proceeds are charges, commissions, etc., made to customers and whose trading profit, equal to the difference between charges and management expenses, is generally negative.

The allocation of profits between domestic and overseas operations (items 1 and 2a respectively) is necessarily made on broad lines, since the boundary cannot always be drawn precisely. Ships of United Kingdom ownership are regarded as forming part of the United Kingdom for the purposes of this classification.

There are a number of differences in scope between the figures of this table and those given in Tables 34-51 of the Ninety-Fourth Report of the Commissioners of Inland Revenue. The figures given here are reckoned before deduction of profits tax, and include film royalties remitted abroad and dividends paid by co-operative societies; the Inland Revenue figures exclude all these items. The treatment of banking and other financial concerns also differs from that of the Inland Revenue.

2a. *Profits of British companies from operations abroad.*—The whole of the profits is included, whether remitted to the United Kingdom or not. See also note to item 1.

b. *Balance of payments adjustment.*—This item includes (1) the undistributed profits of companies not legally resident in the United Kingdom which are treated as residents for purposes of exchange control and in measuring the United Kingdom

balance of payments, (2) as a negative item, certain expenditure by British companies on increasing stocks held overseas which is regarded as current expenditure in measuring the United Kingdom balance of payments.

3. *Non-trading income.*—Receipts by companies (including banks) of interest paid by other sectors of the economy (including public debt interest), income from the ownership of land and buildings, interest and dividends from abroad. Companies' receipts of dividends and interest from other companies are excluded from this item as are the corresponding payments from item 5. All receipts are reckoned before deduction of income tax.

5. *Dividends and interest*—

a. *Payments.*—The figures represent the amount of dividends and interest paid by British companies during the year, not the amount payable in respect of the year (see note to item 5b). Payments are shown before deduction of income tax. Payments by one British company or co-operative society to another British company or co-operative society are excluded, as are the corresponding receipts from item 3.

i, ii and iii. *Debenture interest, dividends on preference shares, and dividends on ordinary shares.*—The division of the total between these three items is estimated from incomplete material and is subject to a considerable margin of error.

vi. *Other.*—Bank deposit interest, film remittances abroad, remittances abroad of profits of foreign companies operating in the United Kingdom, and taxes paid to governments abroad.

b. *Additions to dividend reserves.*—The excess of the amount of dividends and interest attributable to the income earned in the year over the dividends and interest actually paid in the year.

6. *Provision for taxation*—

a. *Payments.*—Profits tax, excess profits tax and income tax paid by companies on their own income. Income tax deducted by the companies at source when dividends and interest are paid is not included here; on the other hand, tax which has been deducted at source from their own non-trading income is included. Taxes paid to governments abroad are included under item 5a (vi).

b. *Additions to tax reserves.*—It is assumed that companies set aside as current tax provision sufficient money to pay tax at current rates on current income, and that they add to, or reduce,

their provision for tax on the income of the previous year to take account of any changes in tax rates which will affect the amount payable on that year's income. The present item is, therefore, equal to the difference between the amount set aside on this assumption and the amount of tax actually paid by companies in the same year.

7a. Undistributed profits of British companies.—The excess of items 1, 2a and 3 over the sum of items 5 and 6; that is, the amount retained by companies after provision for dividends and interest and provision for tax as defined in the note to item 6. This is the amount available to provide for stock appreciation and to put to free reserve.

b. Balance of payments adjustment.—See note to item 2b.

Table 19—Company trading profits by industry

Lines 1 to 8 of this table give an industrial analysis of (1) the gross trading profits of companies (other than companies engaged in banking and finance, companies in agriculture and companies operating abroad) before adjustment for expenses in connection with transfers of financial assets and for bank interest, (2) the allowances for depreciation of fixed capital granted in reckoning net profit for taxation purposes, including initial allowances where relevant, and (3) net profits, defined as equal to (1) less (2). "Net profits" as given in line 10 of this table are identical with item 1 of Table 18, and the total of "depreciation allowances" as given in line 10 of this table represents the share of companies in the total of depreciation as defined in this paper (see item 4 of Table 31), but both these totals contain adjustment items not here allocated by industry. The total of the adjustments is given separately in line 9 of this table.

The basis of classification of company profits by industry is similar to that used for the statistics of trading profits assessed to Schedule D income tax in 1949-50 published in the Ninety-Fourth Report of the Commissioners of Inland Revenue (Cmd. 8436). This classification corresponds in principle with that of the Standard Industrial Classification, but it must be emphasised that the figures of company profits given here are not comparable with the Ministry of Labour statistics of manpower, or with data from the Census of Production conducted by the Board of Trade, though these also follow the Standard Industrial Classification. The reason is that the

latter are based on data for separate establishments, while the profits figures are related to financial units, which may cover several establishments in different industries. The most important example of the difference between the two series of statistics is probably that the distributive industries as defined in the profits statistics include a considerable number of productive units which in a classification based on establishments are allocated to manufacturing industry. As a result of this difference in the basic unit of classification, the figures given here are not comparable with the figures for "profits, rents and depreciation" in Table 10, or with those for wages and salaries in Tables 11 and 12, despite the similarity of titles.

The depreciation allowances shown in the table are those granted in reckoning liability to income tax. They include the initial allowances, where relevant (see notes to Table 31).

9. Adjustments.—In the column "gross profits" this item comprises:—

(a) As a negative item, the estimated expenditure of companies on commissions, stamp duties and other expenses in connection with transfers of financial assets, with mortgages and with capital issues, other than expenditure by companies whose business it is to deal in financial assets.

(b) As a positive item, the estimated amount of interest on overdrafts paid to banks which has been deducted in reckoning the figures for profits given under items 1-8.

(c) The estimated profits of banks and other financial concerns as measured in this paper, namely the excess of receipts from bank charges, commissions, etc., over the current operating expenses (salaries and other office expenses) of these concerns. This item is in fact negative for all years shown.

(d) As a positive item, the estimated payments made by companies for the insurance of their fixed capital assets (*less* the part covering the expenses and profits of insurance concerns). These payments have been deducted in reckoning gross profits as shown in lines 1-8.

(e) As a positive item, the estimated provisions for renewal of ways and works, etc., deducted in reckoning the railway companies' gross profits (part of item 6) in 1947.

The last two items, (d) and (e), are repeated in the adjustment shown in the column "depreciation allowances". The adjustment shown in the column "net profits" comprises items (a), (b) and (c).

V. Public Corporations

A public corporation is here defined as a trading body which is publicly controlled to the extent that the Sovereign, Parliament, or a Minister appoints, directly or indirectly, the whole or a majority of the board of management, but which is established as a corporate body with its own legal existence and with financial independence.

The marks of this financial independence are the powers of the body to maintain its own reserves and to borrow. This differentiates it from other public enterprises, such as the Post Office and local authority utility undertakings, where any trading surplus automatically reverts to the Exchequer or to the local authorities. The list of bodies included is as follows.

	Commencing or vesting date	Date of termination
Central Electricity Board	1926	1948 (1st April)
British Broadcasting Corporation	1927	
Electricity Board for Northern Ireland	1932	
London Passenger Transport Board	1933	1948 (1st January)
Scottish Special Housing Association	1937	
British Overseas Airways Corporation	1940	
National Service Hostels Corporation Ltd.	1941	
North of Scotland Hydro-Electric Board	1943	
Northern Ireland Housing Trust	1945	
Bank of England	1946 (1st March)	
British South American Airways Corporation	1946 (1st August)	1949 (30th July)
British European Airways	1946 (1st August)	
New Town Development Corporations	1946 (1st December) and various later dates.	
National Coal Board	1947 (1st January)	
Cable and Wireless Ltd.	1947 (1st January)	1950 (1st April)
Raw Cotton Commission	1948 (1st January)	
British Transport Commission	1948 (1st January)	
British Electricity Authority and Area Electricity Boards	1948 (1st April)	
National Film Finance Corporation	1948	
National Research and Development Corporation	1948	
Ulster Transport Authority	1948 (1st October)	
Gas Council and Area Gas Boards	1949 (1st May)	
Festival Gardens Ltd.	1949 (16th November)	
Iron and Steel Corporation of Great Britain	1951 (15th February)	

Public corporations operating overseas such as the Colonial Development and Overseas Food Corporations are not included.

Table 20—Operating account

1. *Sales*.—The total sales of the corporations on revenue account. Sales to each other are not excluded from this item, nor from item 5.

2. *Subsidies*.—Payments by the Central Government to the Airways Corporations and the National Service Hostels Corporation Ltd.

4 and 5. *Wages and salaries and Purchase of goods and services* exclude items chargeable to capital account. See also note to item 1.

6. *Rents*.—This item includes rents and payments for hire of land, buildings and storage

accommodation shown in the accounts of the corporations.

7. *Provision for depreciation*.—Provision for depreciation and obsolescence of fixed assets as shown in the accounts of the corporations, including the provision for renewal of ways and works and certain other fixed assets charged to revenue account by the British Transport Commission.

8. *Taxes on outlay*.—The item rates includes payments in lieu of rates under Part V of the Local Government Act, 1948.

9. *Trading surplus*.—This represents the profit (or loss) from trading operations before payment of interest and before providing for direct taxation or for amortisation of issued capital. It is transferred to the appropriation account.

Table 21—Appropriation account

1. *Trading surplus*.—The sum transferred from the operating account representing the profit (or loss) from trading.

2. *Other income*.—This consists of investment income, rents receivable and other earnings from non-trading activities.

4. *Interest*.—The two sub-items together represent the liability for the year; the first represents the amount actually paid in the year. The second constitutes the addition to reserve for future payments of interest.

a. Payments.—Includes interest on short-term loans and overdrafts; also the half-yearly payments made by the Bank of England to the Treasury and the dividends paid in 1947-50 by Cable and Wireless Ltd.

5. *Provision for taxation*.—Payments and transfers to reserve against the corporations' liabilities for income tax and profits tax, defined in the same way as the analogous items in the appropriation account of companies (Table 18, item 6).

6. *Saving and provision for stock appreciation*.—The balance of income retained by the corporations and transferred to capital account.

VI. Central Government and National Insurance Funds

The heading of this section is the term used in this paper to refer collectively to (a) the departments of the Central Governments of Great Britain and Northern Ireland, (b) the National Insurance Funds, and, before 5th July, 1948, the Unemployment Fund, the various national health insurance funds and the contributory pension scheme, (c) the Exchange Equalisation Account, the Issue Department of the Bank of England, the various war damage and war risks funds and other extra-budgetary funds, (d) grant-aided bodies set up for the administration of government policy having no financial independence (e.g. Regional Hospital Boards, the British Council and Medical Research Council), (e) the Metropolitan Police (included here as within the scope of Central Government and not as a local authority), (f) United Kingdom-Dominions Wool Disposals Ltd.

The term "Government trading bodies" as used in this section of the paper refers collectively to (a) the Post Office, (b) the commodity divisions of the Ministry of Food, (c) the trading branches of the Ministry of Materials, of the Ministry of Supply and the Board of Trade, (d) the State Management Districts, and (e) the United Kingdom-Dominions Wool Disposals Ltd. Manufacturing establishments of the Government selling their output almost exclusively to the Government (for example, the Royal Ordnance Factories and Admiralty dockyards) are not treated as trading bodies.

Table 22—Revenue account

This table shows the current revenue and expenditure of the Central Government and National Insurance Funds (as defined above), excluding gross trading receipts and payments, but including any net trading profits or losses. The commercial surplus of the Post Office is treated not as a trading profit but as an indirect tax. Trading losses incurred by the Ministry of Food and by trading branches of the Ministry of Supply and the Board of Trade as a deliberate act of policy to reduce prices are treated as subsidies. Normal trading profits or losses are included in government income from property.

With the exception of death duties and the special contribution (which are treated as current revenue) and war damage payments, post-war refunds of excess profits tax and other capital grants (which are treated as current expenditure),

the current revenue and current expenditure of the Government are defined from the point of view of the rest of the economy. Receipts are treated as current only if they come from the current account of another sector of the economy and are not receipts from the sale of stocks; payments are treated as current only if they are paid to another current account and are not payments for building up stocks or other capital assets. Since death duties and the special contribution are regarded elsewhere in this paper as being paid out of the capital account of persons, but are included here as current revenue, and since capital grants are regarded elsewhere as being paid to capital accounts, but are included here as current expenditure, the current surplus of the Government as defined here is not in line with the way current saving is defined for the rest of the economy. A special adjustment is made for this in Table 6, item 1c.

The figures given here differ radically from the figures of Exchequer receipts and payments "above the line". In the first place they represent the current transactions with the rest of the economy of the Central Government and the National Insurance Funds as a whole, all internal transactions being eliminated. The transactions of the Exchequer are only part of the total picture and their timing differs from that of the corresponding transactions by departments. Thus, tax receipts are here measured by the amount paid by the public to the Revenue departments, not by the amount paid by the Revenue departments to the Exchequer. Similarly, it is expenditure by departments that is measured, not cash issues by the Exchequer to departments. Finally, some receipts and payments do not pass through the Exchequer at all. They either pass through extra-budgetary funds, the chief example being the National Insurance Funds, or they stop short at departments as in the case of appropriations-in-aid. These are receipts which departments are authorised to spend and do not have to surrender to the Exchequer. When they are in the nature of taxes or income from property they are shown here as part of current revenue.

The second reason for the difference between the figures here and the figures in the Exchequer returns is the adjustment made for trading transactions. On the revenue side, trading profits *less* losses are included in place of the surplus trading

receipts paid to the Exchequer, which may include receipts from the running down of stocks or financial assets. On the expenditure side, Exchequer advances to trading bodies are excluded and instead there are included any trading losses treated as subsidies and the net value of any free services rendered by Government trading bodies to departments.

The third important difference from the Exchequer figures is that many receipts included "above the line" and many payments by departments financed from Exchequer issues "above the line" are not "current" in the sense used in this paper. Receipts from the sale of surplus stores, repayments of principal included in the Exchequer's Receipts from Sundry Loans and capital items included in Miscellaneous Receipts are all excluded here from current revenue. Expenditure by departments on the purchase of fixed assets, the building up of stocks, the making of loans and the repayment of liabilities are all excluded from current expenditure.

To be consistent with the estimates of profits given in this paper, Government expenditure should be measured by the value of goods and services transferred to the ownership of the Government, any delay between the delivery of goods and the payment of cash for them being treated as an increase in the Government's liabilities to the producers. In practice, however, the information available relates almost entirely to cash payments, and it has not yet been found possible to record expenditure consistently on a "transactions" basis.

Direct taxes on income.—Items 1 to 4 represent net receipts by the Board of Inland Revenue, as distinct from payments to the Exchequer.

1. *Income tax.*—This item excludes income tax on post-war refunds for excess profits tax: correspondingly, these refunds are shown in item 27a of this table after deduction of income tax. It also excludes tax paid by foreigners, which is included in item 17.

3. *Profits tax.*—This tax was called the national defence contribution before 1947.

4. *Excess profits tax.*—This item represents net receipts of excess profits tax, but without deduction of post-war refunds, which have been treated as capital grants (item 27a).

Taxes on outlay.—Item 9 and 11 represent net receipts by H.M. Customs and Excise and by the Board of Inland Revenue respectively, as distinct from payments into the Exchequer.

13. *Miscellaneous.*—Excise licences collected by local authorities, taxes on outlay levied by the Government of Northern Ireland, and certain appropriations-in-aid of Votes.

16. *National insurance contributions.*—Items 1 and 2 of Table 24.

17. *Profits and other income from property.*—This item is made up of:—(i) profits of the trading branches of the Board of Trade and Ministry of Supply (these trading branches are now merged under the Ministry of Materials); (ii) interest charges against trading branches, operating accounts; (iii) the loss under the Railway Agreement (before nationalisation); (iv) the profits of the United Kingdom-Dominions Wool Disposals Ltd (Joint Organisation); (v) *less* the Dominions share of item (iv); (vi) the loss incurred by the Exchequer in 1946 and 1947 through currency operations by British troops and Government employees abroad; (vii) receipts from Crown Lands; (viii) the interest component of receipts from Sundry Loans; (ix) interest and dividends included in miscellaneous revenue; (x) investment income, not being government debt interest, received by the National Insurance Funds; (xi) the excess of interest received by the Local Loans Fund over interest paid on Local Loans Stock; (xii) the income from non-government securities held by extra-budgetary funds; (xiii) tax paid by foreigners; (xiv) receipts applicable to national debt interest. These receipts consist of (a) interest on advances for the construction of temporary houses, (b) interest on Exchequer advances to the Local Loans Fund, to the Building Materials and Housing Fund and to various public corporations, (c) amounts received from the Bank of England, the National Coal Board and Cable and Wireless, Ltd., to cover interest on compensation stock, (d) interest on advances made to enable the Board of Trade to take over commercial debts to British exporters and (e) interest on the loan of £22m. to Denmark in 1951 (see note to item 18 of Table 23).

The first four items form the Central Government part of item 18 of Table 1. The remaining items are income transferred from other sectors of the economy with the exception of items (v) and (vi) which are debit items representing a transfer of income to other sectors.

18. *Current grants from overseas governments.*—Defence aid from the United States Government, other than the gift of finished munitions, *plus* the part of the United Kingdom's gold

and dollar payments to the European Payments Union reimbursed by the United States Government.

20. *Current expenditure on goods and services (net).*—The scope of this item has been slightly extended. It now includes the expenditure on goods and services of the Metropolitan Police Fund and also that of the Medical Research Council, the Agricultural Research Council and Nature Conservancy, these bodies having been brought within the definition of the Central Government. There have been corresponding adjustments to items 25 and 23. This item also includes the estimated additions to doctors' incomes arising from the Danckwerts Award. This has been allocated over the various years since 1948 in the proportion in which it is attributable to each of them. A further revision has been to include the overhead expenditure of the Ministry of Food on rationing and local food offices. Previously this expenditure was treated as part of food subsidies. As far as possible, payments which merely represent the settling of claims arising out of the last war are excluded, even though the claims are in respect of expenditure incurred by the Government of a kind that would originally have been classed as current expenditure on goods and services. In past papers estimates of current expenditure on goods and services have been obtained as the difference between an estimate of total Government expenditure and estimates of expenditure on all items other than current goods and services. For the years 1950 and 1951 it now represents a direct estimate built up from separate estimates for each type of government service and is therefore more firmly based.

a. Defence.—Includes civil defence and current expenses in connection with the stock-piling programme. An attempt has been made to adjust expenditure by the Service Departments for the fact that in a particular financial year they may pay more or less to the Ministry of Supply than the value of finished goods delivered to them. However, for transactions outside the government, both of the Service Departments and the Ministry of Supply, it has not been possible to allow properly for any difference between figures of cash payments and the value of deliveries. Expenditure on naval construction, building and civil engineering, and on research is, however, measured on the basis of "work done" and not, as in principle for all other purchases, on the basis of deliveries of finished goods. Expenditure on

defence treated here as "current" includes work done on new buildings for military use and military works, such as airfields and training grounds. The only expenditure on fixed assets treated as "capital in the field of defence" is expenditure on plant and machinery for munitions factories and on permanent married quarters with a potential civil use, together with purchases of land.

Except for ships, research and building, any increase in work in progress by contractors on government defence orders is excluded from the estimates of defence expenditure given here. Further, they exclude capital expenditure on fixed assets in the limited sense defined above and also capital assistance to contractors.

21. *Subsidies.*—See notes to Table 27.

22. *National insurance benefits.*—Item 7 of Table 24.

23. *Other pensions and current grants to persons.*—See notes to Table 28. The grants in aid to the Medical Research Council, Agricultural Research Council and Nature Conservancy are now excluded. Pensions paid to British residents abroad have now been excluded from this item and included in item 26.

24. *National debt interest.*—Total payments of interest on the national debt, whether part of the Permanent Debt charge or not, excluding any payments within the Central Government and National Insurance Funds, plus the increase in interest accrued on National Savings Certificates.

25. *Current grants to local authorities.*—Equals item 2 of Table 25. The figures given here differ from the corresponding figures in Cmd. 8486 and previous papers in this series, since they now omit the grant to the Metropolitan Police Fund and are net of the contributions made by local authorities to the expenses of the Metropolitan Police.

26. *Grants abroad.*—The chief items are financial assistance to Jordan, aid to Korea, relief to Palestine refugees, grants in aid of the local revenues of Colonial Governments grants for development and welfare schemes in the Colonies and South African territories, and grants in aid of the expenses of administration of Eritrea, Cyrenaica and Tripolitania. The item also includes contributions of the United Kingdom towards the expenses of international bodies such as the United Nations, the Organisation for European Economic Co-operation, the World Health

Organisation and in 1946 to U.N.R.R.A. Pensions paid to persons abroad have also now been included.

27. Transfers to capital accounts.—

a. Post-war refunds of excess profits tax.— These payments are shown after deduction of income tax.

b. War damage compensation.— Payments by the War Damage Commission in respect of claims under Part I of the War Damage Act, covering land and buildings, payments by the Board of Trade in respect of claims under Part II of the War Damage Act covering business plant and equipment and private chattels, payments by the Board of Trade in respect of claims under the Commodities War Risk Insurance Scheme, payments by the Ministry of Transport in respect of claims under the Marine War Risk Insurance Scheme, together with the net payments by the Treasury of £63 million in 1949 under the War Damage (Public Utility Undertakings, etc.) Act, 1949. Payments covering the losses of British subjects in Malaya, Burma and other countries of the Far East through enemy action are included in item 27*e* below.

c. Capital grants to local authorities.— Grants by the Central Government to local authorities treated by the latter as capital receipts. Forms part of item 2 of Table 26.

d. War gratuities and pay credits.— Payments by the Service Departments on demobilisation.

e. Other.— Capital grants to universities and other educational bodies, capital assistance to the cotton spinning industry, compensation to doctors and dentists for the loss of right to sell practises, compensation for war losses in the Far East, compensation for requisitioned premises, royalties and awards, and payments by the Service Departments of bounties, gratuities (other than those included in 27*d*), and of compensation for losses and injury. The figure for 1950 contains £8½ million for the cash payment made on conversion of 2½ per cent. National War Bonds, 1949-51.

Table 23—Capital account

This table sets out in detail the capital transactions of the Central Government and National Insurance Funds as a whole with the rest of the economy. The arrangement of items differs considerably from Table 21 of Cmd. 8203.

1. Surplus.— Equals item 29 of Table 22.

2. Provision for depreciation.— This is made up of—

a. the depreciation provision of the Post Office and other trading bodies owned by the Government together with a provision for the renewal of certain fixed assets (e.g. road vehicles) charged to revenue in the Post Office trading accounts.

b. provision for amortisation of the initial cost of temporary houses and temporary schools owned by the Central Government, but provided for the use of local authorities, together with provision for amortisation of the initial cost of permanent married quarters for the Armed Forces.

3. Gifts from abroad.— Gifts from the Australian and New Zealand governments together with the full amount of grants received from the United States government under the European Recovery Programme. The total equals the sum of items 15 and 17 in the Investment and Financing Accounts tables of the latest White Paper on the Balance of Payments (Cmd. 8505). The payments made (in sterling) to the United States Government ("E.R.P. counterpart fund") are included in item 15 of this table.

4. Sales of surplus stores held abroad.— Receipts from the sale of surplus war stores held abroad to foreigners, including as far as possible sales forming part of a general post-war settlement of debts and claims. The figure for 1946 is a rough estimate owing to the difficulty of separating sales of stores in such settlements.

5. Loan repayments from foreign governments.— Repayment of loans and advances made by H.M. Government. Equal to the negative part of item 30 in the Investment and Financing Account tables of the Balance of Payments White Paper.

6. Borrowing from foreign governments.— Drawings on the United States and Canadian line of credit; loans under the European Recovery Programme; the South African gold loan (£80m. in 1948); and the Indian and Pakistan loan (£176m. in 1948), which took the form of the sale of an annuity by the British Government to the Indian and Pakistan governments to enable the latter to meet their sterling pension obligations. This last item is matched by an equal negative amount in item 10 representing a fall in the sterling balances used to purchase the annuity.

Borrowing from the Belgian government under the Intra-European Payments Agreement (£1m. in 1948 and 1949) is also included. Except for

the Indian and Pakistan loan, the total of borrowing from foreign governments shown here is equal to the negative part of item 29 in the Investment and Financing Account tables of the Balance of Payments White Paper.

7. *National savings*.—The net increase in deposits in the Post Office and Trustee Savings Banks; and receipts from, *less* repayments of, National Savings Certificates and Defence Bonds, together with accrued interest on National Savings Certificates. This item corresponds to items 40, 41, and 42 of Table 21 in Cmd. 8203.

8. *Sales and new issues of government securities (net)*.—Net sales by the Issue Department, National Debt Commissioners, the National Land Fund and other public departments, *less* redemptions, of marketable securities other than Treasury bills, together with receipts from new public issues, including the issue in 1951 of Serial Funding Stocks. The item differs from item 43 in Table 21 of Cmd. 8203, the corresponding item in last years White Paper, in that "Other Debt (net)" is excluded, while sinking fund payments are included. The issues in 1950 of 2½ per cent. Funding Loan, 1956-61, and 3 per cent. Funding Stock, 1966-68, amounting together to £350 million were wrongly included in Table 21 of Cmd. 8203 as part of item 45 instead of item 43.

9. *Net short-term borrowing at home and abroad*.—The change in Bank of England Ways and Means advances; the change in Treasury Bills held by the market and by foreign holders of sterling balances including a negative amount of £176m. in 1948 representing the drawing on sterling balances by the Indian and Pakistan governments to purchase an annuity from the British government as part of the agreement of July, 1948 (see also item 6); the change in Treasury Deposit Receipts held by the banks; and receipts from, *less* repayments of, Tax Reserve certificates. There is also included that part of Other Debt (net) consisting of amounts invested with the National Debt Commissioners by savings banks other than the Post Office and Trustee Savings Banks and net repayments to Colonial governments of amounts raised (chiefly during the war) on local savings certificates, bonds, etc., and advanced to the Treasury.

The total of this item corresponds approximately to the sum of items 45, 46, and 47 in Table 21 of Cmd. 8203. It includes in addition, however, part of Other Debt (net) (the amount is in fact negative) and a negative amount of

£176m. in 1948 for the drawing on sterling balances by India and Pakistan (see above). On the other hand it excludes annuity payments to India and Pakistan. These are now included as part of item 19. As explained in the notes to item 8, the figure for 1950 against item 45 of Table 21, Cmd. 8203, wrongly includes £350m. for new issues that should have been included in item 43.

11. *Miscellaneous net borrowing and other capital receipts*—

a. *Net receipts from war settlements, etc., abroad*.—Receipts *less* payments in respect of the settlement of debts and claims, chiefly those arising out of the last war excluding as far as possible any receipts from the sale of surplus war stores. Equals item A.6(f) of Table 1 of the Balance of Payments White Paper *less* (a) the amount of receipts from the sale of surplus war stores estimated as included in that item and shown as item 4 of this table; and *less* (b) the following amounts in 1951 shown as current transfers from abroad in item 18 of Table 22:—(i) £4m., being military aid from the United States Government, (ii) £14m., being the part of the United Kingdom's gold and dollar payments to the European Payments Union reimbursed by the United States Government. The figure for 1949 contains a payment of £55m representing the balance due from the British Government under the war-time scheme for sharing defence expenditure in India.

b. *Other*.—This comprises:—(i) miscellaneous capital receipts such as the change in the financial assets of government trading bodies, the change in the cash balance of the Exchequer and capital receipts by departments, whether surrendered by them to the Exchequer as part of Miscellaneous Receipts or kept by them as an offset to their cash requirements; (ii) the counterpart of adjustments to bring the cash accounts of the government on the same accounting basis as that used in this paper for other sectors of the economy; (iii) a residual item. This last item covers any changes in cash, financial assets or liabilities to bodies outside the Government not separately identifiable and hence not explicitly included in this or in any other of the items of the table.

13. *Fixed capital formation*—

a. *Trading bodies*.—Expenditure on the replacement of, and additions and improvements to, fixed capital assets of government trading bodies including the renewal of certain fixed

assets (e.g. road vehicles) charged to revenue in the Post Office trading accounts.

b. Other.—Expenditure of the Central Government, other than by trading bodies, on the replacement of, and additions and improvements to fixed capital assets. Expenditure by the Ministry of Supply on fixed capital assets for Royal Ordnance Factories and research and experimental establishments is included here. However, expenditure on buildings and equipment for the use of the fighting services and for civil defence is excluded, since for Service Departments the term "fixed capital asset" has been restricted to land and permanent married quarters. Outside the field of defence, the term has been defined in the same way as for the private sector. Sales by the Government of goods that would have been treated as fixed capital assets, when originally bought, on the definitions used in this paper, are deducted in reckoning the total of fixed capital formation. The acquisition by the State of the coal mines, the Bank of England, Cable and Wireless and other going concerns is excluded.

14. Increase in value of stocks—

a. Trading bodies.—The change in the value of stocks held by government trading bodies (as defined in the notes on page 74) after adding back the value of stocks transferred to the Raw Cotton Commission (£53m. in 1947). The running down of stocks by the Joint Wool Organisation from 1946 onwards is included.

b. Strategic stocks.—The increase in the value of strategic stocks held by the Ministry of Food, the Ministry of Materials, the Board of Trade and the Ministry of Supply. Handling costs and other expenses incidental to the storage of strategic stocks are included in current expenditure.

c. Sales of surplus war stores.—Total sales at home (and, in principle, any sales abroad to residents of the United Kingdom) of surplus war stores, the original purchase of which would have been classed as current expenditure on the definitions used in this paper. Hence it includes sales of equipment of the fighting services. Sales of goods treated in this paper as fixed capital assets (e.g. sales of troop-ships originally bought by the Ministry of Transport) are included as a negative part of item 13*b*.

15. *Capital grants abroad.*—Payments made to the United States Government ("E.R.P. Counter-

part Fund"), aid to Europe under Intra-European payments agreement, together with revaluation payments by the United Kingdom. Equals the sum of items 16 and 18 in the Investment and Financing Account tables of the latest White Paper on the Balance of Payments (Cmd. 8505).

16. *Net lending to local authorities.*—Advances to less repayments by local authorities, including any repayments of loans raised by local authorities in the open market before 1945, but taken over by the Government in that year under the authority of the Local Loans Act.

17. *Net lending to public corporations.*—Advances to (less repayments by) (i) the National Coal Board to provide compensation to former coalowners and working capital, (ii) the Raw Cotton Commission, (iii) the Colonial Development and Overseas Food Corporations, (iv) the National Film Finance Corporation, (v) New Town Development Corporations, (vi) the National Research and Development Corporation, (vii) the Scottish Special Housing Association and Northern Ireland Housing Trust.

18. *Loans to foreign governments.*—Loans and advances by H.M. Government to foreign governments, including the loan of £22m. in 1951 to enable Denmark to buy back kroner accumulated in London before the start of the European Payments Union, plus the purchase of securities guaranteed by the Board of Trade for the purpose of financing foreign trade and rendering economic assistance to foreign countries. The total equals the positive part of item 29 in the Investment and Financing Account tables of the Balance of Payments White Paper.

19. *Repayments of debt to foreign governments.*—Repayment of loans from the Reconstruction Finance Corporation of the U.S.A. and the Canadian and Newfoundland interest free loans, the first instalment (in 1951) of the repayment of the U.S. and Canadian Lines of Credit, repayment of the South African Gold Loan (£80m. in 1949), together with annuity payments to the Indian and Pakistan governments (see item 6). The total, excluding the annuity payments, equals the positive part of item 30 in the Investment and Financing Account of the Balance of Payments White Paper.

20. *Increase in deposits with International Monetary Fund and Bank.*—Represents the subscriptions paid in sterling to these international bodies, including the extra amounts necessary on revaluation in 1949, less the amounts re-lent by them to H.M. Government and held in London

in the form of interest-free notes. In other words the subscriptions are treated as an asset and the interest-free notes as a liability, the net figure only being shown here.

21. *Increase in foreign reserves.*—The increase in official holdings of gold, dollars and other foreign currencies *plus* the increase (or *less* the decrease) in the balance of the United Kingdom with the European Payments Union.

Table 24—Revenue account of National Insurance Funds

This table shows for the period before July 1948 the current revenue and expenditure of the Unemployment Fund, the various national health insurance funds, and the contributory pensions scheme; for the period after that date, the current revenue and expenditure of the National Insurance Funds and the Industrial Injuries Fund.

3. *Grants from the Central Government.*—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.

4. *Income from property.*—Investment income, mainly national debt interest.

6b. *Insurance medical service.*—The payment of doctors and purchases of drugs, etc., by the national health insurance funds before the introduction of the National Health Service. The figure for 1948 relates only to the first half of the year.

7a. *Contributory pensions and allowances.*—This item and item 3 on the other side of the account both rose sharply in 1947 chiefly because of a change of administrative practice. Payments by the Central Government showed a corresponding fall.

VII. Local Authorities

The term "local authority" is here defined as including any local body, not being a company trading for profit, which has power to levy rates, taxes, tolls or dues, or to require them to be levied. The figures therefore include the transactions of drainage and catchment boards, water boards, local harbour boards (including the Port of London Authority and the Mersey Docks and Harbour Board), the conservators of certain commons, the trustees of certain London squares and the like. In respect of England and Wales the figures have the same coverage as those given in the Local Government Financial Statistics issued by the Ministry of Housing and Local Government, except that the Metropolitan Police is here excluded from local authorities and treated as a Central Government agency. For Scotland and Northern Ireland the scope is similarly that of the corresponding official statements.

The "trading services" of local authorities are principally water supply, passenger transport, gas and electricity before nationalisation, harbours, docks, piers and ferries, civic restaurants, cemeteries, markets and general corporation estates.

Table 25—Current account

1. *Rates*.—Local rates and contributions in lieu of rates by the Central Government, the British Transport Commission and the British Electricity Authority. Water rates are treated as current receipts of a trading service and are therefore excluded.

2. *Grants from the Central Government*.—Current grants to services other than trading services and housing. Includes equalisation grants as well as grants towards specific services. Grants towards housing are treated as central government subsidies, and do not, as such, enter this table.

3. *Income from property*—

a. *Trading profits*.—An estimate of the profits, before deduction of interest, but after deduction of loan amortisation, of local authorities' trading services.

b. *Rent*.—Mainly the imputed income derived by local authorities from the ownership of buildings (including houses) and other fixed assets. This is measured by the debt interest charged to the revenue account of all services

other than trading services. The rent income arising from the ownership of buildings, etc., used by trading services is included in item 3a.

c. *Other*.—The investment income of special funds.

5. *Current expenditure on goods and services*.—Local authorities' expenditure on revenue account of services other than housing and trading services, after deduction of sums recouped in fees, rents, etc., and less grants to persons (items 7a, 7b and 7c). Debt interest is left in the total, notwithstanding its separate appearance as part of item 8, as a measure of the notional net rental charge for the use of local authority buildings and other fixed assets (other than houses and assets of trading services). This notional charge is equal to the amount included in item 3b as income derived from the ownership of these assets.

The composition of the sub-groups of current expenditure, where it is not self-evident, is shown in the notes below. It is based on a grouping of the separate services shown in the rate fund account of the latest issue of "Local Government Financial Statistics for England and Wales". For Scotland expenditure on similar sub-groups has been estimated.

Figures for Northern Ireland are not available in sufficient detail for current expenditure to be allocated in this way. Accordingly only a total figure is given, in item 5 ii.

a. *General administrative services*.—This item includes expenditure on the registration of electors, valuation expenses, certain emergency services, small dwellings acquisition, costs of rate collection and general administration expenses and miscellaneous services.

b. *Law and order*.—Expenditure on police and the administration of justice.

d. *Social services*.—

i. *Education*.—includes also public libraries and museums.

ii. *Child care*.—child welfare and child life protection.

iii. *Health*.—"individual health", hospitals, mental deficiency, and items of "public health" not separately classified.

iv. *National assistance*.—includes also expenditure on the relief of the poor, other than outdoor relief.

e. Services to industry and trade.—Expenditure on agriculture and fisheries.

f. Environmental services.—

i. Roads—highways and bridges and private street works.

v. Other—baths, washhouses, and open bathing places, parks, pleasure grounds and open spaces, port health service and town and country planning.

6. *Housing subsidies.*—The excess of expenditure on housing revenue account, including interest and amortisation, over sums received in rents and government grants.

7. *Grants to persons.*—

a. Outdoor relief.—Public assistance in cash and kind. Nil since 5th July, 1948.

b. School meals.—Expenditure on providing school meals and milk, less receipts from parents, etc.

c. Scholarships.—Cash payments to pupils, students' maintenance allowances and training allowances.

Table 26—Capital account

2. *Grants from the Central Government.*—Grants treated by local authorities as capital receipts together with the net amounts received as war damage compensation.

3. *Provision for depreciation.*—The provision for debt repayment charged to revenue accounts. Expenditure on the maintenance of roads and buildings is no longer included in this item.

6. *Gross fixed capital formation.*—Expenditure on replacements of, and additions and improvements to, buildings and equipment, including expenditure out of war damage receipts, less receipts from the sale of fixed assets.

VIII. Combined Public Authorities.

Table 27—Subsidies

This table shows the detailed composition of item 8 of Table 1, equal to the sum of item 21 of Table 22 and item 6 of Table 25.

1d. Other subsidies to agriculture and fishing.—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, flood emergency services, grassland fertilisers and petrol-driven machines, etc., together with the white fish subsidy.

2a. Board of Trade—raw material subsidies.—Losses on trading in wool, leather and molasses and loss on home flax production.

2b Ministry of Supply—raw material subsidies.—Losses (less profits) on trading in iron and steel, non-ferrous metals, abrasives and refractories, ethyl chloride and silicon.

2c. Assistance to industry by the Ministry of Supply and the Board of Trade.—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.

2d. Subsidies on fuel.—Subsidies on indigenous oil, coal transport, opencast coal production and the coal stocking bonus paid to merchants.

2e. Utility cloth rebates.—Subsidies to the manufacturers of utility cotton and wool cloth.

6a. Housing subsidies—Central Government.—The sum of (i) grants to local authority housing revenue accounts; (ii) the excess of the housing annuities paid out of the Ministry of Health Vote over the amounts paid by local authorities for the use of temporary houses built by the Ministry of Works; (iii) the excess of payments by the Central Government for emergency housing services over recoveries; (iv) payments into the Building Materials and Housing Fund.

6b. Housing subsidies—local authorities.—The deficit on housing revenue accounts.

Table 28—Grants to persons

This table shows the detailed composition of item 8 of Table 2, equal to the sum of items 22 and 23 of Table 22 and item 7 of Table 25.

3a. Milk and welfare foods, etc.—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.

3b. School meals.—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.

4a. National insurance.—

i. *Health benefits.* Items 7d to 7h of Table 24.

ii. *Unemployment benefits.* Item 7c of Table 24.

iii. *Contributory pensions and widows' benefits, etc.* Items 7a and 7b of Table 24.

4b. War pensions and service grants.—Pensions and grants awarded for death or disability caused by war service, including merchant seamen's war pensions.

4c. Non-contributory pensions.—Old age pensions, contributory and non-contributory, including pensions to blind persons, paid by the Customs and Excise Department until 1947 and thereafter non-contributory pensions paid by the National Assistance Boards of Great Britain and Northern Ireland. From April 1947 there was a change in administrative practice whereby Exchequer contributions to the national insurance funds and, correspondingly, the contributory pensions paid by these funds were increased.

4d. Assistance grants.—Until July 1948, this item represents supplementary pensions and allowances, including unemployment allowances, paid by the National Assistance Boards of Great Britain and Northern Ireland. The fall between 1946 and 1947 was due to the higher rates of pension introduced by the National Insurance Act, 1946, in the last quarter of the year. From July 1948, this item represents assistance grants paid by the National Assistance Boards of Great Britain and Northern Ireland together with extended unemployment benefit paid by the Ministries of National Insurance.

4e. Outdoor relief.—Public assistance (out-relief) in cash and kind paid by local authorities. This payment ceased at 5th July, 1948.

5. *Industrial services for the disabled.*—Grants (but not loans) to Remploy Ltd., which are treated here as financing the payment to disabled persons working for Remploy Ltd. of wages in excess of the market value of the labour, *plus* deficiency grants to voluntary bodies and trainees' allowances in respect of severely disabled persons.

7. *Employment—training and resettlement.*—Travelling and lodging allowances of transferred workers and trainees' wages and lodging allowances.

8. *Industry and commerce—grants for scientific research.*—Chiefly grants paid by the Department of Scientific and Industrial Research.

Table 29—National insurance contributions and direct taxes paid in respect of different types of income and property

1. *Direct taxes on income.*—Equals item 5 of table 22.

2. *National insurance contributions.*—Equals item 16 of table 22.

3. This total includes income tax on family allowances, release leave pay, and other grants to persons from public authorities that is not included in items 4, 5 and 6.

6. *Income from employment.*—In the corresponding table of last year's paper (Cmd. 8203) both employee and employers' insurance contributions were allocated between salaries, wages and pay of the Armed Forces. Here only the contributions paid by employees have been allocated, the contributions paid by employers being shown separately as a single item.

7. *Total taxes on capital.*—Equals item 8 of table 22. War damage contributions have now been excluded.

Table 30—Allocation of indirect taxes and subsidies

This table shows the net indirect taxes estimated to fall on each of the four categories of expenditure—personal consumption, government current expenditure, exports and gross capital formation. The allocation is inevitably to some extent arbitrary. The method followed has been first to adjust each of the four categories for taxes and subsidies known to be specific to them. Components of expenditure which contain no general 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) have then been deducted and the general taxes and subsidies allocated *pro rata* over the remaining parts of gross national expenditure.

IX. Gross Capital Formation

Table 31—The financing of gross domestic capital formation

This table gives estimates of the sources of funds from which gross capital formation and stock appreciation in the United Kingdom have been financed, divided according to the sector undertaking the capital expenditure. It thus constitutes an analysis by sectors of Table 6.

The various sectors have been defined in the notes to sections III, IV, V, VI and VII. It should be noted that the column headed "Persons" includes the business saving, additions to tax reserves, depreciation and capital formation of non-corporate enterprises, since these cannot be distinguished from the capital transactions of their owners as persons. The column "Central Government" includes the national insurance funds.

1. *Saving and provision for stock appreciation.*—For all sectors except the Central Government this is the excess of current income over current outlay as shown in Tables 2, 18, 21 and 25. For the Central Government it is defined as in item 1c of Table 6, i.e. as the surplus on revenue account (Table 4 or 22), less taxes on capital, plus transfers to capital accounts (see notes to Table 22).

2. *Additions to tax reserves.*—Items 12b of Table 2, 6b of Table 18 and 5b of Table 21.

3. *Additions to dividend reserves.*—Items 5b of Table 18 and 4b of Table 21.

4. *Provision for depreciation.*—In the case of a trading enterprise depreciation represents the sum set aside out of gross profit for the purpose of building up a fund for the replacement of worn out and obsolete fixed capital assets. Gross profit less this depreciation provision equals net profit (or more briefly "profit").

In the case of a public authority, depreciation represents the sum set aside out of current revenue for a similar purpose.

In both cases the provisions made are, in principle, related to the physical rate at which the fixed capital assets in question wear out or become obsolete; and in ordinary business accounting it is arranged that the cumulative provisions set aside in respect of a particular fixed capital asset shall equal, at the end of the asset's life, the original cost of the asset (less the proceeds of its sale, if any).

The depreciation provisions shown in item 4 of Table 31 are, as consistency requires, those which have been employed in arriving at the figures of (net) profits of trading enterprises appearing elsewhere in this paper or have been employed in arriving at the figures of current expenditure of public authorities.

The following provisions are included:

Non-corporate enterprises and companies.—For enterprises operating in the United Kingdom, other than those engaged in farming, the depreciation allowances (both "initial" and annual) granted by the Inland Revenue in the assessment of (net) profit for purposes of taxation. In the case of farmers, an independent estimate of the depreciation of agricultural machinery and equipment is included.

Public corporations.—The depreciation provisions appearing in the corporations' accounts. To this is added the provision for renewal of railway ways and works and some other fixed capital assets which is charged to revenue account in the British Transport Commission's accounts.

Central Government.—The depreciation provisions in the trading accounts of the Post Office and other Government trading services, together with a provision for the renewal of certain fixed capital assets (e.g. road vehicles) charged to revenue in these accounts; and the provision included in Central Government current expenditure for the amortisation of loans for temporary houses, temporary schools and permanent married quarters for the Armed Forces.

Local authorities.—The amortisation provisions charged against local authorities' revenue accounts. These are treated as a measure of the depreciation of their fixed assets.

Under each of these headings is also included (where relevant) payments for insurance of fixed capital assets against destruction by fire, etc. (less the part covering insurance companies' expenses and profits).

The depreciation provisions shown in this paper have the same scope as those in Cmd. 8486, but are narrower in scope than those in Cmd. 8203 and earlier National Income White Papers. This change as compared with Cmd. 8203 is due to the elimination of current provisions for repair to buildings and works, and follows from the redefinition of gross fixed capital formation.

In interpreting the depreciation figures, the following points should be borne in mind.

(i) The provisions make no allowance for the wearing out of a number of classes of fixed capital assets. The classes omitted include: buildings other than industrial buildings (for example, shops and offices) owned by companies and non-corporate enterprises (no depreciation allowance being granted by the Inland Revenue in respect of such assets); the Central Government's fixed capital assets with the exception of fixed assets used by the Post Office and other trading services, temporary houses and temporary schools and permanent married quarters for the Armed Forces; privately-owned houses; and buildings owned by non-profit-making institutions.

(ii) The provisions shown are based (with a very few exceptions) on the original cost of the assets concerned, so that the provisions do not purport to represent the rate of wastage and deterioration valued at current replacement costs.

(iii) There is no necessary correspondence between the rates of depreciation allowed to business enterprises and the physical rate of wastage of their fixed capital assets. Further, the rates of depreciation allowed have varied from time to time over the period covered. The depreciation allowance which may be deducted from an enterprise's gross profit in computing net profit for taxation purposes consists, in respect of any fixed capital asset, of a series of annual allowances covering the whole of the estimated life of the asset together with an initial allowance granted in the first year only. In the case of plant and machinery purchased on and after 6th April 1949 (but before 6 April 1952) the initial allowance was 40 per cent. of the cost and the annual allowances covered the remaining 60 per cent. of the cost. Changes made from time to time in the rate of initial allowance have given rise to considerable changes from year to year in the depreciation figures for companies and non-corporate enterprises shown in this paper: thus prior to 6 April 1949 the rate of initial allowance was 20 per cent.

(iv) The depreciation provision appearing in a company's or non-corporate enterprise's own accounts may differ, and frequently does differ, from the depreciation allowance granted in the assessment of profits for taxation purposes.

The qualifications to the figures of depreciation just enumerated apply also (in so far as

trading enterprises are concerned) to the figures of (net) trading profits, since the latter are obtained by deducting depreciation from gross trading profits. It should also be appreciated that a figure of net domestic fixed capital formation obtained by deducting the figure of depreciation from the figure of gross domestic fixed capital formation will bear little relation to the value of current additions to the nation's stock of fixed assets.

The following are the figures of depreciation in 1946 and 1947 in £ million:

	1946	1947
Non-corporate enterprises ...	56	68
Companies ...	250	315
Public corporations ...	6	23
Central Government ...	19	31
Local authorities ...	61	63

The amounts shown for non-corporate enterprises include £12 million in 1946 and £13 million in 1947 in respect of initial allowances; the corresponding figures for companies are £94 million and £97 million.

5. *Capital transfers*.—Comprises (1) the items included in item 27 of Table 22, and (2) those included in item 10 of Table 7. When the United Kingdom sectors are added the first group of items cancels out, and the total is therefore equal to capital transfers from the rest of the world.

6. *Taxes on capital*.—Item 8 of Table 22.

7. *Net borrowing less net overseas capital formation*.—Obtained by deducting the sum of items 1 to 6 from item 8. It consists of funds received from other sectors of the British economy or the rest of the world by (a) borrowing, (b) disposing of financial assets, including cash and gold and foreign currency reserves, (c) the sale of overseas real assets, less funds paid in respect of transactions converse to the above, including any expenditure on capital formation abroad, less provision for depreciation.

When the amounts for each sector shown against item 7 are added, borrowing and lending and sales and purchases of financial assets between United Kingdom sectors cancel out and the total measures the net investment by the rest of the world in the United Kingdom. It is equal to item 5 of Table 7, with sign reversed.

8. *Gross domestic capital formation and stock appreciation: a. Fixed capital formation*.—Taken from Table 32. See notes to that table.

b. Increase in value of stocks and work in progress.—Taken from Table 37. Includes stock appreciation as well as the physical increase in stocks and work in progress. See notes to Table 37.

Tables 32-38—Gross domestic capital formation

Gross domestic capital formation is subdivided between gross fixed capital formation, on the one hand, and the physical increase in stocks and work in progress, on the other.

Gross fixed capital formation

Gross fixed capital formation comprises expenditure on the replacement of, and additions and improvements to, the stock of fixed capital assets located in the United Kingdom including all ships and aircraft of United Kingdom ownership.

In the industrial and commercial field, the definitions of fixed capital assets agreed between business and the taxation authorities have been adopted, in principle, for the purpose of the estimates in this paper. Fixed capital assets thus include land; buildings; civil engineering works (e.g. roads, reservoirs); vehicles, ships and aircraft; most items of plant and machinery costing a substantial sum and having more than a few years' life; and such items as office machinery and furniture, if of a costly and durable character.

Gross fixed capital formation excludes *current* expenditure on the repair and maintenance of fixed assets, such expenditure being defined as the estimated expenditure required to maintain fixed assets in a constant state of repair. Any excess of repair and maintenance expenditure above this normal level is regarded as an improvement and is, in principle, included in gross fixed capital formation; thus the making good of war damage is included. In the case of repairs to buildings and works, this treatment follows that in Cmd. 8486 but differs from that in Cmd. 8203 and earlier National Income White Papers, in which all expenditure on the repair and maintenance of buildings and works was included in gross fixed capital formation.

In the industrial and commercial field the part of repair and maintenance expenditure included in gross fixed capital formation is in practice determined by the accounting conventions accepted by the taxation authorities in allocating business expenses between current and capital expenditure. Thus the estimates would include extensive repairs amounting to reconstruction of a fixed capital asset, but would exclude day-to-day repairs and the replacement of minor parts.

The estimates of gross fixed capital formation given in this paper represent, in principle, purchases of fixed capital assets (both new and second-hand) and expenditure on improvements *less* the proceeds of sales of used capital assets. It follows from this treatment that the transfer of ownership of a fixed capital asset makes no net contribution to the total of fixed capital formation, the purchase by one undertaking's capital account being balanced by the sale from another undertaking's capital account. But exports of used capital assets, sales to consumers and sales for scrap represent net deductions in arriving at the total of domestic fixed capital formation.

In practice insufficient information is available to apply this treatment of purchases and sales of second-hand fixed capital assets consistently in every case. In particular, in Tables 35 and 36 purchases of land and existing buildings are excluded from the estimates of gross fixed capital formation in individual industries, and no deduction is made in respect of sales of these items.

Stamp duties, legal fees and agents' commissions, etc., incurred in connection with the transfer of ownership of land and buildings are included in gross fixed capital formation. (In Cmd. 8203 and earlier papers they were not so included.)

Expenditure on the construction of new houses and flats, etc., and on the improvement of existing houses is included in gross fixed capital formation; this applies irrespective of whether the expenditure is borne by a private individual, a public authority or a trading enterprise. The excess of repair and maintenance expenditure on houses over the estimated expenditure required to maintain houses in a constant state of repair is included in gross fixed capital formation irrespective of whether this excess is positive or negative. With the exception of houses, consumers' durable goods (such as passenger cars for private use, washing machines and refrigerators) are not regarded as fixed capital assets. Buildings for private non-profit-making institutions, such as churches and university buildings, are treated in the same way as houses.

Expenditure on the replacement of, and additions and improvements to, the fixed capital assets of public bodies (i.e. the Central Government, local authorities and nationalised industries) is included in gross fixed capital formation. The principle followed in deciding what expenditure in the public sector is to be included is that each item of expenditure shall be treated so far as possible in the same way as a similar item of expenditure would be treated in estimating gross

fixed capital formation in the private sector; this involves in some cases departing from the definitions adopted for accounting purposes by the particular public authority, as for example where the *renewal* of a fixed asset is charged to revenue in the authority's own accounts.

Expenditure on buildings and equipment for the fighting services and civil defence services is however excluded from gross fixed capital formation and treated as government current expenditure. Exceptions to this rule are made in the case of (i) land for the fighting services and civil defence and (ii) permanent married quarters for members of the armed forces, both of which are treated as fixed capital assets. Moreover buildings and plant for the *manufacture* of arms and equipment for the fighting services and civil defence and for research and development work on arms and equipment are treated as fixed capital assets (irrespective of their ownership).

Table 32—Gross fixed capital formation by sector

The sectors are defined in the notes to Sections III-VII.

Sums paid in respect of the transfer of ownership of industrial and other undertakings, for example on nationalisation, are not included as capital formation.

1. *Central Government. b. Other:* This item includes expenditure on the manufacture and erection of prefabricated temporary houses and temporary schools owned by the Central Government but provided for the use of local authorities. Grants towards local authorities' capital expenditure are excluded, the whole of such expenditure being shown under item 2.

Tables 33 and 34—Gross fixed capital formation by type of asset

1. *Public road passenger vehicles.*—Buses, trolley buses and trams.

3. *Passenger cars.*—Estimated purchases (less sales) of passenger cars for business users. This estimate is liable to a considerable margin of error.

4. *Railway rolling stock.*—Expenditure on rolling stock repairs which is financed from the British Transport Commission's abnormal maintenance account is included.

7. *Plant and machinery and equipment.*—Electricity and telephone lines and cables are included under this heading but gas and water mains appear under "buildings and works" (item 9).

8. *New housing.*—Expenditure on the construction of new houses and flats, both permanent and temporary.

9. *Other new buildings and works, and improvements to existing buildings (including housing).*—This includes building repair expenditure (other than on houses) financed from War Damage Commission payments.

Improvement to existing housing, which is a component of this item, is defined as total expenditure on repair, conversion and improvement of existing houses and flats, exclusive of tenants' and owner-occupiers' expenditure on interior decoration, *less* a provision for current repairs. The latter is an estimate of the repair expenditure required to maintain the stock of houses in their existing condition, and includes a provision for the restoration of damage due to fire, etc.

10. *Legal fees, stamp duties, etc.*—This covers stamp duties, legal fees and agents' commissions, etc., incurred in connection with the transfer of ownership of land and buildings, and all land development charges. The estimate is subject to a considerable margin of error.

Table 34—Gross fixed capital formation revalued at 1948 prices

The estimates in Table 34 have been obtained by revaluing the items in Table 33 at 1948 market prices. In some cases this revaluation is based on price indices for the particular types of capital goods. The information available is, however, inadequate to yield reliable estimates and the figures in this table should be regarded only as indicating the general trend in the level of real fixed capital formation.

Table 35—Gross fixed capital formation by industry

Gross fixed capital formation exclusive of legal fees, stamp duties, etc. (i.e. the sum of items 1 to 9 of Table 33) is analysed by industry in items 1 to 29, and within each industry by type of asset. As already mentioned purchases of land and existing buildings are excluded from the estimates of gross fixed capital formation in individual industries, and no deduction is made in respect of sales of these items.

In Cmd. 8203, expenditure on road goods vehicles and ships was not analysed by industry but appeared under separate headings. In this paper the expenditure on these items has been

distributed between the industries. Expenditure on passenger cars for business users (shown under the item "Other" in Table 31 of Cmd. 8203) has been similarly dealt with.

The classification by type of asset follows that in Table 33.

The classification of industries and services follows, so far as practicable, the Standard Industrial Classification.

1. *Agriculture*.—Increases in the value of live-stock and growing crops are excluded but appear under "Increase in value of stocks and work in progress" (Table 38, item 1).

2. *Forestry*.—Forestry Commission expenditure only. Expenditure on planting and maintaining the Commission's forests is included in this paper under Government current expenditure.

4. *Coal mining*.—Plant for civil engineering contractors engaged in the raising of opencast coal is excluded; it appears with other expenditure of building and contracting firms under item 7.

6. *Manufacturing industry*.—Expenditure at establishments classified to Orders III to XVI inclusive of the Standard Industrial Classification. Railway-owned establishments are however included under "railways" (item 11). Expenditure on Service Departments' dockyards and repair depots, etc., is excluded entirely from capital formation. A further analysis of fixed capital formation by manufacturing industry is given in Table 36.

7. *Building and contracting industry*.—This item excludes expenditure by the building and civil engineering establishments of local authorities and public utilities, etc. The estimates are subject to a wide margin of error.

8 and 9. *Electricity and gas*.—The expenditure shown includes purchases of meters and appliances for hire.

11. *Railways*.—Expenditure at railway-owned establishments manufacturing and repairing rolling stock, etc., and expenditure on British Railways' ships are included. Expenditure both on buildings and works and on rolling stock which is financed from the British Transport Commission's abnormal maintenance account is included.

12. *Road passenger transport*.—Excludes taxicab and hire-car services etc.

13. *Roads*.—Includes capital expenditure on street lighting and on highway authorities' plant and equipment.

14. *Shipping*.—Includes oil companies' fleets.

18. *Ministry of Supply research and development*.—Expenditure at research and development establishments.

19. *New housing*.—Expenditure on the construction of new houses and flats, both permanent and temporary, is included under this heading irrespective of whether it is borne by a private individual, a public authority or a trading enterprise.

20. *Education*.—Expenditure on schools and universities.

21. *Child care*.—Expenditure on approved schools, remand homes and children's homes.

22. *Police, prisons and fire service*.—This item includes also expenditure on court buildings.

23. *Health services*.—Expenditure by Regional Hospital Boards and the Boards of Governors of Teaching Hospitals, expenditure by local health authorities (e.g. on local clinics, welfare centres and on the ambulance service) and expenditure on private hospitals and clinics, etc.

26. *Other local government buildings*.—This includes expenditure on local government offices, community centres, libraries, museums, parks and playing fields, baths, markets, coast protection works, etc., and in connection with public cleansing and refuse disposal services.

27. *Other Central Government buildings*.—Expenditure on Government offices (including those built by commercial institutions for subsequent lease to Government Departments); Parliament buildings; Royal palaces; Royal parks; national libraries, museums and art galleries; Agricultural Research Council buildings; research establishments of the Department of Scientific and Industrial Research; Ministry of Pensions hospitals; State Institutions; Remploy factories; Government hostels; etc.

29. *Other*.—This item covers expenditure excluded from other headings, including fixed capital formation in the following industries and services: taxicab and hire-car services; road goods transport; warehousing; the distributive trades; insurance, banking and finance; professional services; entertainment and sport; catering and hotels; laundries and dry cleaning, etc.; and miscellaneous service industries.

In addition there is included expenditure on new buildings such as churches, and improvements to existing houses and flats (as defined in the note to item 9 on Table 33).

The estimates for this item have a considerable margin of error.

31. *Legal fees, stamp duties, etc.*—See note to item 10 of Table 33.

Table 36—Gross fixed capital formation in manufacturing industry

This table analyses the expenditure shown in item 6 of Table 35 between the different Orders of the Standard Industrial Classification; it has not however been possible to analyse in this way Government-financed expenditure, war damage repair expenditure or expenditure in Northern Ireland (items 1a, 1b and 2).

The figures for plant and machinery and for vehicles shown against items 1 to 3 have been reckoned before making any deductions for sales of used equipment. Such sales are shown as a separate item in the table (item 4).

1a. *Government - financed expenditure.*—This consists of:

i. Expenditure at Royal Ordnance Factories and at factories owned by the Ministry of Supply but managed by private firms on an agency basis.

ii. Expenditure by the Government on the erection of factory buildings intended for lease to private firms (mostly in the Development Areas).

iii. Capital assistance to contractors. This relates mainly to Government-financed expenditure at privately owned establishments undertaking rearmament contracts. It includes purchases by the Ministry of Supply and other Government departments of imported machine tools intended for loan to contractors, but those imported under the Mutual Assistance Scheme are excluded.

1b. *War damage repairs.*—War damage repair expenditure at private firms' establishments which is financed from War Damage Commission payments.

The figures in this table have, for the most part, been derived from two special sample enquiries undertaken in 1950 and 1951. A description of the later enquiry was given in the Board of Trade Journal for 5th January, 1952.

Tables 37 and 38—Capital formation in stocks and work in progress

The increases (or decreases) in the quantities of stocks of raw materials and finished products and of work-in-progress (all of which are regarded in this paper as falling within the term "stocks") are the second element in gross domestic capital formation.

The only stocks taken into account here are those held by trading enterprises operating in the United Kingdom and entered as assets in their balance sheets, so that changes in such stocks are added to sales *less* expenses in arriving at figures of trading profit. Expenditure by persons, and by the non-trading branches of the Central Government and local authorities, incurred in increasing the quantities of goods they hold is treated in this paper as personal consumption, or current expenditure of public authorities, as the case may be. Exceptions to this rule are: (a) expenditure by the Central Government on building up stocks of raw materials, etc., for strategic reasons, which is here treated as capital formation, and (b) sales of surplus Government stores in the United Kingdom which are here treated as *negative* capital formation (see note to item 1c of Table 37).

Stocks held by undertakings operating abroad are excluded with the exception of stocks held by the United Kingdom-Dominions Wool Disposals Ltd.

The increase (or decrease) in the value of stocks, that is the balance-sheet value of stocks at the end of the year *less* the balance-sheet value at the beginning of the year, may be divided into two components: (a) a part which is attributable solely to changes during the year in the quantities of stocks held; and (b) a part which is attributable solely to changes between the beginning and end of the year in the prices at which stocks are valued for balance-sheet purposes.

The first part (a) is equal to the change in value which would be recorded if stocks at the beginning and at the end of the year were valued at an average price for the year; this part may be termed "the value of the physical increase in stocks". The difference (b) between this and the change in total value of stocks is a measure of the extent to which that change has arisen from movements in the prices at which stocks are valued; it is termed "stock appreciation".

It is only the value of the physical increase in stocks which is treated in this paper as capital formation.

This treatment of stock appreciation in the definition of capital formation is parallel to its treatment in the definition of the national income. In arriving at trading profits as normally understood the whole of the increase in value of stocks (inclusive of stock appreciation) is added to sales *less* expenses. The stock appreciation element is however deducted from profits as conventionally defined in arriving at the national income as defined in this paper.

The available information on stocks is inadequate for the purpose of giving reliable estimates of increases in the value of stocks. It is even more inadequate for the purpose of dividing such increases between the value of the physical increase and stock appreciation. For this reason Tables 37 and 38 give analyses of the increase in value, and stock appreciation is deducted as a single item at the foot of the tables. These tables should in any case be regarded as indicating the general pattern of changes in stocks rather than as giving precise estimates.

Table 37—Capital formation in stocks and work in progress by sector

1. *Central Government—*

a. Trading.—Changes in the value of stocks held by Government trading bodies (as defined in the note on p. 74.) Disposals of the stocks of the United Kingdom-Dominions Wool Disposals Ltd. are included.

b. Strategic.—Purchases of stocks of raw materials, etc., for strategic reasons.

c. Disposal of surplus stores.—The proceeds of sales in the United Kingdom of Government surplus stores (other than fixed capital assets) are treated as a deduction from capital formation in stocks. Since the Government's purchase of the stores in question would originally have been treated as government current expenditure, the treatment here adopted implies that a capital gain accrues to the Government when goods so acquired are declared surplus.

6. *Stock appreciation.*—See general note to Tables 37 and 38.

The following are the estimated values of stocks and work-in-progress held at the end of 1951, as valued for balance-sheet purposes (in £ thousand million):

1a. Central Government trading	...	0.4
2. Public corporations	...	0.5
3. Companies	...	5.0
4. Non-corporate enterprises	...	1.4
—		
Total excluding Government strategic stocks	...	7.3
—		

In order to derive from these figures estimates of stocks held in each sector at the end of any other year, it would be necessary to take account of (i) changes in values of stocks held (shown in Table 37) and (ii) the transfer between sectors of the ownership of certain enterprises (e.g. on nationalisation), since such transfers are not reflected in Table 37.

Table 38—Capital formation in stocks and work in progress by industry

The industrial classification follows the Standard Industrial Classification so far as practicable.

1. *Agriculture.*—The estimates shown include increases in the value of livestock and growing crops.

4. *Other industries and services.*—This covers fishing; building and contracting; electricity, gas and water; transport and communication; distribution (including branches of the Government engaged in commodity trading); insurance, banking and finance; professional services; and miscellaneous services. Changes in the stocks held (both at home and abroad) by the United Kingdom-Dominions Wool Disposals Ltd. are included.

5. *Government strategic stocks.*—Purchases of stocks of raw materials, etc., for strategic reasons.

6. *Disposal of Government surplus stores.*—See note to item 1c of Table 37.

8. *Stock appreciation.*—See general note to Tables 37 and 38.

The following are the estimated values of stocks and work-in-progress held at the end of 1951, as valued for balance-sheet purposes (in £ thousand million):

Mining and quarrying	...	0.1
Manufacturing industry	...	3.8
Other industries and services, including agriculture	...	3.4
—		
Total excluding Government strategic stocks	...	7.3
—		

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