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PUBLIC FINANCE

PREFACE

The present volume contains reviews of the financial situation of fifteen countries situated in different parts of the world, but it does not contain any introduction or summary tables. It is proposed to prepare an introduction for the next volume issued, which will deal both with the countries covered by the present volume and with those which will be considered in this supplement.

This procedure has been adopted in order to avoid unduly delaying the publication of the chapters already prepared. The review made of each country's financial situation involves a large amount of very detailed work and a considerable time must therefore necessarily elapse between the completion of the first chapter in any volume and the completion of the last. For this reason, the reviews contained in the present volume do not all refer to identical periods. The date by which each chapter was completed is indicated in the notes to that chapter.

Owing to causes allied to those already mentioned, the countries collected together in this volume do not constitute a homogeneous whole. It has been necessary so to distribute the work amongst the staff engaged upon the preparation of the Memorandum as to allow each member thereof to specialise on those countries with whose finances and language he is familiar.

The review of each country has been prefaced by notes on its budget system drawn up, so far as possible, on comparable lines. The principles on which these notes have been compiled are explained in pages 6 and 7 below. From a perusal of these notes it will be clear that the diversity existing between the financial methods employed is so considerable that a study of the details of each individual country's accountancy would be necessary in order to render the whole situation perfectly clear. The notes now published are not intended to do more than outline the general principles which are applied. It is hoped, however, that they may, in addition, help to guide the reader who desires to make a closer study of the situation of any particular country from original sources.

The diversity of the budget systems is, indeed, so great that comparison of the situation of one country with that of another is likely to prove misleading unless conducted with the greatest circumspection. In the introduction which the companion volume to this will contain, attention will be drawn to some of the pitfalls which have to be avoided and some of the reservations which have to be made when any such comparison is undertaken.

Economic and Financial Section,
League of Nations.

A. LOVEDAY.

Geneva, November 1929.

GENERAL EXPLICATIVE NOTE

The notes on budget systems which preface the review of each country have been drawn up, so far as possible, in accordance with the following division of subjects :

I. *Financial year.* — Period, procedure for preparation, discussion, voting and publication of estimates — provisional estimates, supplementary estimates, monthly estimates.

II. *Structure of the budget.* — (1) Unity of the budget : General and special budgets, special funds, accounts " for order ", public undertakings, value of unremunerated services, depreciation, sale of State property, loans and amortisation, reserve funds, working funds.

(2) Universality of the budget : gross or net principle.

(3) Division of the budget : classification and grouping of revenue and expenditure, ordinary and extraordinary, current and capital items, expenditure on personnel, on material and for other purposes ; pensions ; service of debt ; public undertakings.

III. *Execution of the budget.* — (1) Opening of credits ; engagement of expenditure ; expenditure in excess of amounts voted ; unforeseen expenditure, transfers, period of validity.

(2) Treasury organisation ; system of payment and collection ; banks as fiscal agents.

(3) Accountancy organisation ; cash or accrual basis ; closing of the accounts ; methods of calculating surplus and deficit ; utilisation of surplus ; covering of deficits ; date of publication of closed accounts ; regular (quarterly, monthly, weekly or daily) publication of revenue and expenditure.

(4) Control, audit offices, preventive and *a posteriori* control ; reports.

IV. *State assets and liabilities.*

V. *Local finance.* — Distribution of functions and sources of revenue, grants in aid, supervision by central government.

* * *

The reviews of the situation of the various countries give the most important figures regarding budget estimates and closed accounts, public undertakings, State assets and liabilities and local finances. The analysis of receipts and expenditure has been made on the basis of a uniform scheme drawn up with due regard to the peculiarities of existing budgets. Where nothing to the contrary is specially indicated, cash accounts have been analysed. Budgets outside the general budget have, when possible, been incorporated in it.

The revenue from taxation has as usual been divided into two groups, but the classical nomenclature of direct and indirect taxes has been abandoned. It was thought preferable to avoid a terminology which might induce the reader to believe that it was employed in the particular manner customary in his own country when such, in fact, might not be the case.

Taxes have, therefore, been divided into taxes on income and property and taxes on production, use and transactions. The first category includes all personal taxes (capitation taxes, class taxes, civic taxes, military taxes, taxes on dignities and titles, etc.) and all ordinary, extraordinary, general and special taxes assessed on sources of taxable capacity, as income and revenue-bearing property.

The second category includes Customs duties, excise duties, licence duties, taxes on board, lodging and entertainments ; transport taxes, taxes on the enjoyment of services (servants, etc.), on house rent paid, on the use of tangible personal property (pets, vehicles, etc., which are rather signs than sources of taxable capacity), and all taxes on transactions.

Where the allocation of certain taxes to one of the two categories presented difficulties, practical considerations and the principle of uniformity have been decisive. Thus, succession duties are regarded in different countries as taxes on property or income, or transactions. Here they are treated as taxes on transactions because many countries do not show them separately, but include them among other taxes on transactions. Considerations of uniformity allowed of no other solution.

A total of the net yield of monopolies and the proceeds of taxes has been shown in the tables, although a portion of monopoly yields corresponds to normal commercial profits.

The item "fees, contributions and other administrative receipts" must be accepted with reserve, as most of the budgets show miscellaneous administrative receipts in aggregate totals. In many cases, such administrative receipts should rightly fall under other headings, such as interest, sale of property, the yield of taxes, etc. There is, in fact, no clear distinction between taxes proper and fees. This difficulty, however, does not greatly affect the results, except perhaps in the case of Consular fees. In this case, when the amount collected was relatively large and there were sound grounds for believing that duties on Consular invoices were included, the whole amount has been allocated to taxes.

Receipts from the realisation of State assets have been shown at the end of the table. Proceeds of loans, if shown in the budget, have been indicated after totalling other receipts. Deficits not covered by these loans have also been indicated.

The analysis of expenditure has likewise been necessarily determined to a large extent by the structure of existing budgets.

It has, in many cases, been difficult to arrive at the exact amount to be deducted from any one ministry and allocated to another heading. The greatest difficulty has been met with in the analysis of the ministries of finance, which, in many countries, contain expenditure other than that on financial administration proper. Allied classes of expenditure, the line of division between which is not uniform from country to country, have, in so far as possible, been placed in juxtaposition in the tables.

For public undertakings the net results have been shown. Some difficulty has been experienced in calculating these results when gross figures are shown in the budget, but the margin of error, in most cases, is not very considerable. Deficits on public undertakings have been regarded as subsidies and allocated to the items with which their character connects them (*e.g.*, deficit on hospitals under public health; on postal services and railways under economic administration, etc.).

Non-revenue-yielding capital expenditure has been divided and shown under the appropriate headings.

Although there is a special item showing loans and advances granted by the State, in many cases it has not been possible to distinguish between such advances and subsidies.

The revenue and expenditure tables have been balanced so that the percentages calculated on both sides are comparable.

CZECHOSLOVAKIA

Notes on the Budget System.

1. The financial year coincides with the calendar year. The budget is prepared by the Treasury Department and submitted to the Chamber of Deputies in September or October. It is generally voted in December. If the budget has not been voted by the end of the year, the Government must obtain special authority from the Chambers to cover the intermediate period.

2. Until 1926 the Czechoslovak budgetary system may be regarded as having corresponded to a period of State construction during which large amounts of capital had to be devoted to the public utility work necessary for a state in course of organisation. During that period the budget was divided into two parts :

- (a) The general budget, and
- (b) The capital investment budget, containing outlay on purchases and constructional work of all kinds (buildings, barracks, railways, etc.).

The receipts under the first part of the budget were intended to cover the expenditure of that part and bore no relation to the capital investment budget. In the event of there being a deficit in the general budget, the Minister of Finance was authorised to procure funds by means of credit operations.

The expenditure of the capital investment budget was met as occasion arose, from the proceeds of long-term loans contracted.

Until the end of 1924 the general budget was gross, including fiscal monopolies, public domain and undertakings, the revenue and expenditure of which were shown in full under the headings of the ministries to which they were attached. The Finance Bill of 1923 made provision for the commercialisation of monopolies, domain and undertakings, which were not of a strictly administrative character, but this measure was only carried out for the financial year 1925. Since that time the general budget has shown for these undertakings only surpluses transferred to and deficits and investments covered by the Treasury.

At the end of 1925 the period of reconstruction was considered to have come to an end. The special capital investment budget was abolished and the capital expenditure of the administration proper (which had already been reduced in 1925), as well as a portion of that of public undertakings, have been included in the general budget. The remainder has been covered by the working surpluses of the undertakings themselves and, in 1928, also by loan operations effected by them.

Since 1927 the budget has again been presented in a different form. It consists of the four following parts :

- (1) The general budget, showing, for the State administration, the gross receipts and expenditure and, for undertakings, the net balances of the working accounts transferred to or covered by the Treasury and the portion of their investments covered by the Treasury.
- (2) The gross budgets of the tobacco and lottery monopolies and public undertakings, relating to the working and the investment accounts.
- (3) Taxes and fees (shares) raised on behalf of and transferred to local authorities and, since 1928, the autonomous Road Fund. These shares were until 1926 included in the general budget.
- (4) Administration of public debt, showing the total expenditure on debt service contained in parts 1 and 2 and that effected by the special funds.

The general budget is divided into chapters containing the expenditure and receipts of the various ministries and some other principal State functions, subdivided into articles and paragraphs, ordinary and extraordinary votes. Expenditure is further subdivided into that on staff and that on material. Since 1927 the chapters have been grouped into five divisions: (a) Central organs of the State; (b) foreign and military affairs; (c) internal administration; (d) financial administration and (e) control of the administration of the State. Certain interchanges between the chapters have also taken place.

There are various special funds, the most important of which are:

(a) The Note Circulation Redemption Fund. — The receipts of this Fund consist of the proceeds of a levy on capital and capital increase introduced in 1920 and effected apart from the budget. Since 1926 two-thirds of the receipts have been employed for the redemption of the 6% Treasury bonds of 1921.

The cost of collection of this levy is refunded to the Treasury, as is also the charge of 1 per cent interest on "retention" certificates issued in 1920 against half of the notes of the old Austro-Hungarian bank withdrawn from circulation.

(b) The Road Fund (created in 1927) for the improvement of State roads and certain important local roads, the current receipts of which consist of shares in certain State taxes and fees. These shares are not shown in the general budget but a portion of the expenditure on State roads and bridges incurred by the Road Fund is entered on both the receipts and the expenditure side of the Ministry of Public Works. The Fund is further authorised to effect certain credit operations for covering its expenditure.

(c) The Fund for the redemption of the floating debt, created in 1927. The receipts of this Fund consist of that portion of the yield of the general and special trade taxes, the income-tax and the tax on turnover and luxuries which is more than 5 per cent in excess of the estimates. The budget law for 1928 provides that the balances of the budgetary and *extra-budgetary* accounts since 1918 must be transferred to this Fund.

3. Transfer from one chapter or article of the budget to another is prohibited, while between the paragraphs it is subject to the approval of the Minister of Finance and the supreme audit office; but a vote for expenditure on staff or on investments must in no case be employed for another purpose. Incurrence of expenditure not provided for in the budget or exceeding the votes is subject to the approval of the national assembly or the standing committee.

As a rule, the monthly expenditure on ordinary items is limited to one-twelfth of the votes. Incurrence of extraordinary expenditure amounting to more than 50,000 Kč. for any one object is subject to the approval of the Finance Minister.

Since 1927 votes for subsidies and similar expenditure where there is no legal obligation on the part of the State may, as a rule, only be employed in the last quarter of the year.

The votes lapse on the last day of the budget year, except those for salaries, pensions and other expenditure based on legal obligations (*e. g.*, interest on debt).

4. The accounts are closed on the last day of the budget year.

The most important balances shown in the yearly statement of accounts published by the Supreme Audit Office are:

- (a) The cash balance of the Treasury;
- (b) The accounts of the general budget;
- (c) Assets and liabilities of the various departments;
- (d) The accounts of public undertakings;
- (e) Since 1927 the share of local authorities in State taxes and fees;
- (f) The expenditure on debt service by the State administration and public undertakings;
- (g) The situation of the public debt;
- (h) Extra-budgetary accounts;
- (i) Statement of securities in the possession of the State;
- (k) The situation of the special funds: Road Fund, Improvement Fund, Housing Funds, Fund for Redemption of Floating Debt, Capital Levy Fund.

The statement of accounts of the general budget includes four principal columns : (a) Budget estimates ; (b) administrative accounts (acknowledged claims and liabilities in respect of the current year) ; (c) cash accounts (collections and payments in the course of the year, irrespective of the year to which they belong) ; (d) arrears of collections and payments.

When the annual surpluses or deficits of the general accounts are calculated, proceeds of loans are not included in the revenue. Surpluses or deficits are not transferred to the following financial year but increase or diminish the Treasury balance.

Closed accounts for 1924 were published on April 15th, 1926 ; those for 1925 on December 20th, 1926, those for 1926, on September 20th, 1927, and those for 1927 on September 8th, 1928.

5. The work of auditing the budget, State property and the public debt is entrusted to the Supreme Audit Office at Prague. This authority is independent and ranks as a ministry ; its president is responsible to Parliament. Control is exercised by means of an audit of the accounts of the Government departments, etc., public undertakings, State domains and monopolies and also of all the accounts of companies or foundations endowed from State capital or administered by the State. The Supreme Audit Office must, in particular, verify whether receipts are collected and expenditure incurred in accordance with the law.

As regards the public debt, the Supreme Audit Office must endorse all securities issued by the State, verify issues of loans and supervise the payment of interest and sinking fund. Every three months it submits a statement on the public debt position.

6. The ordinary receipts of the local authorities are derived from property public undertakings, taxes and dues, surtaxes on State taxes and shares in certain State taxes and fees. A law of June 1927, reorganising the fiscal administration of local authorities, indicated the taxes on which surtaxes might be levied and limited their rates to 160 per cent for the provinces, 110 per cent for districts and 200 per cent for municipalities ; but surtaxes exceeding 100 per cent for municipalities and 50 per cent for provinces and districts are subject to the approval of the immediately superior authority which has general control over the finances of the subordinate bodies.

Districts and municipalities which do not succeed in balancing their budgets, although the above-mentioned limits of surtaxes have been reached, receive allocations from special provincial funds derived from a portion of the local shares in State taxes. Complete statistics of local finances are not available, but M. Englis, Minister of Finance, in his budget speech for 1927, estimated the relation between State and local finance at two to one. The most important functions of local authorities are public health, social administration, development of agriculture and trade and education. The expenditure on material for primary instruction is covered by the municipalities, the personal expenditure by the provinces, but the State has granted substantial advances to the provinces for this purpose.

The information contained in the present study, prepared in the autumn of 1929, has been taken from the following sources :

- (a) The closed accounts for the years 1922, 1923, 1924, 1925, 1926, 1927 and 1928 ;
- (b) The 1927, 1928 and 1929 budget estimates ;
- (c) *Sammlung der Gesetze und Verordnungen der tschechoslowakischen Republik* ;
- (d) The Finance Minister's statements relating to the 1927 and 1928 budgets.

Note on the Movement of Prices.

The following table shows the movement of wholesale and retail prices for the period under review :

Official index numbers.	1914	1923	1924	1925	1926	1927	1928
	Annual average						
Wholesale prices	100	977	997	1,008	954	979	977
	Middle week of July						
Retail prices	100	705	694	746	723	753	753

A. Summary of Budget Accounts.

(a) The following table shows the balance of the *Administrative accounts* (acknowledged claims and liabilities) for the years 1923-1928 compared with the estimates for 1929.

Kč. (000,000's).

1 Kč = £-.00609; = \$-.02963; = -.15355 gold franc; = -.75623 French franc.

	1923	1924	1925	1926	1927	1928	1929
	Closed accounts.						Estimates
(a) General Budget :							
Receipts excluding proceeds of loans	16,619.2	18,007.8	10,938.9	13,469.9	10,455.2	9,981.2	9,569.9
Current expenditure	17,601.1	16,763.-	10,141.4	10,476.1	9,929.4	9,802.4	9,007.2
Reimbursement of debt	686.1	1,781.2	1,015.7	641.-	606.7	1,537.7	527.2
Total expenditure	18,287.2	18,544.2	11,157.1	11,117.1	10,536.-	11,340.1	9,534.4
Balance	-1,668.-	536.4	218.2	+2,352.8	80.8	-1,358.9	+ 35.5
(b) Local share in State Taxes :							
Taxes collected . . . . .	...	...	...	...	1,070.3	1,805.3	1,284.2
Tax transferred . . . . .	...	...	...	...	1,070.3	1,805.3	1,284.2
Balance . . . . .	...	...	...	...	...	...	...
(c) Capital Investment Budget :							
Receipts excluding proceeds of loans	1.9	39.7	-7	...	...	...	...
Expenditure :							
Investments in revenue-yielding assets	855.1	886.-	638.3	...	...	...	...
Investments in non-revenue-yielding assets	322.8	435.3	498.3	...	...	...	...
Total expenditure	1,177.9	1,321.3	1,136.6	...	...	...	...
Balance	-1,176.-	-1,281.6	-1,135.9	...	...	...	...
Total receipts excluding loans	16,621.1	18,047.5	10,939.6	13,469.9	11,525.5	11,786.5	10,854.1
Total expenditure	19,465.1	19,865.5	11,293.7	11,117.1	11,606.3	13,145.4	10,818.6
Balance	-2,844.-	-1,818.-	-1,354.1	+2,352.8	80.8	-1,358.9	+ 35.5

It should be mentioned that (a) the figures for 1923 and 1924 include the gross amounts for all public undertakings; (b) the shares of local authorities were, until December 1926, included in the General Budget and (c) only a portion of the investments of public undertakings has been shown in the General Budget since 1926.

The accumulated deficits on the administrative accounts for the years 1923-1927 amounted to 5,103 million Kč.

(b) [The following table shows the balance of the *Cash accounts* for the years 1923-1928.

Kč. (000,000's).

	1923	1924	1925	1926	1927	1928
(a) General Budget :						
Receipts	16,417.6	17,513.4	10,837.9	11,468.2	10,987.6	10,907.4
Expenditure	18,222.2	18,220.-	11,408.6	11,729.-	10,583.3	11,019.4
Balance	- 1,804.6	- 706.6	- 570.7	- 260.8	+ 404.3	- 112.-
(b) Local share in State Taxes :						
Taxes collected . . . . .	...	...	...	...	1,076.4	1,834.4
Taxes transferred . . . . .	...	...	...	...	1,076.4	1,834.4
Balance . . . . .	...	...	...	...	...	...
(c) Capital Investment Budget :						
Receipts excluding proceeds of loans	1.9	39.2	- .1	...	...	...
Expenditure	1,149.-	1,291.7	1,169.4	...	...	...
Balance	- 1,147.1	- 1,252.5	- 1,169.3	...	...	...
Total Receipts excluding proceeds of loans	16,419.5	17,552.6	10,838.-	11,468.2	12,064.-	12,741.8
Total expenditure	19,371.2	19,511.7	12,578.-	11,729.-	11,659.7	12,853.8
Balance covered by (-) or transferred to (+) the Treasury	- 2,951.7	- 1,959.1	- 1,740.-	- 260.8	+ 404.3	- 112.-

The accumulated cash deficits for the years 1923-1928 amounted to 6,619.3 million Kč, that is, 1,516.3 million Kč. more than the deficit on the administrative accounts. This difference is due to an increase in the arrears of receipts (1,306 million Kč) and a reduction in the arrears of expenditure (210.3 million Kč).

The following table shows the balance of the Treasury for the years 1923-1928.

Kč. (000,000's).

	1923	1924	1925	1926	1927	1928
Receipts :						
Cash in hand at the beginning of the year	2,897.5	2,978.9	1,852.1	468.9	701.4	1,343.9
Surplus on the General budget	—	—	—	—	404.3	—
Balance of extra-budgetary transactions						
(a) Loan account (net)	2,979.6	2,222.7	976.2	313.8	172.4	97.5
(b) Advances account (net)	53.5	—	—	179.5	65.8	343.2
Total	5,930.6	5,201.6	2,828.3	962.2	1,343.9	1,784.6
Expenditure :						
Deficit on the General budget	1,804.6	706.6	570.7	260.8	—	112.-
Deficit on the Investment budget	1,147.1	1,252.5	1,169.3	—	—	—
Balance of extra-budgetary transactions :						
(a) Loan account (net)	—	—	—	—	—	—
(b) Advances account (net)	—	1,390.4	619.3	—	—	—
Cash in hand at end of the year	2,978.9	1,852.1	468.9	701.4	1,343.9	1,672.6
Total	5,930.6	5,201.6	2,828.2	962.2	1,343.9	1,784.6

B. Budget Estimates for the Year 1929 compared with the Closed Accounts for the Years 1923—1928.

(a) General and Investment Budgets.

I. Revenue.

Kč. (000,000's).

	1923	1924	1925	1926	1927	1928	1929
	Closed accounts.						Estimates
GENERAL BUDGET.							
A. Central Organs of the State :							
1. President of the Republic and Secretariat of the President . . .	2.8	2.5	1.9	2.2	2.8	2.4	2.8
2. National Assembly	-2	-2	-2	-3	-2	-3	-2
3. Presidency of the Council of Ministers	46.9	106.4	49.4	47.-	21.2	22.5	21.5
B. Foreign and Military Affairs :							
4. Ministry of Foreign Affairs . . .	26.1	31.6	42.8	34.6	36.6	19.8	14.1
5. Ministry of National Defence . .	67.9	78.6	49.6	40.6	37.7	29.7	28.-
C. Internal Administration :							
<i>(a) Political :</i>							
6. Ministry of the Interior	98.3	27.6	16.1	8.4	9.5	8.2	11.3
<i>(b) Juridical :</i>							
7. Ministry of Justice	17.7	17.8	16.9	15.5	16.9	16.2	15.3
8. Supreme Administrative Court . .	—	-1	-1	-1	-1	-1	-2
<i>(c) Cultural :</i>							
9. Ministry of Education	32.-	26.8	23.2	30.3	43.4	35.9	30.6
<i>(d) Economic and communications :</i>							
10. Ministry of Agriculture	426.1	566.8	119.5	77.6	30.3	16.1	16.8
11. State Agrarian Office	—	—	—	—	27.1	27.2	28.4
12. Ministry of Industry and Trade .	67.2	71.6	40.1	28.3	23.-	15.1	7.1
13. Ministry of Public Works	423.3	391.5	52.9	50.4	78.1	110.8	110.-
14. Ministry of Posts and Telegraphs	908.2	964.1	155.2	8.6	14.8	11.2	12.1
15. Ministry of Railways	4,594.6	4,409.1	91.6	16.7	23.7	26.8	28.9
<i>(e) Social :</i>							
16. Ministry of Social Relief	46.4	38.3	43.6	44.7	86.1	38.-	18.4
17. Food Relief	4.4	9.8	8.6	3.8	2.5	3.1	-4
18. Public Health	34.8	38.4	33.2	33.3	36.3	39.8	31.9
19. Pensions	122.2	114.5	98.1	111.1	105.9	109.9	95.5
D. Financial Administration :							
20. Ministry of Finance	9,700.1	11,112.1	10,095.9	11,989.8	8,00.-	7,747.5	7,505.5
21. General Treasury administration	—	—	—	926.6	1,857.-	1,645.2	1,590.9
Total	16,619.2	18,007.8	10,938.9	13,469.9	10,455.2	9,925.8	9,569.9
RECEIPTS NOT ESTIMATED FOR IN THE BUDGET.							
1. Ministry of National Defence . .	—	—	—	—	—	—	—
2. Ministry of Public Works	—	—	—	—	—	—	—
3. Ministry of Social Relief	—	—	—	—	—	—	—
4. General Treasury Administration	—	—	—	—	—	450.9	—
Total	—	—	—	—	—	450.9	—
INVESTMENT BUDGET.							
1. Ministry of Posts and Telegraphs	1.3	—	—	—	—	—	—
2. Ministry of Agriculture	-2	—	-1	—	—	—	—
3. Ministry of Public Works	-4	39.7	-6	—	—	—	—
4. Loan operations	1,117.1	1,252.5	1,169.3	—	—	—	—
Total	1,119.-	1,292.2	1,170.-	—	—	—	—
Grand total	17,768.2	19,300.-	12,108.9	13,469.9	10,455.2	10,376.7	9,569.9

B. Budget Estimates for the Year 1929 compared with the Closed Accounts for the Years 1923—1928 (continued).

(a) *General and Investment Budgets* (continued).

II. Expenditure.

Kč. (000,000's).

	1923	1924	1925	1926	1927	1928	1929
	Closed accounts.						Estimates
GENERAL BUDGET.							
A. Central Organs of the State :							
1. President of the Republic and Secretariat of the President	20.4	18.8	15.1	20.6	16.7	18.—	19.1
2. National Assembly	36.3	38.—	37.3	40.5	40.6	43.1	42.6
3. Presidency of the Council of Ministers	146.—	141.8	61.6	59.7	32.9	30.3	32.7
B. Foreign and Military Affairs :							
4. Ministry of Foreign Affairs	223.6	256.8	216.3	218.5	190.5	190.—	167.6
5. Ministry of National Defence	2,116.6	2,145.8	1,905.2	1,653.7	1,445.6	1,483.—	1,400.—
C. Internal Administration :							
<i>(a) Political :</i>							
6. Ministry of the Interior	348.3	557.5	598.8	595.9	605.2	628.8	709.9
<i>(b) Juridical :</i>							
7. Ministry of Justice	191.9	283.9	297.9	304.2	298.3	298.9	309.—
8. Unification of Legislation and administrative organisation	1.4	1.7	1.9	1.8	2.—	1.9	2.1
9. Supreme Administrative Court	2.9	4.5	5.2	5.3	5.3	5.4	6.—
<i>(c) Cultural :</i>							
10. Ministry of Education	1,154.4	1,147.3	1,317.6	1,511.9	1,422.8	901.4	923.9.
<i>(d) Economic and Communications :</i>							
11. Ministry of Agriculture	598.2	670.5	203.5	207.8	202.—	215.—	245.6
12. State Agrarian Office	—	—	—	—	27.1	27.2	28.4
13. Ministry of Industry and Trade	43.9	31.6	45.7	35.7	34.2	40.7	47.—
14. Ministry of Public Works	663.7	644.7	299.7	553.7	787.5	698.7	712.2
15. Ministry of Posts and Telegraphs	497.2	836.1	47.6	100.9	14.8	11.2	12.1
16. Ministry of Railways	3,269.6	4,306.4	151.1	459.5	29.—	26.8	28.9
<i>(e) Social :</i>							
17. Ministry of Social Relief	1,229.1	1,137.2	926.8	941.1	859.1	806.9	835.3
18. Food Relief	40.2	17.3	22.8	15.9	11.3	7.6	9.—
19. Public Health	149.8	142.1	123.—	142.9	132.2	140.—	144.8
20. Pensions	496.8	599.5	509.6	568.7	606.6	659.2	732.4
D. Financial Administration :							
21. Ministry of Finance	4,616.6	1,963.3	1,416.5	522.1	514.8	525.1	555.6
22. General Treasury Administration	—	—	—	432.6	3,253.2	2,843.5	2,564.8
23. Public Debt	1,693.3	2,809.8	2,036.3	1,864.6	—	—	—
24. Share of local authorities in taxes	744.9	676.—	727.5	805.3	—	—	—
25. Liquidation of the expenditure on repatriation	—	110.—	185.8	50.1	—	—	—
E. Control of the Administration of the State :							
26. Supreme Audit Department	2.1	3.6	4.3	4.1	4.3	4.7	5.4
Total	18,287.2	18,544.2	11,157.1	11,117.1	10,536.—	9,607.4	9,534.4

B. Budget Estimates for the Year 1929, compared with the Closed Accounts for the Years 1923-1928 (continued).

(a) *General and Investment Budgets* (concluded).

II. Expenditure (continued).

Kč. (000,000's).

	1923	1924	1925	1926	1927	1928	1929
	Closed accounts						Estimates
EXPENDITURE NOT ESTIMATED FOR IN THE BUDGET.							
1. Ministry of National Defence . . .	—	—	—	—	—	26.6	—
2. Ministry of Public Works.	—	—	—	—	—	155.5	—
3. Ministry of Social Relief	—	—	—	—	—	9.5	—
4. General Treasury Administration.	—	—	—	—	—	1,541.1	—
Total	—	—	—	—	—	1,732.7	—
INVESTMENT BUDGET.							
1. Prime Minister's Secretariat	1.6	1.4	-9	—	—	—	—
2. Ministry of Finance	—	—	—	—	—	—	—
3. Ministry of Posts and Telegraphs	106.3	83.5	101.7	—	—	—	—
4. Ministry of Railways	695.4	728.3	504.6	—	—	—	—
5. Ministry of Agriculture	20.1	28.4	12.8	—	—	—	—
6. Ministry of Public Works	354.5	479.7	516.6	—	—	—	—
Total	1,177.9	1,321.3	1,136.6	—	—	—	—
Grand total	19,465.1	19,865.5	12,293.7	11,117.1	10,536.-	11,340.1	9,534.4

B. Budget Estimates for the Year 1929, compared with the Closed Accounts for the Years 1927 and 1928.

(b) *Public Undertakings.*

Kč. (000,000's).

	1927	1928	1929
	Closed accounts		Estimates
Working account :			
Receipts	9,570.5	10,347.5	10,010.7
Expenditure	7,796.-	8,563.7	8,460.-
Balance	1,774.5	1,783.8	1,550.7
Investment account expenditure	514.5	698.4	640.2

(c) *Share of Local Authorities in State Taxes and Fees.*

Kč. (000,000's).

	1927	1928	1929
	Closed accounts		Estimates
Receipts	1,070.3	1,805.3	1,284.2

(d) *Administration of State Debt.*

Kč. (000,000's).

Service covered by the State	1,982.3	1,906.5	1,831.2
Service covered by public undertakings	417.1	380.3	358.8
Service covered by the <i>caisse commune</i>	—	—	30.—
Service covered by special funds	—	424.—	—
Service covered by loan operations	—	949.4	—
Total	2,399.4	3,660.2	2,220.—

The tables above show the accounts and budgets in the form in which they appear in the official documents (see introductory notes) with the exception of the general accounts for 1923 to 1926 for which the ministries and services have been arranged, so far as possible, according to the grouping adopted in the budgets for 1927 to 1929.

C. *Analysis of Receipts.*

	1924		1925		1926		1927		1928	
	Closed accounts						Estimates			
	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total	Amount Kč. (000,000's)	Per- cent- age of total	Amount Kč. (000,000's)	Per- cent- age of total
I. Taxes on income and property :										
Land tax	123.4	-.94	98.7	-.80	106.6	-.79	142.5	1.32	130.—	1.21
House tax	80.2	-.61	71.9	-.59	109.4	-.81	86.1	-.80	102.6	-.96
General trade tax	121.7	-.98	117.5	-.96	213.5	1.59	220.3	2.16	180.—	1.68
Industrial tax on colportage	-.2	(-.002)	-.3	(-.002)	-.2	(-.001)	-.2	(-.002)	-.3	(-.003)
Corporation tax	242.—	1.85	260.9	2.13	169.—	1.25	280.—	2.62	230.—	2.14
Tax on annuities	83.5	-.63	84.—	-.68	97.7	-.73	100.7	-.94	102.—	-.95
Tax on income	1,298.7	9.94	1,480.8	12.07	3,244.3	24.09	1,130.—	10.58	1,050.—	9.79
Supplementary tax on income	—	—	—	—	—	—	-.6	-.01	-.4	(-.004)
Tax on higher grade salaries	—	—	—	—	-.2	(-.001)	-.1	(-.001)	3.—	-.03
Tax on directors' fees	15.9	-.12	17.2	-.14	16.3	-.12	17.—	-.16	8.—	-.07
War tax	227.1	1.74	212.6	1.73	19.—	-.14	102.5	1.89	30.—	-.28
Tax on property	3.8	-.02	2.9	-.02	—	—	1.—	-.01	1.—	-.01
Tax on mines	-.1	(-.001)	-.5	(-.004)	-.6	(-.004)	-.4	(-.004)	-.2	(-.002)
Military tax	1.7	-.01	2.5	-.02	5.6	-.04	-.3	(-.003)	-.4	(-.004)
Interest, fines, etc.	145.7	1.11	112.4	-.91	98.5	-.73	85.5	-.80	70.—	-.65
Total	2,344.—	17.95	2,462.2	20.06	4,080.9	30.30	2,167.2	20.30	1,907.9	17.78
II. Taxes on production, use and transactions :										
Import and export duties	898.5	6.88	871.3	7.10	1,006.—	7.47	1,047.5	9.81	1,114.7	10.39
Accessory duties and guarantees	40.3	-.31	60.4	-.49	39.4	-.29	34.4	-.32	37.3	-.35
Excise duties on :										
Spirits	401.2	3.07	417.—	3.40	423.7	3.15	476.7	4.46	476.3	4.44
Sugar	174.8	1.34	181.6	1.48	494.7	3.67	590.—	5.52	590.—	5.50
Mineral oil	13.1	-.10	16.6	-.13	19.5	-.14	16.—	-.15	19.—	-.18
Matches	13.6	-.10	13.2	-.11	18.9	-.14	19.9	-.19	20.—	-.19
Bottled wines	10.—	-.08	11.3	-.09	9.—	-.07	10.—	-.09	3.—	-.03
Beverages	276.9	2.12	262.6	2.14	292.6	2.17	269.1	2.52	277.8	2.59
Meat	110.4	-.85	112.2	-.91	113.6	-.84	109.2	1.02	120.—	1.12

C. Analysis of Receipts (continued).

	1924		1925		1926		1927		1928	
	Closed accounts						Estimates			
	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total
II. Taxes on production, use and transactions (continued):										
Excise duties (continued):										
Coal	325.-	2.49	290.2	2.37	236.6	1.76	230.-	2.15	200.-	1.86
Water power	24.8	-19	32.8	-27	25.6	-19	25.1	-24	23.1	-21
Alcoholic products (State's shares in sales)	276.8	2.12	254.-	2.07	219.-	1.63	240.-	2.25	240.-	2.24
Other articles	23.1	-18	22.4	-18	21.9	-16	19.3	-18	19.7	-18
Total	1,649.7	12.64	1,613.9	13.15	1,875.1	13.92	2,005.3	18.77	1,988.9	18.54
Licences to sell spirituous liquors	—	—	—	—	—	—	1.-	-01	1.1	-01
Stamp duties	147.5	1.13	188.3	1.53	224.2	1.67	215.5	2.02	195.-	1.82
Taxes on transactions	696.4	5.33	766.3	6.24	808.-	6.-	610.1	5.72	658.3	6.14
Transport duties	878.5	6.73	796.9	6.49	738.5	5.48	804.-	7.53	800.-	7.45
Tax on motor vehicles	—	—	—	—	—	—	—	—	32.-	-30
Tax on turnover and on luxury articles	1,776.4	13.61	1,616.8	13.18	2,156.3	16.01	1,883.-	17.63	1,980.1	18.46
Tax on hunting and firearms	-4	(-.003)	-4	(-.003)	-4	(-.003)	-4	(-.004)	-1	(-.001)
Miscellaneous taxes	1.2	-01	37.9	-31	59.-	-44	64.1	-60	63.5	-59
Interest, fines, etc.	18.-	-14	31.3	-26	44.1	-33	17.-	-16	20.-	-18
Total	6,106.9	46.78	5,983.5	48.75	6,951.-	51.61	6,682.3	62.57	6,891.-	64.23
III. Net surplus from fiscal monopolies:										
Salt	22.1	-17	24.9	-20	24.2	-18	27.5	-26	26.3	-25
Saccharine	2.7	-02	2.2	-02	2.1	-02	2.2	-02	1.6	-02
Explosives	17.7	-14	21.2	-17	21.8	-16	13.-	-12	11.-	-10
Tobacco	1,055.1	8.08	1,065.-	8.68	1,297.3	9.63	1,066.6	9.99	1,051.3	9.80
Lotteries	27.3	-21	29.1	-24	45.6	-34	42.3	-39	42.1	-39
Total	1,124.9	8.62	1,142.4	9.31	1,391.-	10.33	1,151.6	10.78	1,132.3	10.56
Total of I, II, and III	9,575.8	73.35	9,588.1	78.12	12,422.9	92.24	10,001.1	93.65	9,931.2	92.57
IV. Taxes, fees and other administrative receipts:										
Contribution by Local Authorities on account of collection of excise duties	2.4	-02	2.3	-02	1.9	-01	1.8	-02	1.8	-02
Contributions by officials towards pensions	114.5	-88	98.1	-80	111.1	-83	86.1	-80	91.-	-85
Costs of collection of tax on property	62.4	-48	29.4	-24	11.3	-08	18.-	-17	11.-	-10
Other administrative receipts	736.-	5.63	685.5	5.59	756.8	5.62	397.1	3.72	359.-	3.34
Total	915.3	7.01	815.3	6.65	881.1	6.54	503.-	4.71	462.8	4.31
V. Net surplus from Public domain and undertakings:										
"Lana" farm	-1	(-.001)	—	—	—	—	-3	(-.003)	—	—
Model farm at Uhrineves	-2	(-.002)	-3	(-.002)	-1	(-.001)	-3	(-.003)	-1	(-.001)
Model farm at Libverda	—	—	—	—	—	—	-1	(-.001)	—	—
Forests and domains	65.6	-50	93.5	-76	48.9	-37	36.9	-35	34.5	-32
Mines	25.7	-20	—	—	—	—	—	—	—	—
Railways	139.6	1.07	77.4	-63	—	—	—	—	—	—
Postal, telegraph and telephone services	74.1	-57	75.4	-62	—	—	—	—	157.3	1.47

C. Analysis of Receipts (concluded).

	1924		1925		1926		1927		1928	
	Closed accounts						Estimates			
	Amount: Kč (000,000's)	Per- cent- age of total	Amount: Kč (000,000's)	Per- cent- age of total	Amount: Kč (000,000's)	Per- cent- age of total	Amount: Kč (000,000's)	Per- cent- age of total	Amount: Kč (000,000's)	Per- cent- age of total
V. Net surplus from Public domain and undertakings (continued):										
Postal cheque service	67.1	-5.1	70.4	-5.7	—	—	—	—	14.1	-1.3
Mint	5.1	-0.4	4.9	-0.4	1.4	-0.1	1.1	-0.1	-6	-0.1
Banking office	110.8	-8.5	54.4	-4.4	—	—	—	—	—	—
Printing office	1.9	-0.1	2.6	-0.2	-2	(-.002)	3.3	-0.3	-9	-0.1
Official Journal	-1	(-.001)	—	—	—	—	—	—	—	—
Public baths	—	—	-6	-0.1	—	—	1.1	-0.1	2.3	-0.2
Aircraft factories	—	—	-1	(-.001)	-1	(-.001)	-6	-0.1	-1	(-.001)
Military printing works	—	—	-1	(-.001)	—	—	—	—	—	—
Military forestry	—	—	—	—	—	—	-2	(-.002)	—	—
Total	491.1	3.76	379.7	3.09	50.7	-3.8	43.8	-4.2	209.9	1.96
VI. State's share in National Bank profits	—	—	—	—	—	—	8.1	-0.7	—	—
VII. Dividends on Government shares in corporations, companies, etc.	1.6	-0.1	-7	-0.1	—	—	4.9	-0.4	2.9	-0.3
VIII. Interest on advances granted by the State to companies, private institutions, etc.	205.8	1.58	125.4	1.02	108.8	-8.1	113.5	1.06	42.4	-3.9
IX. Proceeds of realisation of State assets:										
Sale of non-revenue-yielding State property	3.4	-0.3	3.3	-0.3	2.1	-0.1	5.2	-0.5	5.2	-0.5
Repayment of advances	44.6	-3.4	6.2	-0.5	—	—	—	—	—	—
Total	48.1	-3.7	9.5	-0.8	4.1	-0.3	5.2	-0.5	5.2	-0.5
Total receipts excluding loans	11,237.5	86.08	10,918.7	88.97	13,467.6	100	10,679.6	100	10,654.4	99.31
Deficit	1,818.1	13.92	1,354.1	11.03	—	—	—	—	73.8	-6.9
Grand total	13,055.5	100	12,272.8	100	13,467.6	100	10,679.6	100	10,728.2	100

The totals in the table above differ from those shown in the summary table, (for 1927 the estimates only have been analysed) for the following reasons:

(a) For the "Lana" farm, the monopolies on salt, saccharine and explosives, for which gross figures are still shown in the general budget, net figures are shown in the table above.

(b) The share of local authorities in State taxes has been included for 1927 and 1928 as for other years. The beer tax, which is a local tax, has been excluded.

(c) The share accruing to the Road Fund from State taxes for 1928 has been included, but on the other hand, its contribution to the general budget excluded.

NOTES.

The fiscal system of Czechoslovakia is based on the old Austro-Hungarian legislation. Since 1927 there have been various readjustments, relating to the rate of the taxes rather than to their nature, while certain fresh taxes have been introduced. The idea of tax reform on a large scale, involving the introduction, in the beginning of 1925, of a single tax in place of the existing direct taxes, was abandoned.

Czechoslovakia has signed conventions with Germany, Austria and Hungary with a view to eliminating double taxation.

1. *Taxes on income and property.* — The fiscal reform of 1927 brought about a slight reduction in the rates of these taxes.

2. *Taxes on production, use and transactions.* — The law of April 3rd, 1925, provided for an increase in the stamp duties. The budget for the financial year 1926 included new taxes on railway tickets, telephones and

certain administrative documents ; the Government also collects a percentage on the proceeds of sales of sugar on the home market.

In his budget statement for 1927, the Minister of Finance, M. Englis, divides the taxes, according to their effect on the national economy, into direct taxes, taxes on consumption, and trade taxes.

While the taxes on consumption affect only the finished articles for home consumption and are not levied in the case of exports, the trade taxes, such as the turnover tax, coal tax, transport tax, water-power tax, etc., are levied on the product before it is finished. The latter category of taxes amounts to 37 per cent of the State taxes, and is accordingly the largest.

3. *Cost of collecting the levy on capital and capital increment.* — As mentioned in the notes on the budget system, the yield of this levy accrues to a special fund and is not included in the budget, but the budget includes a contribution from the fund to cover the cost of collection.

The amounts assessed and actually paid in respect of this levy during the years 1924-1927 were as follows :

	Kč. (000,000's).			
	1924	1925	1926	1927
Assessments	182.3	308.5	118.1	— 258.7
Cash payments	817.6	601.1	407.4	472.6

The total amount assessed from 1920 to 1927 was 9,218.1 million Kč., of which only 5,336.5 million have been paid during this period.

D. Analysis of Expenditure ¹.

	1924		1925		1926		1927		1928	
	Closed accounts'						Estimates			
	Amount: Kč (000,000's)	Per- cent- age of total	Amount: Kč (000,000's)	Per- cent- age of total	Amount: Kč (000,000's)	Per- cent- age of total	Amount: Kč (000,000's)	Per- cent- age of total	Amount: Kč (000,000's)	Per- cent- age of total
I. Defence :										
(a) Army	2,046.2	15.67	1,833.9	14.94	1,556.9	11.56	1,610.3	15.08	1,636.7	15.26
(b) Air Force	128.4	-.99	113.-	-.92	80.2	-.60	61.3	-.57	65.9	-.61
Total	2,174.6	16.66	1,946.9	15.86	1,637.1	12.16	1,671.6	15.65	1,702.6	15.87
II. Foreign Affairs :	268.-	2.05	221.2	1.80	218.6	1.62	145.-	1.36	171.3	1.60
III. Justice :	290.4	2.22	305.2	2.49	304.2	2.26	303.1	2.84	318.3	2.97
IV. Supreme organs of Govern- ment and general adminis- tration :										
(a) Supreme organs and internal administration	725.3	5.55	826.1	6.73	751.4	5.58	778.1	7.29	804.7	7.50
(b) Press office (deficit)	2.3	-.02	1.4	-.01	1.2	-.01	1.-	-.01	-.8	-.01
(c) Official Journal (deficit)	—	—	-.9	-.01	1.4	-.01	—	—	—	—
(d) Allowances to officials	—	—	—	—	—	—	450.-	4.21	—	—
Total	727.6	5.57	828.4	6.75	754.-	5.60	1,229.1	11.51	805.5	7.51
V. Public Health :										
(a) Public health	160.1	1.23	143.8	1.17	139.2	1.03	142.7	1.34	155.7	1.45
(b) Public baths (deficit)	-.1	(-.001)	—	—	—	—	—	—	—	—
Total	160.2	1.23	143.8	1.17	139.2	1.03	142.7	1.34	155.7	1.45
VI. Social administration :										
(a) Social welfare	883.1	6.76	709.9	5.78	635.1	4.72	557.7	5.22	551.1	5.14
(b) Social insurance	6.-	-.05	5.1	-.04	20.9	-.15	5.7	-.05	27.8	-.26
(c) Unemployment	144.8	1.11	39.6	-.32	21.3	-.16	11.-	-.10	21.8	-.20
(d) Subsidies for house con- struction	133.6	1.02	206.4	1.68	295.-	2.19	267.5	2.51	267.5	2.49
(e) Subsidies for reduction of prices	4.6	-.04	4.4	-.04	4.4	-.03	4.3	-.04	4.1	-.04
(f) Regulation and inspection of conditions of work	4.5	-.04	5.-	-.04	5.2	-.04	6.3	-.06	5.9	-.05
(g) Repatriation	110.-	-.84	185.8	1.52	50.1	-.37	50.-	-.47	—	—
Total	1,286.6	9.86	1,156.2	9.42	1,032.-	7.66	902.5	8.45	878.2	8.18

¹ See footnote to the analysis of receipts.

D. Analysis of Expenditure (continued) ¹.

	1924		1925		1926		1927		1928			
	Closed accounts						Estimates					
	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total	Amount: Kč. (000,000's)	Per- cent- age of total		
VII. <i>Economic administration</i> :												
(a) Agriculture, industry, trade, etc.	528.-	4.04	556.6	4.54	544.3	4.04	553.1	5.18	582.7	5.44		
(b) Public works	443.1	3.39	415.-	3.37	563.-	4.18	437.6	4.10	531.4	4.95		
(c) Outlay of road fund	—	—	—	—	—	—	—	—	166.5	1.55		
(d) Subsidies to private railway companies	16.3	-1.13	15.-	-1.12	—	—	—	—	—	—		
(e) Allowances to railway, postal, telegraph and tele- phone officials	—	—	119.9	-9.8	115.9	-8.6	—	—	—	—		
(f) " Lana " farm (deficit)	—	—	—	—	—	—	—	—	-3	(-0.03)		
(g) Mines (deficit)	—	—	4.8	-0.4	—	—	—	—	—	—		
Total	987.4	7.56	1,111.3	9.05	1,223.2	9.08	990.7	9.28	1,280.9	11.94		
VIII. <i>Education</i> :	1,068.1	8.18	1,250.4	10.19	1,304.7	9.69	713.9	6.68	757.3	7.06		
IX. <i>Church</i> :	74.8	-5.7	77.1	-6.3	93.4	-6.9	71.8	-6.7	114.9	1.07		
X. <i>Financial administration</i> :	529.9	4.06	565.3	4.61	524.3	3.89	511.1	4.78	553.6	5.16		
XI. <i>Share of local authorities in taxation</i> :	676.-	5.18	727.5	5.93	805.3	5.98	957.2	8.96	1,073.9	10.01		
XII. <i>Pensions</i> :												
(a) Civil services	429.2	3.29	335.3	2.73	387.1	2.87	452.4	4.24	480.8	4.48		
(b) Public undertakings			27.7	-2.3	46.4	-3.5	46.9	-4.4	41.1	-3.9		
(c) Fighting services			170.3	1.31	174.3	1.42	181.6	1.35	190.5	1.78	186.-	1.73
(d) War pensions			31.8	-2.4	36.3	-2.9	15.8	-1.2	13.7	-1.3	12.8	-1.2
Total	631.3	4.84	573.6	4.67	630.9	4.69	703.5	6.59	720.7	6.72		
XIII. <i>Refunds, drawbacks, etc.</i> :	112.6	-8.6	98.4	-8.0	-9	-0.1	-8	-0.1	-8	-0.1		
XIV. <i>Public debt service</i> :												
(a) Administration and costs of issue	104.1	-8.0	92.8	-7.6	3.9	-0.3	36.6	-3.4	14.5	-1.3		
(b) Interest	939.6	7.20	1,088.2	8.87	1,246.2	9.25	1,521.1	14.25	1,546.5	14.42		
(c) Repayment	1,781.2	16.64	1,015.7	8.27	641.-	4.76	615.4	5.76	481.-	4.48		
(d) Loss on exchange	3.7	-0.3	—	—	—	—	—	—	—	—		
Total	2,828.6	21.67	2,196.7	17.90	1,891.1	14.04	2,173.1	20.35	2,042.-	19.03		
XV. <i>Investments in revenue-yielding assets</i> :												
(a) Outlay on :												
Tobacco monopoly	3.4	-0.3	—	—	—	—	—	—	—	—		
Forests and domains	25.8	-2.0	10.8	-0.9	—	—	—	—	—	—		
Mines	35.3	-2.7	13.1	-1.1	20.9	-1.5	—	—	—	—		
Railways	728.3	5.58	504.6	4.11	372.2	2.77	136.-	1.27	140.-	1.30		
Postal, telegraph and telephone services	93.2	-7.1	109.8	-8.9	32.7	-2.4	—	—	—	—		
Printing office	1.4	-0.1	-9	-0.1	—	—	—	—	—	—		
Public baths	—	—	—	—	3.7	-0.3	—	—	—	—		
Forestry	—	—	—	—	1.1	-0.1	—	—	—	—		
Purchase of railway shares	62.-	-4.7	424.8	3.46	121.6	-9.0	4.8	-0.5	5.-	-0.5		
Total	949.4	7.27	1,064.-	8.67	552.2	4.10	140.8	1.32	145.-	1.35		
(b) Loans granted	290.-	2.22	6.8	-0.6	3.7	-0.3	2.3	-0.2	7.5	-0.7		
Total expenditure	13,055.5	100	12,272.8	100	11,114.8	82.53	10,659.2	99.81	10,728.2	100		
Surplus	—	—	—	—	2,352.8	17.47	20.4	-1.9	—	—		
Grand Total	13,055.5	100	12,272.8	100	13,467.6	100	10,679.6	100	10,728.2	100		

NOTES.

1. The budget expenditure on staff is as follows :

Kč. (000,000's).

1925	1926	1927	1928
Closed accounts		Estimates	
4,485.5	4,145.9	3,802.-	3,701.-

The decrease in expenditure on staff is primarily due to the reduction in the number of officials. A new scale of officials' salaries has been in force since the second half of 1926.

2. The decrease in the expenditure on national defence since 1924 is due to the reduction in the strength of the army. On the other hand, a military fund for purchase of war material and military constructions was created in virtue of a law of December 1926, and its receipts for 11 years were limited to 315 million Kč. yearly, thus effecting considerable economies in the expenditure on material also.

3. Of the expenditure of the Road Fund for 1928, 66.5 million Kč. were to be covered by a transfer of taxes and 100 million by a loan from the Central Social Insurance Institute.

4. *Pensions.* — The civil service pensions for 1924 include all pensions on account of public undertakings. The amounts shown for undertakings in the succeeding years are those charged to the State, the greater part being included in the working accounts of the undertakings.

5. The service of the public debt comprises each year an increasing portion on account of the Czechoslovak part of the debt of the former Austro-Hungarian monarchy, as settlements are gradually made. Nevertheless, the total amount devoted to debt service is decreasing in consequence of favourable conversion operations. The estimated expenditure is greater than the real expenditure because it comprises the service of debts not settled.

6. *Investments in revenue-yielding assets.* — Since 1926 only a portion of the investments in undertakings have appeared in the general budget ; the remainder has been provided for from the working surpluses of the undertakings themselves, and in 1928 also by means of loans raised by the undertakings. The amounts shown in the table above against railways for 1927 and 1928 represent transfers of 20 per cent of the yield of the transport tax for investment purposes.

E. Fiscal Monopolies.

Kč. (000,000's).

	1924	1925	1926	1927	1928
	Closed accounts			Estimates	
<i>Salt :</i>					
Gross receipts	22.3	25.1	24.5	27.8	26.6
Working expenses	-.2	-.2	-.3	-.3	-.3
Balance	+ 22.1	+ 24.9	+ 24.2	+ 27.5	+ 26.3
<i>Saccharine :</i>					
Gross receipts	2.7	2.2	2.1	2.2	1.6
Working expenses . . . . .	...	...	...	...	...
Balance	+ 2.7	+ 2.2	+ 2.1	+ 2.2	+ 1.6
<i>Explosives :</i>					
Gross receipts	19.1	21.8	21.8	13.-	11.-
Working expenses	1.4	-.6	...	...	...
Balance	+ 17.7	+ 21.2	+ 21.8	+ 13.-	+ 11.-
<i>Tobacco :</i>					
Working account :					
Gross receipts	1,773.-	1,824.-	1,881.9	2,103.6	2,092.7
Working expenses	717.9	759.-	573.9	1,008.1	1,013.8
Balance	+ 1,055.1	+ 1,065.-	+ 1,308.-	+ 1,095.5	+ 1,078.9

E. Fiscal Monopolies (continued).

Kč. (000,000's).

	1924	1925	1926	1927	1928
	Closed accounts			Estimates	
<i>Tobacco (continued):</i>					
Investment account:					
Investments	3.4	...	10.7	28.9	27.6
Balance	+1,051.7	+1,065.-	+1,297.3	+1,066.6	+1,051.3
<i>Lotteries:</i>					
Gross receipts	101.2	30.8	47.3	165.2	165.8
Working expenses	73.9	1.7	1.7	122.9	123.7
Balance	+ 27.3	+ 29.1	+ 45.6	+ 42.3	+ 42.1
Total surplus	1,124.9	1,142.4	1,401.7	1,180.5	1,159.9
Total investments	3.4	...	10.7	28.9	27.6
Net surplus	1,120.3	1,142.4	1,391.-	1,151.6	1,132.3

F. Public Domain and Undertakings.

Kč. (000,000's):

	1924	1925	1926	1927	1928
	Closed accounts			Estimates	
<i>"Lana" farm:</i>					
Gross receipts	2.3	1.7	2.-	2.5	2.3
Working expenses	2.2	1.7	2.-	2.2	2.6
Balance	+ -.1	...	...	+ -.3	- -.3
<i>Model farm at Uhrineves:</i>					
Working account:					
Gross receipts	2.3	2.3	2.2	2.3	2.-
Working expenses	2.1	2.-	2.1	2.-	1.7
Balance	+ -.2	+ -.3	+ -.1	+ -.3	+ -.3
Investment expenses . . . . .	...	...	...	...	-.2
Balance	+ -.2	+ -.3	+ -.1	+ -.3	+ -.1
<i>Model farm at Libverda:</i>					
Gross receipts	-.4	-.4	-.4	-.5	-.5
Working expenses	-.4	-.4	-.4	-.4	-.5
Balance . . . . .	...	...	...	+ -.1	...
<i>Forests and domain:</i>					
Working account:					
Gross receipts	543.7	586.2	669.9	620.9	691.1
Working expenses	478.1	492.7	595.9	568.-	639.6
Balance	+ 65.6	+ 93.5	+ 74.-	+ 52.9	+ 51.5
Investment expenses	25.8	10.8	25.1	16.-	17.-
Balance	+ 39.8	+ 82.7	+ 48.9	+ 36.9	+ 34.5

F. Public Domain and Undertakings (continued).

Kč. (000,000's).

	1924	1925	1926	1927	1928
	Closed accounts			Estimates	
<i>Mines :</i>					
Working account :					
Gross receipts	348.1	518.9	538.2	450.3	555.8
Working expenses	322.4	523.7	538.-	420.8	538.6
Balance	+ 25.7	- 4.8	+ -.2	+ 29.5	+ 17.2
Investment expenses	35.3	13.1	21.1	29.5	17.2
Balance	- 9.6	- 17.9	- 20.9	...	...
<i>Railways :</i>					
Working account :					
Gross receipts	4,405.7	4,332.7	4,352.4	4,479.5	4,575.5
Working expenses	4,266.1	4,255.3	4,230.6	4,344.1	4,414.3
Balance	+ 139.6	+ 77.4	+ 121.8	+ 135.4	+ 161.2
Investment expenses	728.3	504.6	494.-	271.4	301.2
Balance	- 588.7	- 427.2	- 372.2	- 136.-	- 140.-
<i>Postal, telegraph and telephone services :</i>					
Working account :					
Gross receipts	845.3	959.1	1,109.9	1,199.6	1,311.3
Working expenses	771.2	883.7	992.8	1,029.9	1,154.-
Balance	+ 74.1	+ 75.4	+ 117.1	+ 169.7	+ 157.3
Proceeds of loan . . . . .	...	...	...	...	296.7
Receipts of the postal cheque service . . . . .	...	...	58.6	10.1	...
Investment expenses	93.2	109.8	208.4	179.8	296.7
Balance	- 19.1	- 34.4	- 32.7	...	+ 157.3
<i>Postal cheque service :</i>					
Working account :					
Gross receipts	118.8	107.3	108.3	121.3	117.9
Working expenses	51.7	36.9	49.7	101.2	103.8
Balance	+ 67.1	+ 70.4	+ 58.6	+ 20.1	+ 14.1
Proceeds of loan . . . . .	...	...	...	...	10.-
Investment expenses	1	1	1	10.-	10.-
Balance	+ 67.1	+ 70.4	+ 58.6	+ 10.1	+ 14.1
<i>Mint :</i>					
Working account :					
Gross receipts	15.4	8.-	12.4	7.4	5.1
Working expenses	10.3	3.1	11.-	6.4	4.5
Balance	+ 5.1	+ 4.9	+ 1.4	+ 1.-	+ -.6
Proceeds of loan . . . . .	...	...	...	...	5.-
Investment expenses . . . . .	...	...	...	...	5.-
Balance	+ 5.1	+ 4.9	+ 1.4	+ 1.-	+ -.6
<i>Banking office :</i>					
Gross receipts	167.5	119.8	...	...	...
Working expenses	56.7	47.-	...	...	...
Balance	+ 110.8	+ 72.8	...	...	...
Arrears of 1924 . . . . .	...	18.4	...	...	...
Balance	+ 110.8	+ 54.4	...	...	...

¹ Included in Postal Service investments.

F. Public Domain and Undertakings (continued).

Kč. (000,000's).

	1924	1925	1926	1927	1928
	Closed accounts			Estimates	
<i>Press office :</i>					
Working account :					
Gross receipts	4.7	2.6	5.7	5.7	6.2
Working expenses	7.-	4.-	6.9	6.7	7.-
Balance	- 2.3	- 1.4	- 1.2	- 1.-	- .8
Proceeds of loan . . . . .	...	...	...	...	3.-
Investment expenses . . . . .	...	...	...	...	3.-
Balance	- 2.3	- 1.4	- 1.2	- 1.-	- .8
<i>Printing office :</i>					
Gross receipts	22.1	24.5	23.5	25.2	25.-
Working expenses	20.2	21.9	22.8	21.9	24.1
Balance	+ 1.9	+ 2.6	+ -.7	+ 3.3	+ -.9
Investments	1.4	- .9	- .5	...	...
Balance	+ -.5	+ 1.7	+ -.2	+ 3.3	+ -.9
<i>Official Journal :</i>					
Gross receipts	7.1	1.8	1.8	6.9	7.7
Working expenses	7.-	2.7	3.2	6.9	7.7
Balance	+ -.1	- -.9	- 1.4	...	...
<i>Public baths :</i>					
Working account :					
Gross receipts	4.7	5.6	6.3	6.3	6.9
Working expenses	4.8	5.-	6.-	4.3	4.6
Balance	- .1	+ -.6	+ -.3	+ 2.-	+ 2.3
Proceeds of loan . . . . .	...	...	...	...	10.-
Investment expenses . . . . .	...	...	4.-	- .9	10.-
Balance	- .1	+ -.6	- 3.7	+ 1.1	+ 2.3
<i>Military undertakings :</i>					
Aircraft factories :					
Working account :					
Gross receipts	13.3	10.5	15.-	20.4	17.6
Working expenses	12.8	10.4	12.4	19.8	17.5
Balance	+ -.5	+ -.1	+ -.6	+ -.6	+ -.1
Investment expenses . . . . .	...	...	- .5	...	...
Balance	+ -.5	+ -.1	+ -.1	+ -.6	+ -.1
Military printing-works :					
Working account :					
Gross receipts	3.6	1.9	2.2	3.9	4.-
Working expenses	3.5	1.8	2.1	3.9	3.7
Balance	+ -.1	+ -.1	+ -.1	...	+ -.3
Investment expenses . . . . .	...	...	- .1	...	- .3
Balance	+ -.1	+ -.1	...	...	...

F. Public Domain and Undertakings (concluded).

Kč. (000,000's).

	1924	1925	1926	1927	1928
	Closed accounts			Estimates	
<i>Military undertakings (continued):</i>					
Military forestry :					
Working account :					
Gross receipts	2.6	1.4	4.4	3.4	6.9
Working expenses	2.5	1.4	3.6	2.8	5.-
Balance	+ -1	...	+ -8	+ -6	+ 1.9
Investment expenses . . . . .	...	...	1.9	-4	1.9
Balance	+ -1	...	-	-2	...
(a) Total surplus on working accounts . .	491.-	379.7	375.7	415.8	407.7
(b) Total deficits on working accounts (covered by the Treasury)	2.4	7.1	2.6	1.-	1.1
(c) Surplus transferred to the Treasury . .	491.-	379.7	50.7	43.8	209.9
Balance between (b) and (c)	488.6	372.6	48.1	42.8	208.8
(d) Investments covered by State sub- sidies	884.-	639.2	430.6	136.-	140.-
(e) Investments met out of net profits . .	...	...	325.-	372.-	197.8
(f) Investments met out of loans . . . .	...	...	...	...	314.7
Total Investments	884.-	639.2	755.6	508.-	652.5
Balance between transfers to (+) and subsidies from (-) the Treasury (difference between (b) + (d) and (c))	-395.4	-266.6	-382.5	-93.2	+ 68.8

NOTES.

1. The business year of the public undertakings runs from January 1st to December 31st or from July 1st to June 30th of the following year.

The tobacco and lottery monopolies and the public undertakings, except the "Lana" farm, have been administered since 1925 as business undertakings, as provided in the law of December 18th, 1922. Their accounts have been shown separately since that date. All expenditure, including old age and other pensions and sickness, disablement and old age insurance, with the exception of some pension charges taken over by the State, depreciation and service of debt, must be covered by working receipts. If an undertaking cannot cover its expenditure with its receipts, it is entitled to procure the necessary amounts, with the consent of the Minister of Finance and the Supreme Audit Office (a) by short-term loans, or (b) by Treasury advances.

2. In 1925 the undertakings handed over their entire surpluses to the Treasury, which in turn provided for their capital outlay. In 1926 the undertakings devoted their surpluses entirely or partially to covering their capital outlay, and some of them received further subsidies from the Treasury. The general budgets for 1927 and 1928 allowed for no further investment grants from the Treasury except a transfer of 20 per cent of the transport tax to the State railways. The capital outlay of the mint, public baths, and the press office and a portion of that of the post, for 1928, were to be covered by loan operations.

In 1927 the Government set up a permanent conference of the chairmen of the boards of all the Government undertakings, to enquire into the methods of organisation best calculated to ensure economies and to increase returns.

G. Public Debt.

(i) Table showing the Public Debt since 1921.

Kč (000,000's).

Date	Domestic debt						Foreign debt		Total public debt	
	Funded		Floating		Total		Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)
	Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)				
Dec. 31st :										
1921	4,147	...	5,674	...	9,821	...	3,569	...	13,390	...
1922	7,966	+ 3,819	7,080	+ 1,406	15,046	+ 5,225	4,004	+ 435	19,050	+ 5,660
1923	10,621	+ 2,655	7,946	+ 866	18,567	+ 3,521	3,651	- 353	22,218	+ 3,168
1924	13,344	+ 2,723	7,012	- 934	20,356	+ 1,789	4,271	+ 620	24,627	+ 2,409
1925	15,580	+ 2,236	5,781	- 1,231	21,361	+ 1,005	5,225	+ 954	26,586	+ 1,959
1926	18,194	+ 2,614	4,408	- 1,373	22,602	+ 1,241	5,182	- 43	27,784	+ 1,198
1927	18,963	+ 769	3,729	- 679	22,692	+ 90	5,083	- 99	27,775	- 9
1928	20,742	+ 1,779	3,336	- 393	24,078	+ 1,386	4,249	- 834	28,327	+ 552

(ii) Table showing the total of the Public Debt since 1921 in actual figures and reduced to pre-war price level.

Date	Public debt		Index number of wholesale prices (July 1914 = 100)	Public debt reduced to pre-war price level	
	Amount : Kč. (000,000's)	Percentage of 1921		Amount : Kč. (000,000's)	Percentage of 1921
December 31st : 1921	13,390	100	1,675	799	100
1922	19,050	142	1,003	1,899	238
1923	22,218	166	991	2,242	281
1924	24,627	184	1,045	2,357	295
1925	26,586	199	966	2,752	344
1926	27,784	207	979	2,838	355
1927	27,775	207	982	2,828	354
1928	28,327	212	953	2,972	372

(iii) Total showing the amount of Debt Service (interest on and amortisation of Public Debt) since 1922, in actual figures and reduced to pre-war price level.

Financial year	Accounts	Service of public debt		Index number of wholesale prices (July, 1914 = 100)	Debt service reduced to pre-war price level	
		Amount : Kč. (000,000's)	Percentage of 1922		Amount : Kč. (000,000's)	Percentage of 1922
1922	} Closed accounts } Estimates	2,107	100	1,334	158	100
1923		1,709	81	977	175	111
1924		2,829	134	997	284	180
1925		2,197	104	1,008	218	138
1926		1,891	90	954	198	125
1927		2,602	123	979	266	168
1928		2,420	115	977	248	157
1929		2,245	107	934 ¹	240	152

¹ January-August 1929.

G. Public Debt (continued).

Table giving details of the Public Debt as on December 31st, 1924, 1925, 1926, 1927 and 1928.

Kč (000,000's).

	Dec. 31st, 1924	Dec. 31st, 1925	Dec. 31st, 1926	Dec. 31st, 1927	Dec. 31st, 1928
I. DOMESTIC DEBT.					
A. Funded debt :					
4 ½% Premium loan, 1920	540.9	540.9	525.3	509.7	494.1
2% Lottery loan, 1921, for construction	294.2	450.4	605.-	756.-	716.2
IV State loan, 1920 (3 ½, 5, 5 ½, 6%) :					
Against cash	2,914.-	3,601.-	3,728.3	3,733.8	3,725.2
Conversion of war loans	2,914.1	3,601.1	3,728.3	3,941.1	4,200.6
6% Investment loan, 1921, for communications	586.4	586.4	586.4	556.4	526.4
6% Investment loan, 1920, for electrification	11.-	11.-	11.-	10.7	10.5
6% Redeemable flour loan, 1921 :					
Against cash	2,153.7	2,182.1	2,192.9	2,149.-	2,105.5
Conversion of pre-war loans	2,151.8	2,180.3	2,189.8	2,145.9	2,102.4
6% Investment loan, 1923	285.-	286.5	274.-	261.5	255.6
6% Conversion loan, 1923	528.7	502.3	475.9	449.4	423.-
4% Mortgage loan, Bustehrad railway priority, 1923	100.4	98.4	96.2	94.-	91.7
5% Mortgage loan, Usti-Tepliče railway priority, 1922 :					
(a) Investment loan	19.5	19.3	19.-	18.7	18.4
(b) Conversion loan	29.3	29.-	28.6	28.3	27.9
4% Loan for purchase of shares in Košice-Bohumín Railways	—	39.2	39.1	39.9	39.6
6% Loan, 1924, Insurance Institute	5.5	15.5	15.-	13.5	—
6% Loan, Zemska banka, Praha	32.-	28.8	25.6	22.4	—
7% Municipal loan, Zemska banka, Praha	—	6.-	5.4	4.8	—
3 ½% Provisional pre-war debt certificates	5.2	11.1	12.2	14.2	-2
4% Provisional pre-war debt certificates	662.5	1,211.4	1,690.2	1,892.4	18.4
4.2% Provisional pre-war debt certificates	109.8	177.9	198.1	214.8	2.7
4 ½% Provisional pre-war debt certificates	—	-9	6.6	7.3	—
6% Redeemable conversion loan, 1925 :					
Against cash	—	—	955.-	926.-	876.-
Conversion of pre-war loans	—	—	752.4	723.4	673.4
Loan from Zemska banka, 1925	—	—	9.-	8.5	—
Loan from the General Insurance Institute	—	—	25.-	23.8	22.6
3% Redeemable Indemnity Bonds, 1924	—	—	—	197.7	611.-
3% Redeemable bonds for war supplies, 1924	—	—	—	183.3	244.9
4% Railway priorities	—	—	—	31.6	31.3
4% Preferred railway shares	—	—	—	-9	-7
4% Preferred railway shares	—	—	—	3.8	1.3
5% Conversion loan, 1928	—	—	—	—	550.-
Loan from Zemska banka, 1928	—	—	—	—	45.2
3 ½% Perpetual bonds, 1928	—	—	—	—	15.-
4% Perpetual bonds, 1928	—	—	—	—	1,918.9
4.2% Perpetual bonds, 1928	—	—	—	—	219.4
4 ½% Perpetual bonds, 1928	—	—	—	—	8.6
3-5 ¼% State railway bonds, 1928	—	—	—	—	51.5
Liabilities to the Caisse commune :					
For 4% pre-war railway priorities	—	—	—	—	78.1
For 3% pre-war railway priorities	—	—	—	—	631.1
For 4% Hungarian annuities, 1910	—	—	—	—	5.-
Total funded debt	13,344.-	15,579.5	18,194.3	18,962.8	20,742.4

G. Public Debt (concluded).

Table giving details of the Public Debt as on December 31st, 1924, 1925, 1926, 1927 and 1928
(concluded).

Kč (ooo,ooo's).

	Dec. 31st, 1924	Dec. 31st, 1925	Dec. 31st, 1926	Dec. 31st, 1927	Dec. 31st, 1928
B. Floating debt :					
Gold and silver loan	78.8	88.4	7.2	1.5	-5
Bonds of Czechoslovak Republic, 1921	1,536.2	1,536.2	1,360.3	1,200.1	1,005.-
Exchange credit, Zemska Banka, 1923	235.6	15.-	—	—	—
Loan from Pensions Institute	65.-	—	—	—	—
5 ¼% Treasury bills	24.-	12.-	—	—	—
5 ½% Treasury bills	250.-	—	—	—	2,330.-
6% Treasury bills	4,822.7	4,129.7	3,040.6	2,527.8	-7
Total floating debt	7,012.3	5,781.3	4,408.1	3,729.4	3,336.2
Total domestic debt	20,356.3	21,360.8	22,602.4	22,692.2	24,078.6
II. FOREIGN DEBT.					
A. Funded debt :					
8% Investment loan, 1922 :					
\$23,250,000					
£5,350,000					
} Total	1,738.8	1,719.3	1,698.3	1,675.6	1,650.9
5% British loan for purchase of foodstuffs, 1920	—	89.-	67.5	44.9	21.2
5% British loan for repatriation of Russian legionaries :					
£826,520	—	135.8	125.-	113.7	101.8
7 ½% loan of 1925 :					
\$25,000,000	—	847.5	791.-	759.2	—
5% French loan for purchase of horses	—	—	—	15.-	—
Total funded debt	1,738.8	2,791.6	2,681.8	2,608.4	1,773.9
B. Floating debt :					
3% American loan for purchase of flour (1920) :					
1921 — \$2,873,238.25	143.7	143.7	143.7	143.7	143.7
3 ½% American loan for purchase of army supplies, 1919, 1920 :					
1925 — \$89,006,432.78	1,860.8	1,860.8	1,860.8	1,860.8	1,860.8
5% British loan for purchase of foodstuffs, 1920 :					
1921 — £445,083 11s. 9d	89.-	—	—	—	—
5% French loan for purchase of army supplies, 1920 :					
1923 — 99,679,517.92 Fr. frs.	299.-	299.-	299.-	299.-	299.-
5% French loan for purchase of horses :					
\$1,149,210.60	24.7	24.7	24.7	—	—
5% French loan for the organisation and maintenance of legionaries, 1920 :					
33,916,626.35 Fr. frs.	101.7	101.7	101.8	101.8	101.8
Dollar exchange loan, 1924	—	3.4	—	—	—
Loan of 100 million marks	—	—	—	—	—
Loan of 125 million marks	—	—	—	—	—
International Relief Loan (Nansen) 1922 :					
1923 — £87,000 ;					
1924 — £92,921 16s. 10d.	13.2	—	—	—	—
Italian loan for the maintenance of legionaries :					
1919 — 180,000,000 lire ;					
1920 — 170,000,000 lire	—	—	69.6	69.6	69.6
Total floating debt	2,532.1	2,433.3	2,499.6	2,474.9	2,474.9
Total foreign debt	4,270.9	5,224.9	5,181.4	5,083.3	4,248.8
TOTAL PUBLIC DEBT	24,627.2	26,585.7	27,783.8	27,775.5	28,327.4

NOTES.

1. *General.* — In accordance with the stipulations of the peace treaties of St. Germain and Trianon, Czechoslovakia became liable to :

- (a) The so-called Liberation debt ;
- (b) State obligations on account of ceded property ; and
- (c) A portion of the guaranteed and non-guaranteed debts of the former Austro-Hungarian Monarchy.

The amount of the debts under (a) and (b) has not yet been determined. A maximum of 750 million gold francs is, however, set to the liberation debt. The share of Czechoslovakia in the non-guaranteed Austrian and Hungarian debts has been fixed at 41.7 and 17.3 per cent respectively and the share in the guaranteed debt at various rates according to the length of railway lines or the actual situation of the other securities.

By agreements signed at Innsbruck in June 1923, and in Prague in November 1925, various measures were adopted regarding the amounts and the service of the Austrian and Hungarian foreign debts. A *Caisse Commune* was created and the succession States have, since January 1926, re-assumed the service (including arrears) of that portion of the debt for which they became responsible.

The greater number of the questions concerning Austrian and Hungarian war and guaranteed and non-guaranteed pre-war debt taken over by Czechoslovakia have been settled by various laws. The total amounts for which settlements have been made are as follows :

Kč (000,000's).

	1924	1925	1926	1927	1928
War debts	2,914.1	3,601.1	3,728.3	4,322.1	4,756.5
Pre-war debts	2,929.3	3,581.6	4,849.3	4,998.—	5,724.7
Total	5,843.4	7,182.7	8,577.6	9,320.1	10,481.2
Domestic debt excluding war and pre-war debts	14,512.9	17,178.1	14,024.8	13,372.1	13,597.4

2. *Domestic debt.* — (1) The Premium Loan of 1920 was contracted in order to meet the deficit of that financial year. The interest is at the rate of 4½ per cent and the coupons are payable half-yearly on February 1st and August 1st. This loan is redeemable by drawings in 35 years from February 1st, 1926, until the end of the year 1960. The premium amounts to 25 per cent of the face value. The loan is exempt from the tax on dividends.

(2) The proceeds of the Fourth State Loan were intended to cover the deficit of the financial year 1920 and for conversion of previous advances granted to meet the deficits of the years 1919 and 1920 and of the registered Austro-Hungarian war loans held by certain Czechoslovak nationals domiciled in Czechoslovakia. Subscribers are of two classes, preference holders (public utility institutions) and all other subscribers. In exchange for one war loan bond of 100 Kč. face value and on payment of 75 Kč. they received: (i) One redeemable bond of the Fourth Loan at 5 per cent and at 3½ per cent respectively, face value 75 Kč.; and (ii) one redeemable bond of the Fourth Loan at 6 per cent, and 5½ per cent respectively, face value 75 Kč.

The 5, 5½ and 6 per cent bonds of the Fourth State Loan are redeemable in 45 years, from April 1st, 1935, until the year 1979. The interest on the 5 per cent bonds is to be reduced at the end of five years to 4½ per cent and at the end of 10 succeeding years to 4 per cent. The interest on the 5½ per cent bonds is to be reduced at the end of 15 years to 5 per cent. This loan also is exempt from the tax on interest.

(3) The Lottery Loan of 1921 was issued: (i) For construction of houses for employees in public services (1921 budget) and (ii) to provide for subsidies granted by the State for construction of dwellings. Repayment is to be effected by half-yearly drawings during 25 years beginning with 1922. The bonds drawn bear interest at 2 per cent, payable as from 1922.

(4) The 6 per cent redeemable Flour Loan, 1921 (Law of August 12th, 1921) was issued to cover the deficit of the State Flour Office. Subscribers were allowed to convert holdings of an equal amount of certain categories of Austrian and Hungarian pre-war loans. The bonds are redeemable in 50 years, beginning on December 1st, 1926, at the rate of 100 new for 100 old, in the case of loans bearing 4 per cent interest and more, and 85 new for 100 old in that of those bearing 3½ per cent interest.

(5) The Conversion Loan of 1923 represents conversion of Treasury bonds, at 4 per cent, maturing on October 1st, 1923. This loan bears interest at 6 per cent, and 94 Kč. in face value of the Treasury bills were convertible into bonds of 100 Kč. face value of the 1923 Conversion Loan. The bonds are redeemable by drawings from January 2nd, 1925, to July 1st, 1944.

(6) The 6 per cent redeemable Conversion loan, 1926 (Law of October 15th, 1925) was issued against delivery of Treasury bills maturing on July 1st, 1926, at 100 to 100, and of certain guaranteed and non-

guaranteed categories of pre-war loans at varying rates. This loan is redeemable in 20 years, beginning in 1927.

(7) The 4 per cent railway priorities and preferred railway shares (Law of June 25th, 1925) were taken over by the State in connection with the transfer to State management of local private railways.

(8) The 3 per cent redeemable indemnity bonds (Law of September 1924 for the final settlement of Austro-Hungarian war loans) are being issued against bonds of the Austro-Hungarian war loans in possession of holders specified in the law, at the rate of 75 to 100 Kč. These bonds are redeemable in 90 years, beginning on April 1st, 1935.

(9) Provisional 3½, 4, 4.2 and 4½ per cent pre-war debt certificates (Law of July 1922). According to the stipulations of the Peace treaties of St. Germain and Trianon and subsequent decisions of the Reparations Commission, Czechoslovakia became responsible for 41.7 per cent of the non-guaranteed Austrian pre-war debt and of 17.3 per cent of the non-guaranteed Hungarian pre-war debt. From 1922-1927 certificates were issued against certain categories of these debts (Austrian and Hungarian *rentes*) at therate of 100 Kr. to 100 Kč. or 100 Fl. to 251.25 Kč. and bearing the same interest as the original bonds.

(10) The 3½, 4, 4.2 and 4½ per cent perpetual bonds, 1928 (Law of June 22nd, 1928, regarding the conversion of non-guaranteed pre-war loans) were issued against delivery of certain categories of pre-war bonds and of the provisional pre-war debt certificates, 1922.

(11) The 3, 3½, 4, 5 and 5¼ per cent State railway bonds, 1928 (Law of March 15th, 1928) were issued against delivery of the various pre-war railway priorities and other railway bonds at various rates. They bear the same interest in most cases as the old bonds, are secured by the Czechoslovak State railways, and are redeemable from 1931 or 1946 in 9, 16, 26, 30, 38 or 43 years. The *old* railway bonds in marks and some others have been paid in cash.

(12) Liabilities to the *Caisse Commune*. These liabilities represent a portion of the Czechoslovak share in the old foreign securities. The service of the 4 per cent pre-war railway priorities, including arrears, is effected in French francs, that of the 3 per cent railway priorities and that of the 4 per cent Hungarian annuities of 1910 in gold francs on the basis of 27 per cent of the face value.

3. *Foreign debt.* — (1) The Investment Loan of 1922 was contracted in two parts: (a) The issue of April 1922 in England amounting to £3,300,000 in 8 per cent bonds, and in the United States of America to the amount of \$14,000,000 in 8 per cent bonds. This part of the Investment Loan is redeemable by drawings, half-yearly, up to April 1st, 1951; (b) The issue of May 1924 in England, amounting to £2,050,000, and in the United States of America amounting to \$9,250,000. The bonds bear interest at 8 per cent and are redeemable by half-yearly drawings from April 1st, 1925, to October 1st, 1952. From May 1st, 1932, the State has the right to repay the whole or a part of the debt at the rate of 108 per cent.

(2) The 7½ per cent loan of \$25,000,000, 1925, was issued for repayment of Treasury bills falling due in that year. It was redeemable until October 1945 but entirely repaid by 1928.

(3) The terms of settlement for repayment of some of the debts in consequence of the war have been arranged in recent years. These debts are shown under funded foreign debt from the date of their settlement.

4. The note debt to the National bank (Bank Office) is not included in the tables above. It amounted to 5,636.5 million Kč in December 1924; 5,085.3 in 1925; 4,812.7 in 1926; 4,444.3 in 1927 and 4,097 in December 1928. As has been stated in the notes on the budget system, the repayment of this debt is effected out of the proceeds of the special levy on capital and capital increment and, since 1927, by annual payments of 110 million Kč. from the budget.

H. Finances of Local Authorities.

In his 1927 budget statement, the Minister of Finance also examined the financial position of the local authorities, which he described as being far from satisfactory. The total expenditure of the local authorities (municipalities, districts, provinces) on the basis of the 1926 accounts is about 5,800 million Kč. This is composed as follows:

	Kč. (000,000's)	Percentage
Provinces	1,733	30
Districts	736	13
Departments of Slovakia and Sub-Carpathian-Russia	128	2
Municipalities	3,120	55

This expenditure added to the expenditure in the State budget for 1927 — 9,700 million Kč. — gives a grand total of 15½ milliard Kč. The ratio between local expenditure and State expenditure is 54 : 100.

In 1927 the total expenditure of local authorities was estimated at 7,100 million Kč, representing an increase of 1,300 million Kč., 1,000 million of which come under the budgets of the municipalities.

FRANCE

Notes on the Budget System.

1. The financial year coincides with the calendar year.

As a rule the budget is voted in December. If the estimates have not been passed by the beginning of the financial year, the intervening period is provided for by means of authorisations called *douzièmes provisoires* (monthly votes on account) until the budget is finally voted.

The budgets for the past few years were finally voted on the following dates :

Budget for	Voted on
1926	April 26th, 1926.
1927	December 19th, 1926.
1928	December 27th, 1927.
1929	December 30th, 1928.

2. During the war and post-war years a number of special budgets and special Treasury funds were created. In the last few years efforts have been made to unify the budget. At present the French budget system comprises the following :

- A. The general budget, together with the "annexed budgets" appended to it.
- B. Special Treasury Funds.
- C. The Autonomous Fund for Debt Redemption.

A. *The general budget and the annexed budgets.* — The revenue of the general budget consists of the yield of taxes and fees, receipts derived from monopolies, public domain and undertakings, various administrative receipts and exceptional receipts from extraordinary taxes, sale of war-stocks, etc. It does not include proceeds of loans.

The 1925 budget showed a sum of 1,100 million francs in respect of payments made by Germany. The budgets of 1926, 1927 and 1928 were framed without reference to the Dawes Plan payments, but 1,000 million francs derived from the Dawes Plan annuity is shown as revenue in the 1929 budget.

The expenditure in the general budget is classified departmentally and divided into chapters and items. Until 1927 it was divided into (a) ordinary expenditure, (b) extraordinary expenditure, including in particular compensation of all kinds to staff and other items of expenditure of a temporary nature, and (c) non-permanent expenditure for repair of war damage. This last division previously formed a special budget of recoverable expenditure and was covered by the yield of loans. It has been included in the general budget since the financial year 1925.

In the 1928 budget extraordinary expenditure and non-permanent expenditure for repair of damage caused by the war have been combined with the ordinary expenditure, without being distinguished in any way.

Beginning with the financial year 1926, the War Pensions Fund created in 1924 was abolished, and the full total of civil, military and war pensions has since been charged to the general budget.

The general budget is *gross* for the Administration proper.

The following principles are applied to fiscal monopolies, public domain and undertakings:

(a) Gross figures for receipts and expenses are shown in the general budget for : the fiscal monopolies, with the exception of the tobacco monopoly (since 1926), public domain and the Official Journal.

(b) Only net results are shown in the general budget for the Saar mines and the Alsace potash mines, the Mint and Medals Office, the printing office, the postal, telegraph and telephone services, etc. The budgets of these undertakings, with the exception of the Saar mines and the Alsace potash mines, are annexed to the general budget.

(c) In the case of the Réunion railway and harbour, the National Savings Bank, the Central School of Arts and Crafts and the State and Alsace-Lorraine railways, since 1927, the Tobacco monopoly, since 1926, surpluses accrue to special funds and deficits are covered by these funds or by credit operations and are not shown in the general budget. All of these except the two last mentioned have their budgets annexed to the general budget.

The annexed budgets, which include, besides the undertakings named above, the Legion of Honour and the Naval Invalidity Fund, are voted by Parliament and are controlled in the same way as the general budget.

B. *Special Treasury funds* existed even before 1914, though for comparatively small amounts. They related either to security funds, supplementary funds for public works, gifts and legacies, or to advances of various kinds (Bank of France, Railway Companies, Local Funds) the proceeds of the issue of *Rentes* and short-term bonds. Owing to the war and to the situation resulting from it, the number and extent of the special funds have increased considerably, more than fifty new items having been added. Of such funds established during and after the war the following may be mentioned :

- Maintenance of troops of occupation abroad.
- Advances to foreign Governments or institutions.
- Supply of material to foreign Governments.
- Costs of reconstructing railway lines destroyed or damaged during the war.
- Regulation of the operations concerning the extraordinary war profits tax.
- Common fund of the great railway systems.
- Morgan Loan.
- Payments by various Powers in execution of the treaties of peace, etc.

A certain number of special funds have been grouped together under the exclusive authority of the Ministry of Finance, by the establishment of an audit service with a view to their liquidation.

Beginning with the financial year 1926 the net revenue from the account "Payments by the various Powers in execution of the treaties of peace", has been employed for three different purposes : (a) For covering the cost of the armies of occupation ; (b) for payments to war victims (a sum, fixed every year by the finance law, is paid to the *Crédit National*) ; (c) the balance available after these payments have been made, for the Amortisation Fund of the Public Debt. For 1929, however, an amount of 1,000 millions francs was placed as revenue in the general budget.

C. *The fund for the administration of National Defence Bonds*, for the Tobacco Monopoly and for the amortisation of the Public Debt is, by the law of August 7th, 1926, a public institution having the status of a legal person and financial autonomy. This fund is charged with the service and renewal of the National Defence Bonds and the ordinary Treasury Bonds. The latter cannot be renewed but only converted into National Defence Bonds. Until complete amortisation of the National Defence Bonds and of any obligations issued by the fund itself, the fund will administer the monopoly of purchase, manufacture and sale of tobacco.

A limit to the number of bonds which might be issued was fixed in August 1926 which amounted to 49 milliard francs. This sum is being reduced annually by the amount of the bonds redeemed.

The sources of revenue for the administration and amortisation of the National Defence Bonds are as follows :

- (a) The net yield of the Tobacco Monopoly (since August 1926) ;
- (b) The yield of the supplementary and exceptional tax on first transfer of property, levied under the Law of August 3rd, 1926 ;
- (c) The yield of the succession duty and the transfer taxes (since January 1st, 1927) ;
- (d) Any surplus on the general budget at the close of the financial year ;
- (e) Gifts and legacies to the Fund ;
- (f) The yield of lotteries, etc.

The estimates of revenue and expenditure are submitted for approval to the Finance Minister.

There are, besides the funds mentioned above, various autonomous offices of minor importance attached to the various ministerial departments. They are not subject to uniform regulations. Certain of the offices are under the control of the Minister of Finance, while others

again are entirely free from his authority. They have their own revenue and some of them receive State subsidies.

3. Transfer from one chapter of the general budget to another is prohibited, but not from one item to another in the same chapter. Votes which, in the course of the year, prove to be in excess of requirements are cancelled. If they fall short of requirements application has to be made to the Chamber to obtain new credits.

The French accountancy system distinguishes between accounts *par gestion* and accounts *par exercice*, the former containing receipts and expenses during a given year and the second receipts and expenses which, by their origin, relate to a particular year irrespective of the date at which they were collected or paid.

Votes not used at the end of the year are annulled.

The *gestion* accounts are closed on the last day of the budget year ; the accounts *par exercice* remain open :

- (a) Until March 31st following the end of the year, for liquidation of liabilities (issue of pay vouchers) ;
- (b) Until April 30th for payment of liabilities and collection of claims ;
- (c) Until July 31st for final adjustment.

Expenditure incurred but not liquidated or paid on the dates just indicated is transferred to the account of the current year under a separate heading, "expenditure on closed budgets". Thus during the first months of the year two accounts *par exercice* are open : the accounts of the past and the accounts of the current year. A similar system is adopted for revenue.

Closed accounts have not been published for any year later than 1916. The accounts for the war period present a number of difficulties, and in July 1923 Parliament adopted a simplified system of controlling the accounts for the years 1915 to 1920. With regard to the accounts from January 1st, 1921, however, the normal rules are in operation, and the closed accounts for 1921 and later years will be published independently of the war accounts.

The Ministry of Finance publishes monthly accounts of the revenue and expenditure of the general budget in the Official Journal and in the *Bulletin de Statistique et de législation comparée*.

4. The revenue side of the general budget does not include proceeds of loans. Since 1926, any surplus on the general budget must be handed over to the Autonomous Fund for Debt Redemption.

5. The Bank of France acts as banker for the Treasury, while the representatives of the Treasury in the several provinces act as treasurer-paymasters-general. These officers are permitted to perform certain banking operations for the public, receive money on current account, sell securities, etc. They are bound to place at the disposal of the Treasury the sums received from the public, and the money thus handed over to the State forms part of the public debt. The advances granted by the Bank to the State during and after the war are being repaid under special agreements ratified by Parliament.

By the agreement of June 23rd, 1928, between the State and the Bank of France, the latter granted to the Treasury a loan without interest of 3,000 million francs. As a guarantee, the Bank of France was given a Treasury Bond redeemable on December 31st, 1945.

6. The greater part of the revenue of local authorities is obtained from surtaxes (*Centimes additionnels*), on State taxes and from excise duties. There are various adjustment funds, the most important of which are those for the duty on beverages, the surtax on the turnover tax and the surtax on motor vehicle duties. The yield of the first of these funds is divided between the State and the local authorities, and of the other, between the local authorities only, according to certain coefficients.

The information appearing in the present survey, prepared in September 1929, has been based largely on extracts from the following documents :

- (a) Finance Laws for 1926, 1927, 1928 and 1929.
- (b) Draft Finance Laws for 1928 and 1929 with explanatory notes.
- (c) The Official Journal (*Journal Officiel*).
- (d) The *Bulletin de statistique et de Législation comparée*.
- (e) Report of the Committee of Experts, 1926.
- (f) Reports of the Finance Commissions, 1927 and 1928.

Note on Price Movement.

The following table shows the movement of prices during the period 1921 to 1929 :

Index numbers of :	1914	1921	1922	1923	1924	1925	1926	1927	1928	1929
Wholesale prices (annual average)	100 ¹	345	327	419	489	550	703	617	620	616 ³
Retail prices (cost of living)	100 ²	Month of July								
		307	302	334	366	390	485	525	105 ⁴	113 ⁵

¹ 1913.

² Average, July to December 1914.

³ Average, January to October 1929.

⁴ Since date of stabilisation, gold index.

⁵ Average for the June quarter.

A. Summary of Budget Accounts.

The following table shows *actual revenue and expenditure* during the years 1919 to 1925 :

Francs (000,000's).

	1919	1920	1921	1922	1923	1924	1925
<i>Revenue</i>	11,600	20,100	23,100	24,200	27,700	31,100	32,900
<i>Expenditure</i> :							
General budget	35,300	30,700	27,000	26,300	24,100	30,800	37,700
Recoverable expenditure	15,500	22,300	21,400	22,100	21,700	9,400	5,800
Special funds (balance)	3,400	5,100	2,700	500	—	—	—
Total expenditure	54,200	58,100	51,100	48,900	45,800	40,200	43,500
Deficit	42,600	38,000	28,000	24,700	18,100	9,100	10,600

The deficits of the above period, including the sums expended for reconstruction in the devastated districts, have been covered mainly by means of an increase in the floating debt and the so-called short-term debt maturing within ten years.

The following table shows the amounts raised during the period :

Francs (000,000's).

	1919	1920	1921	1922	1923	1924	1925
Internal loans and advances	27.6	34.4	23.1	9.6	8.5	3.8	1.2
Foreign loans	11.3	3.6	1.4	—	—	—	—
Advances from the Bank of France	8.4	—	—	—	—	—	14.1
Issues by the <i>Crédit National</i> of bonds for payment of war damage	4.—	3.9	6.6	10.4	9.3	6.9	3.—
Total	51.3	42.8	31.1	20.—	17.8	11.1	18.6

It should be remembered that there have been considerable changes in the budget system which affect the comparability of the figures. Only net surplus or deficit for the postal and telegraph services have been accounted for since 1923 instead of gross figures. In connection with the liquidation of Treasury accounts, items of expenditure which would otherwise have appeared therein are gradually being incorporated in the budget accounts.

In 1925 the Treasury's position was made particularly difficult by the fact that maturing bonds amounting to more than 9,000 million francs were presented for payment. In order to meet those demands, the Government had to resort to aid from the Bank of France, which increased its advances to the State by about 14 milliard francs within a year. In order to provide new budgetary resources up to the amount of 3 milliard francs, a law was passed in December 1925 by which the rates of both the schedular taxes and the income tax were considerably increased (known as the "Loucheur taxes"). The financial difficulties, however, became even greater during the first half of the year 1926 owing to the rapid depreciation of the currency and the rise in prices. But as soon as the new Government, with M. Poincaré as President of the Council and Minister of Finance, had come into power on July 24th, 1926, there was a gradual renewal of confidence, strengthened by the measures proposed by the Government and voted by the Chamber and the Senate. The Government obtained extraordinary powers to effect economies by administrative decrees, a series of new fiscal measures was introduced by a law of August 4th, 1926, and the Autonomous Fund for Debt Redemption was established by an amendment to the Constitution adopted on August 10th, 1926, in order to make provision for the service of the floating debt.

The following table shows the provisional results for the years 1926 and 1927 and the estimates for 1928 and 1929.

Francs (000,000's).

	1926	1927	1928	1929
	Provisional results		Estimates	
<i>General Budget :</i>				
Revenue	41,337.2	43,297.1	42,496.6	45,430.7
Expenditure	39,745.3	42,682.3	42,444.9	45,366.1
Balance	+ 1,591.9	+ 614.8	+ 51.7	+ 64.6
<i>Autonomous Amortisation Fund :</i>				
Revenue	6,150.4	6,830.-	1	1
Expenditure	1	1		
<i>Other special funds :</i>				
Revenue	1	1		
Expenditure	1	1		

¹ Not available.

In 1926 the general budget accounts closed for the first time since the beginning of the war with a surplus. Since that year credit operations have been required, not to meet budget deficits, but with a view to consolidating the floating debt. Indeed, it proved possible to reduce the balance of advances from the Bank of France from 36,250 million francs in March 1926 to 23,550 million francs by December 1927.

A slight decrease in the surpluses shown above will be involved on account of the Government proposals regarding increase of salaries and pensions, to take retroactive effect.

B. Voted Budget Estimates for the Financial Years 1926-1929.

GENERAL BUDGET.

Francs (ooo,ooo's).

	1926	1927	1928	1929
	Budget Estimates			
REVENUE.				
I. Amounts collected in France :				
1. Tax revenue	30,379.5	36,089.5	37,925.7	39,353.1
2. Proceeds of monopolies and industrial public undertakings	3,509.3	513.2	531.9	556.7
3. Proceeds and income of State domain	583.4	425.7	443.5	444.7
4. Receipts "for order"	2,025.6	1,506.3	2,050.5	2,200.5
5. Miscellaneous budget receipts	411.—	849.2	1,186.1	2,565.2
6. Exceptional budgetary resources	415.—	230.—	342.—	288.2
II. Amounts collected in Algeria	15.—	13.9	16.9	22.3
III. Receipts on account of repair of war damage	159.9	100.5	—	—
Total	37,498.7	39,728.3	42,496.6	45,430.7
EXPENDITURE.				
Ministries of :				
Finance	24,887.7	24,959.4	25,279.3	25,226.1
Justice	153.2	206.4	246.—	298.4
Foreign Affairs	166.4	185.2	236.4	259.4
The Interior	361.3	533.1	736.1	999.9
War	4,296.4	5,074.9	6,030.6	5,745.9
The Navy	1,433.1	1,792.2	2,451.2	2,485.3
Education and Fine Arts	1,778.4	2,261.5	2,585.—	3,101.3
Trade and Industry	396.3	210.1	258.4	47.5
Air	—	—	—	1,769.7
Labour, Public Health, Social Relief and Welfare	810.6	886.8	958.4	1,234.—
The Colonies	269.5	369.6	457.1	515.2
Agriculture	236.9	270.9	381.4	498.1
Public Works	1,908.6	2,107.4	2,033.4	2,274.5
Pensions	640.—	683.9	791.6	910.8
Total	37,338.4	39,541.4	42,444.9	45,366.1

BUDGETS ANNEXED TO THE GENERAL BUDGET.

REVENUE.				
Minting of coinage and medals	35.8	46.5	37.—	1,014.1
Printing Office	40.4	59.2	61.7	67.4
State factories in Alsace-Lorraine	119.8	15.4	15.4	15.4
Legion of Honour	58.4	60.8	62.1	65.2
Powder service	252.1	298.7	387.9	398.8
Central School of Arts and Crafts	2.5	3.2	3.8	3.8
Postal, Telegraph and Telephone services	2,662.4	3,425.—	3,899.9	3,988.—
National Savings Bank	193.—	248.5	303.5	536.—
Railway and harbour of Réunion	12.3	18.5	21.4	—
State railways	2,140.5	—	—	—
Alsace-Lorraine railways	1,013.8	—	—	—
Naval Invalidity Fund	105.5	122.—	153.—	170.2
Total	6,636.5	4,297.8	4,945.6	6,258.9
EXPENDITURE.				
Minting of coinage and medals	35.8	46.5	37.—	1,014.1
Printing Office	40.4	59.2	61.7	67.4
State factories in Alsace-Lorraine	119.8	15.4	15.4	15.4
Legion of Honour	58.4	60.8	62.1	65.2
Powder service	252.1	298.7	387.9	398.8
Central School of Arts and Crafts	2.5	3.2	3.8	3.8
Postal, Telegraph and Telephone services	2,662.4	3,425.—	3,899.9	3,988.—
National Savings Bank	193.—	248.5	303.5	536.—
Railway and harbour of Réunion	12.3	18.5	21.4	—
State Railways	2,140.5	—	—	—
Alsace-Lorraine railways	1,013.8	—	—	—
Naval Invalidity Fund	105.5	122.—	153.—	170.2
Total	6,636.5	4,297.8	4,945.6	6,258.9

SPECIAL ACCOUNTS.

(a) *Cost of Maintenance of Armies of Occupation Abroad.*

Francs (000,000's).

	1926	1927	1928	1929
	Budget estimates			
EXPENDITURE				
Ministry of Foreign Affairs	15.-	8.5	8.5	6.-
Ministry of War	460.3	530.3	501.6	458.3
Ministry of the Air	—	—	—	51.5
Ministry of Labour, Public Health, Social Relief and Welfare	4.-	3.-	2.6	2.6
Total	479.3	541.8	512.7	518.4

This expenditure is covered by means of an equivalent amount granted out of the proceeds of German reparation payments credited to the Special Treasury account designated " Payments by various Powers under the terms of Peace Treaties ".

(b) The situation of the various *Special Treasury Funds* (excluding the one just named) was as follows:

Francs (000,000's).

	Accounts created before August 1st, 1914		Accounts created since August 1914	
	Credit	Debit	Credit	Debit
Balances on December 31st, 1926	1,178.4	195.-	14,744.2	29,481.5
Balances on December 31st, 1927	1,153.5	194.9	15,358.9	30,125.7

(c) The following table shows the receipts of the *Autonomous Fund for management of National Defence Bonds*, of the Tobacco Monopoly and of redemption of public debt:

Francs (000,000's).

	1927	1928
	Receipts during 12 months	
1. Supplementary and exceptional tax on first transfer of property	462.5	665.5
2. Succession duty and tax on change of ownership of property	1,941.5	2,179.5
3. Tobacco Monopoly	3,746.4	3,985.-
Total	6,150.4	6,830.-

C. Analysis of Receipts.

	1926		1927		1928		1929	
	Budget Estimates							
	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total
I. Taxes on income and property:								
Land tax:								
Built property	700.-	1.92	1,046.-	2.65	1,061.-	2.52	1,105.-	2.45
Non-built property	207.-	-.57	483.-	1.23	486.-	1.15	459.-	1.02
Tax on industrial and commercial profits	2,150.-	5.89	3,200.-	8.12	3,500.-	8.30	4,110.-	9.12
Tax on agricultural profits	80.-	-.22	200.-	-.51	160.-	-.38	210.-	-.47
Tax on salaries, wages, allowances, pensions and annuities	330.-	-.91	382.-	-.97	500.-	1.18	604.-	1.34
Tax on profits from liberal professions	126.-	-.35	161.-	-.41	161.-	-.38	145.-	-.32
General income tax	2,879.-	7.89	2,100.-	5.33	2,100.-	4.98	2,323.-	5.15
Personal tax on movable property	10.-	-.03	23.-	-.06	32.-	-.08	29.-	-.06
Trade tax	60.-	-.16	69.4	-.17	104.-	-.24	129.-	-.29
Local taxes in Alsace-Lorraine	16.5	-.04	18.-	-.04	18.1	-.04	20.-	-.04
Civic tax	580.-	1.59	1.-	(-.003)	-1	—	—	—
Mining royalties	65.-	-.18	120.-	-.30	125.-	-.30	178.-	-.39
Tax on income from movable property	1,791.6	4.91	2,725.7	6.91	3,425.7	8.12	3,524.4	7.82
Instalment of extraordinary tax on war profits	400.-	1.10	200.-	-.51	300.-	-.71	250.-	-.55
Total	9,395.1	25.76	10,729.1	27.21	11,972.9	28.38	13,086.4	29.02
II. Taxes on production, use and transactions:								
Customs Duties:								
Import duties	2,609.2	7.15	3,557.6	9.02	3,396.9	8.05	4,003.6	8.88
Export duties	22.-	-.06	30.8	-.08	65.5	-.16	-.2	—
Customs fees	106.2	-.29	206.8	-.53	215.1	-.51	275.2	-.61
Total	2,737.4	7.50	3,795.2	9.63	3,677.5	8.72	4,277.-	9.49
Excise duties on:								
Spirits (special duty)	739.4	2.03	794.9	2.02	890.-	2.11	926.4	2.06
Wine, cider, perry and hydromel	584.1	1.60	598.4	1.52	611.4	1.45	501.1	1.11
Beer	93.5	-.25	88.5	-.22	80.5	-.19	96.8	-.22
Alcohol	982.3	2.69	1,108.9	2.81	1,073.2	2.55	1,012.-	2.24
Mineral waters	25.9	-.07	28.3	-.07	28.4	-.07	24.3	-.05
Patent medicines	67.4	-.19	79.4	-.20	51.9	-.12	44.3	-.10
Perfumery	11.3	-.03	15.-	-.04	92.-	-.22	83.8	-.19
Salt	35.-	-.10	131.8	-.33	127.7	-.30	128.-	-.28
Chicory and other coffee substitutes	30.-	-.08	59.4	-.15	57.9	-.14	64.3	-.14
Essence of vanilla	2.6	-.01	6.-	-.01	5.9	-.01	4.3	-.01
Stearine and candles	4.8	-.01	13.7	-.04	12.4	-.03	10.1	-.02
Vinegar and acetic acid	9.7	-.03	16.9	-.04	16.1	-.04	16.-	-.03
Motor spirit and petroleum	9.2	-.03	10.9	-.03	13.5	-.03	170.-	-.38
Benzine	16.1	-.04	21.6	-.06	18.2	-.04	21.9	-.05
Lubricants	6.8	-.02	9.-	-.02	9.-	-.02	4.3	-.01
Sugar products and saccharine	445.3	1.22	1,094.7	2.78	1,135.2	2.69	1,081.1	2.40
Total	3,063.4	8.40	4,077.4	10.34	4,223.3	10.01	4,188.7	9.29

C. Analysis of Receipts (continued).

	1926		1927		1928		1929	
	Budget Estimates							
	Amount: Francs (ooo,ooo's)	Per- centage of total	Amount: Francs (ooo,ooo's)	Per- centage of total	Amount: Francs (ooo,ooo's)	Per- centage of total	Amount: Francs (ooo,ooo's)	Per- centage of total
II. Taxes on production, use and transactions (continued):								
Licences to sell or distil alcoholic beverages and to let public vehicles on hire . . .	69.-	-0.19	129.2	-0.33	133.4	-0.32	135.8	-0.30
Tax on turnover	6,445.3	17.67	7,581.5	19.23	8,562.2	20.29	8,508.9	18.87
Luxury tax	18.2	-0.05	18.6	-0.05	20.6	-0.05	24.2	-0.05
Tax on public amusements and horse-racing	68.1	-0.19	79.9	-0.20	97.7	-0.23	113.4	-0.25
Tax on playing-cards	3.9	-0.01	15.2	-0.04	12.3	-0.03	9.6	-0.02
Tax on games in casinos	23.-	-0.06	57.-	-0.15	60.-	-0.14	67.5	-0.15
Tax on games of chance in clubs	11.8	-0.03	16.1	-0.04	20.5	-0.05	29.1	-0.07
Tax on clubs, societies and club premises, etc.	4.3	-0.01	5.-	-0.01	6.-	-0.01	6.6	-0.01
Tax on gamekeepers	1.4	(-0.004)	1.5	(-0.004)	1.5	(-0.004)	1.6	(-0.004)
Tax on automatic machines	-4	(-0.001)	1.6	(-0.004)	1.6	(-0.004)	-6	(-0.001)
Tax on billiard-tables	2.-	-0.01	5.6	-0.01	5.5	-0.01	4.9	-0.01
Tax on bicycles	38.3	-0.10	121.7	-0.31	119.7	-0.28	118.8	-0.26
Tax on motor-cars	325.6	-0.89	537.6	1.36	622.2	1.48	621.6	1.38
Tax on vehicles, horses and mules	24.-	-0.07	24.-	-0.06	24.-	-0.06	23.4	-0.05
Transport tax	709.2	1.94	2,273.4	5.77	2,264.2	5.37	2,037.-	4.52
Registration:								
Tax on change of ownership of property	3,063.9	8.40	-931.8	7.44	2,376.8	5.64	2,241.1	4.97
Succession duties	1,718.8	4.71	-	-	-	-	-	-
Duties on gifts	166.-	-4.6	163.7	-4.2	161.7	-3.8	139.8	-3.1
Duty in lieu of tax on change of ownership of property	1.2	(-0.003)	1.-	(-0.003)	1.6	(-0.004)	1.3	(-0.003)
Tax on civil documents	733.-	2.01	821.5	2.08	955.-	2.26	1,061.8	2.36
Tax on judicial and extra-judicial documents	64.4	-0.18	105.7	-0.27	115.-	-0.27	136.3	-0.30
Mortgage duty	81.3	-0.22	82.1	-0.21	89.5	-0.21	70.6	-0.16
Duty on fire-insurance policies	15.5	-0.04	17.6	-0.04	19.6	-0.05	23.-	-0.05
Other registration fees	31.6	-0.09	41.-	-0.10	40.7	-0.10	35.-	-0.08
Total	5,875.7	16.11	4,164.4	10.56	3,759.9	8.91	3,708.9	8.23
Tax on mortmain property	90.-	-0.25	100.-	-0.26	165.-	-0.39	186.-	-0.41
Stamp duties	1,402.1	3.84	2,014.9	5.11	1,850.1	4.38	1,893.3	4.20
Tax on Stock Exchange transactions	261.4	-0.72	331.4	-0.84	390.9	-0.93	347.2	-0.77
Fines and other receipts	112.3	-0.31	194.-	-0.49	237.7	-0.56	251.-	-0.56
Total	21,286.8	58.35	25,545.2	64.80	26,255.8	62.23	26,555.1	58.89
III. Net surplus from fiscal monopolies								
	2,552.2	7.-	229.9	-0.58	230.9	-0.54	277.5	-0.62
Total I, II and III								
	33,234.1	91.11	36,504.2	92.59	38,459.6	91.15	39,919.-	88.53
IV. (a) Contributions from Colonies and local authorities								
	131.4	-0.36	156.4	-0.40	156.7	-0.37	209.7	-0.47
(b) Retained towards pensions								
	303.1	-0.83	323.3	-0.82	463.-	1.10	493.-	1.09
(c) Fees, assessments, contributions and other administrative receipts								
	1,155.9	3.17	934.4	2.37	1,059.8	2.51	1,465.7	3.25

C. Analysis of Receipts (concluded).

	1926		1927		1928		1929	
	Budget Estimates							
	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total
V. <i>Net surplus from public domains and undertakings:</i>								
Forests	131.7	-.36	182.4	-.46	200.2	-.47	150.5	-.33
Mines in the Saar District	30.-	-.08	50.-	-.13	75.-	-.18	30.-	-.07
Potassium mines in Alsace	10.-	-.03	20.-	-.05	30.-	-.07	35.-	-.08
Mint and medals	7.6	-.02	4.6	-.01	6.6	-.02	12.7	-.03
Printing office	—	—	2.4	-.01	-7	(-.002)	2.4	(-.005)
Postal, telegraph and telephone services	664.4	1.82	306.8	-.78	311.2	-.74	44.5	-.10
Official Journal	1.7	-.01	1.2	(-.003)	1.2	(-.003)	2.4	(-.005)
Total	845.4	2.32	567.4	1.44	624.9	1.48	277.5	-.62
VI. <i>Receipts from bank of issue</i>	50.-	-.14	105.-	-.27	—	—	27.-	-.06
VII. <i>Dividends on Government shares in corporations, companies, etc.</i>	25.-	-.07	25.-	-.06	36.-	-.09	16.-	-.03
VIII. (a) <i>Interest</i>	80.6	-.22	29.7	-.07	55.-	-.13	37.-	-.08
(b) <i>Share paid into the Redemption Fund from the service of the 6% rente and of the 6% redeemable bonds</i>	—	—	27.8	-.07	532.5	1.26	662.4	1.47
IX. <i>Receipts derived from payments under international treaties:</i>								
Instalment of annuity under the Dawes plan	—	—	—	—	—	—	1,000.-	2.22
Annuity paid by Roumania for the settlement of war debt	—	—	—	—	—	—	12.4	-.03
Total	—	—	—	—	—	—	1,012.4	2.25
X. <i>Receipts from Coinage</i>	—	—	—	—	—	—	—	—
XI. <i>Receipts from realisation of State assets:</i>								
Sale of non-revenue-yielding property	18.9	-.05	31.4	-.08	96.8	-.23	98.3	-.22
Sale of revenue-yielding property	—	—	—	—	—	—	—	—
Repayment of loans and advances granted by the State	633.3	1.73	720.6	1.83	709.6	1.68	872.-	1.93
Total	652.2	1.78	752.-	1.91	806.4	1.91	970.3	2.15
Grand total	36,477.7	100	39,425.2	100	42,193.9	100	45,090.-	100

Note. — The above totals differ from those shown in the summary table, as only net figures are shown above for monopolies, public domain and undertakings.

NOTES.

I. *Changes in taxation.* — By a law of December 4th, 1925, the rates of the schedular taxes (land tax, etc.) were increased by about 50 per cent and of the general income-tax by 20 per cent, the yield of

these increases being estimated at about 3 milliard francs ("Loucheur taxes"). When the budget for 1926 was adopted on April 29th, 1926, certain other modifications in the fiscal system were introduced.

2. In the course of the financial year 1926, laws passed on August 3rd and 7th introduced new rates for the land taxes and succession duties and again for schedular taxes and general income-tax, as follows:

The tax on industrial and commercial profits was increased by 50 per cent.

The tax on agricultural profits was raised from 7.2 to 12 per cent; that on wages, salaries and pensions from 7.2 to 12 per cent; that on profits from liberal professions from 8 to 12 per cent; that on mines from 18 to 20 per cent and the land tax from 12 to 18 per cent.

On the other hand, the rate of the general income-tax was lowered by some 30 per cent. It was fixed at 37.5 per cent for bachelors and at 33 per cent for married persons without children.

The rate of the succession duties was not changed, but for the charge on first transfer of property a scale of from 2.5 to 47 per cent was substituted for that of 1 to 59 per cent. The maximum to be deducted from the net share of each heir was fixed at 25 per cent for heirs in the direct line or as between husband and wife, at 35 per cent for heirs in the collateral line and at 40 per cent for other heirs. It is anticipated that this modification will bring in an additional 1,000 million francs owing to the increase in the rates applicable to small and medium estates. The new rate on first transfer of property came into force on January 1st, 1927.

The rates of the following taxes have been doubled or more than doubled: Stamp duties; tax on billiard-tables; tax on playing-cards; excise duties on salt, sugar, coffee, tea, spirits; duties on motor-spirit, petroleum, benzine, wine, cider, perry, hydromel, beer; tax on cycles; tax on transport; tax on motor-cars. The tax on turnover was unified at a rate of 2 per cent as from August 1st, 1926.

3. The Customs duties, the effective rates of which were influenced by the depreciation of the currency, were raised on April 6th, 1926, and again on August 14th, 1926. Further increases in duties on mechanical, metallurgical and electrotechnical goods were introduced in August 1927, on cereals, cattle and meat in September and November 1927 and on industrial and agricultural products in March 1928. A commercial treaty was concluded with Germany in August 1927 on the basis of the most-favoured-nation treatment followed by agreements with the United States of America, Switzerland, Belgium, Italy, Czechoslovakia, Yugoslavia, etc.

4. The present rate of taxation established by the fiscal legislation of 1926 is considered by the Government as marking a limit which could not be exceeded without serious consequences to the economic life of the country. The only changes made in fiscal legislation since 1926 have consisted in a number of reductions of no great importance.

D. Analysis of Expenditure.

	1926		1927		1928		1929	
	Budget Estimates							
	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total	Amount: Francs (000,000's)	Per- centage of total
I. Defence:								
(a) Army and Air Force:								
Home troops	2,695.4	7.39	3,524.7	8.94	4,047.3	9.59	4,820.-	10.69
Colonial troops	297.-	-81	365.9	-93	450.8	1.07	584.5	1.30
Construction and new material	291.9	-80	235.6	-60	583.7	1.38	480.1	1.06
Morocco	661.4	1.81	669.2	1.70	720.6	1.71	806.-	1.79
Troops in the Saar district	19.9	-06	21.3	-05	6.2	-01	4.8	-01
Troops in the Levant .	240.5	-66	187.5	-47	222.-	-53	268.7	-59
Exceptional expenditure in consequence of the war	68.1	-19	47.6	-12	—	—	—	—
Total	4,274.2	11.72	5,051.8	12.81	6,030.6	14.29	6,964.1	15.44
(b) Navy	1,433.1	3.93	1,792.2	4.55	2,451.2	5.81	2,485.3	5.51
(c) Military expenses in the Colonies	227.2	-62	319.9	-81	395.3	-94	449.4	1.-
Total	5,934.5	16.27	7,163.9	18.17	8,877.1	21.04	9,898.8	21.95
II. Foreign affairs	166.4	-46	185.2	-47	236.4	-56	259.4	-58
III. Colonial affairs	41.5	-11	48.8	-12	61.8	-15	65.8	-14
IV. Justice	152.7	-42	205.8	-52	246.-	-58	298.4	-66

D. Analysis of Expenditure (continued).

	1926		1927		1928		1929	
	Budget Estimates							
	Amount : Francs (ooo,ooo's)	Per- centage of total	Amount : Francs (ooo,ooo's)	Per- centage of total	Amount : Francs (ooo,ooo's)	Per- centage of total	Amount : Francs (ooo,ooo's)	Per- centage of total
V. Supreme Organs of Government and general administration :								
Supreme Organs	47.1	-13	69.6	-18	74.9	-18	94.8	-21
General Administration	354.3	-97	524.-	1.33	727.2	1.72	991.-	2.20
Legion of Honour (subsidy)	53.-	-15	55.1	-14	56.5	-13	59.5	-13
Increase in salaries and wages of civil and military staff	1,650.1	4.52	1,250.-	3.17	1,400.-	3.32	500.-	1.11
Total	2,104.5	5.77	1,898.7	4.82	2,258.6	5.35	1,645.3	3.65
VI. Public Health	879.6	2.41	952.8	2.42	1,022.6	2.42	1,297.1	2.88
VII. (a) Social administration								
(b) Naval invalidity fund (subsidy)	71.4	-19	89.7	-23	94.9	-23	104.2	-23
VIII. Economic administration:								
Agriculture	164.-	-45	176.2	-45	273.6	-65	365.8	-81
Industry and Trade	127.4	-35	147.9	-37	167.4	-39	196.7	-44
Aviation	142.7	-39	169.2	-43	218.2	-52	551.5	1.22
Navigation	228.1	-63	112.5	-28	375.2	-89	477.5	1.06
Public Works (roads, etc.)	606.2	1.66	920.4	2.34	1,033.5	2.45	1,140.8	2.53
Annuities and guarantee of interest to railway companies	739.9	2.03	450.4	1.14	519.8	1.23	542.-	1.20
Total	2,008.3	5.51	1,976.6	5.01	2,587.7	6.13	3,274.3	7.26
IX. Education	1,658.8	4.55	2,147.9	5.45	2,457.8	5.83	2,952.1	6.55
X. (a) Financial administration	1,036.7	2.84	1,211.-	3.07	1,425.3	3.38	1,622.1	3.60
(b) Mint and medals (subsidy)	—	—	1.5	(-.004)	1.5	(-.004)	—	—
XI. Payments to local authorities	23.-	-.06	23.7	-.06	21.9	-.05	15.6	-.03
XII. Pensions :								
Civil services	789.8	2.16	1,175.3	2.98	1,633.-	3.87	1,891.1	4.19
Fighting service	761.2	2.09	1,151.6	2.92	1,402.9	3.33	1,675.6	3.72
War pensions	4,179.7	11.46	4,343.9	11.02	5,253.1	12.45	5,404.-	11.99
Total	5,730.7	15.71	6,670.8	16.92	8,289.-	19.65	8,970.7	19.90
XIII. Refunds, drawbacks, arrears, etc.	378.7	1.04	393.2	1.-	417.5	-.99	604.3	1.34
XIV. War charges	613.4	1.68	725.2	1.84	—	—	—	—
XV. Debt service	15,144.1	41.52	15,533.5	39.40	14,134.1	33.50	14,007.3	31.07
XVI. (a) Investment in revenue-yielding assets :								
Annuities in purchase of potassium mines in Alsace	10.-	-.03	10.-	-.03	10.-	-.02	10.-	-.02
(b) Advances to postal, telegraph and telephone services	363.1	-.99	—	—	—	—	—	—
Total Expenditure	36,317.4	99.56	39,238.3	99.53	42,142.2	99.88	45,025.4	99.86
Surplus	160.3	-.41	186.9	-.47	51.7	-.12	64.6	-.14
Grand total	36,477.7	100	39,425.2	100	42,193.9	100	45,090.-	100

Note. — The above totals differ from those shown in the summary table as only net figures are shown above for public domain and undertakings.

NOTES.

1. The increase in budgetary expenditure, in the last few years mainly, is due to the increase in the salaries of staff and also the increase in civil, military and war pensions, in order to readjust them to the higher cost of living (a readjustment which, however, has not yet been entirely accomplished) and to the increase in the expenditure on national defence, including, of course, military pay.

2. The service of the public debt is assured (a) by allocations in the general budget, (b) by the Autonomous Fund for Debt Redemption, and (c) by reparation receipts under the Dawes Plan.

The Autonomous Fund is responsible for the service of the National Defence bonds and the old Treasury bonds. The charges in respect of the political foreign debt (war debt) are met out of receipts under the Dawes Plan. In the case of certain commercial foreign loans, the credits entered in the general budget cover both interest and amortisation, while in the case of others, only the credits necessary to pay the interest appear in the budget, the amortisation of the capital being left to the Treasury and chargeable to the Dawes Plan receipts. The first system applies to the service of the two loans contracted in the United States in 1920 and 1924, the second to the Treasury bonds handed over to the Bank of England in connection with the debt on account of stocks of British war materials and to the Uruguayan, Dutch and Argentine credits. The service of the rest of the public debt is provided for in its entirety in the general budget. The reduction by 1,339.4 million francs in the service of the public debt in the budget for 1928 compared with the 1927 estimates, is due to the following causes: The 1927 budget included a sum of 490,000,000 francs paid to the Autonomous Fund as additional interest on National Defence bonds and 833,000,000 francs destined for the service of the foreign debt not covered by Dawes Plan receipts. Since 1928 the Autonomous Fund has been able to meet its expenditure out of its own resources. The rest of the reduction in the debt service in the budget is due to the lowering of the rate of interest on Treasury bonds, the fall in the exchange and the repayment of the capital of certain foreign loans (Netherlands credit, Uruguayan loan, advances from the Bank of England, Treasury bonds issued in England). To arrive at the total charge for 1928 which the service of the public debt in all its forms imposes on the State, the figure entered in the general budget (14,134,100,000 francs) must be increased by the sum of 3,600,000,000 francs met from Dawes Plan receipts, and the sum of 5,200,000,000 francs from the Autonomous Fund, giving a total of 22,934,100,000 francs.

E. Fiscal Monopolies.

Francs (000,000's).

	1926	1927	1928	1929
	Budget estimates			
<i>Gross receipts:</i>				
Chemically prepared matches	167.1	264.2	247.6	260.8
Mechanical lighters	2.1	8.9	4.5	2.5
Tobacco ¹	3,213.1	—	—	—
Gunpowder	113.3	155.2	164.8	213.7
Total gross receipts	3,495.6	428.3	416.9	477.—
<i>Working expenses</i>	943.4	198.4	186.—	199.5
Net surplus	2,552.2	229.9	230.9	277.5

¹ The tobacco monopoly has been worked since 1927 by the Autonomous Fund for Debt Redemption.

F. State Domains and Public Undertakings.

Francs (000,000's).

	1926	1927	1928	1929
	Budget estimates			
<i>Forests:</i>				
Gross receipts	201.2	275.2	308.—	282.8
Working expenses	69.5	92.8	107.8	132.3
Net receipts	131.7	182.4	200.2	150.5
<i>Mines in the Saar District:</i>				
Net receipts	30.—	50.—	75.—	30.—

F. State Domains and Public Undertakings (*continued*).

Francs (000,000's).

	1926	1927	1928	1929
	Budget estimates			
<i>Potassium mines in Alsace :</i>				
Net receipts	10.-	20.-	30.-	35.-
<i>Minting of coinage and medals :</i>				
Subsidy from the general budget . . . . .	...	1.5	1.5	...
Gross receipts	35.8	45.-	35.5	1,014.1
Working expenses	28.2	41.9	30.4	1,001.4
Balance	+ 7.6	+ 4.6	+ 6.6	+ 12.7
<i>Printing office :</i>				
Gross receipts	40.4	59.2	61.7	67.4
Working expenses	40.4	56.8	61.-	65.-
Balance . . . . .	...	+ 2.4	+ -7	+ 2.4
<i>Powder service :</i>				
Gross receipts	244.1	266.5	349.-	363.4
Working expenses	244.1	266.5	349.-	363.4
Extraordinary expenses	8.-	32.2	38.9	35.4
Balance	- 8.-	- 32.2	- 38.9	- 35.4
<i>Central School of Arts and Crafts :</i>				
Gross receipts	2.5	3.2	3.8	3.8
Working expenses	2.5	3.2	3.8	3.8
Balance . . . . .	...	...	...	...
<i>Postal, telegraph and telephone services :</i>				
Working account :				
Gross receipts	2,298.9	2,931.8	2,836.-	2,969.5
Working expenses	1,634.5	2,136.4	2,524.8	2,925.-
Balance	+ 664.4	+ 795.4	+ 311.2	+ 44.5
Capital account :				
Loans and advances	361.2	...	1,060.7	1,017.6
Constructions	361.2	488.6	1,060.7	1,017.6
Balance . . . . .	...	- 488.6	...	...
<i>National Savings Bank :</i>				
Gross receipts	193.-	248.5	303.5	536.-
Working expenses	164.7	201.-	302.2	532.6
Balance	+ 28.3	+ 47.5	+ 1.3	+ 3.4
<i>Railway and harbour of Réunion :</i>				
Gross receipts	10.-	15.5	18.5	...
Working expenses	10.-	15.5	18.5	...
Extraordinary expenses	2.3	3.-	3.-	...
Deficit to be covered by a Treasury advance	- 2.3	- 3.-	- 3.-	...

F. State Domains and Public Undertakings (concluded).

Francs (000,000's).

	1926	1927	1928	1929
	Budget Estimates			
<i>State railways :</i>				
Gross receipts	1,587.4			
Working expenses	1,805.6			
Deficit to be covered by the Common Fund	— 218.2			
<i>Alsace-Lorraine railways :</i>				
Gross receipts	822.5			
Working expenses	823.6			
Deficit to be covered by the Common Fund	— 1.1			
<i>Official Journal :</i>				
Gross receipts	8.7	10.3	10.1	11.3
Working expenses	7.—	9.1	8.9	8.9
Balance	+ 1.7	+ 1.2	+ 1.2	+ 2.4

NOTES.

1. The budget of the postal, telegraph and telephone services consists of two parts : in the first are shown the working expenses and receipts ; the second contains capital outlay for construction.

The working expenses include repayment of advances by the Treasury towards meeting deficits on previous years, interest and amortisation of outstanding capital debt and allocation to reserves. Any remaining surplus receipts are carried to the general budget. In the event of a deficit on the working of the services, the reserve fund is drawn upon to meet it, or, failing that, an advance is made by the Treasury.

The expenditure of the second part of the annexed budget is covered by the issue of bonds redeemable within a maximum period of thirty years, or, until the proceeds of the issue become available, by Treasury advances.

2. The net surplus on the working of the Powder service is paid into a reserve fund for meeting possible deficits in the future. Any deficit which the reserve fund is insufficient to meet is covered by a Treasury advance which must be repaid out of the next budget. When the reserve fund amounts to 30 million francs, any net surplus there may be must be paid into the general budget. The working expenses include allocations to a sinking fund to meet capital outlay on construction. Should the fund prove insufficient, those costs may be met out of the reserve fund. Capital outlay for construction for purposes of national defence, apart from the industrial working of the service, is covered by means of State subsidies granted out of the general budget.

Thus the deficits for the years 1926 and 1927 were covered by subsidies from the general budget ; the deficit for 1928 partially by a subsidy (33.7 million francs) and partially from the sinking fund ; and the deficit for 1929 by a subsidy (14.2 million francs) and from both the sinking fund and the reserve fund.

The Central School of Arts and Crafts must balance its receipts and expenditure exactly.

The National Savings Bank has a special fund into which the annual net surplus is paid and out of which any deficit is met.

The Réunion railway and harbour and the State and Alsace-Lorraine railways rely upon the Treasury, either directly or through the common funds of the general railway system, to cover their expenditure for initial capital outlay and their operating costs.

The annexed budgets also contain the budget of the Legion of Honour and the Invalidity Fund for the Navy, as follows :

Francs (000,000's).

	1926	1927	1928	1929
	Budget Estimates			
<i>Legion of Honour :</i>				
Gross receipts	5.4	5.7	5.6	5.7
Gross expenses	58.4	60.8	62.1	65.2
Deficit to be met by a subsidy from the general budget	53.-	55.1	56.5	59.5
<i>Naval Invalidity Fund :</i>				
Gross receipts	34.1	32.3	58.1	66.-
Gross expenses	105.5	122.-	153.-	170.2
Deficit to be covered by a State subsidy . . .	71.4	89.7	94.9	104.2

G. Public Debt.

(i) Table showing the situation of the Domestic Debt in 1913 and since 1920.

Francs (000,000's).

Date	Domestic debt					
	Permanent and long-term debt		Floating debt		Total	
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)
January 1st, 1913	31,452.-	...	1,524.-	...	32,976.-	...
1920	98,636.-	+ 67,184.-	79,236.-	+ 77,712.-	177,872.-	+ 144,896.-
1921	136,072.-	+ 37,436.-	86,132.-	+ 6,896.-	222,204.-	+ 44,332.-
1922	155,058.-	+ 18,986.-	87,050.-	+ 918.-	242,108.-	+ 19,904.-
1923	160,878.-	+ 5,820.-	89,206.-	+ 2,156.-	250,084.-	+ 7,976.-
1924	183,750.-	+ 22,872.-	86,958.-	- 2,248.-	270,708.-	+ 20,624.-
June 30th, 1924	190,245.9	+ 6,495.9	90,367.-	+ 3,409.-	280,612.9	+ 9,904.9
April 30th, 1925	199,527.9	+ 9,282.-	86,647.-	- 3,720.-	286,174.9	+ 5,562.-
March 31st, 1926	194,265.8	- 5,262.1	93,434.-	+ 6,787.-	287,699.8	+ 1,524.9
December 31st, 1926	196,858.-	+ 2,592.2	93,525.6	+ 91.6	290,383.6	+ 2,683.8
" " 1927	218,395.8	+ 21,537.8	79,689.5	- 13,836.1	298,085.3	+ 7,701.7

(ii) Table showing the amount of Domestic Debt in 1913 and since 1920, in actual figures and reduced to pre-war price level.

Date	Domestic debt		Index number of wholesale prices	Domestic debt reduced to pre-war price level	
	Amount : Francs (000,000's)	Percentage of 1913		Amount : Francs (000,000's)	Percentage of 1913
January 1st: 1913	32,976.-	100	100	32,976.-	100.-
1920	177,872.-	539.4	356 ¹	49,964.-	151.5
1921	222,204.-	673.8	509 ¹	43,655.-	132.4
1922	242,108.-	734.2	345 ¹	70,176.2	212.8
1923	250,084.-	758.4	327 ¹	76,478.3	231.9
1924	270,708.-	820.9	459	58,977.7	178.9
June 30th, 1924	280,612.9	851.-	465	60,346.9	183.-
April 30th, 1925	286,174.9	867.8	513	55,784.6	169.2
March 31st, 1926	287,699.8	872.5	632	45,522.1	138.-
December 31st, 1926	290,383.6	880.6	627	46,313.2	140.5
" " 1927	298,085.3	903.9	604	49,331.9	149.7

¹ Average for the preceding year.

(iii) Table showing the amount of Debt Service in 1913 and since 1920, in actual figures and reduced to pre-war price level.

Financial year	Accounts	Debt service		Index number of wholesale prices	Debt Service reduced to pre-war price level	
		Amount : Francs (ooo,ooo's)	Percentage of 1913		Amount : Francs (ooo,ooo's)	Percentage of 1913
1913	Closed accounts Budget estimates	966.-	100	100	966.-	100
1920		11,000.-	1,138.7	509	2,161.1	223.7
1921		10,468.9	1,083.7	345	3,034.5	314.1
1922		11,850.-	1,226.7	327	3,623.9	375.1
1923		10,796.4	1,117.6	419	2,576.7	266.7
1924		as in 1923	1,117.6	489	2,207.9	228.6
1925		14,797.-	1,531.8	550	2,690.4	278.5
1926		15,144.1	1,567.7	703	2,154.2	223.-
1927		15,533.5	1,608.-	617	2,516.-	260.-
1928		14,134.1	1,463.2	620	2,279.7	236.-
1929		14,007.3	1,450.-	616 ¹	2,273.9	235.4

¹ Average, January to October, 1929.

(iv) Table showing the amount of Domestic Debt and Debt Service, per head of population in 1913 and since 1921, in actual figures and reduced to pre-war price level.

Date	Population (ooo,ooo's)	Domestic debt		Financial year	Debt service	
		In actual figures	Reduced to pre-war price level		In actual figures	Reduced to pre-war price level
		Francs			Francs	
January 1st : 1913	39.8	829	829	1913	24	24
1921		5,555	1,091	1921	262	76
1922		6,053	1,754	1922	296	91
1923	40.-	6,252	1,912	1923	270	64
1924		6,768	1,474	1924	270	55
June 30th, 1924		7,015	1,509	1925	369	67
April 30th, 1925	40.7	7,031	1,371	1926	372	53
March 31st, 1926		7,069	1,118	1927	382	61
December 31st, 1926		7,135	1,138	1928	347	56
" " 1927	41.-	7,270	1,204	1929	342	55

The following table gives details regarding the Public Debt :

	June 30th, 1924	April 30th, 1925	March 31st, 1926	Dec. 31st, 1926	Dec. 31st, 1927
A. DOMESTIC DEBT.					
1. Permanent and long-term debt :					
Pre-war debt					
3% Rentes, redeemable	2,790.-	2,741.-	2,740.5	2,665.8	2,590.8
3% Rentes "	19,740.4	19,740.4	19,740.4	19,740.4	19,737.6
3 1/2% Rentes "	13.-	12.-	12.-	11.5	10.8
Rentes 5%, 1915 and 1916	18,854.-	18,851.-	18,857.2	18,862.3	18,865.-
Rentes 4%, 1917	9,005.-	9,003.-	9,003.4	8,998.4	8,995.7
Rentes 4%, 1918	20,610.-	20,613.-	20,598.2	20,603.2	20,596.7
Rentes 5%, 1920, redeemable	17,007.-	16,898.-	11,226.9	16,777.6	16,628.1
Rentes 6%, 1920	27,318.-	27,448.-	27,531.6	27,574.5	27,619.1
Rentes 4%, 1925	—	—	5,928.9	5,928.9	5,927.4
Alsace-Lorraine Rentes	73.5	73.5	73.5	71.8	71.8
Rentes 6%, 1927	—	—	—	—	27,237.2

Detailed table of Public Debt (continued).

	June 30th, 1924	April 30th, 1925	March 31st, 1926	Dec. 31st, 1926	Dec. 31st, 1927
A. DOMESTIC DEBT (continued).					
Francs (ooo,ooo's)					
1. <i>Permanent and long-term debt</i> (continued) :					
6 ⁰ / ₁₀₀ Redeemable bonds, 1927	—	—	—	—	4,641.8
7 ⁰ / ₁₀₀ Treasury bonds, 1927	—	—	—	—	3,589.—
Bonds of the Debt Redemption Fund (1st issue) .	—	—	—	3,013.3	2,476.6
Capitalised value of State annuities	11,096.—	11,408.—	11,250.1	7,579.8	8,442.3
State railway bonds	1,266.—	1,252.—	1,936.8	221.5	340.9
Long-term bonds of the Crédit National	17,557.—	17,532.—	14,515.6	14,492.9	14,462.—
Capital value of annuities given as compensation to war victims	8,294.—	9,681.—	10,740.2	11,520.1	12,199.—
Permanent advances granted by the Bank of France	—	—	200.—	—	—
Total permanent and long-term debt	153,623.9	155,252.9	154,355.3	158,062.—	194,431.8
2. <i>Short-term debt</i> :					
National Defence Bonds :					
Six-year, 1919	929.—	571.—	343.—	262.—	59.—
Ten-year, 1915-1925	451.—	17.—	—	—	—
Ten-year, 1919-1929		118.—	118.—	—	—
Ten-year, 1919-1929, given as compensation for war damage	4,180.—	7,098.—	7,090.—	7,204.—	2,181.—
Ten-year, 1922-1932, handed over to the Banks of Alsace and Lorraine	234.—	254.—	254.—	254.—	254.—
Six-year, 1925-1931, given as compensation for war damage	—	478.—	2,590.—	3,077.—	3,305.—
Treasury Bonds :					
Two-year, 1921	3.—	2.—	—	—	—
Three and five-year, 1922	8,237.—	8,237.—	4,322.—	4,321.—	100.—
Three, six and ten-year, 1st Series, 1923 . . .	10,090.—	10,090.—	6,653.—	6,653.—	2,706.—
Three, six and ten-year, 2nd Series, 1923 . . .	6,189.—	6,189.—	6,189.—	3,029.—	1,810.—
Ten-year, 1924	—	4,912.—	4,788.—	4,646.—	4,633.—
Ten-year, 1926	—	—	—	1,379.—	1,265.—
Ten-year securities handed over to war victims in compensation for damage	—	—	—	882.—	2,047.—
Short-term bonds issued by the Crédit National	6,309.—	6,309.—	7,563.5	7,089.—	5,604.—
Total short-term debt	36,622.—	44,275.—	39,910.5	38,796.—	23,964.—
3. <i>Floating Debt</i> :					
Ordinary Treasury bills	3,876.—	2,677.—	2,756.6	230.—	20.—
National Defence bonds	56,342.—	52,246.—	45,783.—	49,075.—	43,457.—
Further advances by the Bank of France	23,000.—	23,250.—	36,250.—	34,000.—	23,550.—
Special funds held by general treasuries (branches)	3,445.—	3,794.—	8,644.4	10,220.6	12,662.5
Current accounts of private individuals with the Treasury	3,704.—	4,680.—			
Total floating debt	90,367.—	86,647.—	93,434.—	93,525.6	79,689.5
Total domestic debt	280,612.9	286,174.9	287,699.8	290,383.6	298,085.3
B. FOREIGN DEBT.					
In currency in which the debt was incurred (ooo,ooo's)					
1. <i>Debt to the Allied Governments</i> (so-called political debt) :					
Advances by the Treasury of the United States . \$	2,933.3	2,933.2	2,933.2	2,933.2	2,933.2
Treasury bonds handed over to the British Treasury (including interest) £	619.6	637.8	647.1	657.—	695.3

Detailed table of Public Debt (concluded).

	June 30th, 1924	April 30th, 1925	March 31st, 1926	Dec. 31st, 1926	Dec. 31st, 1927	
B. FOREIGN DEBT (continued).						
2. Commercial Debt :						
United States :						
Loan of 1920 \$	84.8	80.7	76.-	74.2	74.2	
Loan of 1921 \$	75.9	70.3	63.1	60.8	60.8	
Loan of 1924 \$	—	98.4	94.2	90.8	86.7	
Loans on account of the Cities of Lyons, Bordeaux and Marseilles \$	40.6	40.6	40.6	45.-	45.-	
Bonds handed over in payment of war stocks \$	407.3	407.3	407.3	407.3	407.3	
Remainder of the Anglo-French loan . . . \$	-0.1	-0.1	-0.1	-0.1	-0.1	
Remainder of the 3½% loan \$	2.1	2.1	2.1	2.1	2.1	
England :						
Bonds issued in England £	—	4.4	4.7	2.7	—	
Treasury bills handed over to the Bank of England £	52.5	47.-	42.5	37.-	—	
English war stocks taken over £	7.5	6.7	3.2	3.2	2.2	
Bank Credits :						
Spain pesetas	-3	—	—	—	—	
Netherlands florins	54.3	54.3	55.-	25.-	—	
Argentina gold pesos	19.4	19.4	18.5	18.5	13.-	
Uruguay Ur. piastres	15.-	10.5	7.5	6.-	3.-	
Canada Canadian dollars	5.7	-2	—	—	—	
Egypt Egyptian pounds	2.-	1.-	—	—	—	
Japan :						
Loan issued in Japan yen	-0.5	—	—	—	—	
Treasury bills issued in Japan yen	-0.2	—	—	—	—	
	£	679.6	695.9	697.5	699.9	697.5
	\$	3,544.-	3,630.6	3,616.5	3,613.4	3,609.3
	florins	54.3	54.3	55.-	25.-	—
	pesetas	-3	—	—	—	—
	gold pesos	19.4	19.4	18.5	18.5	13.-
	Ur. piastres	15.-	10.5	7.5	6.-	3.-
	Canadian dollars	5.7	-2	—	—	—
	Egyptian pounds	2.-	1.-	—	—	—
	yen	-1	—	—	—	—

NOTES.

The foreign debt converted into paper at the rates current on the dates indicated in the last three columns of the table and the domestic and total public debt would amount to :

	Paper francs (000,000's)		
	Foreign debt	Domestic debt	Total debt
March 31st, 1926	203,148.5	287,699.8	490,848.3
December 31st, 1926	178,115.4	290,383.6	468,499.-
December 31st, 1927	178,580.9	298,085.3	476,666.2

Floating Debt. — The Floating Debt may be divided into three parts : National Defence bonds, advances from the Bank of France, and current and deposit accounts at the Treasury.

1. The Autonomous Fund took over, on October 1st, 1926, a total of 48,164,000,000 francs (National Defence bonds and ordinary old Treasury bonds) ; on August 31st, 1927, the amount of bonds in circulation represented 44,201,000,000 francs. During this period the Floating Debt was thus reduced by 3,963,000,000 francs, this being effected by consolidation operations which, together with new moneys raised (issue of tobacco bonds redeemable in 40 years, issue of 6% *rentes*, redeemable in 50 years, amounting to a total of 11,383,000,000 francs), furnished the fund with about 7,000,000,000 francs which have been deposited

with the Bank of France. The service on the above bonds is charged to the general budget, but the Fund pays to the latter the sum necessary for meeting it.

2. The outstanding amount of advances from the Bank of France has been considerably reduced by the revaluation of the bullion stock in virtue of the Monetary Law of June 25th, 1928.

3. The deposit accounts were established independently of any legislative authorisation. They originated in sums left temporarily at the disposal of the Treasury out of the amount of Ministerial orders for payment issued to the creditors of the State. Subsequently, the employment of these deposits was made general by the Decree of December 17th, 1920, which created deposit accounts strictly so-called, with the object of facilitating the settlement of book accounts with the Central Fund. On July 31st, 1927, these accounts reached a total of 9,862,000,000 francs. These deposit accounts were abolished by the Monetary Law of June 25th, 1928.

Long and short term internal debt. — The amortisation of this debt as a whole is being carried out on the one hand by means of the budget and on the other by means of the Autonomous Fund, which receives and cancels long and short term securities in payment of succession duties and taxes on first transfer of property. The proportion of these taxes payable in securities is determined by the administrators of the Fund.

The increase in the long term debt during 1927 was partly due to operations for consolidating the short term debt as it matured. These operations, however, did not modify the aggregate of the two sections of the debt. The long and short term internal debt is increasing owing to issues for financing reconstruction not immediately covered by cash payments or deliveries in kind under the Dawes Plan.

The damage done has been estimated approximately at 85,800,000,000 francs, and the total settlements actually effected up to January 1st, 1928, represent 75,850,000,000 francs. Thus 9,950,000,000 francs have still to be paid to complete the work.

The financing of reconstruction has been effected by the issue of (a) long and short term bonds of the *Crédit National* (created by the Law of October 10th, 1919); (b) national defence bonds (floating debt "bons" as well as short term "obligations" de la défense nationale); (c) 6% State *rentes* and (d) payment of annuities to war victims for 10 and 30 years.

Foreign Debt. — The foreign debt is divided into two distinct parts: the political debt resulting from advances made to the French State by the Governments of the United Kingdom and the United States and the commercial debt.

The service of this debt is at present met in part by drawing on the Dawes Plan receipts and in part from the budget.

Agreements were concluded with Great Britain and the United States concerning the political debt, and were ratified by France in July 1929. These agreements also cover sums due to the countries named above in respect of the commercial debt.

(a) The agreement with the United States, known as the Béranger-Mellon Agreement, was signed at Washington on April 29th, 1926. The total of the outstanding political and commercial debt amounts to 4,025 million dollars, including accrued and unpaid interest. Repayment is to be effected in the course of sixty-two years, the annuities being fixed as follows:

\$ (ooo,ooo's)		\$ (ooo,ooo's)		\$ (ooo,ooo's)	
1926	30	1932	50	1938	105
1927	30	1933	60	1939	110
1928	32½	1934	75	1940	115
1929	32½	1935	80	1941	120
1930	35	1936	90	from 1942 to 1986 . .	125
1931	40	1937	100	1987	117

The annuities amount to a total sum of about 6,850 million dollars.

By means of these annuities the total principal of the debt thus funded will be repaid in full, with interest as follows: no interest is charged during the first five years; 1 per cent is charged from 1931 to 1940; 2½ per cent from 1941 to 1948; 3 per cent from 1949 to 1955, and 3½ per cent for the last twenty-two years.

The Agreement contains a clause enabling the debtor to postpone, upon not less than ninety days' advance notice, so much of any payment on account of principal and/or interest falling due in any one year between June 15th, 1926, and June 16th, 1932, as shall be in excess of 20 million dollars in any one year, for not more than three years, and the debtor may likewise postpone, for a period of three years, any payment on account of principal falling due after June 15th, 1932. All such postponed payments shall bear interest at the rate of 4½ per cent.

France is already paying 20 million dollars per annum as interest on the commercial debt. The French Treasury made payments of a further 10 million dollars in 1926 and 1927 in order to meet fully the annuity agreed upon in the Béranger-Mellon Agreement.

(b) An agreement was signed in London on July 12th, 1926, by M. Caillaux and Mr. Winston Churchill regarding the consolidation of the French debt to Great Britain. The total debt amounted at that date to £653,100,000 which was to be repaid by the following annuities :

Financial Years	Amounts £
1926-27	4,000,000
1927-28	6,000,000
1928-29	8,000,000
1929-30	10,000,000
1930-31 to 1956-57	12,500,000
1957-58 to 1987-88	14,000,000

France may, upon not less than ninety days' notice to Great Britain, postpone payment of a part not exceeding one-half of any of the half-yearly instalments for a period of not more than three years. The amounts thus postponed bear interest at the rate of 5 per cent.

The Agreement contains a safeguarding clause allowing France to demand revision of the Agreement in the event of her receiving from Germany an annuity amounting to less than one-half of the amount prescribed in the Dawes Plan.

H. War Credits granted by France.

In the following table are shown the credits granted by France to foreign Governments outstanding on April 30th, 1925, January 1st, 1927 and January 31st, 1928.

Francs (000,000's).

	April 30th, 1925	Jan. 1st, 1927	Jan. 31st, 1928	April 30th, 1925	Jan. 1st, 1927	Jan. 31st, 1928
	Credits granted			Counter-claims due		
Russia (Old Empire)	6,411.-	7,008.9	7,326.9	161.2	163.6	163.6
Russia (various Governments)	415.2	415.2	415.2	—	—	—
Belgium	3,061.-	1	1	—	—	—
Kingdom of Yugoslavia	1,940.-	1,946.-	1,659.-	192.9	157.4	157.4
Roumania	1,055.4	1,050.-	1,040.-	—	—	—
Greece	804.5	812.5	812.5 ²	—	40.-	40.- ²
Poland	960.-	1,047.1	1,074.5	—	—	—
Czechoslovakia	490.9	474.1	474.1	33.-	11.-	11.-
Italy	1,148.-	1,145.7	1,145.7	81.6	202.6	221.-
Portugal	9.1	9.1	9.1	—	—	—
Estonia	3.5	—	—	—	—	—
Latvia	9.2	8.8	8.8	—	—	—
Lithuania	2.3	—	—	—	—	—
Hungary	-8	-3	-3	—	—	—
Austria	-4	-4	18.8	—	—	—
Georgia	-2	-2	-2	—	—	—
Albania	1.8	1.8	1.8	—	—	—
Total	16,313.3	13,920.1	13,986.9	468.7	574.6	593.-

¹ The advances granted by France to Belgium during the war do not appear in this table, as they have been carried to the account of Germany in execution of Article 232 of the Treaty of Versailles.

² Negotiations between France and Greece in 1927 terminated in an agreement settling the French and Greek debts, but providing for recourse to arbitration on one point. The final amount of the French claim cannot be stated until the arbitrator has given his award.

These figures include both monetary advances and grants of material by the French Treasury.

The monetary advances were effected by handing over to foreign Governments French Treasury bonds discounted by the Bank of France. 220 million francs of the Yugoslav debt and 300 million francs of the Greek debt represent book credits granted to the National Bank for the issue of bank-notes. The advances in question were made out of the general funds of the Treasury and authorised by special laws, which determined at the same time the maximum sums which might be advanced.

The grants of material were included in a special account, the maximum of which was fixed on a number of different occasions by Parliament. The Law of December 20th, 1920, provided for the conversion of grants of material into cash by an advance made to the debtor Governments.

I. The French Share of German Annuities under the Dawes Plan.

The German annuities under the Dawes Plan are as follows :

	Gold marks (000,000's)
1924-25	1,000
1925-26	1,220
1926-27	1,500
1927-28	1,750
From 1928-29 onward	2,500

The German annuities are shared between the Allies according to the agreement reached by the Ministers of Finance on January 14th, 1925. France receives about 52 per cent.

The estimates of the French share are approximately as follows :

	Gold marks (000,000's)
1924-25	457.5
1925-26	590
1926-27	605
1927-28	880
From 1928-29 onward	1,260

The year 1928-29 represents a normal annuity year. This share is earmarked to meet the following charges :

- (a) Charges resulting from the occupation of the Rhineland ;
- (b) Progressive settlement of sums still due to war victims ;
- (c) Payment of inter-Allied debts ;
- (d) Amortisation of internal debt.

GERMANY

Notes on the Budget System.

1. The financial year covers the period from April 1st to March 31st. The estimates for the coming financial year, when prepared by the Ministry of Finance and approved by the Government, must be submitted to the *Reichsrat* before November 1st and to the *Reichstag* before January 5th.

If the budget is not voted in time, provisions for one, two or more months are made by means of a special law. The provisions in a special law of this kind are usually modelled on the draft estimates submitted by the Government, with any modifications already introduced by the Reichstag itself or proposed by its budget commission.

The budget for 1924-25 was only voted on August 10th, 1925, *i.e.*, more than four months after the end of the financial year. The budget for the following year was voted on January 30th, 1926, that for 1926-27 on March 31st, 1926, that for 1927-28 was voted on April 14th, 1927, that for 1928-29 on March 31st, 1928, and that for 1929-30 on June 29th, 1929.

Additional grants or other modifications of the budget originally voted are embodied in supplementary budgets.

2. The budget, which includes all receipts and expenditure was, until March 1928, divided into two parts :

(i) The General Administration of the State, which includes debt service, pension charges, etc. — in fact, all general items not classified under (ii) ;

(ii) War charges, which include reparation payments, expenses in occupied districts, payments to German officials previously employed in the Rhineland, arbitral commissions and a few other similar items.

Since April 1928 war charges have been incorporated in the Administration budget.

Each of these parts is subdivided into an ordinary and an extraordinary budget, the latter comprising, on the revenue side, proceeds of loans, as well as other moneys derived from capital realised ; on the expenditure side, investments taken in a wide sense, and reparation payments.

Transfers are made from one budget to another, so that a portion of the extraordinary budget of the general administration and war charges is covered by ordinary revenue. To arrive at the sum total of expenditure or revenue, these transfers must, naturally, be eliminated.

Revenue and expenditure are mainly classified departmentally, but in some cases according to the purpose (*e.g.*, pensions, debt service).

Ordinary expenditure is divided into : (a) permanent expenditure for the continuous requirements of the administration ; and (b) one-time expenditure, *i.e.*, as well as that which does not recur, expenditure of which the recurrence is at long intervals or uncertain.

In the budgets for the various branches of administration a distinction is made between expenditure on staff, expenditure on material and expenditure for other purposes, the subdivisions into chapters and votes being made throughout on uniform principles.

All items of receipts are carried to the general fund of the budget, unless there is an express stipulation to the contrary in the budget or in a special law. The most important exceptions to this general rule are the earmarking of certain revenues pledged for the execution of the reparation plan and the sharing of certain federal taxes with the local authorities.

The budget is gross with the exception of monopolies, most of the public undertakings and certain items of little importance for which the deduction of costs or receipts is expressly authorised.

For public undertakings, as a rule, only net figures of surplus or deficit and payments for services rendered are shown, the accounts being kept on a commercial basis. In the explanatory notes to the general budget, information is given regarding estimated receipts and expenses with the exception of the railways and the postal services, which are totally independent of the general administration, having their own property and their own liabilities.

In the case of some special funds, viz., the reserve fund for reparation payments and the working fund of the alcohol monopoly, all receipts are obtained from the general budget. In the case of other funds, only a portion of the receipts comes from the general budget — for example, the amortisation fund for withdrawal of the *Rentenbankscheine*.

A Treasury working fund was created in 1924 by applying a portion of the profits earned on coinage in that year, that portion not being included among the revenue in the budget. This working fund has been employed for covering successive deficits and was exhausted in 1928.

3. The amounts voted may only be utilised for the purposes specified in the budget and during the financial year. Exceptions to the first rule are votes between which interchange is permitted, entered in the budget as *interdependent*, and to the second rule one-time, extraordinary votes and votes expressly stated to be transferable, expenditure of which may, generally, be extended over three years. On the other hand, the amount by which such transferable votes are exceeded in any year must be deducted from the corresponding votes of the following year. According to the provisions of the budget law of 1928–29, the utilisation of extraordinary votes of the current year and of unexpended transferable credit balances is subject to the approval of the Minister of Finance.

Extraordinary votes may in no case be exceeded, but ordinary votes may, and unforeseen expenditure may be effected with the consent of the Finance Minister. Since 1927, any extra-budgetary expenditure exceeding 10,000 Reichsmarks must be immediately brought to the knowledge of the budget committee.

4. The date of closure of the accounts is fixed by the Minister of Finance. As a rule, the books are kept open for 45 days during which collections and payments may be effected on account of the year just ended. Liabilities incurred in the closed year, except, of course, such as are on transferable votes, may not, after that date, be paid from the old votes.

No distinction is made in the closed accounts between collections or payments referring to the budget for the current year and those of previous budgets. There is no special account of arrears. But the accounts show not only the actual collections and payments during the financial year but also uncollected or unexpended transferable balances to be carried over to the next year, as well as the amount by which each vote has been exceeded and all extra-budgetary expenditure which is subject to subsequent approval by the Reichstag.

The accounts for 1923–24 — the last year of the inflation period — were closed without carrying any balance to the new account.

The surpluses or deficits (calculated with the inclusion of the proceeds of certain loans) are transferred to the budgets of the following years.

The Audit Court exercises a *posteriori* control and sends the results of its investigations to the Minister of Finance, who submits them, as well as the statement of the closed accounts, to the Reichsrat and the Reichstag. The closed accounts for 1924–25 were published on March 26th, 1926, those for 1925–26 on February 3rd, 1927, those for 1926–27 on October 4th, 1927, those for 1927–28 on October 1st, 1928, and those for 1928–29 on September 24th, 1929.

The Minister of Finance publishes monthly returns of the yield of the taxes and summaries of the accounts.

5. The Reichsbank acts as the general cashier of the federal Treasuries and also performs all clearing operations between the various Treasuries. A special account, controlled by various commissioners, is kept for reparation receipts and expenditure.

The Reichsbank may grant to the Reich advances up to 100 million marks, which are repayable within three months and must be settled by the end of the financial year. Since August 1926 the Reichsbank has been authorised to discount or to buy Treasury bills for three months provided they have the signature of a third solvent party. The amount of these bills, together with other Treasury bills on the security of which the Reichsbank has granted advances to other persons, must not exceed 400 million Reichsmarks. The Reichsbank is also authorised to grant credits to the railway and postal undertakings up to a joint limit of 200 million Reichsmarks.

Of the profit of the Reichsbank, 20 per cent has to be carried to a reserve fund until that fund reaches 12 per cent of the notes in circulation. Of the remainder a dividend limited to 8 per cent is paid to the shareholders. Any balance still remaining is divided between the Reich and the shareholders as follows :

- Of the first 50 millions, one-half to the Reich ;
- Of the second 50 millions, three-fourths to the Reich ;
- Of the remainder, nine-tenths to the Reich.

Since August 1924 the share of the Reich has been carried to a special fund for the withdrawal of the *Rentenbankscheine* issued in the autumn of 1923, and in addition the Reich pays into the same fund 60 million marks annually from the ordinary budget.

6. By the new Constitution of 1919 the functions and powers of the Reich were considerably increased. The Reich now has exclusive control of railways, postal and telegraphic services and waterways. The local authorities — the *Länder* and *Gemeinden* — still administer police, internal administration, justice, education, social welfare, health services and economic administration.

The Reich has obtained wide fiscal powers, being entitled to impose any taxes and to draw up regulations for the management of local finance, particularly as regards the taxes and surtaxes which may be levied. It has not been possible, however, to arrive at a final settlement of the fiscal relations between the Reich and the *Länder*, and provisional settlements have accordingly been made by special laws called *Finanzausgleichsgesetze*. In order to procure the material required for a study of actual conditions, a law was passed in August 1925 under the terms of which the *Länder* and the municipalities were obliged to forward to the Minister of Finance statements showing their closed accounts for the financial year 1913-14, their annual estimates, closed accounts and periodical returns of revenue (monthly in the case of the *Länder* and quarterly in the case of the municipalities), and, since 1928, also the situation of their debt. The information has to be submitted according to model forms issued by the Finance Minister in March 1926 and subsequently.

The present relations (November 1929) between the Reich and the local authorities are governed by the latest law on the subject as amended in 1927. The local authorities share in the yield of certain State taxes (income tax, corporation tax, turnover tax, tax on real estate transactions, succession duties) and receive the entire yield of some other taxes less 4 per cent for cost of collection (tax on motor vehicles, race betting). These authorities also levy taxes on land, buildings and trades, organised as taxes on the return of the land, building or trade or on their value (but not as partial income taxes) and taxes on the increment in value of real estate, on entertainments, on vehicles, excluding motor vehicles, etc., for which, since 1926, a surtax at a rate fixed by the Reich may be levied. All local taxes on alcoholic, mineral, and other beverages (except beer) and surtaxes on transactions in real estate (limited to a total of 2 per cent of the value for all local authorities) were abolished by March 31st, 1927. The *Länder* have, in turn, considerable control over the finances of the *Gemeinden*. The *Gemeinden* may be authorised by the provincial governments to raise duties on beer, at rates not exceeding 7 per cent of the price.

The following review, prepared in September 1929, has been based mainly on :

- (a) The draft estimates for 1926-27 to 1929-30 ;
- (b) The voted budgets for the same years ;
- (c) The closed accounts for 1924-25 to 1928-29 ;
- (d) The Official Journal (*Reichsgesetzblatt*) ;
- (e) The report of the Agent-General for Reparation Payments ;
- (f) The Statistical Year-Book of Germany for 1926 to 1929.

Note on Price Movement.

The following table shows the movement of prices during the period under review :

Index numbers of :	1913	1924	1925	1926	1927	1928	1929
Wholesale prices (annual average)	100	137	142	134	138	140	138 ¹
Retail prices (cost of living)	100	126	143	142	150	153	154

¹ Average, January to October, 1929.

A. Summary of Budget Accounts.

Reichsmarks (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Closed Accounts				Provisional results	Estimates
<i>A. Ordinary general and war charges budgets:</i>						
Ordinary revenue excluding transfer of surpluses	7,562.5	7,191.6	7,687.3	8,947.8	9,630.5	9,790.-
Ordinary permanent and one-time expenditure	6,494.8	6,692.1	7,510.3	7,990.8	10,231.7	9,790.-
Extraordinary expenditure charged to ordinary revenue	309.-	476.1	411.1	1,012.9	...	...
Total expenditure charged to ordinary revenue	6,803.8	7,168.2	7,921.4	9,003.7	10,231.7	9,790.-
Balance	+ 758.7	+ 23.4	- 234.1	- 55.9	- 601.2	...
<i>B. Extraordinary general and war charges budgets:</i>						
Revenue excluding transfers and proceeds of loans	294.7	591.3	762.1	893.7	979.4	1,085.2
Expenditure charged to extraordinary receipts	990.-	1,065.-	1,381.5	1,192.1	1,616.-	1,249.2
Balance	- 695.3	- 473.7	- 619.4	- 298.4	- 636.6	- 164.-
Total revenue excluding transfer of surpluses and loans	7,857.2	7,782.9	8,449.4	9,841.5	10,609.9	10,875.2
Total expenditure	7,793.8	8,233.2	9,302.9	10,195.8	11,847.7	11,039.2
Total balance	+ 63.4	- 450.3	- 853.5	- 354.3	- 1,237.8	- 164.-
<i>Add:</i>						
Profit on coinage, 1924, allocated to working fund	251.9	...	...	...	...	...
Proceeds of loans	828.6	340.4	329.4	123.1	100.5	164.-
Final balance	+ 1,143.9	- 109.9	- 524.1	- 231.2	- 1,137.3	...
Accumulated balances	+ 1,143.9	+ 1,034.-	+ 509.9	+ 278.7	- 858.6	...

In 1928-29 the ordinary and extraordinary war charges budgets were incorporated in the general budget. In the table above the same principle has been adopted for the years 1924-25 to 1927-28, all interchanges between the various budgets of one year, as well as the transfer of surpluses or deficits from one year to another, have been deducted. On the other hand, the receipts from the service of railway and industrial obligations issued for reparation purposes and the corresponding payments on reparations account, which are no longer included in the budgets for 1928-29 and 1929-30, have been added, as previously, to the extraordinary budget figures for those years.

It will be seen from the table that, by means of the above-mentioned transfers, the ordinary budget comprised a considerable portion of the extraordinary general and war charges budgets, during the years 1924-25 to 1927-28.

The table shows, further, that the total receipts, excluding loans for 1924-25, would have been sufficient to cover all expenditure, including reparation payments without having recourse to loans. The profit on coinage in that year was not included in the budget and served for the creation of a working fund. A small surplus was still secured on the ordinary budget for 1925-26. The ordinary surpluses of both years were entirely absorbed by the deficits on the succeeding years, and a portion of the working fund (109.1 million Reichsmarks) was drawn upon to cover the remainder of the ordinary deficit.

The deficits of the extraordinary budgets were, according to the budget laws, to be covered by loans, but owing to unfavourable conditions on the capital market a total amount of 465.3 million Reichsmarks had, up to March 31st, 1928, been provisionally drawn from ordinary Treasury balances. Of the 1928-29 deficit (amounting to 636.6 million Reichsmarks) 100.5 million were covered by a loan and 96.9 million by an allocation from the working fund, leaving an uncovered balance of 439.2 million Reichsmarks. The total uncovered or provisionally covered balance of the extraordinary budget thus amounted to 904.5 million Reichsmarks. As the ordinary balances had been entirely exhausted during that year and only 45.9 remained of the working fund, the Government was obliged to have recourse to short-term borrowings to meet the difference, *i.e.*, 858.6 million Reichsmarks.

The situation on March 31st, 1929, may be summarised as follows :

	Reichsmarks (000,000's)
Accumulated deficit on the ordinary budgets of 1924-25 to 1928-29 covered by an allocation from the working fund	109.1
Accumulated deficit on the extraordinary budgets for 1924-25 to 1928-29	2,723.4
Loans issued	1,722.—
Balance	— 1,001.4
Final allocation from the working fund	96.9
Balance of the extraordinary budget	— 904.5
Unspent balance of the working fund	45.9
Final deficit covered by short-term borrowings	— 858.6

B. Budget Estimates for the Financial Year 1929-30 compared with the Closed Accounts for the Financial Years 1924-25, 1925-26, 1926-27, 1927-28 and 1928-29.

(a) ORDINARY BUDGET.

Reichsmarks (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Closed accounts					Estimates
REVENUE						
President	—	—	—	—	—	—
Reichstag	—	—	—	—	—	—
Chancellor's Office	—	—	—	—	—	—
Ministry of Foreign Affairs	14.2	9.3	6.6	6.1	4.8	3.8
" the Interior	2.4	3.3	4.1	4.7	4.6	4.1
" Occupied Territories	—7	1.—	2.9	1.3	1.3	1.3
" Economy	3.8	1.5	2.2	1.9	1.7	1.6
Provisional Economic Council	—1	—	—	—	—	—
Ministry of Labour	7.5	6.4	28.—	35.—	62.3	41.—
" Defence	7.7	8.7	12.6	13.8	18.1	16.4
" Justice	16.4	15.8	14.7	15.5	16.4	17.9
" Agriculture	—4	3.1	89.7	3.5	1.8	2.3
" Traffic	29.6	29.8	38.3	39.7	36.1	39.4
General Pensions Fund	—	—	—	—1	—	—
Audit Court	—	—	—	—	—	—
Public Debt	3.9	49.8	40.1	2.5	8.8	7.6
Ministry of Finance	73.3	72.1	76.—	84.9	81.6	80.7
General financial administration	7,391.2	7,494.7	8,119.4	9,391.1	9,879.6	9,384.2
Ministry of Post	8.4	5.5	16.3	77.8	154.3	175.9
War charges	—	—	—	—	6.1	13.7
Total ordinary revenue	7,559.6	7,701.—	8,451.—	9,677.3	10,277.6	9,790.—

B. Budget Estimates for the Financial Year 1929-30 compared with the Closed Accounts for the Financial Years 1924-25, 1925-26, 1926-27, 1927-28 and 1928-29 (continued).

(a) ORDINARY BUDGET (continued).

Reichsmarks (ooo,ooo's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Closed accounts					Estimates
EXPENDITURE						
<i>1. Permanent expenditure :</i>						
President	-7	-6	-6	-7	-7	-6
Reichstag	4.7	6.7	7.1	7.8	7.9	7.8
Chancellor's Office	-5	-6	-7	2.6	2.4	2.3
Ministry of Foreign Affairs	38.7	47.6	60.9	69.-	65.5	62.8
" the Interior	202.4	211.4	22.8	25.3	26.3	26.7
" Occupied Territories	5.3	6.2	5.7	8.-	7.6	8.9
" Economy	9.-	9.2	9.1	11.2	13.7	17.2
Provisional Economic Council	-6	-7	-7	-7	-6	-8
Ministry of Labour	222.6	357.9	706.2	359.3	422.-	756.4
" Defence	426.4	503.-	536.8	583.6	625.7	598.9
" Justice	8.3	9.5	10.2	11.9	12.8	13.8
" Agriculture	3.2	10.-	9.5	9.8	10.1	9.7
" Traffic	73.2	103.6	104.5	105.8	115.5	121.5
General Pensions Fund	1,066.8	1,389.9	1,456.9	1,631.-	1,853.3	1,719.4
Audit Court	1.9	2.1	2.1	2.8	3.3	3.5
Public Debt	200.4	106.8	340.4	491.1	510.5	459.3
Ministry of Finance	337.2	398.1	419.4	471.6	492.3	494.7
" Reconstruction	3.9	—	—	—	—	—
General financial administration	4,026.1	3,552.7	3,683.6	4,470.6	3,634.9	3,508.9
Ministry of Post	(-03)	(-04)	—	—	—	—
" Traffic (State Railways)	(-01)	—	—	—	—	—
War charges	—	—	—	—	1,625.3	1,792.4
Total permanent expenditure	6,631.9	6,716.6	7,377.2	8,262.8	9,430.4	9,605.6
<i>2. One-time expenditure :</i>						
President	—	—	—	—	—	—
Reichstag	—	2.-	-5	-4	—	-3
Chancellor's Office	—	-1	—	-1	-4	-7
Ministry of Foreign Affairs	3.6	3.9	4.7	2.3	3.1	-4
" the Interior	8.1	25.6	63.5	78.8	102.7	15.5
" Occupied Territories	1.2	6.1	18.5	41.3	11.8	10.5
" Economy	1.-	7.1	10.1	8.2	8.7	4.6
Provisional Economic Council	—	—	—	—	—	—
Ministry of Labour	—	134.-	29.6	284.8	349.4	8.8
" Defence	31.4	64.5	80.5	62.-	132.2	66.8
" Justice	-1	-2	-4	-2	-3	-7
" Agriculture	2.3	20.1	113.3	14.3	27.2	21.4
" Traffic	25.2	43.8	56.9	69.8	66.4	27.8
General Pensions Fund	—	38.9	5.3	1.4	—	—
Audit Court	—	—	—	—	—	—
Public Debt	-6	5.6	13.4	36.1	-5	—
Ministry of Finance	18.9	21.8	19.7	41.8	25.5	10.6
General financial administration	65.6	48.6	109.5	90.9	73.1	16.4
Ministry of Post	11.-	—	—	—	—	—
Total one-time expenditure	169.-	422.3	525.9	732.4	801.3	184.4
Total ordinary expenditure	6,800.9	7,138.9	7,903.1	8,995.2	10,231.7	9,790.-

B. Budget Estimates for the Financial Year 1929-30 compared with the Closed Accounts for the Financial Years 1924-25, 1925-26, 1926-27, 1927-28 and 1928-29 (continued).

(b) EXTRAORDINARY BUDGET.

Reichsmarks (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Closed accounts					Estimates
REVENUE						
Ministry of Occupied Territories	-1	-2	-3	-3	-2	-3
„ Economy	-2	—	—	-2	-1	—
„ Labour	22.5	-6	-2	1.6	14.6	121.2
„ Agriculture	-3	-1	—	—	—	—
„ Traffic	—	—	—	-1	—	—
Public Debt	515.7	10.—	335.4	136.5	162.4	164.—
Ministry of Finance	—	-4	1.—	2.6	3.6	3.—
General financial administration	299.4	594.6	27.3	113.9	430.1	-4
War charges	—	—	—	—	-7	-3
Total extraordinary revenue	838.2	605.9	309.6	27.4	-248.5	289.2
EXPENDITURE						
Ministry of the Interior	4.2	-1	—	—	—	—
„ Economy	-6	-3	—	—	—	—
„ Labour	14.6	17.1	179.8	232.2	448.5	214.5
„ Defence	-9	20.2	29.2	60.4	—	—
„ Agriculture	—	—	—	—	—	—
„ Traffic	53.7	57.7	66.4	76.2	67.7	52.1
Public Debt	236.1	9.1	10.4	11.6	104.6	6.3
Ministry of Finance	32.2	18.1	2.1	2.5	—	—
General financial administration	362.6	483.3	311.8	109.8	10.—	15.8
War charges	—	—	—	—	25.2	-5
Total extraordinary expenditure	704.9	605.9	599.7	492.7	656.—	289.2

(c) WAR CHARGES BUDGET. ¹

(I) Ordinary.

Reichsmarks (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Closed accounts					Estimates
REVENUE						
Transfers from Ordinary budget	998.7	393.1	304.7	189.4	—	—
„ Extraordinary budget	—	—	—	—	—	—
Miscellaneous revenue	2.9	29.4	18.3	8.5	—	—
Total ordinary revenue	1,001.6	422.5	323.—	197.9	—	—
EXPENDITURE						
I. Permanent expenditure :						
Ministry of Foreign Affairs	—	—	—	—	—	—
„ the Interior	—	9.9	9.7	10.5	—	—
„ Occupied Territories	227.1	—	—	12.4	—	—
„ Traffic	-1	4.9	-1	-1	—	—
„ Finance	818.6	—	—	—	—	—

¹ For 1928-29 and later years, included in the General Budget.

B. Budget Estimates for the Financial Year 1929-30 compared with the Closed Accounts for the Financial Years 1924-25, 1925-26, 1926-27, 1927-28 and 1928-29 (concluded).

(c) WAR CHARGES BUDGET ¹ (continued).

(1) Ordinary (continued).

Reichsmarks (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Closed accounts					Estimates
EXPENDITURE (continued)						
I. Permanent expenditure (continued):						
General financial administration	61.5	373.8	274.1	78.1		
Ministry of Post	—	—	—	—		
	1,107.4	388.6	283.9	101.1		
Deduct repayment of Agent-General for reparation payments	105.8	—	—	—		
Total permanent expenditure	1,001.6	388.6	283.9	101.1		
2. One-time expenditure:						
Ministry of Occupied Territories	—	—	—	1.7		
„ Defence	—	33.5	11.5	7.2		
„ Traffic	—	—	—	—		
General financial administration	—	—	27.6	87.9		
Total one-time expenditure	—	33.9	39.1	96.8		
Total ordinary expenditure	1,001.6	422.5	323.—	197.9		

(2) Extraordinary.

Reichsmarks (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Closed accounts					Estimates
REVENUE						
Transfers from Ordinary budget	—	145.8	432.9	831.7		
„ Extraordinary budget	188.7	262.4	172.9	74.9		
Foreign loan	473.3	330.—	—	—		
Interest on Railway bonds	100.3	396.4	572.1	605.4		
„ Industrial debentures	—	62.5	187.6	274.6		
Miscellaneous receipts	20.5	10.5	13.1	—		
Total extraordinary revenue	782.8	1,207.6	1,378.6	1,787.2		
EXPENDITURE						
Ministry of the Interior	8.—	—	—	—		
„ Occupied Territories	51.2	—	—	—		
„ Defence	7.1	—	—	—		
„ Traffic	—	—	—	—		
„ Finance	1.2	—	—	—		
General financial administration	136.8	—	—	—		
Ministry of Traffic (State Railways)	4.8	—	—	—		
Execution of Dawes Plan	573.6	1,080.1	1,296.7	1,711.7		
Constitution of reserve fund	—	—	12.8	67.5		
Miscellaneous expenses	—	127.5	69.1	8.—		
Total extraordinary expenditure	782.8	1,207.6	1,378.6	1,787.2		

The item "General financial administration" includes surpluses or deficits brought forward from preceding years.

¹ For 1928-29 and later years, included in the General Budget.

C. Analysis of Receipts.

	1926-27		1927-28		1928-29		1929-30	
	Closed accounts						Estimates	
	Amount: Reichs- marks (ooo,ooo's)	Per- centage of total	Amount: Reichs- marks (ooo,ooo's)	Per- centage of total	Amount: Reichs- marks (ooo,ooo's)	Per- centage of total	Amount: Reichs- marks (ooo,ooo's)	Per- centage of total
I. Taxes on income and property:								
Recurrent taxes:								
Income tax	2,253.7	24.46	2,784.5	27.36	3,109.8	26.30	2,930.—	26.56
Corporation tax	381.9	4.15	477.9	4.69	608.3	5.14	600.—	5.44
Property tax	359.5	3.90	441.9	4.34	450.8	3.81	560.—	5.08
Tax on directors' fees	-.7	-.01	-.1	—	-.1	—	—	—
Non-recurrent taxes:								
Extraordinary taxes on income and corporations (Rhein-Ruhr-Abgabe und Betriebsabgabe)	3.—	-.03	-.9	-.01	—	—	—	—
Extraordinary tax on bonds	45.1	-.49	25.7	-.25	9.4	-.08	11.—	-.10
Extraordinary property tax	-.2	(-.002)	—	—	—	—	—	—
Total	3,044.1	33.04	3,731.—	36.65	4,178.4	35.33	4,101.—	37.18
II. Taxes on production, use and transactions:								
Customs dues	940.4	10.21	1,250.8	12.29	1,104.6	9.34	1,204.—	10.91
Excise duties on:								
Tobacco	712.4	7.73	793.9	7.80	870.5	7.36	870.—	7.89
Sugar	285.1	3.10	224.5	2.21	158.2	1.34	160.—	1.45
Beer	240.8	2.61	360.2	3.54	396.9	3.36	396.—	3.59
Alcohol (monopoly, net)	228.4	2.48	262.4	2.58	298.4	2.52	341.5	3.10
(Total pledged taxes)	(2,407.1)	(26.13)	(2,891.8)	(28.41)	(2,828.6)	(23.92)	(2,971.5)	(26.93)
Wines	17.8	-.19	-.8	-.01	—	—	—	—
Acetic acid	2.2	-.02	2.—	-.02	2.—	-.01	2.—	-.02
Sparkling wines	6.3	-.07	15.8	-.16	15.2	-.13	15.—	-.13
Salt	1.4	-.02	—	—	—	—	—	—
Matches	13.6	-.15	12.7	-.12	13.1	-.11	13.—	-.12
Lighting apparatus	9.3	-.10	12.7	-.12	13.7	-.12	14.—	-.13
Playing cards	2.1	-.02	2.4	-.02	2.7	-.02	2.4	-.02
Statistical dues	2.9	-.03	3.3	-.03	3.2	-.03	3.—	-.03
Sweetening substances	-.5	-.01	-.4	(-.003)	-.5	(-.004)	-.6	(-.005)
Total	1,522.8	16.53	1,691.1	16.61	1,774.4	15.—	1,817.5	16.48
Taxes on transport:								
Motor vehicles (1924-25, including surtax)	105.1	1.14	156.2	1.53	181.4	1.54	205.—	1.86
Passenger transport	168.3	1.82	177.6	1.75	185.8	1.57	190.—	1.72
Goods transport	143.7	1.56	171.6	1.69	168.3	1.42	190.—	1.72
Total	417.1	4.52	505.4	4.97	535.5	4.53	585.—	5.30
General turnover tax	865.—	9.39	877.7	8.62	1,000.1	8.46	1,120.—	10.15
Special turnover tax	10.8	-.12	—	—	—	—	—	—
Tax on real-estate transactions	28.1	-.30	37.9	-.37	36.3	-.31	40.—	-.36
Succession duties	34.6	-.38	71.9	-.71	73.5	-.62	100.—	-.91
Taxes on movement of capital:								
Company tax	58.3	-.63	62.—	-.61	69.—	-.59	72.—	-.65
Tax on securities	23.5	-.25	20.8	-.20	13.8	-.12	20.—	-.18
Tax on Stock exchange transactions	82.9	-.90	65.7	-.65	48.2	-.41	72.—	-.65
Insurance tax	46.—	-.50	52.9	-.52	59.3	-.50	59.—	-.54
Race-betting tax	30.4	-.33	33.6	-.33	32.5	-.27	36.—	-.33
Lottery taxes	35.8	-.39	42.8	-.42	47.7	-.40	50.—	-.45
Tax on bills of exchange	36.4	-.40	48.1	-.47	52.5	-.44	50.—	-.45
Total II	4,132.1	44.85	4,760.7	46.77	4,847.4	40.99	5,225.5	47.36
Total I and II	7,176.2	77.89	8,491.7	83.42	9,025.8	76.32	9,326.5	84.54

C. Analysis of Receipts (continued).

	1926-27		1927-28		1928-29		1929-30	
	Closed accounts						Estimates	
	Amount: Reichs- marks (000,000's)	Per- centage of total	Amount: Reichs- marks (000,000's)	Per- centage of total	Amount: Reichs- marks (000,000's)	Per- centage of total	Amount: Reichs- marks (000,000's)	Per- centage of total
III. Contributions towards reparation payments:								
Railways (service of bonds)	572.-	6.21	605.4	5.95	660.-	5.58	660.-	5.98
Industry (service of debentures)	187.6	2.03	274.7	2.70	300.-	2.54	300.-	2.72
Total.	759.6	8.24	880.1	8.65	960.-	8.12	960.-	8.70
IV. Fees, contributions and other administrative receipts.	161.3	1.75	181.2	1.78	165.5	1.40	148.-	1.34
V. Net surplus from public undertakings:								
Railways (dividend on preferred shares)	3.-	-0.03	29.9	-0.29	51.2	-0.43	51.2	-0.40
Postal and telegraph services	12.1	-0.13	70.-	-0.69	150.-	1.27	171.5	1.56
Printing Office	4.2	-0.05	4.8	-0.05	4.3	-0.04	4.4	-0.04
Other public undertakings	3.1	-0.03	2.1	-0.02	2.6	-0.02	1.8	-0.02
Total.	22.4	-0.24	106.8	1.05	208.1	1.76	228.9	2.08
VI. Receipts from Reichsbank	5.2	-0.06	14.-	-0.14	5.3	-0.04	5.1	-0.05
VII. Dividends on Government shares in corporations, companies, etc.	8.9	-0.10	7.6	-0.07	8.6	-0.07	10.-	-0.09
VIII. Interest from advances granted by the State	44.4	-0.48	30.2	-0.30	37.4	-0.31	52.3	-0.47
IX. Net profit from coinage.	61.6	-0.67	83.6	-0.82	120.8	1.02	—	—
X. Receipts from realisation of State assets:								
Sale of non-revenue-yielding State property	7.5	-0.08	2.7	-0.02	1.9	-0.02	3.8	-0.03
Sale of revenue-yielding State property	2.6	-0.03	4.8	-0.05	7.3	-0.06	3.4	-0.03
Repayment of advances, etc.	110.5	1.20	22.4	-0.22	48.1	-0.41	130.2	1.18
Total.	120.6	1.31	29.9	-0.29	57.3	-0.49	137.4	1.24
Total receipts excluding proceeds of loans	8,360.2	90.74	9,825.1	96.52	10,588.8	89.53	10,868.2	98.51
Proceeds of loans	329.4	3.57	123.1	1.21	100.5	-0.85	164.-	1.49
Deficit	524.1	5.69	231.2	2.27	1,137.3	9.62	—	—
Grand total	9,213.7	100	10,179.4	100	11,826.6	100	11,032.2	100

NOTES.

I. Taxes on income and property. — (a) Income tax, corporation tax and property tax. — According to a law of August 1925 regarding income tax, corporation tax and property tax, income tax was to be paid at the rate of:

- 10 per cent (subject to exemptions) on the first 8,000 marks of income ;
- 12½ per cent on the portion of income between 8,000 and 12,000 marks ;
- 15 per cent on the portion of income between 12,000 and 16,000 marks ;
- 20½ per cent on the portion of income between 16,000 and 20,000 marks ;
- 25 per cent on the portion of income between 20,000 and 28,000 marks ;
- 30 per cent on the portion of income between 28,000 and 46,000 marks ;
- 35 per cent on the portion of income between 46,000 and 80,000 marks ;
- 40 per cent on the portion of income exceeding 80,000 marks.

The exemption limit was set at 1,300 marks, and there was an allowance of 1,200 marks on salaries with additional allowances of 10 per cent of income for a wife and each child.

In December 1927 the tax on salaries was reduced by 15 per cent (maximum reduction, 24 marks) as was also the tax on other income if not exceeding 8,000 marks. These reductions were increased to 25 per cent (maximum reduction 36 marks) as from October 1928 and affect incomes not exceeding 15,000 marks.

(b) The normal rate of the corporation tax is 20 per cent.

(c) The rates of the property tax were reduced in March 1926 :

From 2 to 1 pro mille on amounts not exceeding 10,000 marks ;

3 to 2 pro mille on amounts from 10,000 to 20,000 marks ;

4 to 3 pro mille on amounts from 25,000 to 30,000 marks (amounts from 20,000 to 25,000 remaining taxed at 3 pro mille).

The other rates remaining as fixed in August 1925 were reduced :

To 5 pro mille on amounts between 50,000 and 250,000 marks ;

5.5 pro mille on amounts between 250,000 and 500,000 marks ;

6 pro mille on amounts between 500,000 and 1,000,000 marks ;

6.5 pro mille on amounts between 1,000,000 and 2,500,000 marks ;

7 pro mille on amounts between 2,500,000 and 5,000,000 marks ;

7.5 pro mille on amounts exceeding 5,000,000 marks.

The above rates were increased for the year 1929-30 by 8 per cent.

2. *Taxes on production, use and transactions.* — (a) Customs duties. — Various duties have been increased and new duties introduced during the period under consideration. For instance, the duty on sugar was increased from 10 to 15 marks per quintal in July 1927 and to 25 marks in December 1928. On the other hand, various commercial treaties granting most-favoured-nation treatment were concluded, involving lower duties in respect of many items.

(b) The rate of the excise duty on tobacco was fixed in August 1926 at 45 per cent of the retail price and at 250 marks per quintal of raw tobacco delivered to factories. The tax on cigarettes was increased from 20 to 30 per cent of the retail price.

(c) The excise duty on sugar was reduced in July 1927 from 21 to 10.5 marks per quintal.

(d) The basic rate of the excise duty on beer has been fixed since January 1927 at 6 marks per hectolitre for the first 1,000 hectolitres produced, rising by 7 steps to 8.15 marks per hectolitre for quantities of over 120,000 hectolitres produced, that is, an increase of about 30 per cent as compared with the old tariff.

(e) Alcohol monopoly. — The net yield per hectolitre from the sale of alcohol for normal purposes has been increased since June 1927 from 280 to 330 marks and from that for scientific use from 80 to 90 marks. A further increase to 400 and 100 marks respectively was introduced in June 1929.

(f) Excise duties on wines and salt were abolished in April 1926, when a duty on sparkling wines of 1 mark per bottle was introduced.

(g) The tax on motor-cars was fixed during May 1926 in marks at 30 per h.p. for the first 10, 60 per h.p. for the next 5, and 80 for each unit in excess of 15. A surtax levied by local authorities was fixed at 25 per cent. The rates were fixed in December 1927 at 12 marks per 100 c.c. cylinder content and local surtaxes at 20 per cent for 1928-29 and at 15 per cent for 1929-30.

(h) The rates of the tax on passenger transport by rail were fixed in July 1926 at 16, 14, 12 and 10 per cent according to the class and at 7 per cent for goods. In October 1928 the rate for third-class tickets was fixed at 11 per cent if the railway was not running fourth-class carriages.

(i) In April 1926 the general turnover tax was reduced from 1 per cent to $\frac{3}{4}$ per cent and the special turnover tax on luxury articles was abolished.

(j) Succession duties are payable at rates varying according to the relationship between the deceased person and his heir or legatee (5 classes) and according to the magnitude of the amount received (22 categories). The lowest rate (for bequests up to 10,000 marks) is 2 per cent for the first class and 14 per cent for the fifth class. The highest rate (for bequests of more than 10,000,000 marks) is 15 per cent for the first class and 60 per cent for the fifth class.

(k) A number of changes have been effected in the other taxes on transactions. Thus the rate of tax on stock exchange transactions was reduced in May 1926 to $1\frac{1}{2}$ pro mille for shares and to 0.6 pro mille for bonds. The tax on bills of exchange was reduced from 2 to 1 pro mille in August 1925 ; foreign bills pay 0.5 pro mille. The rate of the tax on transactions in real estate is 3 per cent. The tax on the right of option was abolished in 1926.

The tax on mortmain property ceased to be collected after December 1927.

3. The receipts from the Reichsbank are earmarked for the Rentenbank certificates redemption fund.

D. Analysis of Expenditure.

	1926-27		1927-28		1928-29		1929-30	
	Closed accounts						Estimates	
	Amount: Reichs- marks (000,000's)	Per- centage of total	Amount: Reichs- marks (000,000's)	Per- centage of total	Amount: Reichs- marks (000,000's)	Per- centage of total	Amount: Reichs- marks (000,000's)	Per- centage of total
I. <i>Defence</i> :								
Army	455.4	4.94	498.—	4.89	546.3	4.62	485.8	4.40
Navy	190.2	2.07	204.6	2.01	211.6	1.79	179.6	1.63
Total	645.6	7.01	702.6	6.90	757.9	6.41	665.4	6.03
II. <i>Foreign Affairs</i>	58.4	-.63	60.9	-.60	59.6	-.50	53.2	-.48
III. <i>Justice</i>	4.3	-.05	4.8	-.05	4.9	-.04	5.—	-.04
IV. <i>Supreme organs of Government and general administration</i>	308.—	3.34	267.4	2.63	281.9	2.38	249.3	2.26
V. <i>Public Health</i>	5.4	-.06	6.4	-.06	6.3	-.05	6.5	-.06
VI. <i>Social Welfare</i> :								
Social insurance	287.—	3.12	348.4	3.42	445.7	3.77	475.—	4.30
Allocations for unemploy- ment	343.3	3.73	206.4	2.03	176.5	1.49	120.—	1.09
Advances for unemployment Productive measures against unemployment	—	—	—	—	259.8	2.20	150.—	1.36
Cheap dwellings	83.—	-.90	118.—	1.16	124.5	1.05	34.3	-.31
Other social expenditure	160.7	1.74	69.4	-.68	28.—	-.24	23.—	-.21
Other social expenditure	52.7	-.57	108.3	1.07	67.3	-.57	50.6	-.46
Total	926.7	10.06	850.5	8.36	1,101.8	9.32	852.9	7.73
VII. <i>Economic Administration</i> :								
Agriculture, industry, trade, etc.	71.1	-.77	106.1	1.04	131.7	1.11	121.—	1.10
Current expenditure on communications and public works.	93.7	1.02	95.1	-.93	105.8	-.90	111.6	1.01
Capital expenditure on waterways	85.8	-.93	102.—	1.01	95.1	-.80	66.9	-.61
Capital expenditure on airways	22.5	-.24	33.3	-.33	26.1	-.22	2.9	-.02
Capital expenditure on motoring	—	—	—	—	—	—	2.—	-.02
Capital expenditure on railways	-.9	-.01	2.4	-.02	1.2	-.01	-.1	(-.001)
Total	274.—	2.97	338.9	3.33	359.9	3.04	304.5	2.76
VIII. <i>Education, science and arts</i>	30.—	-.32	41.2	-.40	41.5	-.35	36.5	-.33
IX. <i>Financial administration</i>	432.9	4.70	485.2	4.77	509.3	4.31	499.5	4.53
X. <i>Payments to provinces, municipalities, etc.</i>	2,597.8	28.19	3,011.8	29.59	3,412.5	28.86	3,272.1	29.66
XI. <i>Pensions</i> :								
Administrative expenses	57.6	-.63	61.8	-.60	67.8	-.57	68.3	-.62
Civil services	88.9	-.96	98.7	-.97	107.7	-.91	105.3	-.96
Military pensions and war pensions	1,412.7	15.33	1,569.3	15.42	1,763.4	14.91	1,636.3	14.83
Total	1,559.2	16.92	1,729.8	16.99	1,938.9	16.39	1,809.9	16.41

D. Analysis of Expenditure (continued).

	1926-27		1927-28		1928-29		1929-30	
	Closed accounts						Estimates	
	Amount : Reichs- marks (000,000's)	Per- centage of total	Amount : Reichs- marks (000,000's)	Per- centage of total	Amount : Reichs- marks (000,000's)	Per- centage of total	Amount : Reichs- marks (000,000's)	Per- centage of total
XII. War charges, reconstruction, etc. :								
Reparation payments according to Dawes Plan.	1,296.7	14.08	1,711.7	16.82	2,160.8	18.27	2,500.-	22.66
Reserve fund for reparation payments	12.8	-14	67.5	-66	19.7	-17	-5	(-004)
Other payments on account of reparations	83.1	-90	—	—	31.8	-27	27.4	-25
Internal war charges	407.3	4.42	324.6	3.19	500.2	4.23	260.1	2.36
Total	1,799.9	19.54	2,103.8	20.67	2,712.5	22.94	2,788.-	25.27
XIII. Debt service :								
Administration	23.7	-26	22.1	-22	9.-	-08	9.1	-08
Interest	93.7	1.02	105.2	1.03	158.3	1.34	104.2	-95
Repayment	240.8	2.61	406.5	3.99	448.3	3.79	352.3	3.19
Total	358.2	3.89	533.8	5.24	615.6	5.21	465.6	4.22
XIV. Investments in revenue-yielding assets :								
Loans, advances and purchase of shares	213.3	2.32	42.3	-41	24.-	-20	23.8	-22
Total expenditure	9,213.7	100	10,179.4	100	11,826.6	100	11,032.2	100
Total expenditure excluding payments to provinces, etc.	6,615.9	71.81	7,167.6	70.41	8,414.1	71.15	7,760.1	70.34

NOTES.

1. If the share of local authorities and reparation payments be deducted, the total expenditure for the years under consideration would amount to 5,223.5, 5,398.4, 6,201.8 and 5,232.2 million marks, respectively.

2. Salaries were increased in April 1927 by 12.5 per cent for the lower and 10 per cent for the higher categories. In October 1927 a new salaries scheme replaced the scheme which had been in force since 1920. Pensions were increased as from October 1927.

3. The item "General administration" includes the following sums granted to the *Länder* in aid of Police expenditure :

	Reichsmarks (000,000's)		Reichsmarks (000,000's)
1926-27	208.7	1928-29	199.5
1927-28	189.2	1929-30	195.-

4. Federal expenditure on health services and education consists almost entirely of subsidies to various institutions.

5. The amounts shown under "Social Welfare" include federal allocations to the various social insurance institutions.

The items "Productive measures against unemployment" and "Cheap dwellings" include advances to various bodies.

6. The service of public debt includes the charges of the so-called "Loan liquidation debt", but not those of the 1924 foreign loan of which the service is included in the reparation payments.

7. In October 1925, the local share in the yield of the income- and the corporation taxes was reduced from 90 to 75 per cent and in the yield of the turnover tax increased to 35 per cent. In April 1926, however, the share in the turnover tax was reduced to 30 per cent, with the stipulation that, if the whole yield of the tax were less than 1,500 million marks, the local bodies should nevertheless receive 30 per cent of that sum.

The local governments received a guarantee that a minimum of 2,100 million marks for 1925-26 and 1926-27, and 2,600 million marks for 1927-28 and 1928-29 would be handed over to them from the yield of these three taxes. The amount exceeding 2,400 million marks was to be employed by the local authorities in the first place for reduction of local land, house and trade taxes. For 1929-30 the Reich will retain 120 million marks from these taxes before distribution, if the total yield exceeds 4,530 million.

The local share in the yield of the taxes on real estate transactions, on motor vehicles and on race betting is 96 per cent of the gross yield; the federal share being merely sufficient to cover costs of collection. Moreover, Bavaria, Württemberg and Baden have, since 1926, a share in the yield of the tax on beer.

8. The reparation payments to be made under the Dawes Plan are analysed in connection with the debt tables.

The item "Other payments on account of reparations" represents the repayment of liabilities principally in connection with earlier deliveries.

E. Public Undertakings.

1. *Postal Service.* — The following table shows the closed accounts of the Postal Service for the years 1926-27 and 1927-28 :

Reichsmarks (000,000's).

	1926-27	1927-28
Receipts	1,715.—	2,055.—
Expenditure	1,437.—	1,619.—
Gross profits	278.—	436.—
Depreciation and reserve funds	152.—	182.—
Net surplus	126.—	254.—
Transferred to the Reich	70.—	70.—
Transferred to capital account	56.—	184.—

The postal and telegraph services have, since March 1924, formed an autonomous undertaking with its own property and its own liabilities. The working expenses include pensions and debt charges. Of the current receipts .8 per cent are to accrue to a reserve fund until the fund has risen to 100 million marks, when the whole surplus will be paid over to the Treasury.

2. *Printing Office.* — The following table shows the working account of the Printing Office :

Reichsmarks (000,000's).

	1926-27	1927-28	1928-29	1929-30
	Closed accounts		Estimates	
Current receipts	26.4	26.7	26.7	30.1
Working expenses	21.5	21.4	22.2	25.2
Net receipts	4.9	5.3	4.5	4.9
Constitution of reserve funds	-.7	-.5	-.2	-.5
Payment to Treasury	4.2	4.8	4.3	4.4

3. *Railways.* — The following table shows the closed accounts of the railways for 1925-1928:

Reichsmarks (000,000's).

	1925	1926	1927	1928
Gross receipts	4,669.-	4,540.8	5,039.3	5,159.2
Working and upkeep expenses	3,452.1	3,223.8	3,437.9	3,646.2
Renewals	522.7	456.8	720.9	648.1
Total operating payments	3,974.8	3,680.6	4,158.8	4,294.3
Operating surplus (a)	694.2	860.2	880.5	864.9
<i>Deduct</i> : service of reparation bonds :				
Interest	332.7	574.3	553.8	545.1
Amortisation	—	—	36.7	113.2
Service of new debts	—	-.1	2.1	2.5
Allocation to reserve funds	208.-	230.8	220.8	128.2
Total (b)	540.7	805.2	813.4	789.-
Net profit (a—b)	153.5	55.-	67.1	75.9
Dividend on preference shares issued	3.-	40.4	61.6	75.7
Carried forward	150.5	14.6	5.5	-.2

When the railways of Prussia, Bavaria, Saxony, Baden, Hesse, Mecklenburg-Schwerin, Württemberg, and Oldenburg were taken over by the Reich in 1920, it was stipulated in the agreements that the Reich should assume the responsibility for : (a) the debt incurred by the respective *Länder* for the construction of those railways ; and (b) the liabilities which had been incurred by the various railway administrations to cover deficits during the war. In accordance with the provisions of the London Protocol 1924 (embodying the Experts' Plan), the railways were transformed into an autonomous undertaking — the *Reichsbahngesellschaft* — with its own property and its own liabilities. The total value of the railways was estimated at 26,000 million marks. The share capital was made up of 2 milliard preference shares payable to bearer and 13 milliard ordinary shares in the name of the Reich and the *Länder*. Further, the railway organisation had to assume a liability of 11 milliard marks for the payment of reparations, the annual charge rising from 200 million Reichsmarks in 1925 to 660 in 1927 and onward. The railway privilege extends until 1964 or until the date at which 11 milliard marks of reparation bonds shall have been redeemed. The total amount of preference shares issued was 1,081 million marks in June 1928, the Reich itself having taken shares for 500 million marks directly and 231 million marks in repayment of certain advances amounting to 220 million marks, and 350 million marks having been offered on the home market. The dividend on these shares is 7 per cent.

The profits of the *Reichsbahngesellschaft* are utilised primarily as follows :

- (a) Service of reparation bonds ;
- (b) Service of other debts ;
- (c) 2 per cent of all gross profits accrue to a reserve fund until that fund has risen to 500 million marks.

The remainder is distributed as follows :

- (i) Provision for deficiencies in the regular 7 per cent dividend on preference shares during previous years ;
- (ii) Dividends on preference shares ;
- (iii) Creation of a reserve fund for extraordinary expenditure ;
- (iv) From 1935, creation of a reserve fund for the withdrawal of preference shares ;
- (v) One-third of any remaining amount may be allocated as a super-dividend on preference shares and two-thirds on ordinary shares.

4. Other Public Undertakings.

Reichsmarks (000,000's).

	1926-27	1927-28	1928-29	1929-30
	Closed accounts		Estimates	
<i>Official Journal :</i>				
Net receipts	1.3	1.3	1.2	1.2
<i>Cartographical Office :</i>				
Net receipts	-1	-1	-3	-0.6
<i>Legal Documents Office :</i>				
Net receipts	-7	-2	-4	-0.5
<i>Commercialised Undertakings :</i>				
Net receipts	-2	-2	-2	-1
<i>Saatsee Docks :</i>				
Gross receipts	1.2	1.4	1.3	1.3
Working expenses	1.1	1.2	1.2	1.1
Balance	+ -1	+ -2	+ -1	+ -2
<i>Power Stations at Janowitz and Koppen :</i>				
Gross receipts	-2	-2	-1	-1
Working expenses	-2	-2	-1	-1
Balance . . . . .	...	...	...	...
<i>Tug Boats (Rhine-Weser Canal) :</i>				
Gross receipts	6.4	5.9	5.3	5.5
Working expenses	5.8	5.9	5.1	5.5
Balance	+ -6	...	+ -2	...
<i>Forests :</i>				
Gross receipts	-3	-3	-4	-5
Working expenses	-2	-2	-2	-3
Balance	+ -1	+ -1	+ -2	+ -2
Total receipts	10.4	9.6	9.2	8.8
Total expenses	7.3	7.5	6.6	7-
Balance	+ 3.1	+ 2.1	+ 2.6	+ 1.8

F. Issue of Coinage.

The following table shows the balance between the receipts and expenditure on account of the issue of coinage :

Reichsmarks (000,000's).

	1926-27	1927-28	1928-29	1929-30
Receipts	149.1	99.6	136.7	—
Expenses	87.5	16-	15.9	—
Balance	+ 61.6	+ 83.6	+ 120.8	—

G. Public Debt.

(i) Table showing the Public Debt during the period 1923-24 to 1928-29.

Reichsmarks (000,000's).

Date	Domestic debt						Foreign debt		Total debt ¹		
	Funded		Floating		Total		Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)	Percent- age of 1924
	Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)					
March 31st:											
1924 . . .	1,779.3	...	626.8	...	2,406.1	...	nil	....	2,406.1	...	100
1925 . . .	1,434.7	- 344.6	415.2	- 211.6	1,849.9	- 556.2	937.8	+ 937.8	2,787.7	+ 381.6	116
1926 . . .	6,724.4	+ 5,289.7	170.8	- 244.4	6,895.2	+ 5,045.3	946.6	+ 8.8	7,841.8	+ 5,054.1	326
1927 . . .	6,957.7	+ 232.6	183.5	+ 12.7	7,140.5	+ 245.3	932.4	- 14.2	8,072.9	+ 231.1	336
1928 . . .	6,749.8	- 207.3	239.1	+ 55.7	6,988.9	- 151.6	901.7	- 30.7	7,890.6	- 182.3	328
1929 . . .	7,012.6	+ 262.8	1,060.2	+ 821.1	8,072.8	+ 1,083.9	877.1	- 24.6	8,949.9	+ 1,059.3	372

¹ The figures given do not include reparation liabilities.

(ii) Table showing the amount of Debt Service — interest on and amortisation of Public Debt— for the financial years 1924-25 to 1929-30.

Financial year ending :	Accounts	Debt service	
		Amount : Reichsmarks (000,000's)	Percentage of 1925
March 31st : 1925	Closed accounts	337.1	100
1926		111.5	33
1927		358.2	106
1928		533.8	158
1929		615.6	183
1930	Estimates	465.6	138

The figures above include the amounts necessary for the service of the debt liquidation loan (in connection with pre-stabilisation debts) but not for the service of the foreign loan in consequence of the London Agreement, which constitutes a part of the reparation payments ; it amounted to 91.4 million marks in the year 1926-27, 91.1 million in 1927-28, to 89.9 in 1928-29 and will amount to 89.6 million for 1929-30.

(iii) Table showing the Public Debt¹ and Debt Service per head of population.

Date	Population (000's)	Public debt per head of population	Financial year ending	Debt service per head of population
March 31st : 1924	62,846	Reichsmarks 38.3 ¹	March 31st : 1925 1926 1927 1928 1929 1930	Reichsmarks 5.3
1925	63,177	44.1		1.8
1926	63,644	123.2		5.6
1927	64,038	126.1		8.3
1928	64,500	122.3		9.5
1929	65,000	137.7		7.2

¹ Excluding reparation liabilities.

The following table gives details of the Public Debt as in March 1924, 1925, 1926, 1927, 1928 and 1929 :

Reichsmarks (000,000's).

	March 1924	March 1925	March 1926	March 1927	March 1928	March 1929
DOMESTIC DEBT :						
<i>Funded Debt :</i>						
Dollar Loan	195.1	—	—	—	—	—
6% Gold Loan, redeemable in 1932	42.-	1.4	1.2	1.2	1.2	1.3
6% Gold Loan, redeemable in 1935	210.2	21.8	19.1	18.9	18.9	18.3
Loan Liquidation Debt :						
With drawing rights	—	—	4,800.-	4,742.5	4,547.8	4,339.8
Without drawing rights	—	—	700.-	700.-	700.-	700.-
Reich Loan of 1927	—	—	—	364.-	500.-	500.-
War damage liquidation debt certificates	—	—	—	—	—	562.3
Rentenbank Loan	1,096.5	1,185.-	986.6	922.-	782.5	655.6
Reichsbank Loan	235.5	226.5	217.5	208.4	199.4	190.3
Bonds issued in connection with the financial agreement with Roumania	—	—	—	—	—	45.-
“ K ” Bonds	2.8	1.3	-9	-8	-6	-5
“ E ” Bonds	—	251.1	87.1	—	—	—
Total Funded Debt	1,779.3	1,434.7	6,724.4	6,957.-	6,749.8	7,012.6
<i>Floating Debt :</i>						
Bills in Reichsmarks	148.9	30.-	—	—	40.-	382.5
Guarantees	447.7	105.2	52.2	51.-	42.1	—
Melioration credit	—	9.-	12.-	12.-	12.-	12.-
Bonds issued to banks	—	—	—	—	—	200.-
7% Treasury Bonds, 1928	—	—	—	—	—	102.7
Loans from the Post Office	—	—	—	110.-	60.-	133.-
Short-term Loans	—	—	—	—	75.-	220.-
Miscellaneous obligations	27.4	18.6	18.6	9.7	9.4	9.5
Total Floating Debt	626.8	415.2	170.8	183.5	239.1	1,060.2
Total Domestic Debt	2,406.1	1,849.9	6,895.2	7,140.5	6,988.9	8,072.8
FOREIGN DEBT :						
Foreign Loan, 1924	—	937.8	946.6	932.4	901.7	877.1
TOTAL PUBLIC DEBT	2,406.1	2,787.7	7,841.8	8,072.9	7,890.6	8,949.9

NOTES.

I. The amounts of the foreign loan issued in October 1924 and outstanding on June 15th, 1929, were as follows :

	(000,000's)	
	Issued 1924	Outstanding 1929
Dollars (U. S. A.)	110.-	91.6
Sterling	21.72	20.1
Swedish Kr.	25.20	23.4
Lire	100.-	91.5
Swiss francs	15.-	13.9

2. The following table shows the public debt as on March 31st, 1929, in German currency and in U. S. A. dollars :

(Rate of exchange : \$1 = 4.2158 Reichsmarks.)

	Reichsmarks (000,000's)	U. S. A. dollars (000,000's)
Domestic Debt	8,072.8	1,914.9
Foreign Debt	877.1	208.1
Total Debt	8,949.9	2,123.—
Debt per head of population	138 Rmks.	\$33

3. *Pre-stabilisation Debts.* — On March 31st, 1923, the funded debt amounted to 73,905 million paper marks and the floating debt to 46,844,800,000 million paper marks. The service of all debts in paper marks due by the Reich and the *Länder* was discontinued in February 1924.

In July 1925 most of the old loans were converted into a so-called new "loan liquidation debt" at rates varying according to the nature and the year of issue of the old debt, the basic rate being 25 gold marks to 1,000 marks of the old nominal amount. The new securities are not to yield interest or be amortised until the reparation liabilities have been completely wiped off.

Those who can prove that they had become owners of their securities before July 1920 or that they had acquired them before July 1923 in consequence of a legal obligation to invest in Trustee Stock ("old holders") have the right to take part in yearly drawings. Any person in possession of nominal loan liquidation debt up to 12,500 Reichsmarks may participate with the full amount of his stock. If he owns more he may benefit from one-half of the next 25,000 Reichsmarks, one-third of the following 25,000 and one-fourth of the remainder. That portion of the loan liquidation debt corresponding to rights of this kind are to be redeemed within a period of thirty years beginning in 1926. The amount drawn will be paid in cash at the end of the drawing-year at five times the nominal value of the new securities (*i.e.*, generally at five times 2.5 per cent = 12.5 per cent of the old nominal amount plus 4.5 per cent interest running from January 1st, 1926, to the end of the year in which the drawing took place). The total amount thus to be redeemed amounted on March 31st, 1926, to 4,800 million Reichsmarks and the total amount of interest to be paid during thirty years is 3,348 million Reichsmarks, *i.e.*, 8,148 million in all. The budget must include equal yearly allocations to a sinking fund which, after deduction of the amounts necessary for the yearly drawings, will be sufficient, invested at 6 per cent, for the total redemption in thirty years. This yearly allocation has been calculated at 240 million Reichsmarks.

Further, necessitous German holders of drawing-rights domiciled in Germany are entitled to special "preferential" annuities amounting to 80 per cent of the nominal amount of the drawing-rights, but subject to a maximum of 800 Reichsmarks annually for one person. This maximum is increased to 1,000 Reichsmarks if the creditor definitively renounces his drawing-rights and to 1,200 Reichsmarks if the creditor is 60 years of age at the date of such renunciation. Social and scientific institutions holding drawing-rights may receive special "relief" annuities for fifteen years, the total amount of which is limited to 10 million Reichsmarks annually. During the enjoyment of these "preferential" and "relief" annuities, participation in the yearly drawings ceases.

Moreover, a sum of 150 million Reichsmarks was set aside for cash payments to necessitous holders of old bonds of a nominal amount of less than 1,000 Reichsmarks.

The amounts expended or estimated on account of the loan liquidation debt, excluding administrative charges, in the years 1926-27—1929-30 have been :

Reichsmarks (000,000's).

	1926-27	1927-28	1928-29	1929-30
Allocation to Sinking Fund	157.2	292.8	269.3	188.8
Preferential annuities	83.6	89.—	75.—	73.2
Social and scientific relief annuities . . . . .	...	...	10.—	10.—
Payments in cash to holders of old bonds . . . . .	...	27.5	...	...
	240.8	409.3	354.3	272.—

The total allocation to the sinking fund for the first three years amounted to 719.3 million Reichsmarks, *i.e.*, to roughly three times the yearly allocation of 240 million Reichsmarks according to the plan. The amount shown for 1929-30 corresponds to what is required for payment of drawing-rights. To meet the difference between that amount and the allocation of 240 million Reichsmarks, the sinking fund receives bonds from the Treasury.

4. *Rentenbank Loan.* — In accordance with the law of August 30th, 1924, the Reich has to transfer to a special sinking fund 60 million Reichsmarks per annum and the share in the profits of the Reichsbank.

5. *The debt to the Reichsbank* (235.5 million Reichsmarks) was incurred on account of deliveries of foreign bills. Of this debt 100 million Reichsmarks are only due in the event of the liquidation of the Reichsbank, and not before October 1974. They bear interest for fifty years at 2 per cent. The remainder — 135.5 million Reichsmarks — is repayable in 15 instalments of 9.03 million Reichsmarks and bears interest at 3 per cent.

6. *The Reich Loan of 1927* of 500 million Reichsmarks. The bonds carry interest at 5 per cent, mature in 1959, but may be redeemed at par from February 1st, 1937. In 1934 a sinking fund will be formed amounting to 2.1 per cent of the original amount plus the interest saved on bonds redeemed.

7. *The war damage liquidation certificates* are issued under a law of March 30th, 1928, providing for the final settlement of claims for war damage. Smaller claims are being paid in cash. It is estimated that they will amount to about 250 million Reichsmarks. Claims exceeding 20,000 Reichsmarks are being settled by delivery of registered debt certificates. These certificates are expressed in gold, bear interest at 6 per cent from April 1st, 1929, and will be redeemed by March 1948, with a preferential redemption in favour of the smaller claims. It is expected that the total amount of certificates to be issued will amount to 1,100 million Reichsmarks.

8. *The 7% Treasury Bonds* were issued to social insurance institutes and were repayable partly in October 1930 and partly in October and December 1932.

9. Of the *bonds issued to banks* at a discount of 7½% three-fourths were repayable on September 30th, 1929, and the balance on January 31st, 1930.

10. The *bonds issued under the agreement of February 1929* for the settlement of outstanding questions with Roumania, are to cover three annual payments of 15 million Reichsmarks each in April 1929, 1930 and 1931. A first payment of 30.5 million Reichsmarks was made upon the conclusion of the agreement.

H. Reparation Payments.

Under the provisions of the London Agreement of August 1924, the reparation payments have been fixed as follows :

1,000 million marks in the first year, 1,220 million in the second, 1,200 million in the third, 1,750 million in the fourth and 2,500 million in the fifth year and onward, subject to increase as from the sixth year onwards, calculated on a prosperity index based on foreign trade, the budgets of the Reich, Prussia, Bavaria and Saxony, railway transport of goods, consumption of sugar, tobacco, beer, alcohol, coal and lignite and the number of the population.

The reparation payments are derived from five sources :

1. The proceeds of a foreign loan issued on October 15th, 1924, to the amount of 800 million marks and utilised for the first annuity year (September 1st, 1924, to August 31st, 1925).

2. The reparation bonds of the German railways, amounting to 11 milliard Reichsmarks and bearing 5 per cent interest. The payment of interest was restricted, for the first annuity year, to 200 million gold marks, rising in the second year to 595 million, in the third to 550 million and from the fourth year onwards to 660 million marks, including amortisation.

3. *Industrial debentures.* — The German industrial undertakings are charged with the service on 5 milliard marks of industrial debentures issued in two equal series and bearing 5 per cent interest. The payment of 5 per cent interest on the first series was begun in the second annuity year and on the second series in the third year. From the fourth year the payments will amount to 300 million, including 1 per cent amortisation. The debentures may be called in as from January 1937. The service of these debentures is entrusted to the Bank for German Industrial Debentures.

4. *The transport tax.* — The German Railway has to deliver to the Reichsbank as reparation payment 250 million marks in the second annuity year and 290 million in the third annuity year and onwards out of the proceeds of the tax on passenger and goods transport.

5. *Payments from the budget.* — These payments have been fixed at 250 million marks for the second year, 110 million for the third, 500 million for the fourth and 1,250 million marks for the fifth year and onward. The payment of the 250 million marks in the second year was to be made out of the proceeds of the sale of preference railway shares. As security for payments from the budget and as collateral security for the service of the railway bonds and the industrial

debentures, the yield of the customs duties and the excise duties on alcohol, beer, tobacco and sugar has been pledged and put under the control of a Commissioner. Beginning from the third year, a reserve fund will be constituted in the following way: The Commissioner will withhold one-tenth monthly instead of one-twelfth of the annual amount due until a fund amounting to 100 million marks, including interest, has been constituted. This fund, which will serve to meet a possible shortage in the monthly yield of the controlled revenues or a failure in the service of the railway bonds and industrial debentures, will have to be advantageously invested. The interest accruing to the fund must be transferred to the Government when the sum of 100 million marks is reached.

The plan provided for supplementary payment should the yield of the pledged taxes amount to more than 1,000 million marks in the third year and more than 1,250 million in the fourth year, and for reductions should the actual yield not reach those amounts. The supplementary payment or the reduction was to amount to one-third of the excess or deficit, but not to more than 250 million marks. The actual yield of the pledged taxes having been considerably higher than the standard figures, the total payments in the third, fourth and fifth annuity years would thus have been 1,200, 2,000 and 2,750 million marks, instead of the basic amounts of 1,200, 1,750 and 2,500. In order to ensure a better gradation of the annuities and to avoid too heavy a strain on the economic life of Germany, the Government came to an agreement with the Agent-General for Reparation Payments and undertook to pay in the *third* annuity year a further contribution of 300 million marks in seven monthly instalments of 18 million marks each and five subsequent monthly instalments of 34.8 million each. The sequence of payments in the third, fourth and fifth years, therefore, becomes 1,500, 1,750 and 2,500 million marks.

The following table shows the payments due:

Gold marks (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29 and onward
	September 1st to August 31st				
Foreign loan	800	—	—	—	—
Interest on railway bonds	200	595	550	660	660
Amortisation of railway bonds	—	—	—		
Interest on industrial debentures	—	125	250	300	300
Amortisation of industrial debentures	—	—	—		
Transport tax	—	250	290	290	290
Budget	—	250	110	500	1,250
Supplementary budget contribution	—	—	300	—	—
Total	1,000	1,220	1,500	1,750	2,500 ¹

¹ Subject to increase from 1929-30 onwards, according to an index of prosperity.

The amounts remaining after deduction of expenditure for the service of the foreign loan, the Inter-Allied commissions, the army of occupation, the Belgian war debt, restitutions and American mixed claims are distributed according to the following percentages:

	%
France	47.50
British Empire	22.—
Italy	10.—
Belgium	12.50
Kingdom of Yugoslavia	5.—
United States of America	—
Roumania	1.10
Japan	—75
Portugal	—75
Greece	—40
Poland	—
	100

A Committee of financial experts appointed by the Belgian, British, French, German, Italian and Japanese Governments to draw up proposals for a complete and final settlement of the reparations problem, submitted its report in June 1929 (Young Plan). A conference of the Powers concerned was held in August 1929 and various committees were appointed to report on the settlement of certain questions connected with the execution of the plan.

J. Local Finance.

The following table gives a summary of budget accounts of local authorities for 1925-26 and 1926-27 :

Reichsmarks (000,000's).

	1925-26	1926-27
<i>(a) Länder :</i>		
Receipts excluding loans and transfer of surplus	3,092.9	¹
Expenditure	3,364.6	3,696.8
Balance	— 271.7	
<i>(b) Gemeinden, etc. :</i>		
Receipts excluding loans and transfer of surplus	4,575.5	¹
Expenditure	5,325.2	6,437.3
Balance	— 749.7	
<i>(c) Hanseatic Towns :</i>		
Receipts excluding loans and transfer of surplus	370.9	¹
Expenditure	455.1	505.2
Balance	— 84.2	

¹ Not available.

The following table shows an analysis of revenue of all the local authorities for the years 1925-26 and 1926-27 :

Reichsmarks (000,000's).

	1925-26	1926-27
Land and house taxes	871.5	1,009.6
Trade taxes	574.3	644.6
Other taxes on income and property	66.6	74.1
Total taxes on income and property	1,512.4	1,728.3
Taxes on beverages	80.2	75.4
Taxes on house rent paid	1,258.9	1,524.8
Tax on dogs	60.2	61.1
Taxes on entertainments	83.3	76.4
Various taxes on consumption	24.4	21.8
Taxes on transport	8.4	4.9
Tax on transactions in real estate	76.4	81.4
Tax on increment in value	25.9	38.6
Stamp duties	42.6	42.6
Other taxes on transactions	6.8	7.—
Miscellaneous taxes	27.3	—
Total taxes on production, use and transactions	1,694.4	1,934.9
Total taxation	3,206.8	3,663.2
Shares in taxes of the Reich	2,640.6	2,695.2
Administrative receipts	1,587.7	1,760.—
Surplus from undertakings, interest, etc.	604.3	¹
Total Receipts	8,039.4	8,118.4

¹ Not available.

The following table shows details of the expenditure of the local authorities for the years 1925-26 and 1926-27 :

Reichsmarks (000,000's).

	1925-26	1926-27
Justice	545.6	588.5
General administration	1,194.2	1,165.5
Public health	739.1	802.1
Social administration	2,306.2	3,269.5
Economic administration	1,721.3	1,936.-
Education, science and art	2,342.2	2,500.9
Financial administration	213.6	227.1
Debt service	82.7	149.7
Total Expenditure	9,144.9	10,639.3

The following table shows the situation of the public debt of the local authorities on March 31st, 1928 :

Reichsmarks (000,000's).

<i>Länder</i>	1,297.6
<i>Gemeinden</i> , etc.	5,774.4
Hanseatic towns	395.5
Total	7,467.5

K. Total Receipts from Taxes and total Expenditure of Germany.

The following table shows the total *receipts* from taxation of the Reich and the local authorities :

Reichsmarks (000,000's).

	1925-26	1926-27
The Reich	4,731.4	5,312.4
<i>Länder</i>	2,396.1	2,497.3
<i>Gemeinden</i>	3,204.6	3,584.2
Hanseatic towns	246.6	281.4
Total	10,578.7	11,675.3
Taxes per head of population	167 Rmks.	183 Rmks.

The following table shows the *expenditure* of the Reich and the local authorities :

Reichsmarks (000,000's).

	1925-26	1926-27
The Reich	5,321.-	6,561.4
<i>Länder</i>	3,364.6	3,696.8
<i>Gemeinden</i>	5,325.2	6,437.3
Hanseatic towns	455.1	505.2
Total	14,465.9	17,200.7
Expenditure per head of population	228 Rmks.	269 Rmks.

The total public debt of Germany on March 31st, 1928, according to the Statistical Year-Book for 1929 was 14,589.6 million Reichsmarks, *i.e.*, \$53.9 per head of population.

GREAT BRITAIN AND NORTHERN IRELAND

Notes on the Budget System.

1. The budget year covers the period from April 1st to March 31st. The estimates of expenditure for the coming financial year are prepared by the Civil Service, the fighting services and Revenue Departments in October and submitted to the Treasury during November, December and January. The estimates approved by the Treasury, with or without modification, are generally submitted to Parliament during the month of February.

The Budget Speech by the Chancellor of the Exchequer, accompanied by a statement of the total estimates, revenue and expenditure (Financial Statement) and giving a survey of the general financial position, is, as a rule, delivered in the second half of April. The budget is not voted until July or August, some four or five months after the beginning of the fiscal year. The expenditure and revenue for the intervening period is provided for by permanent or special authorisation or simply by anticipation of later authorisation.

2. Revenue is divided into two groups, (i) Receipts from taxes, (ii) Receipts from non-tax revenue. The latter include gross receipts of postal, telegraph and telephone services, etc., and also proceeds of sales of Government property (*e.g.*, war stocks) and repayment of war loans by Allies, Dominions, etc., but excludes proceeds of loans.

The expenditure chargeable against revenue falls into two parts :

(i) Consolidated Fund charges, resting upon statutory foundations and not voted annually, until Parliament shall otherwise determine, and,

(ii) Supply service charges, voted annually.

(i) The Consolidated Fund charges include charges for the interest and management of the National Debt, payments to the Road Fund and to local authorities, the Civil List, or the life annuity settled upon the Sovereign in return for the income from Crown lands, salaries and pensions of the Speaker of the House of Commons, the Judges, the Comptroller and Auditor-General and similar officers whose salaries are not voted annually by Parliament.

(ii) The charges for the supply services (Army, Navy, Air Force, Civil Services and Revenue Departments) cover the bulk of the State's expenditure, generally classified by the purposes for which it is effected, including capital outlay except capital expenditure under certain Acts, *viz.*, Telegraph (Money) Acts, The Post Office (London) Railway Act, 1913, the Housing Act, 1914, and the West Indian Islands (Telegraph) Act, 1924.

The money required to meet this capital expenditure is borrowed on the security of terminable annuities calculated to repay the loan during the life-time of the work for which the outlay is incurred. The annuities are included in the annual vote of expenditure for the department concerned and excluded from the debt service proper. The total outstanding liability in respect of such borrowings, amounting to £120.5 million on March 31st, 1929, is, however, included in the public debt under the heading " Other Capital Liabilities."

3. The estimates (and accounts) for supply services show both gross and net appropriations. The gross appropriations are made up of : (a) supply grants proper (= net appropriations), and (b) receipts appropriated in aid. Although a fairly regular practice has been established, there is no clear distinction between the receipts which are included in the revenue side of the budget and those

appropriated in aid. Both supply grants and appropriations-in-aid are authorised by Parliament each year, but attention is mainly concentrated on the former and it is the net figure which is quoted in most financial returns, etc. Accordingly, the following review shows the net appropriations only.

At present, all the estimates and appropriation accounts refer to payments within the year ; they take no account of services rendered to or by other departments or of other elements of cost not arising from direct cash payments. From April 1st, 1919, to March 31st, 1926, the army accounts were prepared on a cost basis, showing total expenditure, including services rendered by other public departments, the rental value of Government-owned buildings, pensions paid and pensions liabilities, and also the objects rather than the categories of expenditure. This system was abolished on the recommendation of the Select Committee on Public Accounts, which found that, in the absence of administrative decentralisation, to which the Army Council was unable to agree, it was impossible to apply the system of cost accounting. It should, however, be noticed that regular and continuous costing accounts are to be employed in all cases of semi-commercial activity (bakeries, etc.).

The Post Office, which includes the telegraph and telephone services, is treated as a revenue department and not as an independent Government undertaking. The gross revenue is accordingly paid into the Exchequer, and the expenditure for salaries, etc., is charged against votes.

Besides the budgetary accounts proper, the Post Office, the Stationery Office, etc., keep so-called trading or commercial accounts, showing the commercial profit or loss, including all items of cost or gain.

For Crown Lands, the Mint and the Stationery Office, the net figures only are shown in the estimates. The capital required by the Post Office for the development of the telegraph and telephone undertakings has been raised in one of three ways : (i) Loans under the Telegraph Acts, (ii) Exchequer bonds, (iii) advances provided by the Exchequer out of moneys voted. In the commercial accounts kept by the Post Office the services are debited with interest on the whole of the capital so raised — in the cases of (i) and (ii), the interest actually paid to the lenders, and, in the case of (iii), interest at the rate of $4\frac{3}{4}$ per cent.

There are two general provisions for debt redemption by the Exchequer. In the first place, any surplus resulting at the end of the year is, by statute, automatically devoted to debt repayment (" Old Sinking Fund "), from which it can only be diverted by specific parliamentary authority. In the Finance Accounts of 1928-29, for instance, the surplus revenue 1927-28 and 1928-29 was issued for rating relief purposes. In the second place, the annual expenditure includes specific provisions (Consolidated Fund) out of revenue for debt redemption (" New Sinking Fund ") as well as the sums provided to meet the service of loans raised under various Acts mentioned above. Besides these, there are funds applied in redemption of debt which are derived from sources other than the Exchequer, as for instance, land tax redemption, restitution annuity, China indemnity, and, in recent years, capital of war debt repaid by the Dominions, etc.

There are various special funds the receipts of which are derived either (a) fully or (b) partially from the budget or (c) entirely outside the budget. The most important are :

(a) The Road Fund, connected with the Consolidated Fund services, established for the purpose of making grants and loans to local authorities for road construction, repairs, etc., and deriving its income from the proceeds of motor vehicle duties.

(b) The Unemployment Insurance Fund, for payment of benefit to persons insured under the Unemployment Insurance Act, the income being supplied by the contributions received from employers, insured persons and the State.

(c) The Forestry Fund, with its income supplied partially from grants voted by parliament and partially from outside sources.

(d) The Local Loans Fund, utilised for loans under statutory authority to local authorities, public utility services and individuals. If repayment to the fund in any year is insufficient to provide the amount required for advances, the money is raised by the issue of stock.

(e) The Post Office Savings Bank and Trustee Savings Bank Funds.

4. State collections and payments are centralised at the Bank of England, the fiscal agent of the Treasury, and controlled by the Comptroller and Auditor-General. Before any issue from the Exchequer to the account of any department may be affected, the Comptroller-General must examine and certify the legality of the issue. Exchequer accounts, published weekly, show the

receipts which reached the Exchequer during the period and the issues from the Exchequer to the departments. It is customary to keep the balances in the hands of the departments down to the minimum necessary. Exchequer issues and departmental expenditure, therefore, do not differ very widely in ordinary conditions.

The accounts are closed on March 31st, the last day of the budget year, and departments must surrender to the Treasury any unspent balance: it is the authority to spend that lapses, or in technical language is surrendered, and not the money itself. In certain circumstances, a department may be entitled to keep an unspent balance in a special deposit account, in which case the balance is regarded as technically spent and shown as expenditure in the Finance Accounts. This balance is called a "grant-in-aid" to be distinguished from the "grants-in-aid" from the Government to some outside body, as for instance, to local authorities.

A yearly statement of the Exchequer accounts, called Finance Accounts (as distinct from the Appropriation Accounts, referred to below), is published by the Treasury in June or July. It shows the whole of the receipts by and issues from the Exchequer for the financial year, and the balances in the Exchequer at the beginning and end of the year, and gives, in addition, statements regarding the public debt, loans guaranteed and loans and advances granted by the Government.

In the quarter following the end of the fiscal year detailed statements of the accounts of the five Supply Services (Appropriation Accounts) together with a report by the Comptroller and Auditor-General are published. They contain the figures for estimated and actual gross expenditure, appropriations-in-aid and net expenditure, the balance, between supply grants and the net expenditure, to be surrendered and also the extra receipts payable to the Exchequer.

5. In addition to the information given in the Finance Accounts regarding the public debt, there is an annual return of national debt published by the Treasury in July.

The public debt includes all liabilities of the State, even temporary advances to the Treasury either from the Bank of England or from other Government departments.

The amount of Funded Loan and Victory Bonds, tendered for death duties, held by the Public Debt Commissioners until withdrawn or paid off, constitute a diminution of the public debt. The estimated assets, such as Suez Canal shares, loans outstanding under the Land Settlement (Facilities) Act, 1919, outstanding liability of India in respect of £100 million of 5% War Loan, are regarded as a set-off against public debt, but the advances from votes of credit to Dominions, Allied Powers, etc., and the estimated value of other votes of credit and war assets (surplus stores, ships, etc.) are not included in this list.

6. Local expenditure is generally covered as follows :

- (a) Local taxes (rates) ;
- (b) Proceeds from undertakings, fees, etc.;
- (c) Transfer either wholly or partially of certain taxes (assigned revenue) levied by the Government ;
- (d) Grants-in-aid for the execution of specific services.

The Rating and Valuation Act, 1925, regulates the power of the various Local Authorities to levy taxation, and also determines the whole process of valuation. Isolated rates including the "Poor rate" are at present levied in the form of a single united rate.

In view of certain difficulties which were inevitable in the administration of the Act in London, particularly those resulting from the Rent Restriction Act, the 1925 Rating and Valuation Act was not enforced for London until a later date.

The various grants to local authorities are made with a view to equalising the differences in the assessable capacity of the several municipalities and districts. By far the largest contribution given by the State is the Education Grant, estimated at £46.8 million for 1929-30.

This review, prepared in September 1929, is based principally on the following publications :

- (a) Finance Accounts of the United Kingdom for the financial years 1926-27, 1927-28 and 1928-29 ;
 (b) Financial statements — copies of " Statement of Revenue and Expenditure as laid before the House by the Chancellor of the Exchequer when opening the Budget " (1926-27 — 1929-30) ;
 (c) Appropriation Accounts for Civil Services and Revenue Departments (1926-27 — 1928-29) ;
 (d) Estimates for the various departments presented to Parliament, 1929-30 ;
 (e) Public Income and Expenditure, years ending 31st March, 1926 — 1929 ;
 (f) National Debt, Parliamentary White Papers (1926 — 1929).

Note on Price Movement.

The following table shows the movement of wholesale and retail prices for the period under review :

Official index numbers of :	1913	1922	1923	1924	1925	1926	1927	1928	1929
Wholesale prices (annual average)	100	159	159	166	159	148	142	140	137 ²
	(Month of July)								
Retail prices (cost of living)	100 ¹	181	171	171	173	170	164	165	163

¹ July 1914.

² Average, January to September 1929.

A. Summary of Budget Accounts. — (Finance Accounts.)

£'s (000,000's).

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Closed Accounts						Estimates	
<i>Revenue Account.</i>								
Revenue, excluding loans	914.-	837.2	799.4	812.1	805.7	842.8	836.4	834.6
Expenditure charged against revenue	812.5	788.8	795.8	826.1	842.4	838.6	818.-	822.7 ¹
Sinking Fund included in expenditure	(24.7)	(40.-)	(45.-)	(50.-)	(60.-)	(65.-)	(57.5)	(50.4)
Balance	+ 101.5	+ 48.4	+ 3.6	- 14.-	- 36.7	+ 4.2	+ 18.4	+ 11.9
Capital expenditure authorised by various Acts	8.-	7.7	10.-	12.-	11.-	9.9	10.6	...
Final balance	+ 93.5	+ 40.7	- 6.4	- 26.-	- 47.7	- 5.7	+ 7.8	+ 11.9

¹ These figures include the new Exchequer contribution of £15.6 million to local revenue, etc.

The following table shows the receipts into and issues out of the Exchequer, and the balances in the Exchequer at the beginning and end of the year.

£'s (000,000's).

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29
<i>Receipts :</i>							
Balance in the Exchequer at the Banks of England and Ireland	11.2	6.8	6.6	6.6	6.6	6.5	6.3
Surplus on Revenue Account	101.5	48.4	3.6	—	—	4.2	18.4
Balance between money raised by creation of debt and repayments . . .	—	—	3.5	12.3	65.3	4.8	26.—
Balance between advances granted and repaid	—	—	—	—	—	—6	—
Various repayments	8.4	—9	5.8	15.8	—1	—1	—
Total	121.1	56.1	19.5	34.7	72.—	16.2	50.7
<i>Expenditure :</i>							
Deficit on Revenue Account	—	—	—	14.—	36.7	—	—
Balance between money raised by creation of debt and repayments . .	100.3	40.7	—	—	—	—	—
Balance between advances granted and repaid	4.5	—6	2.9	2.1	17.—	—	11.2
Capital expenditure	9.5	8.2	10.—	12.—	11.8	9.9	10.6
Surplus on Revenue Account, 1927-28, 1928-29, transferred to Rating Relief Suspense Account	—	—	—	—	—	—	22.6
Balance in the Exchequer at the end of the year	6.8	6.6	6.6	6.6	6.5	6.3	6.3
Total	121.1	56.1	19.5	34.7	72.—	16.2	50.7

The financial year 1926-27 closed with a budget deficit of £36.7 million, in the sense of the term deficit employed in the United Kingdom. In the budget estimates a sum of £60 million had been allocated for debt redemption. The revenue fell short of the amount required for this purpose by £36.7 million, so that only £23.3 million were available for the Sinking Fund. The decrease in revenue was mainly due to the coal strike¹, while increase in expenditure resulted from higher interest charges on the public debt than had been estimated. The budget was actually balanced by resorting to temporary loans from the reserves of the Road Fund.

The budget for the financial year 1927-28 showed a surplus of £4.2 million. This was due to three causes : (i) Large receipts from the Death Duties which yielded £9.5 million more than budgeted for ; (ii) Repayments of loans by Kenya and Palestine amounting to £4.5 million ; and (iii) Economies effected by the Departments of more than £10.5 million. On the other hand, the excise duties yielded over £5 million less than was estimated. Under expenditure there was a saving of more than £10 million, against which, however, there was an increase of £9 million over the estimate for the repayment of the National Debt, particularly of National Savings Certificates.

The budget for the financial year 1928-29 showed a surplus of £18.4 million, which, together with the surplus of £4.2 million for 1927-28, was allotted to the Rating Relief Suspense Account.

¹ In summing up the effects of the general strike and the coal stoppage upon the budget for 1926-27, the Chancellor of the Exchequer (Mr. Churchill) stated that "in 1926 there was a decrease of revenue of about £17.5 million and an increase of expenditure of about £14.5 million, or a total loss to the Exchequer of approximately £32 million. This is the overwhelming cause which has involved us in a deficit of £36.5 million upon the finances of 1926 and which confronts us with a severe additional loss in 1927. That loss, as I have said, is subject to some recoupment, but it cannot be estimated at less than £18 million. It further involves us in losses in 1928 and 1929 amounting to nearly £9 million."

B. Budget Estimates for the Financial Year 1929-30 compared with Closed Exchequer Accounts for Previous Financial Years.

REVENUE.

£'s (000,000's).

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Finance Accounts							Estimates
Customs duties	123.-	120.-	99.3	103.5	107.5	111.6	119.-	126.-
Excise duties	157.3	148.-	135.1	134.6	133.-	139.2	134.-	132.-
Total	280.3	268.-	234.4	238.1	240.5	250.8	253.-	258.-
Motor vehicles duties	14.3	14.7	16.2	18.1	21.4	24.5	25.3	4.7
Road Fund	—	—	—	—	—	—	—	22.6
Estate, etc., duties	56.9	57.8	59.5	61.2	67.3	77.3	80.6	81.-
Stamp duties	22.2	21.6	22.9	24.7	24.7	27.-	30.1	31.-
Land tax and house duty and mineral rights duty	3.-	2.8	1.4	-.9	-.9	-.8	-.8	-.8
Property and income-tax . . .	314.8	269.3	273.8	259.4	234.7	250.6	237.6	239.5
Super-tax	64.2	60.6	62.7	68.5	65.9	60.6	56.1	58.-
Excess profits duty, etc. . . .	2.-	—	-.7	2.-	4.5	—	-.9	—
Corporation profits tax	19.-	23.3	18.1	11.7	4.-	1.8	-.9	1.7
Total, Inland Revenue	482.1	435.4	439.1	428.4	402.-	418.1	407.-	412.-
Total receipts from taxes	774.7	718.1	689.7	684.6	663.9	693.4	685.3	697.3
Postal service, gross	34.1	32.8	34.8	35.8	35.6	38.2	39.-	9.-
Telegraph service, gross	5.5	5.6	5.6	5.7	5.9	6.1	6.2	—
Telephone service, gross	13.6	14.4	15.-	15.9	17.4	18.7	20.1	58.1
Total, Post Office services	53.2	52.8	55.4	57.4	58.9	63.-	65.3	67.1
Crown lands	1.-	-.9	1.-	1.-	1.-	1.-	1.2	1.2
Interest on sundry loans, etc.	10.-	12.6	11.9	14.9	22.9	24.-	28.1	30.5
Miscellaneous :								
Ordinary receipts	24.1	16.-	14.4	17.3	28.2	30.9	13.1	12.5
Special receipts	51.-	36.8	27.-	36.9	30.8	30.5	43.4	26.-
Total receipts from non-tax revenue	139.3	119.1	109.7	127.5	141.8	149.4	151.1	137.3
Grand total	914.-	837.2	799.4	812.1	805.7	842.8	836.4	834.6

EXPENDITURE.

(a) Chargeable to Revenue.

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Finance Accounts							Estimates
<i>Consolidated Fund services :</i>								
National Debt services :								
Interest, etc.	299.3	307.3	312.2	308.2	318.6	313.8	311.5	304.6
Sinking Funds, etc. . . .	24.7	40.-	45.-	50.-	60.-	65.-	57.5	50.4
Total National Debt services	324.-	347.3	357.2	358.2	378.6	378.8	369.-	355.-

B. Budget Estimates for the Financial Year 1929-30 compared with Closed Exchequer Accounts for Previous Financial Years (continued).

EXPENDITURE (continued).

(a) Chargeable to Revenue (continued).

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Finance Accounts							Estimates
<i>Consolidated Fund services</i> (continued):								
Road Fund	11.8	14.-	15.6	17.5	17.4	19.7	21.1	22.6
Payment to local taxation accounts, etc.	10.5	13.7	14.-	14.4	14.2	15.4	15.2	15.-
New Exchequer contribution to local revenue	—	—	—	—	—	—	—	15.6
Land settlement	1.2	1.2	-6	-8	—	—	—	—
Payment to Northern Ireland Exchequer	3.3	4.-	3.8	4.9	5.7	5.3	5.1	5.4
Other Consolidated Fund services	2.7	2.8	2.4	2.3	2.9	3.6	2.8	3.5
Total Consolidated Fund services	353.5	383.-	393.6	398.1	418.8	422.8	413.2	417.1
<i>Supply services:</i>								
Army, including ordnance factories	45.4	43.6	44.8	44.2	43.6	44.2	40.5	40.5
Navy	56.2	52.6	55.6	59.6	57.6	58.1	56.9	55.9
Air Force	9.4	9.6	14.3	15.5	15.5	15.2	16.1	16.2
Civil services	286.8	239.4	226.1	243.3	240.5	229.8	222.5	223.3
Customs and Excise and Inland Revenue	11.3	10.8	11.-	11.4	11.5	11.7	11.6	11.6
Post Office services	49.9	49.8	50.4	54.-	54.9	56.8	57.2	58.1
Total supply services	459.-	405.8	402.2	428.-	423.6	415.8	404.8	405.6
Total	812.5	788.8	795.8	826.1	842.4	838.6	818.-	822.7

(b) Chargeable to Capital Account.

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Finance Accounts							Estimates
Telegraph (Money) Acts	7.-	7.7	9.7	12.-	11.-	9.9	10.5	1
Housing Act, 1914	(-.027)	(-.016)	(-.006)	(-.006)	—	—	—	
Anglo-Persian Oil Company Calls Act	1.-	—	—	—	—	—	—	
Post Office (London) Railways Act, 1913	—	(-.010)	—	—	—	—	—	
West Indian Islands (Telegraph) Act	—	—	(-.343)	(-.047)	(-.004)	—	—	
Total	8.-	7.7	10.-	12.-	11.-	9.9	10.5	
Grand total	820.5	796.5	805.8	838.1	853.4	848.5	828.5	

¹ Not available.

C. Analysis of Receipts.

	1926-27		1927-28		1928-29		1929-30	
	Finance Accounts						Estimates	
	Amount: £'s (000,000's)	Percent- age of total	Amount: £'s (000,000's)	Percent- age of total	Amount: £'s (000,000's)	Percent- age of total	Amount: £'s (000,000's)	Percent- age of total
I. Taxes on Income and Property :								
Income and property tax . . .	234.7	29.90	250.6	31.88	237.6	30.50	239.5	30.84
Super-tax.	65.9	8.40	60.6	7.71	56.1	7.20	58.—	7.47
Corporation profits tax	4.—	—.51	1.8	—.23	—.9	—.11	—.8	—.10
Land tax.	—7	—0.09	—6	—0.08	—6	—0.08	—8	—0.10
Mineral rights duty	—2	—0.03	—2	—0.03	—2	—0.03	—	—
Excess profits duty	4.5	—5.7	—	—	—9	—1.1	—9	—1.2
Total	310.—	39.50	313.8	39.93	296.3	38.03	300.—	38.63
II. Taxes on Production, use and transactions :								
Customs duties	107.5	13.70	111.6	14.20	119.—	15.28	126.—	16.23
Excise duties :								
Beer	78.8	10.04	77.8	9.90	70.8	9.09		
Spirits	37.—	4.71	40.6	5.17	39.—	5.01		
Sugar	1.	—1.3	1.3	—1.7	1.—	—1.3		
Oil	—	—	—	—	3.6	—4.6		
Patent medicine labels. . .	1.3	—1.6	1.2	—1.5	1.3	—1.7		
Matches	1.4	—1.8	1.7	—2.2	1.9	—2.4		
Artificial silk	—7	—0.9	1.2	—1.5	1.5	—1.9	132.— ¹	17.—
Betting	—6	—0.8	2.4	—3.0	2.2	—2.8		
Total	120.8	15.39	126.2	16.06	121.3	15.57		
Licensing duties	6.5	—8.3	6.9	—8.7	6.7	—8.6		
Entertainments duty	5.7	—7.2	6.1	—7.8	6.—	—7.7		
Motor vehicle duties	21.4	2.73	24.5	3.12	25.3	3.24	4.7	—6.1
Motor vehicle duties :								
Road Fund ²	7.—	—8.9	12.—	1.53	— ²	—	22.6	2.91
Death duties	67.3	8.57	77.3	9.83	80.6	10.35	81.—	10.43
Stamp duties	24.7	3.15	27.—	3.43	30.1	3.86	31.—	3.99
Total, II	360.9	45.98	391.6	49.82	389.—	49.93	397.3	51.17
Total of I and II	670.9	85.48	705.4	89.75	685.3	87.96	697.3	89.80
III. Fees, contributions and other administrative receipts . . .								
	21.6	2.75	18.1	2.30	11.2	1.44	38.5	4.96
IV. Net surplus from Public Domain and undertakings :								
Crown lands	1.—	—1.3	1.—	—1.3	1.2	—1.5	1.2	—1.5
Post Office	4.2	—5.3	6.2	—7.9	8.—	1.03	9.—	1.16
Total	5.2	—6.6	7.2	—9.2	9.2	1.18	10.2	1.31

¹ Details not available.² The receipts of the Road Fund for the years 1926-27 and 1927-28 are included in miscellaneous ordinary receipts in the Finance Accounts (see table B). For the year 1928-29 the amount is not available.

C. Analysis of Receipts (continued).

	1926-27		1927-28		1928-29		1929-30	
	Finance Accounts						Estimates	
	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total
V. <i>Dividends on Government shares in corporations, companies, etc.</i>								
Suez Canal shares	1.1	-14	1.5	-19	1.7	-22	— ¹	—
Post Office Savings Bank : Exchequer share of sur- plus of interest	2.8	-36	3.—	-38	3.—	-38	— ²	—
Total	3.9	-50	4.5	-57	4.7	-60		
VI. <i>Interest</i>	21.8	2.77	22.5	2.86	22.9	2.94	30.5	3.93
VII. <i>Receipts from payments under international treaties</i>	20.8	2.65	18.3	2.33	24.5	3.15	— ²	
VIII. <i>Receipts from realisation of State assets :</i>								
Repayment of principal of loans to Colonial, allied and other Governments	—	—	3.4	-43	3.—	-39	— ¹	—
Repayment of principal of loans to foreign Governments for reconstruction and repatriation	—	—	—	—	-5	-06	— ¹	—
Currency Note Account	—	—	—	—	13.4	1.72	—	—
Currency Notes Investment Reserve Account (Excess of reserve beyond proportion of 5% on securities)	6.8	-87	6.6	-84	4.4	-56	—	—
Total	6.8	-87	10.—	1.27	21.3	2.73	— ¹	—
Total receipts excluding proceeds of loans	751.— ³	95.68	786.— ³	100	779.1 ³	100	776.5 ³	100
Deficit	—	33.9	—	—	—	—	—	—
Grand total	784.9	100	786.—	100	779.1	100	776.5	100

¹ Included under IV.² Included under III.³ The totals in the table above differ from those in the Summary table as the figures shown above for the Post office represent *net* receipts after deducting the working expenses as shown in the Appropriation accounts (for 1929-30, estimates).

NOTES.

I. *Taxes on Income and Property.* — (i) Income Tax. — Incomes of individuals are divided into five Schedules :

- A. Income from the ownership of lands, houses, etc. ;
- B. Income from the occupation of lands ;
- C. Income from interest, annuities, dividends, etc., (tax deducted at source) ;
- D. Income from trades, professions and other employment ; interest and other miscellaneous items of income not taxed under any other schedule ;
- E. Income from public employment.

The taxable income is calculated :

(a) By deducting from the actual income an allowance of one-sixth of the earned income, irrespective of the amount of the taxpayer's total actual income, but subject to a maximum allowance of £250 (Assessable income) ;

(b) By deducting various personal allowances — £135 for single, £225 for married persons, etc. (Taxable income).

At present the tax is charged on the first £225 of taxable income at one-half the standard rate and on the remainder at the standard rate of tax, which, during the four financial years under review, has remained at 4s. in the pound.

In 1927-28 a uniform basis of assessment, namely, the income of the preceding year, was substituted for the three years' average and other bases which, up to 1926-27, constituted the measure of liability for Income Tax purposes in respect of incomes from various sources. Certain incomes and profits, including those from mines, railways and docks were transferred to Schedule D.

An agreement was made on April 14th, 1926, between the British Government and the Government of the Irish Free State in respect of double income-tax.

In 1928-29 the amount of the relief in respect of children was increased from £36 for the first child and £27 for each subsequent child, to £60 for the first child and £50 for each subsequent child.

(ii) Super-tax. — The super-tax, an additional income-tax charge, was payable, for any year of assessment, on the individual's total income, as computed for Income-Tax purposes for the preceding year, in excess of £2,000.

Since 1927, it has been imposed under the name of surtax, and is payable as a deferred instalment of the income-tax on January 1st of the year subsequent to the year of assessment.

The graduated rate for the super-tax varies from 4s. 9d. in the £ on incomes from £2,000 to £2,500 and rises by five steps to 10s. 0d. in the £ on incomes in excess of £30,000.

2. Taxes on Production, Use and Transactions. — (i) Customs Duties. — The following table shows detailed figures for the yield of the Customs Duties :

£'s (000,000's).

	1926-27	1927-28	1928-29	1929-30
	Closed accounts			Estimates
Beer	5.4	5.5	5.—	126.— ¹
Matches	2.1	2.2	2.—	
Motor-cars and motor-cycles	1.8	2.5	2.5	
Silk and artificial silk	5.—	4.8	4.6	
Spirits	6.4	6.7	6.6	
Sugar	17.3	16.9	13.8	
Tea	6.—	5.8	5.7	
Tobacco and snuff	53.9	58.1	59.1	
Wine	4.3	4.1	4.2	
Oil	—	—	9.4	
Other articles	5.3	5.—	6.1	
Total	107.5	111.6	119.—	126.—

¹ Details not available.

The Finance Act of 1926-27 (a) repealed the exemption in favour of motor trade vehicles, ambulances, etc. ; (b) continued the $33\frac{1}{3}$ per cent *ad val.*, duty on key industries for a period of ten years ; (c) fixed the rate on optical glass and elements at 50 per cent *ad valorem* and the rate on arc lamp carbons at 1/-per lb ; (d) extended the duty, as from May 1st, 1926, until August 19th, 1936, to cover the component parts of scientific instruments, carbon electrodes, molybdenum (except ores and minerals) etc., at the rate of $33\frac{1}{3}$ per cent *ad valorem* ; (e) removed the duty on antique articles over a hundred years old, other than wines and spirits ; and (f) levied a new $16\frac{2}{3}$ per cent *ad val.* duty on imports of packing and wrapping paper with a preferential rebate of one-third in favour of Empire goods.

The Finance Act of 1927 applied a duty on all photographic sensitised sheets or strips of celluloid and other similar material of $\frac{1}{3}$ d. per linear foot of standard width and levied a new duty, on and after April 19th, 1927, for a period of five years, on imports of table ware, or translucent or vitrified pottery at the rate of 2s. 4d. per cwt. with a preferential rebate of one-third in favour of Empire goods.

The Finance Act of 1928 (a) placed British Empire films on the same basis as films produced abroad by British nationals resident in Great Britain ; (b) levied a new duty of 6d. each on imports

of mechanical lighters and of component parts, a duty on imports of buttons from April 28th, 1928, for a period of five years at the rate of $33\frac{1}{3}$ per cent *ad valorem*, with a preferential rebate of one-third in favour of Empire goods, and a duty of 4d. per gallon on imports of hydrocarbon oils. A rebate was allowed in respect of the heavy oils, thus leaving the tax in effect payable only in respect of the light oils.

The Finance Act of 1929 repealed, as from April 22nd, 1929, the existing Customs duties of 4d. per lb on foreign tea and $3\frac{1}{3}$ d. per lb on Empire tea.

(ii) Excise Duties. — In 1926 a new duty of 5 per cent on legal bets made with a bookmaker was imposed, together with a duty of £10 on entry certificates taken out by bookmakers and a duty of £10 on the registration of each set of premises used by a bookmaker for receiving bets on credit. Relief from duty was allowed in the case of bets laid off and bets which for any reason became void.

The Finance Act of 1928 imposed (a) a duty of 6d. on mechanical lighters manufactured on and after April 28th, 1928, and (b) a duty of 4d. per gallon on stocks of petroleum oils where such stocks on April 25th, 1928, exceeded 10,000 gallons in the case of any one owner, but in the case of stocks for the owner's use no tax was leviable until May 1st. As in the case of the *customs duty*, a rebate on heavy oils was provided.

The Finance Act of 1929 repealed, as from April 16th, 1929, the existing duties on bets, except those made with bookmakers.

While the Finance Act of 1929 repealed from November 1st, 1929, the annual duty of £10 on bookmakers' entry certificates, it left in force the annual duty of £10 on bookmakers' personal certificates. In addition, there is to be imposed an annual duty of £40 in respect of each telephone used by a bookmaker for his business, and a duty of $\frac{1}{2}$ per cent on stakes laid with a totalisator.

(iii and iv) Motor Vehicle Duties and Road Fund. — The Road Fund was established in 1909 for making grants and loans to local authorities for road construction, repairs, etc. It is supplied with income out of the proceeds of the motor-vehicle duties. As mentioned elsewhere, the budget for 1926-27 was balanced by temporary loans from the reserve of the Road Fund. In the same year the motor-vehicles duties were increased to cover the deficit in the fund.

(v) Death Duties. — The death duties on the Statute Book are seven in number, of which only three are now important, namely: (1) the Estate Duty — a duty payable on the passing of property on death; (2) the Legacy Duty and (3) Succession Duty, each of which is payable on the acquisition of property by beneficiaries. The remaining four, namely: Probate Duty (in Scotland called Inventory Duty), Account Duty, Temporary Estate Duty and Settlement Estate Duty, are leviable in connection with deaths which occurred during certain specific periods, the last of which expired on May 12th, 1914, and are, therefore, now of very little importance.

3. The item *Fees, Contributions and other Administrative Receipts* comprises Receipts by Civil Departments (other than Appropriations-in-Aid) Fees, Stamps, etc., and various items shown under "Special Receipts" in the Finance Accounts, which it was not possible to classify separately.

4. The item *Interest* is composed as follows:

£'s (000,000's).

	1926-27	1927-28	1928-29
1. Interest on War Loans to Dominions and Colonies	6.3	6.1	6.—
2. Interest on Loans to Allied Powers	10.8	10.7	12.9
3. Interest on Relief, Reconstruction and Repatriation Loans to Foreign Governments	1.1	1.2	1.3
4. Interest on Loans to Corporations, Institutions, etc.	3.6	4.5	2.7
Total	21.8	22.5	22.9

5. Receipts from *Payments under International Treaties* include:

(i) The net reparation receipts, which amounted to £9.6 million for 1926-27, £14.5 million for 1927-28 and £20 million for 1928-29, respectively. From the total reparation receipts from Germany a deduction must be made for the first thirty-seven years on account of the reparation claims of the British Dominions. This was fixed in 1921 at 13.15 per cent of total British Empire receipts in respect of reparations, excluding prior charges, chiefly Belgian War Debt and costs of armies of occupation.

(ii) For the financial year 1926-27, French and Other Allied Governments' Suspense Account, which amounts to £5.7 million.

(iii) The surplus account of the Clearing Office for ex-enemy debts, amounting to £5.5 million for 1926-27, £3.8 million for 1927-28 and £4.5 million for 1928-29.

D. Analysis of Expenditure.

	1926-27		1927-28		1928-29		1929-30	
	Appropriation Accounts				Revised Estimates		Estimates	
	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total
I. National Defence :								
Effective services :								
Army	35.5	4.52	35.8	4.55	32.9	4.22	32.3	4.16
Navy	49.—	6.24	49.9	6.35	48.8.	6.27	47.3	6.10
Air Force	15.2	1.94	14.9	1.90	16.1	2.07	16.—	2.06
Colonies (Middle East) effective charges	3.7	—47	2.3	—29	—5	—06	—5	—06
Total	103.4	13.17	102.9	13.09	98.3	12.62	96.1	12.38
II. Foreign Affairs	1.2	—15	1.4	—18	1.5	—19	1.4	—18
III. Colonial Affairs	2.—	—26	3.1	—39	2.5	—32	2.1	—27
IV. Justice	3.—	—38	3.—	—38	2.3	—30	1.8	—23
V. Supreme Organs of Govern- ment and General Adminis- tration :								
Civil List	—5	—06	—5	—06	—5	—06	—	—
Central Government	2.6	—33	2.—	—26	2.—	—26	2.1	—27
Police : England, Wales and Scotland	7.7	—98	7.7	—98	8.—	1.03	8.1	1.04
Stationery (deficit)	1.6	—20	1.6	—20	1.6	—21	1.6	—21
Miscellaneous expenses	—9	—12	1.—	—13	1.5	—19	3.5	—45
Total	13.3	1.69	12.8	1.63	13.6	1.75	15.3	1.97
VI. Public Health	11.9	1.52	12.—	1.53	11.9	1.52	12.7	1.63
VII. Social Administration :								
Old Age Pensions	30.—	3.82	32.9	4.19	34.2	4.39	35.5	4.57
Widows', orphans' and old age contributory pensions	4.—	—51	4.—	—51	4.—	—51	4.—	—51
Unemployment : Grants and Relief	6.2	—79	1.9	—24	1.5	—19	1.8	—23
Housing grants (gross)	10.—	1.27	12.1	1.54	12.7	1.63	12.7	1.64
Other expenditure	10.7	1.37	11.3	1.44	12.5	1.61	12.4	1.60
Total	60.9	7.76	62.2	7.92	64.9	8.33	66.4	8.55
VIII. Economic Administration:								
Agriculture	7.9	1.01	9.4	1.19	9.2	1.18	9.1	1.18
Industry	7.—	—89	1.7	—22	1.8	—23	1.8	—23
Trade	2.—	—26	1.8	—23	1.6	—21	1.8	—23
Communications and Public Works	23.9	3.04	26.5	3.37	29.1	3.73	31.6	4.07
Total	40.8	5.20	39.4	5.01	41.7	5.35	44.3	5.71
IX. Education, Science and Arts	49.3	6.28	48.9	6.22	44.8	5.75	45.—	5.80
X. Financial Administration :								
Customs and Excise Depart- ments	4.1	—52	4.1	—52	4.1	—52	4.2	—54
Revenue Departments	6.4	—82	6.7	—86	6.7	—86	6.4	—83

D. Analysis of Expenditure (continued).

	1926-27		1927-28		1928-29		1929-30	
	Appropriation Accounts				Revised Estimates		Estimates	
	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total	Amount : £'s (000,000's)	Percent- age of total
X. Financial Administration (continued) :								
Treasury and subordinate departments, Exchequer and Audit Department .	-4	-05	-4	-05	-4	-05	-4	-05
Mint (deficit)	-1	-01	—	—	-2	-03	-1	-01
Total	11.-	1.40	11.2	1.43	11.4	1.46	11.1	1.43
XI. Payments to Provinces, Municipalities, etc.	19.9	2.54	20.7	2.63	20.3	2.61	33.6	4.33
XII. Pensions :	7.9	1.01	7.9	1.01	8.4	1.08	8.2	1.06
Civil Service	16.4	2.09	16.8	2.14	16.8	2.16	17.-	2.19
Fighting Services (Defence budgets : non effective) .	63.6	8.10	60.1	7.64	57.6	7.39	54.1	6.96
War Pensions	87.9	11.20	84.8	10.79	82.8	10.63	79.3	10.21
Total								
XIII. War Charges :								
Imperial War Graves Com- mission	1.-	-13	-5	-06	-7	-09	-5	-06
XIV. Debt Service :								
Administration	2.3	-29	1.8	-23	1.4	-18	304.6 ¹	39.23
Interest	317.-	40.39	313.2	39.85	310.1	39.80		
Repayment : New Sinking Fund	60.-	7.64	65.-	8.27	57.5	7.38		
Total	379.3	48.32	380.-	48.35	369.-	47.36	355.-	45.72
Total expenditure	784.9 ²	100	782.9 ²	99.61	765.7 ²	98.28	764.6 ²	98.47
Surplus	—	—	3.1	-39	13.4	1.72	11.9	1.53
Grand total	784.9	100	786.-	100	779.1	100	776.5	100

¹ Details not available.

² The totals in the table above are net, *i.e.*, the working expenses of the Post Office have been deducted. If that expenditure were added, the totals obtained would be slightly different from those shown in table A, Summary of Budget accounts, owing to the fact that the table above is based, as regards supply services, on the Appropriation Accounts.

NOTES.

1. Expenditure shown as Colonial includes the cost of administration of the Colonial, Dominion and Middle Eastern services.

2. The Item *Public Health* is composed of the expenditure of the Ministry of Health, the Scottish Board of Health and the Board of Control, excluding housing grants.

3. The Item *Social Administration* includes the cost of the Ministry of Labour amounting to £10.5 million for 1926-27 ; £11.1 million for 1927-28 ; £12.1 million for 1928-29 ; and £12.2 million for 1929-30. It also includes housing grants (*gross*) from the Ministry of Health, etc. The gross amounts for unemployment insurance and resettlement of ex-soldiers are as follows :

£'s (000,000's).			
1926-27	1927-28	1928-29	1929-30
11.—	12.1	12.—	12.1

The gross housing grants are :

£'s (000,000's),

	1926-27	1927-28	1928-29	1929-30.
Ministry of Health	8.4	10.7	11.1	11.1
Scottish Board of Health	1.6	1.4	1.6	1.6
	10.—	12.1	12.7	12.7

4. Payments to provinces and municipalities include payments to Local Taxation Account and to the Northern Ireland Exchequer. Grants for specific purposes (*e.g.*, education) are shown against the corresponding headings.

E. Public Domain and Undertakings.

£'s (000,000's).

	1926-27	1927-28	1928-29	1929-30
	Closed Accounts			Estimates
<i>Crown Lands</i> (net receipts)	1.—	1.—	1.2	1.2
<i>Post office</i> :				
Gross receipts	58.9	63.—	65.3	67.1
Working expenses	54.7	56.8	57.3	58.1
Net surplus	4.2	6.2	8.—	9.—
<i>Stationery and Printing</i> :				
Net deficit	1.6	1.6	1.5	1.6
<i>Mint</i> :				
Net deficit	-1	...	-2	-1

NOTES.

1. The Post Office is treated as a Department the expenditure of which is charged to votes. Besides the budget accounts of the Post Office, the so-called Postal, Telegraph and Telephone Services Commercial Accounts are prepared on a cost-accounting basis. In the budget estimates for 1929-30 the Post Office is treated as an item in the " Self-Balancing Revenue and Expenditure ".

2. Only the " net receipts " paid into the Exchequer for crown lands, after deducting the expenditure of Administration, are shown on the revenue side of the budget.

3. The net deficits on Stationery and Printing and the Mint shown above represent the actual expenditure voted, the receipts (shown as Appropriations-in-aid) being set off against the expenditure.

F. Public Debt.

(i) Table showing the Public Debt in 1914 and since 1919.

£'s (000,000's).

Date	Domestic debt							Foreign debt		Total debt	
	Funded		Other capital liabilities	Floating		Total		Amount	Movement (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)		Amount	Movement (+ or -)	Amount	Movement (+ or -)				
March 31st:											
1914	616.3	...	56.4	33.5	...	706.2	...	nil	...	706.2	...
1919	4,731.2	+4,114.9	46.1	1,338.9	+1,305.4	6,116.2	+5,410.-	1,364.9	+1,364.9	7,481.1	+6,774.9
1920	5,286.5	+ 555.3	46.9	1,263.5	- 75.4	6,596.9	+ 480.7	1,278.7	- 86.2	7,875.6	+ 394.5
1921	5,169.5	- 117.-	48.7	1,243.3	- 20.2	6,461.5	- 135.4	1,161.6	- 117.1	7,623.1	- 252.5
1922	5,544.7	+ 375.2	66.2	1,020.9	- 222.4	6,631.8	+ 170.3	1,088.7	- 72.9	7,720.5	+ 97.4
1923	5,776.7	+ 232.-	70.3	809.9	- 211.-	6,656.9	+ 25.1	1,155.7	+ 67.-	7,812.6	+ 92.1
1924	5,740.7	- 36.-	66.5	774.5	- 35.4	6,581.7	- 75.2	1,125.8	- 29.9	7,707.5	- 105.1
1925	5,734.1	- 6.6	68.-	742.2	- 32.3	6,544.3	- 37.4	1,121.6	- 4.2	7,665.9	- 41.6
1926	5,743.5	+ 9.4	75.1	704.3	- 37.9	6,522.9	- 21.4	1,110.8	- 10.8	7,633.7	- 32.2
1927	5,737.4	- 6.1	98.1	715.8	+ 11.5	6,551.3	+ 28.4	1,101.4	- 9.4	7,652.7	+ 19.-
1928	5,743.8	+ 6.4	103.2	688.8	- 27.-	6,535.8	- 15.5	1,095.2	- 6.2	7,631.-	- 21.7
1929	5,678.3	- 65.5	120.5	737.3	+ 48.5	6,536.1	+ -3	1,084.7	- 10.5	7,620.8	- 10.2

NOTES.

1. The figures for debt shown in the table above do not include funding loans and Victory Bonds tendered for death duties and held by National Debt Commissioners but not yet cancelled.

2. The increase in the nominal amount of the public debt in spite of substantial repayments during the period 1920 to 1927 has been due to : (a) conversion loans, increasing the face value of the debt while saving interest ; and (b), as regards 1922-23, inclusion in the capital of the foreign debt of arrears of interest due on the debt to the United States of America.

(ii) Table showing the total of the Public Debt in 1914 and since 1919 in actual figures and reduced to pre-war price level.

Date	Public debt		Board of Trade index number of wholesale prices	Public debt reduced to pre-war price level	
	Amount : £'s (000,000's)	Percentage of 1914		Amount : £'s (000,000's)	Percentage of 1914
March 31st: 1914	706.2	100.-	100 ¹	706.2	100.-
1919	7,481.1	1,059.3	2	—	—
1920	7,875.6	1,115.2	319	2,468.8	349.6
1921	7,623.1	1,079.5	211	3,612.8	511.6
1922	7,720.5	1,093.2	160	4,825.3	683.3
1923	7,812.6	1,106.3	159	4,913.6	695.8
1924	7,707.5	1,091.1	165	4,671.2	661.5
1925	7,665.9	1,085.5	166	4,618.-	653.9
1926	7,633.7	1,081.-	144	5,301.2	750.7
1927	7,652.7	1,083.6	141	5,427.4	768.5
1928	7,631.-	1,080.6	141	5,412.1	766.4
1929	7,620.8	1,079.1	140	5,443.5	770.8

¹ 1913.² Not calculated.

(iii) Table showing amount of gross charges for interest and management of the Public Debt in 1914 and since 1919, in actual figures and reduced to pre-war price level.

Financial year	Accounts	Gross charges for interest and management of the Public debt ¹ .		Board of Trade index number of wholesale prices	Charges for interest and management of Public Debt reduced to pre-war price level	
		Amount : £'s (000,000's)	Percentage of 1913-14		Amount £'s (000,000's)	Percentage of 1913-14
1913-14	Closed Accounts	18.7	100.—	100 ²	18.7	100.—
1919-20		328.2	1,754.6	³	—	—
1920-21		329.9	1,763.8	211	156.3	835.9
1921-22		309.2	1,653.2	160	193.3	1,033.2
1922-23		302.2	1,615.9	158	191.3	1,022.7
1923-24		310.4	1,659.8	161	192.8	1,030.9
1924-25		315.1	1,684.7	167	186.7	998.1
1925-26		311.4	1,664.8	155	200.9	1,074.1
1926-27		322.5	1,724.1	147	219.4	1,172.9
1927-28		318.6	1,703.5	141	226.—	1,208.1
1928-29		315.4	1,686.3	140	225.3	1,204.5

¹ The figures shown in this table include charges for interest and management of all liabilities, while the figures for interest on Public Debt in the expenditure table do not include the interest charges on account of "Other capital liabilities".

² 1913.

³ Not calculated.

(iv) Table showing, in actual figures and reduced to pre-war price level, the amount of Public Debt and Debt Service, per head of population, in 1914 and since 1924.

Date	Population (000,000's)	Public debt		Financial year	Debt service	
		In actual figures	Reduced to pre-war price level		In actual figures	Reduced to pre-war price level
March 31st : 1914	45.9 ¹	£ 15	£ 15	1913-14	£ -4	£ -4
1924	45.1 ²	171	104	1924-25	6.9	4.1
1925	45.4 ²	169	102	1925-26	6.9	4.5
1926		168	117	1926-27	7.1	4.8
1927	45.6 ²	168	119	1927-28	7.—	5.—
1928	45.7 ²	167	118	1928-29	6.9	4.9
1929	45.8 ²	166	119			

¹ Including Ireland.

² Excluding the Irish Free State.

The following table gives particulars regarding the Public Debt on March 31st, 1926, 1927, 1928 and 1929.

	Maturity	March 31st, 1926	March 31st, 1927	March 31st, 1928	March 31st, 1929	In currency in which borrowed
		£'s (000,000's).				
DOMESTIC DEBT.						
<i>Funded Debt :</i>						
Consols : 2½%	Permanent	276.3	276.3	276.2	276.2	(000,000's)
" " 2¾%		2.4	2.4	2.4	2.4	
" " 2½%		21.1	21.1	21.1	21.1	
" " 4%		—	166.4	204.3	353.9	
3½% Conversion Loan		760.—	739.9	832.3	811.—	
Debts to the Banks of England and Ireland (2½%)	For life and terms of years	13.7	13.6	13.6	13.6	
Terminable annuities ¹		12.6	12.2	12.6	12.5	
War Stock and War Bonds : 3½%		1925-28	62.7	62.7	—	—
" " " 4½%	1925-45	12.8	12.8	12.8	12.8	

¹ Repayable by specific statutory sinking funds.

Detailed table of the Public Debt (continued).

	Maturity	March 31st, 1926	March 31st, 1927	March 31st, 1928	March 31st, 1929	In currency in which borrowed
DOMESTIC DEBT (Cont.).		£'s (ooo,ooo's)				(ooo,ooo's)
<i>Funded Debt (Cont.):</i>						
War Stock and War Bonds : 5%	1929-47	2,044.1	2,088.2	2,172.3	2,184.5	
" " " " 4%	1929-42	64.9	66.—	80.3	79.7	
4% Funding Stock and Bonds ¹	1960-90	391.9	388.8	385.4	382.1	
4½% Conversion Stock and Bonds	1940-44	210.6	211.1	220.9	223.1	
4% Victory Bonds ¹	Annual drawings	347.6	345.3	343.—	340.5	
3% Exchequer Bonds	January 1930	15.6	15.6	15.6	15.6	
Treasury Bonds 5½%	April 1929	30.6	30.6	30.6	30.2	
" " 5½%	May 1930	134.7	134.7	134.7	134.7	
" " 5%	1927	109.6	—	—	—	
" " 4½%	April 1932	121.3	121.3	121.3	121.3	
" " 4%	1931-33	60.9	64.6	64.6	64.6	
" " 4½%	1927, 1928, 1929, 1930	5.1	3.4	72.8	14.6	
" " 4½%	1934	19.2	99.6	91.8	77.2	
" " 4½%	1932-1934	—	—	—	123.5	
" " 5%	1933-1935	—	—	159.5	114.6	
National War Bonds 5%	1927	158.1	69.9	—	—	
" " 4%	1927	80.—	41.9	—	—	
" " 5%	April 1928	122.3	110.1	26.3	—	
" " 4%	April 1928	37.4	36.4	19.6	—	
" " 5%	Sept. 1928	189.8	177.9	42.—	—	
" " 4%	Sept. 1928	20.6	20.3	6.1	—	
" " 5%	February 1929	92.7	94.—	95.2	—	
" " 4%	February 1929	4.8	4.8	4.8	—	
National Savings Certificates	—	375.6	371.8	362.4	361.2	
National Savings Bonds	—	—	—	—	—	
Sundry debts	—	1.8	1.8	1.8	1.8	
Other capital liabilities	—	75.1	98.1	103.2	120.5	
Total Fused debt		5,875.9	5,903.8	5,930.1	5,894.—	
<i>Floating Debt :</i>						
Treasury bills	—	564.9	599.2	526.9	700.3	
Ways and means advances	—	139.4	116.6	161.9	37.—	
Total floating debt		704.3	715.8	688.8	737.3	
Total domestic debt		6,580.2	6,619.6	6,618.9	6,631.3	
FOREIGN DEBT.						
<i>To U. S. A. :</i>						
Government Loan ¹	1923-85	930.8	925.7	920.6	915.—	\$4,453.—
5½% Ten-Year Bonds	1929	4.—	2.9	1.8	—	\$ 2.—
5½% Twenty-Year Bonds	1937	29.5	29.5	29.5	29.5	\$143.6
6% Central Argentine Railway Com- pany	1927	3.1	—	—	—	—
<i>To Straits Settlements :</i>						
5½% Loan	1928	3.4	—	—	—	—
5¼% Loan	1928	—	3.3	3.3	—	—
5% Loan	1929	4.3	4.3	4.3	4.3	£4.3
<i>Loans from Certain Allied Governments :</i>						
France	—	53.5	53.5	53.5	53.5	£53.5
Russia	—	60.—	60.—	60.—	60.—	£60.—
Italy ²	—	22.2	22.2	22.2	22.—	£22.—
Total foreign debt		1,110.8	1,101.4	1,095.2	1,084.7	
Total gross debt		7,691.—	7,721.—	7,714.1	7,716.—	
<i>Deduct : Funding Loan and Victory Bonds tendered for death duties and held by National Debt Commissioners</i>						
		57.3	68.3	83.1	95.2	
Total public debt		7,633.7	7,652.7	7,631.—	7,620.8	

¹ Repayable by specific statutory sinking funds.

The amount shown for National War Bonds is the nominal total and does not include premiums. National Savings Certificates are shown at issue price, exclusive of accrued interest.

NOTES.

The table above does not include loans guaranteed by Great Britain, e.g., the Austrian Loan floated under the auspices of the League of Nations or the 3% Loan issued to local authorities.

In March 1924 was appointed a Committee, with Lord Colwyn as chairman, to consider and report on "the National Debt and on the incidence of existing taxation with special reference to their effect on trade, industry, employment and national credit". The report of the Committee and the minutes of evidence were published in 1927. The principal recommendation of the Committee as regards the redemption of debt was that steps should be taken as early as possible "to increase the Sinking Fund to £75 million a year and by degrees to £100 million per annum". The Committee was of opinion that this should be possible "without additional taxation, by applying the major part of the interest saving over a period of, say, from seven to ten years". Finally, the Committee recommended strongly that no reduction should be made in existing taxation which would endanger the carrying out of the above programme.

The budget for the financial year 1928-29 provided, in the Consolidated Fund service, a permanent annual charge for the National Debt amounting on March 31st, 1929, to £369 million. Of this amount, interest and management of debt required £311.5 million, leaving £57.5 million for Sinking Fund purposes.

The following table shows the movement of the debt during the years under review :

£'s (000,000's).

	1925-26		1926-27		1927-28		1928-29	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
<i>Conversions :</i>								
Domestic funded debt . . .	74.6	64.9	271.4	243.6	361.9	313.9	283.9	253.2
Foreign debt		5.9		1.1		1.1		1.4
Net increase	3.8		26.7		46.9		29.3	
<i>Issues for cash :</i>								
Domestic funded debt . . .	97.3		96.9		191.4		175.7	
Domestic floating debt . .			36.5		45.2		176.-	
Total increase	101.1		160.1		283.5		381.-	
<i>Repayments :</i>								
Domestic funded debt . . .		81.7		96.9		213.1		242.6
Domestic floating debt . . .		37.9		25.-		72.2		127.4
Foreign debt		4.9		8.2		5.1		9.1
Total repayments		124.5		130.1		290.4		379.1
Net balance		23.4		30.-		6.9		1.9

The following table shows the debt maturing year by year (approximate totals).

National Savings Certificates are shown at issue price, exclusive of accrued interest. External debt is shown at par of exchange. Loans marked * are being repaid by specific statutory Sinking Funds, included in the provision for New Sinking Fund.

Year	Security	Internal	External	Total
1929-30	5 ½% Treasury Bonds	£ 30,168,000	£ —	£ 65,106,000
	3% Exchequer Bonds	15,640,000	—	
	4 ½% Treasury Bonds	14,571,000	—	
	5 ½% Ten-Year Bonds, \$2,009,200	—	412,000	
	5% Straits Settlements Dollar Loan	—	4,315,000	

Year	Security	Internal	External	Total
		£	£	£
1930-31	5½% Treasury Bonds	134,741,000	—	134,741,000
1932-33	4½% Treasury Bonds	121,266,000	—	121,266,000
1933-34	4% and 4½% Treasury Bonds	265,241,000	—	265,241,000
1934-35	5% Straits Settlements Sterling Loan	1,753,000	—	1,753,000
	5% Treasury Bonds	114,608,000	—	114,608,000
1936-37	5½% Twenty-Year Bonds, \$143,584,000	—	29,504,000	29,504,000
1940-41	Anglo-French Loan 4½% Bonds \$13,850	—	3,000	3,000
1942-43	4% War Loan, 1929-42	79,685,000	—	79,685,000
1944-45	4½% Conversion Loan	223,120,000	—	223,120,000
1945-46	4½% War Loan, 1925-45	12,804,000	—	12,804,000
1947-48	5% War Loan, 1929-47	2,184,469,000	—	2,184,469,000
	4% Victory Bonds*	340,510,000	—	340,510,000
	4% Funding Loan*	382,059,000	—	382,059,000
	3½% Conversion Loan*	811,034,000	—	811,034,000
	4% Consolidated Loan	353,862,000	—	353,862,000
	Consols, etc.	313,393,000	—	313,393,000
	Terminable Annuities	12,531,000	—	12,531,000
	Treasury Bills	700,295,000	—	700,295,000
	Ways and Means Advances	37,050,000	—	37,050,000
	National Savings Certificates	361,461,000	—	361,461,000
	4% National Savings Bonds	787,000	—	787,000
	Loans from certain Allied Governments	—	135,450,000	135,450,000
	U. S. A. Government Loan* \$4,453,000,000	—	915,000,000	915,000,000
	Total outstanding on March 31st, 1929	6,511,048,000	1,084,684,000	7,595,732,000
	<i>Deduct :</i>			
	Victory Bonds etc., purchased by National Debt Commissioners, but not yet cancelled	95,000,000	—	95,000,000
	Totals	6,416,048,000	1,084,684,000	7,500,732,000

NOTES.

With regard to the maturity of the Debt the following statement by the Chancellor of the Exchequer in presenting the budget for the financial year 1929-30 on April 15th may be cited :

" During this Parliament we have been passing through a period of enormous maturities in respect of the medium-term debt consisting principally of National War Bonds, and no less than £1,105,000,000 of debt has fallen due for payment, over and above the ordinary very large transactions upon the Floating Debt. These maturities have come upon us at obligatory moments even in the worst period of 1926, as I said at the time, like Atlantic waves sweeping the deck of a labouring ship, and I have been forced to repay or convert £1,100,000,000 in four years, that is to say, at an average of £23,000,000 a month during the whole lifetime of the Government, an experience unprecedented. But the greater part of the task is now over.

" The total debt falling due in the next four years, which the Government is under compulsion to redeem, amounts to no more than £321,000,000 or much less than one-third of that we have had to deal with in an equal period, and the removal of this recurrent preoccupation and disturbance undoubtedly simplifies the prospects of dealing with the conversion¹ of the 5% War Loan, which still remains the greatest and most fruitful financial operation likely to be open to the British people. With one single exception every Conversion for which I have been fully responsible has effected a saving to the taxpayer, and the total saving from Conversions has been £1,500,000 a year. The one exception was the £62,000,000 of the 3½% War Loan. In the meantime, by the constant operation of the Sinking Fund, the interest upon the Debt has been reduced by £9,500,000 a year, and with the saving by conversion, the total reduction in the annual cost of our permanent borrowing is £11,000,000 a year."

¹ During the first week of November 1929, the Government offered at par " The 5% Conversion Loan 1944-64 ", partly to reduce the floating debt and to avoid making additions to it next year and partly for conversion of the 5% War Loan.

The loan is redeemable at par, at the Government's option, at any time within the period specified in its title. The issue is being made in one of three ways : (i) By simple cash application of an indefinite amount ; (ii) by conversion from 5% War Loan 1929-47, provided that an equivalent amount is also subscribed in cash, and (iii) by conversion of 5½% Treasury Bonds falling due in May 1930 at par plus a repayment of 15s. on allotment.

G. State Assets.

	March 31st, 1926	March 31st, 1927	March 31st, 1928	March 31st, 1929
<i>Estimated Assets :</i>	£	£	£	£
Estimated market value of Suez Canal shares	32,121,885	36,194,585	51,343,115	72,258,844
Amount of advance from the Exchequer unrepaid : Bullion etc.	400,000 7,510,000	300,000 24,910,431	300,000 24,554,431	300,000 35,960,000
Unemployment Fund				
Contribution of Colonies to capital expenditure on the Pacific Cable and West India Cables	1,216,220	1,202,642	1,166,715	1,139,511
Nominal value of Debenture Stock of the Cunard Steamship Company held as security for repayment of advances under the Cunard Agreement (Money) Act 1904	260,000	130,000	—	—
Anglo-Persian Oil Company : shares and debentures stock at cost	5,200,000	5,200,000	5,200,000	5,200,000
French 4% <i>Rentes</i> , Government holding : 132,592,500 francs at cost	3,604,306	3,604,306	3,604,306	3,604,306
Roumanian 4% Consolidation Bonds (Corn Bureau)	—	1,840,000	1,890,000	1,910,000
Outstanding liability of India in respect of £100,000,000 of 5% War Loan	18,320,805	17,807,802	17,276,173	16,721,003
Isle of Man : outstanding liability for 5% War Loan	217,745	608,559	588,922	568,505
Securities for Sinking Fund for Telephone Exchequer Bonds : 3½% War Loan 1925-28	302,635	302,635	—	—
3% Exchequer Bonds 1930	—	—	416,000	469,000
Depreciation Fund : balance applicable to debt reduction	8,919,377	9,064,354	8,949,742	9,078,691
Victory Bonds Sinking Fund	1,138,108	1,183,768	1,230,635	1,281,297
New Sinking Fund (1923 and 1928)	1,498,045	—	—	4,316
Funding Loan Sinking Fund : balances applicable to debt reduction	229,368	310,023	249,141	285,121
4% Consolidated Loan Sinking Fund : balances applicable to debt reduction	—	—	3,472	59,003
Land Settlement : loans outstanding	15,272,227	15,031,217	14,845,225	14,672,932
Death duties, Surrendered Securities Account	—	7,000	417,694	686
Total Estimated Assets	96,210,721	117,697,322	132,035,571	163,513,215
Exchequer balances at the Banks of England and Ireland	6,556,933	6,459,656	6,322,625	6,252,524

These assets do not include loans granted to Dominions and Allied Powers, etc., or the estimated value of war assets (surplus stores, ships, etc.).

H. War Loans to Dominions and Allies and Loans for Relief in War Areas.

(Amounts remaining unpaid on March 31st.)

£'s (000,000's).

	1926	1927	1928	1929
WAR LOANS.				
<i>Dominions and Colonies</i> ¹ :				
Australia	86.9	85.6	84.2	82.8
New Zealand	28.3	28.—	27.6	27.2
South Africa	11.9	11.9	10.6	9.7
Newfoundland	—4	—4	—4	—4
Trinidad	—5	—5	—5	—5
Jamaica	—	—	—	—
Fiji	—2	—2	—2	—
Total, Dominions and Colonies	128.2	126.6	123.5	120.6

¹ Interest is being paid on all these loans, and in the cases of Australia, New Zealand and Trinidad, there are Annual Sinking Funds.

H. War Loans to Dominions and Allies and Loans for Relief in War Areas (cont.).

(Amounts remaining unpaid on March 31st.)

£'s (000,000's).

	1926	1927	1928	1929
<i>Loans to Allies, etc. :</i>				
I. Funded :				
(a) Allied War Debts (Aggregate of annuity payments due under Funding Agreements) :				
Italy	274.7	270.8	266.8	262.5
Roumania	31.3	31.2	31.1	31.-
Portugal	—	23.8	23.6	23.3
Kingdom of Yugoslavia	—	—	32.6	32.4
Greece	—	—	23.3	23.1
Total	306.-	325.8	377.4	372.3
(b) Relief and Reconstruction Loans (Repayable by instalments of principal and interest) :				
Belgium	9.-	9.-	9.-	9.-
Belgian Congo	3.6	3.6	3.6	3.6
Poland	4.8	4.7	4.7	4.5
Roumania	2.2	2.2	2.2	2.2
Estonia	-2	-2	-2	-2
Hungary	-1	-1	—	—
Czechoslovakia	-5	-4	-2	-1
Kingdom of Yugoslavia	—	—	2.1	2.1
Austria	—	—	—	9.-
Other Loans	3.4	3.2	3.2	3.1
Total	23.8	23.4	25.2	33.8
Total Funded Loans	329.8	349.2	402.6	406.1
II. Not Funded :				
(a) Allied War Debts :				
Russia	794.5	843.-	887.3	934.-
France ¹	647.1	676.2	705.6	722.-
Kingdom of Yugoslavia	31.4	29.5	—	—
Portugal	23.7	—	—	—
Greece	21.2	22.2	—	—
Total	1,517.9	1,570.9	1,592.9	1,656.-
(b) Relief and Reconstruction Loans :				
Austria ²	11.9	12.7	13.4	—
Kingdom of Yugoslavia	2.5	2.7	—	—
Armenia	-1	-1	-1	-1
Other Loans	1.5	1.5	1.-	1.1
Total	16.-	17.-	14.5	1.2
Total Unfunded Loans	1,533.9	1,587.9	1,607.4	1,657.2
Total, Loans to Allies, etc.	1,863.7	1,937.1	2,010.-	2,063.3
GRAND TOTAL	1,991.9	2,063.7	2,133.5	2,183.9

¹ Funding agreement awaiting ratification.

² Payment postponed until January 1st, 1943, and funded in 1928.

The following table shows the balance between the public debt and the State assets plus war and relief loans granted :

£'s (000,000's).

	1926	1927	1928	1929
Total Public Debt	7,691.-	7,721.-	7,714.1	7,716.-
Total State assets	96.2	117.7	132.-	163.5
Exchequer balance	6.6	6.5	6.3	6.3
War and Relief Loans	1,991.9	2,063.7	2,133.5	2,183.9
Total assets	2,094.7	2,187.9	2,271.8	2,353.7
Balance	-5,596.3	-5,533.1	-5,442.3	-5,362.3

J. Local Authorities.

The following table shows the estimated amount of rates collected by local authorities in 1926-27 to 1928-29 and the purposes to which the collected amounts have been devoted :

£'s (000's).

	1926-27		1927-28		1928-29	
	England and Wales	Scotland	England and Wales	Scotland	England and Wales	Scotland
Poor relief	37,500	4,704	38,000	4,845	36,200	4,858
Education	33,000	4,969	33,500	5,225	35,100	5,307
Police	10,000	1,090	10,000	1,056	10,100	1,073
Other services	79,000	9,865	85,000	10,274	84,850	10,680
Total	159,500	20,628	166,500	21,400	166,250	21,918
Grand total	180,128		187,900		188,168	

Grants for Local Services, etc., in Great Britain.

£'s (000's).

	1926-27	1927-28	1928-29	1929-30
New Exchequer contributions to local revenues	—	—	—	15,560
Payments to Local Taxation Account	13,560	13,927	13,860	14,660
Education	46,291	46,450	46,827	46,845
Agriculture (including land settlement grant and loans and the Development Fund)	4,841	1,959	2,295	3,067
Health Services	3,606	4,094	3,947	4,165
Housing	9,982	10,999	12,143	12,819
Reformatories and Mental Deficiency Establishments	1,087	1,109	1,145	1,213
Police (voted grants additional to payments through Local Taxation accounts)	5,786	5,907	5,848	5,957
Payments in respect of rates on Tithe Rent Charge	550	733	700	700
State payments in respect of :				
(i) School Teachers' Pensions	—	2,140	1,007	1,512
(ii) Police Pensions	—	2,354	2,464	2,478
Unemployment grants and loans	—	3,166	1,765	2,015
All Irish Grant service	8,487	—	—	—
Miscellaneous	284	281	104	151
Total	94,474	93,119	92,105	111,142

GUATEMALA

Notes on the Budget System.

1. The budget year covers the period from July 1st to June 30th. The budget is prepared by the Department of Finance and Public Credit, submitted to Parliament by the executive and, as a rule, voted before the beginning of the budget year.

2. The budget is gross, with some exceptions, but not centralised, some services and special funds having individual accounts not entered in the general budget, although in certain cases their receipts consist to a great extent of taxes.

The grouping of the receipts (the enumeration of which is not always complete) varies; but they are divided roughly into Customs duties, excise duties and other receipts.

There are various receipts earmarked for special purposes, such as service of the foreign debt, reserve of note circulation, railway construction, etc.

Expenditure is divided into seven sections corresponding to the seven State Departments, with subdivisions corresponding in most cases to the estimates of expenditure in the twenty-two provinces. A distinction is made between current and capital and between ordinary and extraordinary expenditure. In each section a certain amount is allocated to unforeseen expenditure, but, since 1927, such expenditure may only be incurred on the special authorisation of the Government.

For public undertakings, gross figures are entered in the general budget.

Of the various special funds referred to above, the most important is the social fund, which receives, besides fees, the proceeds of taxes on entertainments, railways, limited liability companies, transactions in shares, etc. A special Decree of May 1924, however, prescribed the abolition of all special accounting.

3. Whereas the estimates refer to the period from July 1st to June 30th, the closed accounts as shown in the annual report of the Department of Finance referred, until 1926, to the calendar year, thus making comparison between estimates and closed accounts impossible. During the last few years, various measures have been taken intended to establish rigorous control of expenditure. Before a payment may be effected by the Treasury, the Chief Accountancy Office must certify on pay orders issued by the various departments that the expenditure in question is estimated for in the budget. The budgets for 1927-28 and 1928-29 prohibit the increase of votes except in cases of public disaster or other emergency.

Transfers from one vote to another are prohibited, and the aggregate vote for unforeseen expenditure may not be utilised for increasing the various ordinary votes.

The annual report of the Department of Finance contains a statement of the assets and liabilities of the State. The assets, however, do not by any means cover all the immovable property owned by the State.

4. The balance of the budgetary accounts, which is calculated without proceeds of loans, is not transferred to the following year, but goes to increase the assets or liabilities of the Treasury.

5. For some time, the Bank of Guatemala and the Bank of the Occident acted as treasurers of the Government. In June 1926, a central bank was created, which serves as fiscal agent of the Government against payment of a commission. The State owns a portion of its shares and, in addition to the dividend on those shares, retains 5 per cent of the profits of the bank, and also half of the profits remaining after the allotment of a dividend of 10 per cent.

The following review, prepared in September 1928, has been based mainly on :

- (a) The voted estimates for 1924-25, 1926-27 and 1927-28, and a summary of the voted estimates for 1928-29 ;
 (b) The reports of the Finance Minister regarding the calendar years 1923 to 1926 and the financial year 1926-27.

A. Summary of Budget Accounts.

(a) ESTIMATES.

Quetzals (ooo's).

1 quetzal = \$1, £-.205, 5.18 frs.

	1924-25	1925-26	1926-27	1927-28	1928-29
Receipts	6,178	7,514	9,490	11,031	13,145
Expenditure	5,973	7,509	9,490	11,031	13,145
Balance	+ 205	+ 5	...	...	...

(b) CLOSED ACCOUNTS.

Quetzals (ooo's).

	1923	1924	1925	1926	1926-27
Receipts	6,431	8,102	10,175	11,555	12,411
Expenditure	6,602	8,096	9,720	11,716	12,259
Balance	- 171	+ 6	+ 455	- 161	+ 152

B. (a) Budget Estimates for the Financial Years 1924-25 to 1928-29.

Quetzals (ooo's).

	1924-25	1925-26	1926-27	1927-28	1928-29
<i>Revenue.</i>					
I. Customs duties :					
(a) Import duties	2,417	¹	4,295	4,934	5,800
(b) Export duties	1,000	¹	2,099	1,483	1,900
Total Customs duties	3,417	¹	6,394	6,417	7,700
II. Excise duties	1,444		1,993	2,739	2,562
III. Various taxes	1,317	¹	1,103	1,875	2,697
IV. Miscellaneous receipts					186
Total revenue	6,178	7,514	9,490	11,031	13,145
<i>Expenditure.</i>					
Internal affairs and justice	1,117	1,202	1,750	2,005	2,547
Finance and public credit	1,293	1,632	2,243	2,800	3,640
Economic development	813	1,376	1,381	1,496	1,685
War	1,114	1,203	1,358	1,436	1,811
Public instruction	1,132	1,392	1,545	1,682	1,747
Foreign affairs	214	231	961	1,279	371
Agriculture	290	473	252	333	1,344
Total expenditure	5,973	7,509	9,490	11,031	13,145

¹ Not available.

B. (b) Closed Accounts for the Years 1923 to 1926-27.

Quetzals (ooo's).

	1923	1924	1925	1926	1926-27
<i>Revenue.</i>					
I. Customs duties:					
(a) Import duties	2,374	3,341	4,295	5,018	5,345
(b) Export duties	1,121	1,437	2,099	2,083	2,237
Total Customs duties	3,495	4,778	6,394	7,101	7,582
II. Excise duties	1,547	1,659	1,999	2,256	2,340
III. Various	704	764	920	866	1,348
IV. Postal and telegraph services	325	469	365	513	495
V. Consular fees	360	100	345	642	646
VI. Charitable institutions and police	—	332	152	177	—
Total revenue	6,431	8,102	10,175	11,555	12,411
<i>Expenditure.</i>					
Internal affairs and justice	1,237	1,329	1,648	1,943	2,008
Finance and public debt	1,360	2,277	2,038	3,015	3,778
Economic development	946	739	1,393	1,987	1,486
War	1,553	1,707	1,806	1,928	2,204
Public instruction	793	930	1,033	1,171	1,252
Foreign affairs	403	132	339	469	432
Agriculture	263	699	856	1,103	1,011
Various expenses	47	283	607	100	88
Total expenditure	6,602	8,096	9,720	11,716	12,259

C. Analysis of Receipts.

	1926-27		1927-28		1928-29	
	Closed Accounts		Estimates			
	Amount : Quetzals (ooo's)	Per- cent- age of total	Amount : Quetzals (ooo's)	Per- cent- age of total	Amount : Quetzals (ooo's)	Per- cent- age of total
I. <i>Taxes on income and property :</i>						
(a) Tax on real estate	199	1.60	160	1.45	210	1.60
(b) Road tax	155	1.25	158	1.43	170	1.29
(c) Military taxes	14	-.11	10	-.09	12	-.09
(d) 2 % tax on salaries	55	-.44	52	-.47	70	-.53
(e) Tax on banks	8	-.07	11	-.10	12	-.09
Total	431	3.47	391	3.54	474	3.60
II. <i>Taxes on production, use and transactions :</i>						
(a) Customs duties :						
1. Import duties	5,345	43.07	4,934	44.73	5,800	44.12
2. Export duties	2,237	18.02	1,483	13.44	1,900	14.45
Total	7,582	61.09	6,417	58.17	7,700	58.57

C. Analysis of Receipts (continued).

	1926-27		1927-28		1928-29	
	Closed Accounts		Estimates			
	Amount: Quetzals (ooo's)	Per- cent- age of total	Amount: Quetzals (ooo's)	Per- cent- age of total	Amount: Quetzals (ooo's)	Per- cent- age of total
II. Taxes on production, use and transactions (continued):						
(b) Excise, duties, etc., on:						
1. Brandy	1,843	14.85	1,800	16.32	2,000	15.22
2. Beer	72	-.58	57	-.52	74	-.56
3. Liqueurs	226	1.82	201	1.82	250	1.90
4. Chicha	30	-.24	28	-.25	35	-.27
5. Tobacco	101	-.81	595	5.40	126	-.96
6. Nitrate	9	-.07	9	-.08	9	-.07
7. Gunpowder	26	-.21	21	-.19	32	-.24
8. Cartridges	10	-.08	9	-.08	12	-.09
9. Miscellaneous articles	23	-.19	19	-.17	24	-.18
Total	2,340	18.85	2,739	24.83	2,562	19.49
(c) Tax on arms	5	-.04	3	-.03	7	-.05
(d) Tax on vehicles	26	-.21	21	-.19	10	-.08
(e) Succession duties and tax on gifts	23	-.19	25	-.23	25	-.19
(f) Stamped paper	154	1.24	59	-.54	164	1.25
(g) Stamp duties	6	-.05	94	-.85	6	-.05
(h) Stamp duties (documents)	6	-.05	7	-.06	6	-.05
(i) Tax on transactions in immovable property	56	-.45	58	-.53	60	-.46
(j) Consular fees	646	5.21	631	5.72	705	5.36
Total	10,838	87.33	10,054	91.15	11,239	85.50
Total of I and II	11,269	90.80	10,445	94.69	11,713	89.10
III. Fees, contributions and other administrative receipts	645	5.20	72	-.65	820	6.24
IV. Gross receipts from public domain and undertakings:						
(a) Domain	2	-.01	1	-.01	2	-.02
(b) Postal service	202	1.63	218	1.98	255	1.94
(c) Telegraph and telephone services	293	2.36	295	2.67	355	2.70
Total	497	4.0	514	4.66	612	4.66
Total receipts	12,411	100	11,031	100	13,145	100

NOTES.

The figures shown for public undertakings are those of gross receipts, the working expenses being given in the estimates only.

Changes in taxation. — The most important changes have been as follows:

1923. — Modification of the Customs tariff. The export duty on coffee was increased from 1 to 1.50 gold peso. This increase was designed to provide cover for note circulation.

1925. — An additional duty on coffee was introduced, amounting to 10 per cent of export price when that price exceeded 15 pesos per quintal and 20 per cent when it exceeded 20 pesos.

An export duty of 20 cents per quintal on cane sugar was introduced and an additional duty of 10 per cent of price when it exceeded 3 pesos per quintal. Both the additional duty on coffee and that on sugar were earmarked for the reserve fund of note circulation.

The consular duties on invoices were increased by 3 per cent.

1926. — The duties on sugar and coffee introduced in 1925 were reduced by one-half.

The tax on cattle ceased to be a State tax and was made a local tax.

1928. — The transfer to the municipalities of 2 pesos per bottle of brandy was abolished, so that the whole of the excise duty on brandy now goes to the State Treasury.

D. Analysis of Expenditure.

	1926-27		1927-28		1928-29 ¹	
	Estimates					
	Amount : Quetzals (ooo's)	Per- cent- age of total	Amount : Quetzals (ooo's)	Per- cent- age of total	Amount : Quetzals (ooo's)	Per- cent- age of total
I. <i>Defence</i>	1,358	14.31	1,436	13.02	1,811	13.78
II. <i>Foreign affairs</i>	252	2.66	333	3.02	371	2.82
III. <i>Justice</i>	174	1.83	164	1.49		
IV. <i>Supreme organs of Government and general adminis- tration</i>	1,098	11.57	1,491	13.51		
V. <i>Public health and social welfare</i>	186	1.96	211	1.91		
VI. <i>Economic administration</i>	1,150	12.12	1,733	15.71		
VII. <i>Education</i>	1,545	16.28	1,682	15.25	1,747	13.29
VIII. <i>Financial administration</i>	585	6.17	1,027	9.31		
IX. <i>Working expenses of public undertakings :</i>						
(a) <i>Postal service</i>	266	2.80	322	2.92		
(b) <i>Telegraph and telephone services</i>	509	5.37	597	5.41		
(c) <i>Printing Office</i>	42	-44	46	-42		
Total	817	8.61	965	8.75		
X. <i>Subsidies to provinces and municipalities</i>	250	2.63	93	-84		
XI. <i>Pensions</i>	101	1.06	210	1.90		
XII. <i>Debt service</i>	1,557	16.41	1,563	14.17		
XIII. <i>Investments in revenue-yielding assets :</i>						
(a) <i>Construction of railways</i>	334	3.52	—	—		
(b) <i>Postal service</i>	—	—	45	-41		
(c) <i>Telegraph service</i>	83	-87	78	-71		
Total	417	4.39	123	1.12		
XIV. <i>Expenditure of which details are not available</i>	—	—	—	—	9,216	70.11
Total expenditure	9,490	100	11,031	100	13,145	100

¹ Details not available.

E. Public Debt.

(i). Table showing the Public Debt since 1921.

Quetzals (ooo's).

Date	Domestic debt						Foreign debt		Total debt	
	Funded		Floating		Total		Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)
	Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)				
December 31st : 1921	88	...	3,298	...	3,386	...	10,721	...	14,107	...
1922	80	- 8	3,475	+ 177	3,555	+ 169	10,503	- 218	14,058	- 49
1923	73	- 7	3,607	+ 132	3,680	+ 125	11,608	+ 1,105	15,288	+ 1,230
1924	73	...	3,849	+ 242	3,922	+ 242	10,969	- 639	14,891	- 397
1925	73	...	1	...	1	...	1	...	1	...
1926	73	...	4,213	...	4,286	...	15,262	...	19,548	...
1927	73	...	3,735	- 478	3,808	- 478	14,800	- 462	18,608	- 940

¹ Not available.

(ii). Table showing the Public Debt per Head of Population since 1921.

Date	Total public debt: Quetzals (ooo's)	Population (ooo,ooo's)	Public debt per head of population : Quetzals
December 31st : 1921	14,107	2.2	6.41
1922	14,058	2.2	6.39
1923	15,288	2.45	6.24
1924	14,891	2.45	6.08
1925	1		1
1926	19,548	2.5	7.82
1927	18,608	2.5	7.44

¹ Not available.

The following table gives details of the public debt as on December 31st, 1921-1927.

Quetzals (ooo's).

	1921	1922	1923	1924	1925	1926	1927
<i>Domestic debt :</i>							
<i>Funded :</i>							
Internal bonds of 1887	51	47	43	43	43	43	43
Norte Railway bonds	37	33	30	30	30	30	30
Total funded domestic debt	88	80	73	73	73	73	73
<i>Floating :</i>							
Arrears of interest on internal bonds of 1887	143	136	130	135	1	145	125
Arrears of interest on Norte Railway bonds	51	49	46	48		52	54
Bank debts	2,632	2,625	2,332	2,369		964	3,379
Miscellaneous	472	665	1,099	1,297		3,052	177
Total floating domestic debt	3,298	3,475	3,607	3,849		4,213	3,735
Total domestic debt	3,386	3,555	3,680	3,922		4,286	3,808
<i>Foreign debt :</i>							
<i>Funded :</i>							
4% bearing interest	5,316	5,160	5,000	5,000	4,679	4,540	8,499
Non-interest-bearing	4,096	4,096	4,096	4,096	4,096	4,096	—
	9,412	9,256	9,096	9,096	8,775	8,636	8,499
Guatemala Bonds, 1927	—	—	—	—	—	—	2,489
Los Altos Railway bonds	—	—	—	—	1,628	2,620	3,812
Total funded foreign debt	9,412	9,256	9,096	9,096	10,403	11,256	14,800
<i>Floating</i>	1,309	1,247	2,512	1,873	1	4,006	—
Total foreign debt	10,721	10,503	11,608	10,969	1	15,262	14,800
Total public debt	14,107	14,058	15,288	14,891	1	19,548	18,608

¹ Not available.

NOTES.

1. In virtue of an agreement with the Council of the Corporation of Foreign Bondholders, signed on May 10th, 1913, the Government issued, in exchange for the overdue coupons of the 4 per cent external debt of 1894, unpaid up to June 30th, 1913, deferred certificates to an amount of £844,603, bearing no interest. Although the question of the amortisation of these deferred certificates was to be settled in 1917, it was only in October 1927 that the Government came to an agreement by the terms of which the non-interest-bearing certificates were exchanged for 4 per cent external debt bonds, bearing interest

as from July 1928. The service of the loan (interest and amortisation) is secured by the yield of the tax of 1 gold peso per quintal of coffee exported.

2. *Los Altos Railway bonds of 1924.* — In 1924, a loan was contracted for the construction of a railway and hydro-electric power plant, redeemable until 1934 and bearing 8 per cent interest. In 1927, a further issue of bonds for 1,950,000 U.S.A. dollars was effected on the same conditions.

The service of this debt is secured by :

- (a) One-half of the yield of the 6 per cent tax on consular invoices and of the 4 per cent tax on commodities imported by parcels post ;
- (b) The yield of a 3-peso tax (0.05 quetzal) per bottle of spirits ; and
- (c) The future net earning on the Los Altos Railway and the hydro-electric plant.

3. In 1927, the floating debt to the International Railway of Central America, consisting of unpaid railway fares, and, since 1925, by the Government's obligation to participate in the cost of new construction to the amount of 1,475,000 U.S.A. dollars, was funded by the issue of \$2,515,000 of 8 per cent bonds of the Republic of Guatemala, 1927, redeemable in 1948.

The service of these bonds is guaranteed by half the yield of the 6 per cent tax on consular invoices and of the 4 per cent tax on commodities imported by parcels post.

4. Besides the indebtedness to the International Railway of Central America, which, as stated above, was funded in 1927, the unpaid interest on the internal bonds of 1887 and on the bonds of the Norte Railway, the unpaid arrears of the administration, etc., the floating debt represents debts to the various banks, which, until the currency reform of 1924, had the privilege of note issue. The origin of a portion of these debts dates as far back as 1899, when the banks of issue surrendered their metallic reserves to the Government against release from the obligation to convert their notes. Other liabilities had been incurred, partly in silver pesos and partly in paper pesos. These loans were, to a great extent, responsible for the depreciation of the peso.

5. In consequence of the monetary reform of 1924 and the establishment of a central bank, the Government entered into agreements with the various banks, fixing the amounts due and laying down means for the gradual reimbursement of the outstanding notes. This reimbursement was to begin when a gold reserve of 40 per cent of the note circulation had been accumulated. The combined fiduciary circulation of the old banks of issue and of the exchange regulation office amounted, at the time of the creation of the central bank, to 7,890,481 quetzals, which was reduced by December 1927 to 3,378,923 quetzals. The funds assigned for the reimbursement of the notes consist, besides the contributions of the banks, of the following receipts by the Government :

- 1. The yield of a tax of half a quetzal on every quintal of coffee.
- 2. The profit on coinage.
- 3. The Government's share in the profits of the central bank.

F. State Assets.

The assets of the State, as given in the annual reports of the Ministry of Finance, and consisting chiefly of credits with banks and movable and immovable property, amounted to the following totals :

Quetzals (000's).	
1921	4,686
1922	5,538
1923	7,814
1924	7,307
1925	(not available)
1926	14,862

Of these assets various amounts were expressed in paper pesos and have been converted at the rate of :

$$1 \text{ Quetzal} = \begin{cases} 1921 & \dots & 50 \text{ paper pesos} \\ 1922 & \dots & 55 \text{ paper pesos} \\ 1923 & \dots & \dots & \dots \\ 1924 & \dots & 60 \text{ paper pesos} \\ 1926 & \dots & \dots & \dots \end{cases}$$

Some small amounts were expressed in silver pesos and have been converted at the rate of 1 quetzal = 2 silver pesos.

HAITI

Notes on the Budget System.

1. In consequence of a treaty concluded in 1915 between Haiti and the United States of America, of which the first paragraph reads : " The Government of the United States will, by its good offices, aid the Haitian Government in the proper and efficient development of its agricultural, mineral and commercial resources and in the establishment of the finances of Haiti on a firm and solid basis", the financial administration of the country is under the general supervision of a Financial Adviser-General Receiver and his staff. The treaty was to remain in force until 1926, but in 1917 it was prolonged until 1936.

2. The budget year covers the period from October 1st to September 30th. The budget is prepared by the Financial Department and voted in June or July by the State Council, a body of twenty-one members nominated by the President and performing legislative functions, the National Assembly having been dissolved in 1917 and no new Assembly elected since that time.

Supplementary votes in the event of the original votes proving insufficient for a given service, may only be granted by law. Special legislation is also required for extraordinary votes to meet urgent and unforeseen requirements, except when these arise during the period between two sessions of the legislative body, in which case they may be granted by Presidential Decrees (subject always to the approval of the Financial Adviser). Both supplementary and extraordinary votes must indicate the means by which the expenditure is to be covered.

3. The budget is gross, with some minor exceptions, and there is a tendency towards centralisation, although part of the capital expenditure is still not included in the budget. It consists of the budget of ways and means and the expenditure budget, voted separately.

The budget of ways and means contains the estimated total amount of receipts and enumerates the laws regarding taxes which remain in force for the current year. A table is annexed containing the classification of the taxes, duties and other receipts which are to be collected during the budget year and the estimated yield of each of the three main categories — Customs duties, internal revenue and miscellaneous receipts (including interest).

The tabular estimates of the expenditure budget consist of eleven chapters, showing the expenditure on public debt and the various administrative departments. No distinction is made between ordinary and extraordinary or between current and capital expenditure.

Public undertakings (gross figures) are accounted for in the general budget.

The majority of the numerous special funds which existed formerly were abolished during 1923-24. There are, however, special appropriations outside the general budget which are covered by funds at the disposal of the General Receiver, representing budget surpluses and unspent balances of loans granted in 1922.

4. Public receipts of all kinds are paid into the account of the General Receiver at the National Bank. The Customs and internal revenue is devoted in the first place to the payment of salaries and other expenses of the office of the General Receiver (5 per cent of the Customs revenue, 15 per cent of the internal revenue and the expenses of the Financial Adviser); secondly, to the service of debt; thirdly, to the maintenance of the constabulary, and the remainder to the Government of Haiti for purposes of current expenditure.

Monthly allotments, representing one-twelfth of the budgetary votes, are granted to each department. Grants in excess of these monthly allotments are only obtainable with the approval of the Council of Ministers. No expenditure may be incurred which is not estimated for in the budget or the special votes, and no expenditure covered by a vote may be incurred after the current financial year. If the revenue actually collected is not adequate to cover the expenditure authorised by budgetary, supplementary and extraordinary votes, such authorisations may be restricted by the Secretary of Finance, in agreement with the Financial Adviser, to the revenue actually realised. Payment may only be effected by the General Receiver on presentation of a pay voucher made out by the competent department and signed by the Financial Secretary and the Financial Adviser.

5. The regulations regarding public accountancy have been changed in the last few years by special provisions in the budget laws. Until 1924, the accounts were made out on the basis of actual payments effected by the National Bank. Since that year, the expenditure in the books represents the amount of pay vouchers issued. Authority to expend balances of ordinary and supplementary votes which have not been utilised lapses on the last day of the budget year. Balances of extraordinary votes may, however, be carried forward for two years if necessary.

Until 1926, the general accounts were closed on the last day of the budget year and any commitments not paid up to that date were transferred to a liquidation account. The period during which such accounts remained open was in recent years reduced successively from two years to three months and, beginning with the financial year 1926-27, they were entirely abolished, the closing of the general accounts being postponed instead for a month for the settlement of commitments incurred during the financial year.

By the 20th of each month the accountancy services of the various departments submit the accounts of the preceding month and a statement of the unspent balances of ordinary, supplementary and extraordinary votes. The general accounts of the financial year are then submitted by those departments on or before November 30th of each year.

On the other hand, monthly and annual reports are made by the Financial Adviser-General Receiver to the competent State departments of the United States of America, giving, in addition to the information regarding public finance, a comprehensive view of the administration and economic situation of Haiti.

6. The National Bank performs the function of control of the Treasury and collects a commission of 1 per cent. In August 1924, the service of collecting internal revenue was combined with that of Customs revenue, pending such development of the former as would require a separate organisation. On the analogy of the system of allotting 5 per cent of the Customs revenue in the estimates, including commission to the National Bank, for the expenses of collection (the accounts show actual expenditure of 5.2 per cent for 1924-25, 4.2 per cent for 1925-26 and 6.8 per cent for 1926-27), 15 per cent of internal revenue is allotted to defraying the cost of collection. (During 1925-26, the actual expenses were 7.3 per cent and, during 1926-27, 7.4 per cent of the revenue collected.) For the collection of payments in rural districts, the services of officers of the constabulary are employed.

7. The public administration of Haiti is somewhat centralised and the central Government defrays not only the cost of what are commonly regarded as State functions, but also the cost of the political administration of the provinces, the rural police and almost the whole cost of education, health service and public works (water supply).

The following review, prepared in August 1928, has been based mainly on :

- (a) The budget laws for 1924-25, 1925-26, 1926-27 and 1927-28 ;
- (b) The annual report of the Financial Adviser-General Receiver for 1923-24, 1924-25, 1925-26 and 1926-27.

A. (a) Summary of Budget Accounts, 1923-24 to 1927-28.

Gourdes (000's).
(1 gourde = £ -0.41 = \$ -.2 = 5.10 French francs = 1.04 gold franc).

	1923-24	1924-25	1925-26	1926-27	1927-28
	Closed accounts				Estimates
Receipts	32,902	40,488	45,365	38,861	36,875
Expenditure	34,215	39,218	40,931	39,747	36,870
Balance	- 1,313	+ 1,270	+ 4,434	- 886	+ 5

A. (b) Summary of Extra-budgetary Accounts, 1923-24 to 1926-27.

Gourdes (000's).

	1923-24	1924-25	1925-26	1926-27
Receipts . . . . .	...	151	91	103
Expenditure . . . . .	...	2,745	4,059	3,897
Extra-budgetary balance . . . . .	...	- 2,594	- 3,968	- 3,794
Total balance	- 1,313	- 1,324	+ 466	- 4,680

B. Budget Estimates for the Financial Year 1927-28 compared with the Closed Accounts for the Financial Years 1923-24, 1924-25, 1925-26 and 1926-27.

Gourdes (000's).

	1923-24	1924-25	1925-26	1926-27	1927-28
	Closed accounts				Estimates
<i>Revenue.</i>					
I. Customs receipts :					} 1
(a) Imports	19,416	23,452	26,169	23,572	
(b) Exports	9,985	10,618	12,661	10,016	
(c) Miscellaneous receipts	550	1,680	1,765	74	
Total Customs receipts	29,951	35,750	40,595	33,662	32,575
II. Internal revenue	2,796	4,090	4,155	4,153	4,000
III. Miscellaneous receipts	155	648	615	1,046	300
Total revenue	32,902	40,488	45,365	38,861	36,875
<i>Expenditure.</i>					
Public debt	12,171	14,434	13,165	12,932	12,307
Foreign affairs	734	620	635	555	563
Finance	1,520	1,198	1,063	828	905
Commerce		230	248	255	270
Internal affairs	8,215	9,010	10,139	11,169	10,706
Public works	6,856	8,237	9,175	7,202	5,411
Justice	1,373	1,334	1,395	1,369	1,401
Agriculture	583	1,571	2,226	2,495	2,174
Public instruction	2,306	1,943	1,965	1,997	2,089
Church	457	367	389	388	426
Labour	—	274	531	557	618
Total expenditure	34,215	39,218	40,931	39,747	36,870

¹ Not available.

C. Analysis of Receipts. ¹

	1923-24		1924-25		1925-26		1926-27		1927-28			
	Closed accounts										Estimates ²	
	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total		
<i>I. Taxes on income and property :</i>		%		%		%		%		%		
(a) Income tax	297	-9	625	1.5	503	1.1	534	1.4				
(b) Tax on foreigners	173	-5	208	-5	239	-5	245	-6				
Total	470	1.4	833	2.-	742	1.6	779	2.-				
<i>II. Taxes on production, use and transactions :</i>												
(a) Customs receipts :												
1. Import duties	19,416	59.-	23,452	57.7	26,169	57.6	23,572	60.5				
2. Export duties	9,985	30.4	10,618	26.1	12,661	27.8	10,016	25.7				
3. Miscellaneous receipts.	550	1.7	1,680	4.2	1,765	3.9	74	-2				
Total	29,951	91.1	35,750	88.-	40,595	89.3	33,662	86.4	32,575	88.3		
(b) Internal receipts :												
1. Consular fees	101	-3	153	-4	157	-4	128	-3				
2. Registration fees	220	-7	289	-7	304	-7	332	-8				
3. Emigration tax	869	2.6	945	2.3	1,014	2.2	961	2.5				
4. Stamp duties	230	-7	448	1.1	480	1.1	457	1.2				
5. Tax on transfer of stocks and bonds.	72	-2	55	-1	63	-1	51	-1				
6. Tax on banknotes	—	—	35	-1	54	-1	21	-1				
7. Miscellaneous fees	97	-3	115	-3	125	-3	106	-3				
Total	1,589	4.8	2,040	5.-	2,197	4.9	2,056	5.3				
Total	31,540	95.9	37,790	93.-	42,792	94.2	35,718	91.7				
Total I and II.	32,010	97.3	38,623	95.-	43,534	95.8	36,497	93.7				
<i>III. Miscellaneous administrative receipts</i>	112	-3	353	-9	130	-3	347	-9				
<i>IV. Public undertakings ³ :</i>												
(a) Telegraph and telephone services	227	-7	541	1.3	581	1.3	574	1.5				
(b) Postal service	128	-4	208	-5	210	-4	223	-6				
(c) Public land rentals	71	-2	178	-5	191	-4	214	-5				
(d) Water service	199	-6	240	-6	216	-5	222	-5				
Total	625	1.9	1,167	2.9	1,198	2.6	1,233	3.1				
<i>V. Interest on deposits.</i>	155	-5	496	1.2	594	1.3	887	2.3				
Total receipts	32,902	100	40,639	100	45,456	100	38,964	100	36,875	100		

¹ The closed accounts refer to budgetary and extra-budgetary receipts; the estimates to budgetary receipts only.² Details not available.³ Gross receipts.

NOTES.

1. The items "Consular fees", "Registration fees" and "Miscellaneous fees" show only the portion of the fees accruing to the State Treasury after deduction of amounts permitted to be retained by officials or collectors.

2. As stated above, the budgets contain only an estimate of the yield of the three main categories of revenue. On the other hand, the summaries of the closed accounts do not show the working expenses of public undertakings. This being so, it has only been possible to show in the analytical table their gross receipts as in the closed accounts.

3. It should be noted that there is no tax on landed property (the income tax and tax on foreigners being only levied on business enterprises) or on alcohol or other articles of consumption. Export duties are levied on coffee, cocoa and logwood.

4. *Changes in taxation.* — There have been some minor modifications in the taxation system, which is characterised by a large number of taxes many of which yield little revenue. The efforts of those who exercise financial control are directed towards the abolition or fusion of many of the taxes, an increase in their yield and better distribution of the burden they involve. Important steps in this direction were made in July 1926, when a new Customs tariff was voted. The numerous accessory Customs duties were absorbed into a single tax on imports, the rates on articles regarded as luxuries were increased and those on articles of necessity reduced, the duties being specific on ordinary grades and qualities of commodities and *ad valorem* on special grades and qualities.

D. Analysis of Expenditure ¹.

	1923-24		1924-25		1925-26		1926-27		1927-28	
	Closed accounts								Estimates	
	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total
I. <i>Defence</i>	—	%	—	%	—	%	—	%	—	%
II. <i>Foreign affairs</i>	734	2.1	620	1.5	635	1.4	613	1.4	617	1.7
III. <i>Justice</i>	1,373	4.—	1,334	3.2	1,395	3.1	1,369	3.1	2,109	5.7
IV. <i>General administration</i> :										
(a) Security	5,322	15.6	5,579	13.3	6,062	13.5	6,496	14.9	5,667	15.4
(b) Other expenditure	1,364	4.—	1,208	2.9	1,224	2.7	1,229	2.8	1,337	3.6
Total	6,686	19.6	6,787	16.2	7,286	16.2	7,725	17.7	7,004	19.—
V. <i>Public health and social welfare</i>	1,529	4.5	2,223	5.3	2,853	6.3	3,444	7.9	3,200	8.7
VI. <i>Economic administration</i> :										
(a) Public works	6,856	20.—	8,237	19.6	9,517	21.1	11,091	25.4	4,289	11.6
(b) Other expenditure	813	2.4	2,075	5.—	3,005	6.7	3,307	7.6	2,824	7.7
Total	7,669	22.4	10,312	24.6	12,522	27.8	14,398	33.—	7,113	19.3
VII. <i>Education</i>	2,306	6.7	1,943	4.6	1,965	4.4	1,997	4.6	2,137	5.8
VIII. <i>Church</i>	457	1.3	367	—.9	389	—.9	388	—.9	426	1.2
IX. <i>Financial administration</i>	2,788	8.2	3,422	8.1	3,066	6.8	3,413	7.8	2,673	7.2
X. <i>Public undertakings (gross)</i> :										
(a) Postal service									238	—.7
(b) Telegraph and telephone services									420	1.1
(c) Printing office	2		2		2		2		52	—.1
(d) Water service									396	1.1
Total									1,106	3.—

¹ The closed accounts refer to budgetary and extra-budgetary expenditure; the estimates to budgetary expenditure only.

² Not available.

D. Analysis of Expenditure ¹ (continued).

	1923-24		1924-25		1925-26		1926-27		1927-28	
	Closed accounts								Estimates	
	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total	Amount: Gourdes (000's)	Percentage of total
XI. <i>Subsidies</i>	851	2.5	595	1.4	544	1.2	67	-2	456	1.2
XII. <i>Pensions</i>	—	—	—	—	—	—	—	—	461	1.3
XIII. <i>Debt service</i> :										
(a) <i>Interest</i>	6,276	18.3	6,572	15.7	5,950	13.2	5,737	13.1	2	2
(b) <i>Amortisation</i>	3,526	10.3	6,187	14.7	6,679	14.9	4,460	10.2		
(c) <i>Administration</i>	20	-1	47	-1	35	-1	25	-1		
Total	9,822	28.7	12,806	30.5	12,664	28.2	10,222	23.4	9,568	25.9
XIV. <i>Investments</i> :										
Railway construction	—	—	1,554	3.7	1,671	3.7	8	(-.02)	—	—
Total expenditure	34,215	100	41,963	100	44,990	100	43,644	100	36,870	100

¹ The closed accounts refer to budgetary and extra-budgetary expenditure; the estimates to budgetary expenditure only.

² Details not available.

NOTES.

1. Haiti has no army. The expenditure on the constabulary (which is under the control of the United States of America) and rural police is shown under the subheading "Security", of "General administration".

2. The summaries of the closed accounts not being sufficiently detailed, the figures based on them and those based on the estimates are not in all cases comparable. Thus, for instance, in the closed accounts the subheading "Public works", includes the working expenses of telegraph and water services; "Other economic expenditure", the working expenses of the postal service; "Financial administration", expenditure on pensions, etc.

3. As regards the public undertakings, see Note 2 to the analytical table of revenue.

E. Public Debt.

At the time when the United States of America took over financial control, Haiti had, besides its funded domestic and foreign debt, a considerable amount of floating debt and unsettled claims to the number of 73,269, representing a total value of 199,646,000 gourdes. A Claims Commission was appointed by the terms of a protocol of October 3rd, 1919, for the settlement of these claims, and the issue of a loan of 200 million gourdes in series A, B and C, at 6 per cent, repayable in thirty years, was authorised by a Law of June 26th, 1922, for the unification of all liabilities and the supply of funds for necessary public works.

The series A bonds, amounting to 80 million gourdes, were floated in New York in the autumn of 1922. The proceeds were used for refunding the foreign debt (primarily the redemption of all outstanding obligations in French francs) and for payment of the cash awards of the Claims Commission. The unspent balance is held in New York at the disposal of the Financial Adviser-General Receiver and may be partially employed for public works.

The series B bonds, authorised by a Law of September 27th, 1922, amounting to 25 million gourdes, were issued in exchange for the old internal bonds and for consolidation of the awards not paid in cash of the Claims Commission.

The series C bonds (authorised by a Law of December 27th, 1923), amounting to 13,300,000 gourdes, were given in exchange for 17,723,000 gourdes of the Haiti National Railway bonds, the Government guaranteeing interest and capital.

The Claims Commission completed its work in the year 1926. It rejected claims to the value of 182,167,000 gourdes and acknowledged only 17,479,000 gourdes, of which 6,047,000 were paid in cash out of the proceeds of the series A loan and 11,432,000 were converted into series B internal bonds.

As a result of these operations, the total funded debt of Haiti is now represented by only three series of securities identical in rate of interest, period of redemption, guarantee and form of administration. Series A and C are payable in dollars in New York and series B also in dollars but in Haiti, the latter, however, being subject to an income tax of 10 per cent payable at source.

(i) Table showing the Public Debt in 1915 and since 1919.

Gourdes (000's).

Date	Domestic debt						Foreign debt		Total debt	
	Funded		Floating		Total		Amount	Move- ment (+ or —)	Amount	Move- ment (+ or —)
	Amount	Move- ment (+ or —)	Amount	Move- ment (+ or —)	Amount	Move- ment (+ or —)				
Sept. 30th: 1915	37,186	...	8,854	...	46,040	...	107,821	...	153,861	...
1919	48,774	+ 11,588	7,245	— 1,609	56,019	+ 9,979	90,557	— 17,264	146,576	— 7,285
1920	51,079	+ 2,305	7,245	...	58,324	+ 2,305	33,487	— 57,070	91,811	— 54,765
1921	53,091	+ 2,012	6,080	— 1,165	59,171	+ 847	32,225	— 1,262	91,396	— 415
1922	52,946	— 145	6,080	...	59,026	— 145	33,505	+ 1,280	92,531	+ 1,135
1923	25,000	— 27,946	6,080	...	31,080	— 27,946	79,235	+ 45,730	110,315	+ 17,784
1924	23,567	— 1,433	6,080	...	29,647	— 1,433	91,401	+ 12,166	121,048	+ 10,733
1925	21,748	— 1,819	5,660	— 420	27,408	— 2,239	87,823	— 3,578	115,231	— 5,817
1926	19,775	— 1,973	5,232	— 428	25,007	— 2,401	83,300	— 4,523	108,307	— 6,924
1927	14,553	— 5,222	4,812	— 420	19,365	— 5,642	80,342	— 2,958	99,707	— 8,600

(ii) — Table showing details of the Foreign Funded Debt as on September 30th, 1924-1927.

Gourdes (000's).

	Sept. 30th, 1924	September 30th, 1925		September 30th, 1926		September 30th, 1927	
	Amount	Amount	Movement (+ or —)	Amount	Movement (+ or —)	Amount	Movement (+ or —)
Series A	78,243	75,183	— 3,060	71,474	— 3,709	68,940	— 2,534
Series C	13,159	12,640	— 519	11,826	— 814	11,402	— 424
Total foreign funded debt	91,402	87,823	— 3,579	83,300	— 4,523	80,342	— 2,958

(iii) — Table showing the amount of Debt Service — interest on and amortisation of Public Debt — and the Debt Service per head of population for the financial years 1923-24 to 1927-28.

Financial year	Accounts	Debt service		Population : (000's)	Debt service per head of population : Gourdes
		Amount : Gourdes (000's)	Percentage of 1923-24		
1923-24	Closed accounts	9,822	100	2,028	4.84
1924-25		12,806	130		6.32
1925-26		12,664	129		6.25
1926-27		10,222	104		5.05
1927-28		Estimates	9,568		97	4.73

The following table shows the public debt as on September 30th, 1927, in Haitian currency and in U.S.A. dollars :

(Rate of exchange : \$ 1 = 5 gourdes).

	Gourdes (ooo's)	\$ (ooo,ooo's)
Domestic debt	19,365	3.9
Foreign debt	80,342	16.1
Total debt	99,707	20.—
Debt per head of population	49.1 gourdes	\$9.8

NOTES.

1. As already stated, the domestic funded debt has, since 1923, been made up entirely of series B bonds. Until 1927, the figures represented the authorised total after deduction of the amount redeemed. In 1927, however, when the Claims Commission terminated its work, it was found that the nominal amount of bonds necessary for funding the acknowledged claims which had not been paid in cash (11,432,000 gourdes), together with the nominal amount which had previously been necessary for funding the bonded internal debt, were less by 3,830,000 gourdes than the authorised total of 25 million gourdes. The debt outstanding in 1927 was accordingly reduced by this difference of 3,830,000 gourdes.

2. The figures of the floating debt represent solely the amount of uncovered fiduciary currency. It has not been possible to ascertain the amounts of the other classes of floating debt.

3. The relatively high figures for redemption are accounted for by the fact that, if the revenue of the State exceeds .35 million gourdes, a certain percentage must, according to the loan contracts, be devoted to additional debt redemption.

The following table shows the position of the Treasury as on September 30th, 1924, 1925, 1926 and 1927 :

Gourdes (ooo's).

	1924	1925	1926	1927
<i>Assets :</i>				
Deposits in National Bank to credit of the General Receiver.	4,931	3,171	4,867	3,165
Deposits in New York :				
(a) To credit of the General Receiver	14,133	15,165	23,060	20,247
(b) To credit of the Government	9,314	9,573	—	—
Cash in hand	87	118	300	158
Fiduciary currency reserve	—	1,585	2,013	2,433
Advances to communes	—	—	68	140
Total assets	28,465	29,612	30,308	26,143
<i>Liabilities :</i>				
Liquidation account	1,603	1,413	1,450	1,363
Awards of Claims Commission	9,314	9,573	3,268	—
General Receiver's cheques outstanding	893	1,439	1,003	1,953
Unadjusted claims	—	—	—	206
Interest : domestic consolidated debt	201	—	—	—
Cash bonds deposited	—	60	62	65
Fiduciary currency reserve	—	1,585	2,013	2,433
Advances to communes	—	—	68	140
Extraordinary credits	1,750	4,016	2,796	746
Non-revenue credits	7,255	4,506	6,927	6,292
5% fund for Customs service	415	354	694	142
15% fund for internal revenue	35	298	368	322
Total liabilities	21,466	23,244	18,649	13,662
Net balance	+ 6,999	+ 6,368	+ 11,659	+ 12,481

NOTES.

1. For details regarding the liquidation account, see "Notes on the Budget System", second paragraph of Note 5.
 2. Since 1924-25, a sum of 420,000 gourdes has been estimated for annually in the budget as cover for the fiduciary currency.
 3. The items "Extraordinary credits" and "Non-revenue credits" represent unspent balances of authorised expenditure.
-

HUNGARY

Notes on the Budget System.

In 1923, the financial situation of Hungary was characterised by a rapid depreciation of the currency and by budgetary disequilibrium. The Council of the League of Nations undertook, in September 1923, at the request of the Hungarian Government and on the basis of preliminary investigations conducted by the Secretariat and the Financial Committee, to draw up a scheme of financial reconstruction.

The Protocols laying down the main lines of this reconstruction were signed in March 1924, and a delegation of the League of Nations was sent to Budapest to prepare a detailed programme for budgetary reform and the creation of a Bank of Issue. The loan necessary was estimated at 250 million gold crowns (about £10 million sterling). On May 1st, 1924, a Commissioner-General of the League of Nations, appointed to watch the execution of the reconstruction scheme, took up his duties at Budapest. In the following July, an Adviser to the National Bank was appointed. The work of reconstruction proceeded successfully, and, in June 1926, the Council declared that financial stability was assured.

Consequently, the duties of the Commissioner-General and of the Adviser to the National Bank came to an end on June 30th, 1926. The utilisation of the balance of the loan is still, however, subject to control by the Council of the League, while the assigned revenues will be supervised by the trustees until the loan has been redeemed.

The sums released from the yield of this loan and budgetary surpluses were employed, with the consent of the Commissioner-General of the League of Nations, on capital outlay.

1. The financial year begins on July 1st and ends on June 30th of the following year. The 1925-26 budget was submitted to the National Assembly in June 1925 and finally adopted in January 1926. That for 1926-27 was submitted in May 1926. The 1927-28 budget was submitted for the approval of the Chamber of Deputies on February 10th, 1927. It was voted without modification on May 18th, 1927.

2. The Hungarian budget is a gross budget; the gross receipts and expenditure of general administration as well as of fiscal monopolies, public undertakings and State domains are, therefore, shown.

Public undertakings and State domains are autonomous and frame their own budgets, but assent of the Minister of Finance must be obtained for any estimated deficit.

The budget is divided into two parts: (a) the general budget of the Administration and (b) the budget of the public undertakings and State domains. In each of these two parts, expenditure is divided into ordinary expenditure, special expenditure (*i. e.*, of a temporary character due to post-war conditions) and capital expenditure (expenditure on construction and investments). Revenue is classified in the same way as expenditure.

3. The Decree of May 18th, 1925, provides for the centralisation of all State revenue and expenditure through the agency of the National Bank of Hungary. All receipts are collected through the Postal Savings Bank, which pays them over daily into the State account with the National Bank.

The National Bank of Hungary, which began operations on June 24th, 1924, possesses the exclusive privilege of issuing notes. Under its statutes it may not grant loans to the State or other public institutions unless such loans are covered by gold or stable foreign currency.

The Ministry of Finance authorises the National Bank to open a special account in the Postal Savings Bank for each Ministry. Each Ministry draws on the monthly credits opened in its

favour within the limits of the budget. This administrative reform makes it impossible for Ministries to exceed the credits allotted to them without the permission of the Ministry of Finance.

Proceeds of loans are not included when calculating the budgetary surplus or deficit.

Every surplus or deficit increases or diminishes the Treasury balance. As will be seen in a later note, the surpluses have, since the restoration of equilibrium, been mainly expended on capital outlay.

4. In financial matters, the local authorities (counties, towns and municipalities) are under the control of the central Government.

Their principal resources consist in the yield of property, business taxes (5 per cent), taxes on wages (0.5-7.5 per cent), duties on meat and wine, additional duties on beer and spirits, a share of the turnover tax, etc.

Should the tax revenue be insufficient to cover expenditure, the Minister of Finance may sanction an increase in the rate of taxation.

The particulars given in this survey, prepared in October 1928, are drawn from the following sources :

- (a) The budgets for 1924-25, 1925-26, 1926-27 and 1927-28 ;
- (b) The reports of the League of Nations Commissioner-General for Hungary ;
- (c) The monthly reports of the Ministry of Finance on the financial position of Hungary ;
- (d) *The Financial Reconstruction of Hungary*, published by the Economic Section of the League.

A. Summary of Budget Accounts, 1924-25—1927-28.

1 Pengö = £-.036 = \$-.175 = 4.46 Fr. frs. = -.906 gold fr.

Pengö (000,000's).

	1924-25	1925-26	1926-27	1927-28
	Closed Accounts			Estimates
I. Revenue.				
Current receipts	1,271.7	1,233.4	1,358.5	1,192.5
Minting of small coinage	—	—	42.7	—
Total revenue	1,271.7	1,233.4	1,401.2	1,192.5
II. Expenditure.				
Current expenditure.	1,104.4	1,096.2	1,207.1	1,143.—
Investment in non-revenue-yielding assets	17.6	15.9	15.3	13.9
Investment in revenue-yielding assets	50.5	32.9	27.7	21.1
Repayment of public debt.	¹	¹	¹	14.3
Total expenditure.	1,172.5	1,145.0	1,250.1	1,192.3
Net surplus	99.2	88.4	151.1	-.2

¹ Included in Current expenditure.

In the budget for 1924-25 it was estimated that there would be a deficit of 100 million gold crowns ¹, which was to be covered by the international loan. The closed accounts for that year, however, showed a surplus of 99.2 million pengö. When it became clear that there would be a budget surplus extraordinary expenditure was incurred. This extraordinary expenditure, not provided for in the budget, consisted of loans to municipalities, counties and drainage companies for public works, and loans to public undertakings for working capital, totalling 37.1 million pengö. The loans bear interest at 7½ per cent, as does the reconstruction loan.

Thus, at the close of the financial year 1924-25, there was a net surplus of 62.1 million pengö.

As the budget was balanced before the date contemplated in the reconstruction scheme, the Hungarian Government obtained authority from the Council of the League of Nations to expend this surplus of 62.1 million pengö, together with a sum of 34.8 million pengö (30 million

¹ 100 million gold crowns = 116 million pengö.

gold crowns) from the international loan, on the purchase of additional railway rolling-stock, the construction of a new harbour at Budapest, and loans to drainage companies. These funds were to be expended in accordance with a programme fixing the capital outlay for the first six months of the financial year 1925-26. In fact, the capital outlay during the first six months of that year was only 35.5 million pengő, leaving a balance in hand of 61.4 million pengő (or 53 million gold crowns).

In accordance with the decisions reached by the Council at its session in December 1925, a sum of 23.2 million pengő (20 million gold crowns) from the international loan was allotted to capital expenditure during the second half of the year 1925-26. Thus the total funds available for capital expenditure (loans and public works) during the second half of 1925-26 amounted to 84.6 million pengő (or 73 million gold crowns). This sum was to be employed as specified in an agreement between the Government and the Commissioner-General.

It included 20 million gold crowns (23.2 million pengő) allotted to the *Geldinstitutszentrale* as partial compensation for the loss of the funds transferred to the National Bank. Up to that time the funds of the Post Office Savings Bank and the credit balances of public undertakings were deposited at the *Geldinstitutszentrale*. In December 1925, it was decided to centralise all these funds at the National Bank, and this operation was completed in June 1926.

The surplus on the financial year 1925-26 amounted to 88.4 million pengő. Out of this surplus a sum of 34.8 million pengő was added to the cash balance. For extra-budgetary capital outlay, therefore, 53.6 million pengő remained available. Further, the Hungarian Government obtained authority from the Financial Committee of the League to allot 50 million gold crowns (58 million pengő) out of the reconstruction loan to capital expenditure in respect of the financial year 1926-27. In addition to these items, there became available the sums paid to the State by way of repayment of loans granted during previous years and interest thereon (11.8 million pengő), and money collected by way of forced loan (Article 9 of Law IX of 1925), and arrears of the extraordinary tax on property (10 million pengő).

The surplus on the financial year 1926-27 (151.1 million pengő), together with 58 million pengő from the reconstruction loan, were employed for the programme of capital outlay for the year 1927-28; the estimated expenditure under this head was 108 million pengő.

From the provisional closed accounts it appears that the financial year 1927-28 ended with a surplus of 94.8 million pengő, to be used for extra-budgetary capital expenditure in 1928-29. The balance of the reconstruction loan (39.3 million pengő) was also appropriated to this class of expenditure. The estimated capital expenditure for 1928-29 is 129.3 million pengő.

Summary of Extra-Budgetary Operations.

Pengő (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29
Funds available for extra-budgetary expenditure in the years indicated:					
(a) Surplus on budget accounts	37.1	62.1	88.4	151.1	94.8 ¹
(b) Reconstruction loan released		57.2	58.-	58.-	39.3
(c) Loans granted by the State: Amortisation and interest			11.8		
(d) Forced loan and arrears of extraordinary tax on property			10.-		
Total in hand	37.1	119.3	168.2	209.1	134.1
Purposes for which the sums shown above were authorised to be used:					
(a) Loans, public works and grants	37.1	119.3	133.4	108.-	129.3
(b) Allotment to working capital			34.8		
Total	37.1	119.3	168.2	108.-	129.3

¹ Provisional figure.

B. Budget Estimates for the Financial Year 1927-28 compared with Closed Accounts for the Financial Years 1924-25 to 1926-27.

(a) REVENUE.

Pengö (000,000's).

	1924-25	1925-26	1926-27	1927-28
	Closed accounts			Estimates
<i>I. Administration.</i>				
1. Civil list of the Governor	—	—	—	—
2. Cabinet of the Governor	-1	-1	-1	-1
3. National Assembly	—	—	—	—
4. Public debt	138.6	24.4	27.6	18.4
5. Charges under the Peace Treaty	—	—	—	—
6. Supreme Audit Court	—	—	—	—
7. Administrative Tribunal	—	—	—	—
8. Agrarian reform	—	—	—	—
9. Cabinet of the Prime Minister	—	-1	-1	—
10. Ministry of Foreign Affairs	3.1	3-	3.3	2.5
11. " " the Interior	6.9	6.5	4.2	1.8
12. " " Finance	708.2	756.5	870.8	676.4
13. " " Commerce	4-	4.9	6-	4.7
14. " " Agriculture	4.8	4.2	4.4	4.8
15. " " Social Welfare and Labour	2.6	11.3	30.2	31.5
16. " " Education and Church	3.7	7.2	5.8	11.2
17. " " Justice	1.8	2.1	2-	2-
18. " " Defence	-4	-6	-4	-3
Total I	874.2	820.9	954.9	753.7
<i>II. Public Undertakings.</i>				
Postal, telegraph and telephone services	69.3	80.2	86.6	91.5
Savings bank	7.5	7.5	6.4	6.8
Railways	275.5	275.5	288.5	290.2
Iron and Steel works	33.1	37.1	49.9	35.9
Forests	1.8	1.9	2.2	2.1
Agricultural domains	7.3	6.5	8.1	7.9
Sericulture	1.2	1.8	2.3	2-
Mines	1.8	2-	2.3	2.4
Total II	397.5	412.5	446.3	438.8
Total, I and II	1,271.7	1,233.4	1,401.2	1,192.5

(b) EXPENDITURE.

Pengö (000,000's).

	1924-25	1925-26	1926-27	1927-28
	Closed accounts			Estimates
<i>I. Administration.</i>				
1. Civil list of the Governor	-1	-1	-1	-1
2. Cabinet of the Governor	1.6	1.7	1.4	1.4
3. National Assembly	2.7	3.8	4.4	4.6
4. Public debt	189.4	104.1	96.6	90-
5. Charges under the Peace Treaty	9.4	8.3	5.4	5.8
6. Supreme Audit Court	-6	-7	-7	-7
7. Administrative Tribunal	-7	-9	-9	-9
8. Agrarian reform	-6	-8	-8	-7
9. Cabinet of the Prime Minister	7.4	2.7	3.7	2.6
10. Ministry of Foreign Affairs	8.1	8.9	10.1	9.3

B. Budget Estimates for the Financial Year 1927-28 compared with Closed Accounts for the Financial Years 1924-25 to 1926-27 (continued).

(b) EXPENDITURE (continued).

Pengő (000,000's).

	1924-25	1925-26	1926-27	1927-28
	Closed accounts			Estimates
<i>I. Administration (continued).</i>				
11. Ministry of the Interior	90.-	96.7	99.-	98.8
12. " " Finance	111.5	128.6	187.4	142.6
13. " " Commerce	18.8	22.8	23.-	23.5
14. " " Agriculture	23.-	25.9	27.4	26.5
15. " " Social Welfare and Labour	38.4	54.6	60.8	60.4
16. " " Education and Church	96.5	110.-	119.1	121.3
17. " " Justice	42.4	46.8	50.-	50.8
18. " " Defence	106.6	110.3	115.8	113.5
Total I	747.8	727.7	806.6	753.5
<i>II. Public undertakings.</i>				
Postal, telegraph and telephone services	76.9	81.9	81.7	91.5
Savings bank	6.7	7.-	7.6	7.4
Railways	287.2	275.5	291.1	291.1
Iron and Steel works	42.8	41.6	49.9	36.2
Forests	1.7	1.8	2.1	2.1
Agricultural domains	6.2	5.7	6.7	6.4
Sericulture	1.1	1.6	2.-	1.8
Mines	2.1	2.2	2.4	2.3
Total II	424.7	417.3	443.5	438.8
Total, I and II	1,172.5	1,145.-	1,250.1	1,192.3

C. Analysis of Receipts.

	1924-25	1925-26	1926-27	1927-28		
	Closed accounts			Estimates		
	Amount : pengő (000,000's)			Per- centage of total	Amount : pengő (000,000's)	Per- centage of total
<i>I. Taxes on income and property :</i>						
Land tax	24.4	41.-	44.9	4.92	39.-	5.56
House tax	10.5	26.2	44.1	4.83	50.-	7.12
Corporation tax	10.3	8.8	12.1	1.33	12.8	1.82
Income tax	33.9	41.8	43.9	4.81	46.4	6.61
Property tax	9.1	11.8	13.6	1.48	11.6	1.65
Supplementary taxes	3.2	15.4	7.5	-82	-5	-07
Total	91.4	145.-	166.1	18.19	160.2	22.83
<i>II. Taxes on production, use and transactions :</i>						
<i>A. Customs duties :</i>						
Import duties	119.8	120.1	141.7	15.51	102.1	14.55
Export duties	-2	-	-	-	-	-
Customs fees	10.9	4.2	-4	-0.4	-2	-0.3
Total	130.9	124.3	142.1	15.55	102.3	14.58

C. Analysis of Receipts (continued).

	1924-25	1925-26	1926-27		1927-28	
	Closed accounts				Estimates	
	Amount : pengö (000,000's)		Per- centage of total		Amount : pengö (000,000's)	Per- centage of total
II. Taxes on production, use and transactions (con- tinued):						
B. Internal taxes on production, use and transactions :						
Excise duties on :						
Alcohol	16.-	21.6	23.8	2.61	16.8	2.40
Beer	2.9	4.5	5.8	-.64	4.5	-.64
Sugar	36.6	40.2	35.1	3.84	30.4	4.33
Mineral oil	9.1	11.5	15.1	1.65	9.-	1.28
Wine	—	—	—	—	—	—
Mechanical lighters	2.8	3.4	4.4	-.48	2.8	-.40
Cigarette-paper	1.-	1.2	1.3	-.14	1.-	-.14
Other excise duties	1.1	1.1	-.5	-.06	-.4	-.06
Total	69.5	83.5	86.-	9.42	64.9	9.25
Turnover tax	140.-	108.1	106.3	11.63	91.-	12.97
Tax on transactions in livestock	16.9	9.4	12.4	1.36	12.-	1.71
Tax on transactions in beetroot	1.3	-.8	-.7	-.08	-.7	-.10
Tax on securities	3.1	1.-	4.9	-.54	1.4	-.20
Tax on luxury articles	16.6	16.7	14.9	1.63	8.7	1.24
Tax on rent	20.-	11.7	—	—	—	—
Tax on transactions	18.3	24.8	37.3	4.08	18.-	2.56
Stamp duties	46.7	49.-	55.7	6.10	28.1	4.00
Judicial fees	5.1	4.1	7.-	-.77	6.-	-.85
Transport taxes	11.9	15.3	15.2	1.66	12.-	1.71
Other fees	1.9	4.8	5.9	-.65	3.5	-.50
Interest, fines, etc.	1.-	3.7	4.2	-.46	-.4	-.06
Total	483.2	457.2	492.6	53.93	349.-	49.73
III. Surplus on fiscal monopolies :						
Tobacco	62.5	72.8	69.8	7.64	72.3	10.30
Salt	14.-	17.5	18.7	2.05	15.-	2.14
Saccharine	-.2	-.1	-.1	-.01	-.1	-.01
Lotteries	-.2	-.8	1.2	-.13	1.4	-.20
Total	76.9	91.2	89.8	9.83	88.8	12.65
Total of I, II and III	651.5	693.4	748.5	81.95	598.-	85.21
IV. Fees, contributions and other administrative receipts :						
Fees, etc.	26.8	40.6	60.6	6.63	63.7	9.08
Contributions from local authorities	5.-	4.-	2.3	-.25	-.1	-.01
Total	31.8	44.6	62.9	6.88	63.8	9.09
V. (a) Surplus from domains and public under- takings :						
Forests	-.1	-.1	-.1	-.01	—	—
Agricultural domains	1.3	-.8	1.4	-.15	1.5	-.21
Mines	—	—	—	—	-.1	-.02
Sericulture	-.1	-.2	-.3	-.04	-.2	-.03
Railways	17.-	18.9	13.6	1.49	10.8	1.54
Postal, telegraph and telephone services	6.2	6.8	9.5	1.04	7.9	1.13
Savings Bank	1.1	-.5	—	—	—	—
Printing office	—	-.2	—	—	—	—
Iron and steel works	—	1.-	6.9	-.75	1.2	-.17
Total	25.8	28.5	31.8	3.48	21.7	3.10

C. Analysis of Receipts (continued).

	1924-25	1925-26	1926-27		1927-28	
	Closed accounts				Estimates	
	Amount : pengö (000,000's)		Per- centage of total		Amount : pengö (000,000's)	Per- centage of total
V. (b) Lease of lands surrendered to the State in lieu of property tax	114.6	3.6	2.8	-31	2.8	-40
VI. Receipts from liquidation of Austro-Hungarian Bank	-6	2.3	8.9	-98	—	—
VII. Interest derived from the yield of the 1924 loan	22.2	14.2	13.—	1.42	14.9	2.12
VIII. Debt service of public undertakings	1.1	4.1	2.2	-24	—	—
IX. Repayment to the State in respect of private debt settlements abroad	-1	-1	-6	-07	-6	-08
X. Minting of small coinage	—	—	42.7	4.67	—	—
Grand Total	847.7	790.9	913.4	100	701.8	100

NOTES.

1. *Changes in the taxes on income and property.* — In order to encourage housebuilding, the law of May 7th, 1927, exempts newly-built houses from house-tax for thirty years. Abatements of tax are granted to owners repairing their houses. Further, owners of new houses are not subject to the general stipulations of the rent-restriction bill.

Since the beginning of the financial year 1927-28, the rate of the house-tax has been reduced. Its yield, however, is still increasing, on account of the gradual withdrawal of the restrictions established by the Tenants' Protection Act.

From the same date the minimum income assessable for income-tax has been raised from 930 to 1,000 pengö.

2. *Changes in the taxes on production, use and transactions.* — On May 1st, 1925, the assessment for the rent tax was reduced from 25 to 12½ per cent. In the financial year 1926-27 the tax was abolished.

In 1925-26 the rate of the turnover tax was reduced from 3 per cent to 2 per cent, and, in consequence, the yield fell from 140 million pengö in 1924-25 to 108.1 million in 1925-26. In 1927-28 the turnover tax on bread was abolished and the burden of this tax was lightened by reducing the number of times it is levied on the same commodity. It was estimated, towards the close of the financial year 1927-28, that the total effect of these modifications in the turnover tax had been to reduce its incidence by half since 1924-25.

Provision was also made for a considerable reduction in stamp duties and judicial fees.

During the financial year 1924-25, the great majority of import and export prohibitions was abolished and a new Customs tariff introduced. The new rates of duty have since been reduced as a result of commercial treaties.

3. The reduction of various taxes in 1927-28 was estimated by the Minister of Finance to represent a loss of 40 million pengö to the budget. For the first nine months of the financial year 1927-28, however, the actual total receipts of the State Administration exceeded the estimates by 84.8 million pengö.

D. Analysis of Expenditure.¹

	1924-25	1925-26	1926-27		1927-28	
	Closed accounts				Estimates	
	Amount : pengö (000,000's)		Amount : pengö (000,000's)		Per- centage of total	Per- centage of total
I. Defence :						
Army	79.9	79.3	80.8	10.60	81.1	11.56
II. Foreign Affairs	7.8	8.5	9.7	1.27	8.9	1.27
III. Justice	32.2	35.2	36.8	4.83	37.9	5.40
IV. Supreme organs of government and general administration	78.9	77.7	80.5	10.56	79.6	11.34

¹ Excluding extra-budgetary expenditure.

D. Analysis of Expenditure (continued).¹

	1924-25	1925-26	1926-27		1927-28	
	Closed accounts			Estimates		
	Amount: pengő (000,000's)	Amount: pengő (000,000's)	Perce- tage of total	Amount: pengő (000,000's)	Perce- tage of total	
V. <i>Public health</i>	12.1	26.-	24.2	3.17	28.1	4.01
VI. <i>Social administration</i>	8.8	11.2	13.8	1.81	10.-	1.43
VII. <i>Economic administration</i> :						
Subsidies to private railway companies	4.9	3.6	3.5	-4.6	5.3	-7.6
Public works	7.1	9.4	8.-	1.05	8.1	1.15
Other expenditure on economic admin- istration	33.-	36.7	79.4	10.42	39.8	5.67
Total	45.-	49.7	90.9	11.93	53.2	7.58
VIII. <i>Education</i>	80.7	91.6	99.9	13.11	97.8	13.94
IX. <i>Church</i>	3.3	3.9	4.6	-6.0	7.6	1.08
X. <i>Financial administration</i>	46.2	56.4	57.2	7.50	54.-	7.70
XI. <i>Deficit on public domains and undertakings</i> :						
Mines	—	-.2	—	—	—	—
Savings bank	—	—	1.2	-1.6	-6	-0.09
Printing office	-.2	—	-.5	-0.06	-.3	-.04
Iron and steel works	2.5	—	—	—	—	—
Total	2.7	-.2	1.7	-2.2	-.9	-1.13
XII. <i>Subsidies to local authorities</i>	11.3	13.2	12.7	1.67	12.8	1.82
XIII. <i>Pensions</i> :						
Fighting services	27.3	31.7	35.5	4.66	32.9	4.69
Civil services	55.7	58.2	64.3	8.43	61.7	8.79
War pensions	12.2	18.-	23.5	3.09	23.5	3.35
Total	95.2	107.9	123.3	16.18	118.1	16.83
XIV. <i>Execution of Peace Treaties</i>	9.4	8.3	5.4	-7.1	5.8	-8.3
XV. <i>Public debt service</i> :						
Administration					2.4	-3.4
Interest					68.-	9.69
Amortisation					14.3	2.04
Total	184.5	100.5	93.1	12.21	84.7	12.07
XVI. <i>Investments in revenue-yielding assets</i> :						
Railways	28.7	18.9	16.2	2.13	11.7	1.67
Postal, telegraph and telephone services	13.8	8.5	4.6	-6.0	7.9	1.13
Savings bank	-.3	—	—	—	—	—
Iron and Steel works	7.2	5.5	6.9	-9.0	1.5	-2.1
Agricultural domains	-.2	—	—	—	—	—
Mines	-.3	—	—	—	—	—
Total	50.5	32.9	27.7	3.63	21.1	3.01
Total expenditure	748.5	702.5	762.3	100	701.6	100

¹ Excluding extra-budgetary expenditure.

NOTES.

1. In 1924-25, nearly 60 per cent of the total expenditure; in 1926-27, 51 per cent, and in 1927-28, 52 per cent, was accounted for by salaries of staff and pensions. In the financial year 1924-25, the grants in kind made to officials were abolished, their salaries being now calculated on a gold basis. The table below shows the number of officials in 1913, 1924, 1925 and 1927.

	1913	1924 July 1st	1925	1927
Civil administration	95,323	87,234	84,129	83,635
Public undertakings	104,647	51,089	46,419	44,383
Permanent employees	113,816	49,689	30,000	30,000
Total	313,786	188,012	160,548	158,018

In January 1925, a National Economy Commission was set up to conduct an enquiry in the administrative services with a view to recommending measures of economy. By June 1927, 28,288 posts had been abolished, but a number of these existed on paper only. This reduction was rendered possible by a series of administrative reforms — reform of the judicial system, centralisation of the payment of salaries and pensions, centralisation of purchases of supplies, amalgamation of the Government printing works, centralisation of constructional works, etc.

In February 1925, officials were granted a temporary increase of 15 per cent of their salaries. From the following financial year 1925-26, this increase became permanent, and a further rise of 5 per cent was granted, involving a total expenditure under this head amounting to approximately 20,000,000 gold crowns (23.2 million pengö).

In the 1927-28 budget, a further increase amounting to 6.1 million pengö was granted to officials as compensation for the increase in rents.

2. Up to 1927-28, the figure for public debt service also covered the service of the debt on public undertakings. In 1927-28 this was changed. In that year the estimate for the service of the debt on public undertakings was 4.2 million pengö.

E. Fiscal Monopolies.

Pengö (000,000's).

	1924-25	1925-26	1926-27	1927-28
	Closed accounts			Estimates
<i>Tobacco :</i>				
Gross receipts	107.3	123.—	135.2	137.—
Working expenses	44.8	50.2	65.4	64.7
Net receipts	62.5	72.8	69.8	72.3
<i>Salt :</i>				
Gross receipts	20.1	23.9	24.6	21.5
Working expenses	6.1	6.4	5.9	6.5
Net receipts	14.—	17.5	18.7	15.—
<i>Saccharine :</i>				
Gross receipts	—2	—1	—1	—1
Working expenses . . . . .	...	...	...	...
Net receipts	—2	—1	—1	—1
<i>Lotteries :</i>				
Gross receipts	—2	—8	1.2	1.4
Working expenses . . . . .	...	...	...	...
Net receipts	—2	—8	1.2	1.4

F. State Domains and Public Undertakings.

Pengő (000,000's).

	1924-25	1925-26	1926-27	1927-28
	Closed accounts			Estimates
<i>Forests :</i>				
Gross receipts	1.8	1.9	2.2	2.1
Working expenses	1.7	1.8	2.1	2.1
Balance	+ -1	+ -1	+ -1	...
<i>Agricultural domains :</i>				
Gross receipts	7.3	6.5	8.1	7.9
Working expenses	6.-	5.7	6.7	6.4
Balance	+ 1.3	+ -.8	+ 1.4	+ 1.5
<i>Mines :</i>				
Gross receipts	1.8	2.-	2.4	2.4
Working expenses	1.8	2.2	2.4	2.3
Balance . . . . .	...	- -.2	...	+ -1
<i>Sericulture :</i>				
Gross receipts	1.2	1.8	2.3	2.0
Working expenses	1.1	1.6	2.-	1.8
Balance	+ -1	+ -.2	+ -.3	+ 0.2
<i>Railways :</i>				
Gross receipts	275.5	275.5	288.5	290.2
Working expenses	258.5	256.6	274.9	279.4
Balance	+ 17.-	+ 18.9	+ 13.6	+ 10.8
<i>Postal, telegraph and telephone services :</i>				
Gross receipts	69.3	80.2	86.6	91.5
Working expenses	63.1	73.4	77.1	83.6
Balance	+ 6.2	+ 6.8	+ 9.5	+ 7.9
<i>Savings bank :</i>				
Gross receipts	7.5	7.5	6.4	6.8
Working expenses	6.4	7.-	7.6	7.4
Balance	+ 1.1	+ -.5	- 1.2	- -.6
<i>Printing office :</i>				
Gross receipts	1.4	1.9	1.9	2.4
Working expenses	1.6	1.7	2.4	2.7
Balance	- -.2	+ -.2	- -.5	- -.3
<i>Iron and steel works :</i>				
Gross receipts	33.1	37.1	49.9	35.9
Working expenses	35.6	36.1	43.-	34.7
Balance	- 2.5	+ 1.-	+ 6.9	+ 1.2

NOTES.

Railways. — The expenditure includes railwaymen's pensions and the service of the railway debt. The latter was shown as revenue in the budget of the State administration up to the financial year 1927-28, because the public debt service included the service of the debt on public undertakings. In 1927-28 this system was changed. In that year the number of railway employees was 30,087 and the number of permanent workmen was 19,774. The number of pensioned employees was 42,392. The

heavy burden of pensions has rendered the financial situation of the Hungarian railways difficult. In 1927-28, the expenditure on salaries was 75.9 million pengö, and on pensions 50.8 million. For the first time the ordinary expenditure now includes a sum of 16.1 million pengö for renewal and upkeep of railway material.

G. Public Debt and Reparations.

POSITION OF THE HUNGARIAN PUBLIC DEBT AT JULY 1st, 1927.

	(000,000's) Pengö
Pre-war debts (decision of the Reparation Commission and Prague Convention)	882.2
Pre-war debt (under the Clearing Convention)	97.5
Loans contracted between the beginning and end of the war	14.8
Loans contracted since the end of the war, not including the reconstruction loan	235.1
Reconstruction Loan	359.8
Total	<u>1,589.4</u>

NOTES.

1. This figure includes the funded debt and the floating debt.

2. The loans contracted since the end of the war include the forced loan of 60 million pengö and the State's floating debt to the National Bank of 120 million pengö. In 1924, when the National Bank was founded, this debt amounted to 160 millions. Under an arrangement made in 1926, it is to be paid within a short time. Since July 1st, 1927, the interest on this debt has been reduced from 2.5 per cent to 1 per cent.

3. The reconstruction loan (repayable in twenty years), which bears interest at 7.5 per cent (8.05 per cent for the Italian block), was issued in July and August 1924 at prices varying from 87.5 to 92. The gross amounts of the different blocks were as follows :

Great Britain	:	£7,902,700
United States of America	:	\$7,500,000
Italy	:	Lire 170,000,000
Sweden	:	Kr. 4,585,000
Switzerland	:	Fr. 30,000,000
Netherlands	:	Fl. 5,000,000
Czechoslovakia	:	Kč. 83,620,000
Hungary	:	\$2,350,000

At the rates then ruling, this represented a nominal total of 307.15 million gold crowns or 356.3 million pengö. The net yield was 253.8 million gold crowns or 294.4 million pengö. Owing to the rise in the value of certain of the currencies in which the loan was issued, the gross figures, however, are lower than the final amortisation value of the loan. The loan is secured on the Customs revenue and the receipts from the tobacco monopoly (gross), the salt monopoly (net) and the excise duty on sugar (net).

4. In connection with the issue of the reconstruction loan, the Reparations Commission agreed to suspend for twenty years the liens on the revenues assigned as security for the loan. It limited the payments and deliveries for that period to a total of 200 million gold crowns distributed as follows : for 1924-1926, an amount equivalent to the value of 880 tons of coal per working day ; for 1927 and 1928, 5,000,000 crowns ; for succeeding years :

		(000,000's).						
	Gold crowns	Pengö	Gold crowns	Pengö	Gold crowns	Pengö		
1929	6	= 6.96	1932	9	= 10.44	1935	12	= 13.92
1930	7	= 8.12	1933	10	= 11.60	1936-1941	13	= 15.08
1931	8	= 9.28	1934	11	= 12.76	1942-1943	14	= 16.24

It was stipulated that, if the payments for the years 1927-1943 plus the value of deliveries or payments effected in the years 1924-1926 did not reach the figure of 200 million gold crowns, the difference should be paid or delivered in four instalments during the years 1940-1943, in addition to the payments specified. If, on the other hand, the payments should exceed the figure of 200 million gold crowns, the surplus should be deducted in the same manner from the payments to be made in respect of the final four years.

INDIA

Notes on the Budget System.

1. The financial year covers the period April 1st¹ to March 31st. The budget for the forthcoming year is generally prepared about the middle of the current financial year and presented to both Chambers on the last day of February — to the Legislative Assembly by the Financial Member and to the Council of State by the Financial Secretary. The Council of State discusses in detail the Finance Bill, which deals with revenue, but does not amend the Appropriation Bill, which deals with grants. The budget is voted by the end of March (*i.e.*, before the opening of the financial year to which it refers).

The Government of India Act of 1919 requires that “ the estimated annual expenditure and revenue of the Governor-General in Council shall be laid in the form of a statement before both Chambers of the Indian legislature in each year ” ; that “ no proposal for the appropriation of any revenue or moneys for any purpose shall be made except on the recommendation of the Governor-General ” ; and that the Government’s proposal for the appropriation of revenue or moneys relating to : (i) interest and sinking fund charges on loans, (ii) expenditure of which the amount is prescribed by or under any law, (iii) salaries and pensions of persons appointed by or with the approval of His Majesty or by the Secretary of State in Council, (iv) salaries of chief commissioners and judicial commissioners, and (v) expenditure classified by the order of the Governor-General in Council as : (a) ecclesiastical, (b) political, (c) defence — shall not be submitted to the vote of the Legislative Assembly unless the Governor-General otherwise directs. All proposals relating to headings of expenditure not specified above are submitted to the vote of the Legislative Assembly in the form of demands for grants. In cases, however, where the Assembly refuses or reduces the demands of the Government relative to any matter which the Governor-General in Council deems essential to the discharge of his responsibilities, it is open to him to override the decision of the Assembly and act as if the grant asked for had been voted.

2. The budget comprises a general budget and, since 1924, a special railway budget.

The general budget is a gross budget, apart from the working accounts of the railways, irrigation works and postal and telegraph services.

The general budget is divided into two parts :

- (i) Revenue and expenditure charged to revenue ;
- (ii) Statement of receipts and disbursements, often called the “ Ways and Means ” budget.

In both the revenue and the expenditure side of (i) a system of departmental classification is adopted.

Besides the current expenditure on administration and public undertakings other than those mentioned above, the expenditure side of the budget shows :

- (a) Current expenditure on railways, irrigation works, postal and telegraph services not considered as working expenses (*e.g.*, interest on debt, etc.).
- (b) Part of capital expenditure for public undertakings and monopolies.
- (c) Amounts set aside for redemption of debt.

¹ As this is before the monsoon falls, accurate forecast is made more difficult, and the Chamberlain Commission proposed that the date should be altered to 1st October. The proposal has not been adopted.

The statement of receipts and disbursements comprises the transactions of capital, debt and remittance accounts, and any surplus or deficit on the revenue account.

The capital account deals with expenditure incurred with the object either of increasing assets of a material character or of reducing recurring liabilities, such as those for commutation of pensions by payment of capitalised value. Such expenditure is met usually from borrowed funds or from receipts of a capital nature intended to be applied to capital expenditure alone. To the latter category belong such contributions as are received from Indian States or railways for railway construction or the proceeds of the special cesses imposed for the Bombay Development Scheme.

The debt account comprises receipts and payments in respect of which the Government becomes liable to repay moneys received or has a right to recover the amounts paid, together with repayments of the former and recoveries of the latter.

The remittance account embraces all merely adjusting items, under which appear the cash remittances from one treasury to another, besides those which are necessitated either by the constitution of the Accounts Department or the existence of the Home Treasury.

3. The transactions included in the finance and revenue accounts of the Government of India mainly represent the actual cash receipts and disbursements during the financial year April to March, as distinguished from amounts becoming due to or by the Government during the same period.

The books in the Finance Department are closed within seven months after the end of the financial year (October 10th), and the closed accounts must be ready for presentation to Parliament within another seven months (May).

Surpluses of the revenue account are transferred to the treasury account and applied to the reduction or avoidance of debt. The surplus for the financial year 1926-27 has been allocated to a newly created "Revenue Reserve Fund" and the deficit for 1927-28 would be covered from this fund.

4. The balances of the revenue account, capital account, debt and remittance accounts constitute the general cash balance, a small portion of which is kept in the treasuries all over India, but the bulk is deposited with the Imperial Bank of India and the Bank of England. In addition to these cash balances are the paper currency reserve and the gold standard reserve. The operations of these accounts appear in the treasury statements as deposit transactions only, their balances being kept entirely distinct from the cash balances.

A considerable portion of the expenditure of India is made in sterling. Since the beginning of the financial year 1921-22, the combined figures of revenue and expenditure in India and England together have been expressed in rupees and not in pounds sterling as before. The actual cost of converting rupees into pounds has been charged more accurately to each heading in the budget since the change in 1921-22 than under the system previously in force.

Until March 31st, 1927, the accounts were prepared at the rate of 2s. per rupee. The sterling value of the rupee, however, stood at a lower level in recent years. In consequence of this variation from the 2s. rate, large sums were entered as credits or debits on account of exchange in respect of transactions involving remittances of funds to and from the Secretary of State. These were purely book-keeping transactions, and, being shown as "gains" or "losses", fluctuated within very wide limits from a debit of 2.28 million rupees in 1921 to a credit of 1.24 million rupees in 1927.

The procedure for the allocation of exchange gains and losses was as follows: All exchange gains and losses arising in respect of remittance transactions were recorded in the first instance under a suspense heading; the portion attributable to the revenue and capital accounts in respect of outlay incurred in England was calculated every month on the basis of the average of the daily telegraphic transfer rates from Calcutta on London and then transferred to these accounts. The portion relating to the expenditure of Provincial Governments was similarly debited to the Provincial Governments concerned.

The entire procedure outlined above is now under reconsideration as a result of the adoption of the 1s. 6d. par rate from April 1st, 1927. For the purpose of the 1927-28 estimates, however, the old procedure has been maintained, but 1s. 6d. has been taken in place of the old 2s. rate. In the current year, the average rate is expected to work out at 1s. 5¹⁰/₁₆d. The variation between this rate and the account rate being thus small, the gains and losses are almost negligible.

5. *Decentralisation of central and provincial finance.* — The Indian constitutional reforms of 1919 were designed *inter alia* to secure a greater measure of independence for provincial Governments, and at present each provincial Government is responsible for its own finance. The Indian States are responsible for their own finances, which are not included in those of the provincial Governments.

The Act of 1919 further provided for the delimitation of the functions of the Government as between the Government of India and the chief provincial Governments, and for the assignment to each of these provincial Governments of specific revenues of their own. Effect has been given to these measures of devolution in the nine "Governors' Provinces" (*viz.*, Bengal, Madras, Bombay, the United Provinces, the Punjab, Bihar and Orissa, the Central Provinces, Assam and Burma), in all of which the functions of government have been classified into "Central" and "Provincial". A general authority to control all matters coming under the latter heading, subject to certain express provisos, devolves upon the provincial Governments.

The provincial Government is given a share in any expansion of the income tax (otherwise a "central" source of revenue) due to an increase of the assessed incomes within the province. Inasmuch as under this re-arrangement the Government of India's resources were substantially curtailed, it was arranged that annual contributions, fixed at the outset at 98.3 million rupees, should be levied on eight of the nine provinces. Those contributions were not, except in a case of emergency and with the sanction of the Secretary of State, to be increased; and, should reduction of the aggregate be found possible, reductions were to be made in fixed proportions from the quotas of the several provinces. The Government of India has effected a progressive reduction of the provincial contributions. There were no contributions payable during 1927-28 and 1928-29.

The other main sources of revenue allotted to provincial Governments are: land tax, irrigation dues, stamp and excise duties.

By the Act of 1919, the provincial Governments are empowered to raise loans in the open market — a privilege which, prior to these reforms, was reserved to the Government of India. The purposes for which loans may be raised by provincial Governments and conditions attaching thereto are determined in the Local Government (Borrowing) Rules. Up to the end of 1926-27, only three local Governments, the Governments of Bombay, the United Provinces and the Punjab, had raised loans in the open market in exercise of these powers.

Since April 1st, 1925, when the Provincial Loans Fund was set up, all transactions between the central and provincial Governments are now passed through the accounts of that fund. Definite principles have been laid down to regulate the terms and purposes for which advances may be made and the rates of interest to be charged thereon.

The following review, prepared in May 1929, is based chiefly upon :

- (a) Finance and Revenue Accounts of the Government of India, 1926-27 ;
- (b) Budgets of the Government of India, 1927-28 and 1928-29 ;
- (c) East India Accounts and Estimates, 1927-28.

Note on Price Movement.

The following table shows the movement of wholesale and retail prices for the period under review :

Official index numbers	1914	1920	1921	1922	1923	1924	1925	1926	1927	1928
Wholesale prices (annual average)	100	201	178	176	172	173	159	148	148	145
Retail prices (cost of living)	100	190	177	165	153	157	177 ¹	177	176	165

¹ Since date of stabilisation, gold index.

A. Summary of Budget Accounts.

The following table shows the totals of : (a) revenue and expenditure charged to revenue (revenue account) ; (b) capital account, permanent debt account and account of loans and advances to provincial Governments since 1923-24 :

Rupees (000,000's).

	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29
	Closed accounts				Revised estimates	Budget estimates
(a) Revenue account (excluding transfers to and from revenue reserve funds) :						
Revenue	1,331.7	1,380.4	1,333.3	1,317.-	1,260.5	1,296.5
Expenditure	1,307.8	1,323.6	1,300.2	1,237.4	1,277.4	1,296.-
Balance	+ 23.9	+ 56.8	+ 33.1	+ 29.6	- 16.9	+ -5
(b) Capital, permanent debt account, etc. :						
Receipts, excluding proceeds of permanent loans	25.7	12.8	10.-	15.4	10.9	8.4
Capital expenditure	408.2	301.3	723.1	657.1	663.-	629.7
Balance	- 382.5	- 288.5	- 713.1	- 641.7	- 652.1	- 621.3
Total receipts	1,357.4	1,393.2	1,343.3	1,332.4	1,271.4	1,304.9
Total expenditure	1,716.-	1,624.9	2,023.3	1,944.5	1,940.4	1,925.7
Balance	- 358.6	- 231.7	- 680.-	- 612.1	- 669.-	- 620.8
Deduct : proceeds of permanent loans	411.-	135.4	315.9	299.4	291.-	344.6
Final balance	+ 52.4	- 96.3	- 364.1	- 312.7	- 378.-	- 276.2

NOTES.

1. The deficit of the revenue account for 1927-28 will be covered by a transfer from the revenue reserve fund.

2. The final balance since 1924-25 shows the amounts covered from other accounts forming the general treasury balance (unfunded debt, floating debt, deposits and advances, remittances, etc.) the details of which are shown in Table B (b), Statement of Receipts and Disbursements (pages 130-131).

B. Budget Estimates for 1927-28 and 1928-29 compared with the Closed Accounts for 1926-27.

(a) Revenue and expenditure charged to Revenue.

Note. — This table shows the revenue and expenditure in the form in which it appears in the general budget of India.

Rupees (000,000's).

	1926-27	1927-28	1928-29
	Closed accounts	Revised estimates	Budget estimates
(a) Revenue.			
Principal items of revenue :			
Customs	473.8	486.3	501.8
Taxes on income	156.5	156.5	170.-
Salt	67.-	67.5	70.-
Opium	43.3	38.-	34.8
Other items	21.8	22.8	22.-
Total	762.4	771.1	798.6

(a) Revenue and expenditure charged to Revenue (continued).

Rupees (000,000's).

	1926-27	1927-28	1928-29
	Closed accounts	Revised estimates	Budget estimates
(a) Revenue (continued).			
Railways: net receipts as per railway budget	340.7	389.5	385.-
Irrigation: net receipts	1.-	1.-	1.2
Post and telegraph: net receipts	7.1	5.2	5.7
Interest receipts	40.8	33.-	29.2
Civil administration	8.6	9.5	10.1
Currency and mint	41.5	27.3	24.9
Civil works	1.6	1.6	1.5
Miscellaneous receipts	6.-	4.7	8.2
Military receipts	49.5	14.9	29.4
Provincial contributions, etc.	51.8	1.1	—
Extraordinary items	6.-	18.5	2.7
Total revenue	1,317.-	1,277.4	1,296.5
(b) Expenditure.			
Direct demands on the revenue	42.-	42.-	42.5
Capital outlay charged to revenue	-7	1.7	-6
Railways: Interest and miscellaneous charges	280.6	326.-	330.2
Irrigation	1.6	-1	2.3
Post and telegraph	7.6	8.2	8.2
Debt service	167.5	155.8	149.1
Civil administration	111.3	112.8	117.-
Currency and mint	7.6	9.1	7.-
Civil works	19.-	16.2	17.3
Miscellaneous	39.6	39.2	41.-
Military services	609.2	564.1	580.4
Miscellaneous adjustments between central and provincial Governments	-4	-3	—
Extraordinary items	29.9	1.9	-4
Total expenditure charged to revenue	1,317.-	1,277.4	1,296.-
Surplus	—	—	-5

(b) Statement of receipts and disbursements of the central Government in India and in England.

Rupees (000,000's).

	Receipts			Disbursements		
	1926-27 Closed accounts	1927-28 Revised estimates	1928-29 Budget estimates	1926-27 Closed accounts	1927-28 Revised estimates	1928-29 Budget estimates
Opening treasury balance	402.-	321.9	208.-	—	—	—
Revenue account (totals as shown in Table (a)).	1,317.-	1,277.4	1,296.5	1,317.-	1,277.4	1,296.-
Irrigation, post and telegraph, and other capital not charged to revenue	—	—	—	18.-	23.-	43.7
Railway capital not charged to revenue as per railway budget	—	—	20.4	298.6	306.7	300.4
Public debt incurred or discharged:						
Permanent debt	299.4	291.-	324.3	266.2	246.5	195.7
Floating debt	496.5	942.2	978.7	578.2	947.5	978.7
Unfunded debt	375.6	394.4	421.5	248.4	278.3	304.-

(b) *Statement of receipts and disbursements of the central Government in India and in England*
(continued).

Rupees (000,000's).

	Receipts			Disbursements		
	1926-27 Closed accounts	1927-28 Revised estimates	1928-29 Budget estimates	1926-27 Closed accounts	1927-28 Revised estimates	1928-29 Budget estimates
Deposits and advances	3,009.1	2,712.-	2,437.9	2,815.-	2,612.2	2,367.-
Railway depreciation and reserve funds as per railway budget	123.7	161.2	154.5	80.5	107.-	90.-
Loans and advances of the central Government	15.4	11.-	8.4	74.3	86.8	90.-
Remittances	1,791.5	2,078.7	2,064.2	1,779.3	2,078.-	2,061.6
Balance of provincial Governments	—	15.2	36.7	43.5	33.5	38.-
Closing treasury balance	—	—	—	311.2	208.1	186.-
Total	7,830.2	8,205.-	7,951.1	7,830.2	8,205.-	7,951.1

C. Analysis of Receipts.

Note. — In the following table the revenue of India is presented, as far as possible, in accordance with the standard system adopted in this memorandum.

	1926-27		1927-28		1928-29	
	Closed accounts		Revised estimates		Budget estimates	
	Amount : Rs. (000,000's)	Per- cent- age of total	Amount : Rs. (000,000's)	Per- cent- age of total	Amount : Rs. (000,000's)	Per- cent- age of total
I. Taxes on income and property :						
Taxes on income	156.4	9.46	156.6	9.94	170.-	10.94
Land tax	4.1	-25	4.2	-27	4.1	-26
Total	160.5	9.71	160.8	10.21	174.1	11.20
II. Taxes on production, use and transactions :						
Customs duties	473.8	28.66	486.3	30.87	501.8	32.28
Excise duties	4.1	-25	4.7	-30	4.6	-30
Stamp duties	2.7	-16	2.7	-17	2.8	-18
Registration fees	-2	-01	-2	-01	-2	-01
Total	480.8	29.08	493.9	31.35	509.4	32.77
III. Net surplus from state fiscal monopolies :						
Salt	55.-	3.33	55.2	3.50	57.8	3.71
Opium	33.3	2.01	29.1	1.85	26.7	1.72
Total	88.3	5.34	84.3	5.35	84.5	5.43
Total of I, II and III	729.6	44.13	739.-	46.91	768.-	49.40
IV. Fees, contributions and other administrative receipts :						
Tribute from Indian States	8.4	-51	8.5	-54	7.4	-48
Contributions from provinces	51.8	3.13	1.-	-06	—	—
Receipts collected by defence departments	49.5	2.99	14.9	-95	29.4	1.89
Miscellaneous receipts	14.2	-86	14.5	-92	16.-	1.03
Total	123.9	7.49	38.9	2.47	52.8	3.40

C. Analysis of Receipts (continued).

	1926-27		1927-28		1928-29	
	Closed accounts		Revised estimates		Budget estimates	
	Amount : Rs. (000,000's)	Per- cent- age of total	Amount : Rs. (000,000's)	Per- cent- age of total	Amount : Rs. (000,000's)	Per- cent- age of total
V. Net surplus from public domain and undertakings :						
Irrigation	—	—	1.—	-.06	—	—
Postal and telegraph services	1.4	-.08	—	—	—	—
Railways	60.1	3.64	63.6	4.04	54.8	3.52
Mint	—	—	1.—	-.06	-.6	-.04
Total	61.5	3.72	65.6	4.16	55.4	3.56
VI. Interest	40.8	2.47	33.1	2.10	29.2	1.88
VII. Issue of currency notes (net)	34.6	2.09	17.2	1.09	17.4	1.11
VIII. Realisation of State assets :						
(a) Revenue-yielding assets : Sale of land	6.—	-.36	1.6	-.10	2.7	-.17
(b) Repayment of advances	15.4	-.95	10.9	-.69	8.4	-.54
(c) Repayment of allocation to reserve fund	—	—	16.9	1.08	—	—
Total	21.4	1.29	29.4	1.87	11.1	-.71
Total receipts excluding loans	1,011.8	61.19	923.2	58.60	933.8	60.06
IX. Loans :						
Advances for the purpose of railway construction	—	—	—	—	20.4	1.31
Permanent debt	299.4	18.11	291.—	18.47	324.2	20.86
Total	299.4	18.11	291.—	18.47	344.6	22.17
Deficit	342.3	20.70	361.1	22.93	276.2	17.77
Grand total	1,653.5	100	1,575.3	100	1,554.7	100

NOTES.

1. The difference between the totals in the summary of budget accounts on page 129 and those in the table above is due to the fact that the latter include the transfers from the revenue reserve fund and contain the net revenue only from public undertakings.

2. *Changes in Taxation.* — In 1924 the Government appointed a Committee to enquire into Indian taxation. The Committee presented its report in December 1925. Although no direct changes were made in Indian taxation as a result of the findings of the Committee, the report was taken into consideration in preparing the budget for the financial year 1926-27.

No changes were made in the existing rates of income tax, super-tax, salt duty or postage. The main changes proposed by the Finance Member and finally accepted by the Legislative Assembly were as follows : The export duty on tea was abolished, but the profits of tea companies were assessed at 50 per cent of their total net income instead of 25 per cent of profits as before. The import duty on motor-cars, etc., was reduced from 30 to 20 per cent *ad valorem*. As recommended by the Royal Commission on Indian Currency and Finance, the stamp duty on cheques and other bills of exchange payable on demand was abolished.

The excise duty on cotton under the Cotton Duties Act of 1896 ceased to be levied from December 1st, 1925, and disappeared entirely from the budget for 1926-27.

D. Analysis of Expenditure.

	1926-27		1927-28		1928-29	
	Closed accounts		Revised estimates		Budget estimates	
	Amount : Rs. (000,000's)	Per- cent- age of total	Amount : Rs. (000,000's)	Per- cent- age of total	Amount : Rs. (000,000's)	Per- cent- age of total
I. <i>Defence :</i>						
Army	476.7	28.83	428.4	27.19	444.4	28.58
Marine	6.5	-39	8.3	-53	8.5	-55
Military engineer service	44.2	2.68	44.-	2.79	43.6	2.80
Frontier watch and ward	19.7	1.19	24.8	1.58	24.9	1.60
Total	547.1	33.09	505.5	32.09	521.4	33.54
II. <i>Foreign affairs</i>	13.5	-82	14.8	-94	15.-	-96
III. <i>Justice</i>	5.1	-31	5.1	-32	5.3	-34
IV. <i>Supreme organs of government and general administration :</i>						
Expenditure	41.7	2.52	40.1	2.55	46.3	2.98
Deficit on stationery	1.2	-07	1.6	-10	2.-	-13
Total	42.9	2.59	41.7	2.65	48.3	3.11
V. <i>Public health</i>	4.8	-29	4.8	-30	5.-	-32
VI. <i>Economic administration :</i>						
Agriculture and industries	10.9	-66	4.8	-30	3.6	-23
Communications and public works	23.8	1.44	22.6	1.47	41.8	2.69
Deficit on :						
Forests	-8	-05	-7	-04	-6	-04
Irrigation	-5	-03	—	—	-8	-05
Postal and telegraph services	—	—	-8	-05	-8	-05
Total	36.-	2.18	28.9	1.84	47.6	3.06
VII. <i>Education</i>	12.3	-74	14.5	-92	14.3	-92
VIII. <i>Church</i>	3.2	-19	3.2	-20	3.4	-22
IX. <i>Financial administration :</i>						
Expenditure	25.7	1.56	28.7	1.82	29.1	1.87
Deficit on mint	-7	-04	—	—	—	—
Total	26.4	1.60	28.7	1.82	29.1	1.87
X. <i>Contributions to local authorities</i>	-5	-03	-3	-02	—	—
XI. <i>Pensions :</i>						
Civil	29.3	1.77	29.4	1.87	28.5	1.83
Fighting services	81.8	4.95	83.3	5.29	83.9	5.40
Commuted value of pensions	2.9	-18	3.5	-22	3.5	-23
Total	114.-	6.90	116.2	7.38	115.9	7.46
XII. <i>Debt service :</i>						
Interest	117.7	7.12	105.1	6.67	95.-	6.11
Repayment	315.9	19.10	297.1	18.86	249.6	16.05
Total	433.6	26.22	402.2	25.53	344.6	22.16

D. Analysis of Expenditure (continued).

	1926-27		1927-28		1928-29	
	Closed accounts		Revised estimates		Budget estimates	
	Amount : Rs. (000,000's)	Per- cent- age of total	Amount : Rs. (000,000's)	Per- cent- age of total	Amount : Rs. (000,000's)	Per- cent- age of total
XIII. Investment in revenue-yielding assets :						
Saltworks	-5	-03	-3	-02	-3	-02
Forests	—	—	-7	-04	-3	-02
Irrigation	—	—	17	-10	-5	-03
Postal and telegraph services	5.1	-31	8.	-51	8.5	-55
Printing	1.8	-11	-3	-02	-1	-01
Railways	298.7	18.06	306.7	19.46	300.4	19.32
Vizagapatam port	3.2	-19	3.8	-23	4.7	-30
Currency	-9	-06	1.8	-11	—	—
Advances	74.3	4.49	86.7	5.50	90.	5.79
Surplus transferred to revenue reserve fund	29.6	1.79	—	—	—	—
Total	414.1	25.04	409.4	25.99	404.8	26.04
Grand total ¹	1,653.5	100	1,575.3	100	1,554.7	100

¹ See Note 1 on the analysis of receipts.

NOTES.

1. Expenditure shown under the heading "foreign" and classified as "political" in the general budget arise out of the relations of the Government of India with the Indian States and the foreign Governments adjoining the British Empire in India and include expenditure in connection with frontier questions, important political prisoners, etc.

The item Interest shows the net charges of the Central Government.

2. The following figures show the gross interest charges, including the amounts chargeable to railways, irrigation, postal and telegraph services and other commercial departments :

Composition of gross interest charges.

Rupees (000,000's).

	1926-27	1927-28	1928-29
	Closed accounts	Revised estimates	Budget estimates
<i>Interest on ordinary debt chargeable to :</i>			
Railways	243.—	259.1	274.7
Irrigation	1.2	1.2	1.2
Postal and telegraph services	5.8	6.1	6.6
Other headings	-9	1.7	2.1
Provincial loan fund	53.5	54.8	57.4
Remainder chargeable to ordinary debt	68.7	52.5	32.9
Total	373.1	375.4	374.9
<i>Interest on other obligations</i>	49.—	52.7	62.2
Total	422.1	428.1	437.1

3. The revenue reserve fund was formed by utilising the surplus of the revenue account for 1926-27 mainly with the object of balancing the revenue account for the following years, the receipts for which were reduced by the proposed remission of provincial contributions to the central Government.

Although these remissions amounted to 35 million rupees for 1927-28 and 25.8 million rupees for 1928-29, only 16.9 million rupees were required from the reserve fund in 1927-28 to balance the budget of the revenue account, whereas the 1928-29 budget balances with a surplus of 500,000 rupees without requiring any transfer from the reserve fund.

E. Fiscal Monopolies.

Rupees (000,000's).

	1926-27	1927-28	1928-29
	Closed accounts	Revised estimates	Budget estimates
1. Salt :			
Gross receipts	67.-	67.5	70.-
Working expenses	12.-	12.3	12.2
Net surplus	55.-	55.2	57.8
2. Opium :			
Gross receipts	43.3	38.-	34.8
Working expenses	10.-	8.9	8.1
Net surplus	33.3	29.1	26.7

NOTES:

1. The revenue under *salt* is derived from three principal sources : excise duty on Indian salt, Customs duty on imported salt and the sale of Government salt. The expenditure includes the cost of collection and of manufacture and sale.

2. The revenue from *opium* is derived mainly from exports of " provision opium " to foreign countries, and from the sale to provincial Governments of " excise opium " for internal consumption in India. The latter is sold to provincial Governments at a fixed price based on the cost of production and retailed by them to licensed vendors. Opium is exported to foreign countries only after the prescribed import certificate from the Government of the importing country is produced. The entire quantity is now exported under the system of direct sales to foreign and colonial Governments.

F. Public Domain and Undertakings.

Rupees (000,000's).

	1926-27	1927-28	1928-29
	Closed accounts	Revised estimates	Budget estimates
Forests :			
Receipts	2.4	2.4	3.-
Expenditure	3.2	3.1	3.6
Balance	— .8	— .7	— .6
Irrigation, navigation, etc. :			
Gross receipts	2.2	2.1	2.1
Other receipts, refund from capital account . . . . .	...	1.5	...
Total receipts	2.2	3.6	2.1
Expenditure :			
Working expenses	1.2	1.-	-.9
Interest on debt	1.2	1.2	1.2
Other expenditure from revenue	-.3	-.4	-.8
Total expenditure	2.7	2.6	2.9
Balance	— .5	+ 1.-	— .8

F. Public Domain and Undertakings (continued).

Rupees (000,000's).

	1926-27	1927-28	1928-29
	Closed accounts	Revised estimates	Budget estimates
<i>Postal and telegraph services :</i>			
Gross receipts	109.2	113.-	117.-
<i>Expenditure :</i>			
Working expenses	102.1	107.8	111.3
Interest on debt	5.7	6.-	6.5
Total expenditure	107.8	113.8	117.8
Balance	+ 1.4	— .8	— .8
<i>Stationery and printing :</i>			
Gross receipts	2.-	1.3	3.7
Working expenses	3.2	2.9	5.7
Balance	— 1.2	— 1.6	— 2.-
<i>Railways :</i>			
Gross receipts as in railway budget	1,001.2	1,050.-	1,048.1
<i>Expenditure as in railway budget :</i>			
Working expenses	644.-	644.7	644.9
Interest on debt	258.7	274.3	290.-
Other expenditure	7.-	4.3	5.2
Total expenditure	909.7	923.3	940.1
Net surplus	91.5	126.7	108.-
Allocation to reserve fund	14.8	47.3	35.-
Paid to the State	60.1	63.6	54.8
Paid to the Indian States and railway companies	16.6	15.8	18.2
Balance . . . . .	...	...	...
<i>Mint :</i>			
Receipts	-9	2.7	2.7
Expenditure	1.6	1.7	2.1
Balance	— .7	+ 1.-	+ .6

NOTES.

1. *Railway finance.* — In the notes on the budget system, reference has already been made to the separation of railway accounts from the budget proper. The first separate railway budget presented was for 1925-26. According to the Convention agreed to by the Legislative Assembly in September 1924, central revenues are entitled to receive from the railways a contribution equal to 1 per cent of the capital at charge in the penultimate year, plus one-fifth of the surplus profits in that year. The Assembly also stipulated that, if after payment of the contribution so fixed, the amount available for transfer to railway reserves should exceed 30 million rupees, one-third of the excess over the 30 million should be paid to the central revenues.

2. *Mint.* — The Indian mints produce, for circulation in India, silver, bronze and nickel token coins. The net profits of the Government on silver coinage made in the past were used to build up the gold standard reserve and did not enter the revenue accounts of the Government. The revenue accounts receive full credit for the profits on bronze and nickel coinage shown above under the heading "Mint".

G. Currency.

Rupees (000,000's).

	1926-27	1927-28	1928-29
	Closed accounts	Revised estimates	Budget estimates
Receipts of the currency department	40.7	24.6	22.2
Charges of the currency department	6.1	7.4	4.8
Net surplus	34.6	17.2	17.4

The chief items of receipts for currency are: (i) profits on note circulation, and (ii) discount on British Treasury bills forming a part of the paper currency reserve fund.

The first item represents the receipts from investments of the paper currency reserve. These are subject to wide fluctuations. They were originally earmarked for the reduction of created securities in the paper currency reserve by the Paper Currency Amendment Act of 1920. This provision has, however, been temporarily suspended by successive Indian Finance Acts since 1922, and the interest has been credited to revenue.

Similarly, expenditure can be classified under three principal heads. (i) Currency establishments: (ii) Charges for remittance of treasure, and (iii) loss on notes and specie remittances.

H. Public Debt.(i) *Public Debt in 1914 and since 1923.*

Rupees (000,000's).

	Domestic						Foreign		Total	
	Funded		Floating		Total		Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)
	Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)	Amount	Move- ment (+ or -)				
March 31st:										
1914	1,456.9	...	341.-	...	1,797.9	...	3,714.9	...	5,512.8	...
1923	3,398.3	+ 189.8	1,337.4	+ 996.4	4,735.7	+ 2,937.8	4,053.1	+ 338.2	8,788.8	+ 3,276.-
1924	3,588.1	+ 189.8	1,239.8	- 97.6	4,827.9	+ 92.2	4,320.4	+ 267.3	9,148.3	+ 359.5
1925	3,703.8	+ 115.7	1,308.-	+ 68.2	5,011.8	+ 183.9	4,549.3	+ 228.9	9,561.1	+ 412.8
1926	3,682.8	- 21.-	1,442.-	+ 144.-	5,124.8	+ 113.-	4,561.3	+ 12.-	9,686.1	+ 125.-
1927	3,744.4	+ 61.6	1,486.7	+ 44.7	5,231.1	+ 106.3	4,520.-	- 41.3	9,751.1	+ 65.-
1928	3,722.-	- 22.4	1,599.8	+ 113.1	5,321.8	+ 90.7	4,594.3	+ 74.3	9,916.1	+ 165.-

Note. — The domestic debt is the debt payable in rupees, and the foreign debt the debt payable in pounds sterling. For 1914, the rate of 1 rupee = 1s. 4d. has been used, and for 1923 to 1927 the rate current since 1925 of 1 rupee = 1s. 6d. has been applied also for the conversion of the debt in 1923 and 1924.

(ii) *Total Public Debt in 1914 and since 1923 in actual figures and reduced to pre-war price level.*

Date	Public debt		Index number of wholesale prices (Month of March)	Public debt reduced to pre-war price level	
	Amount Rs. (000,000's)	Percentage of 1914		Amount Rs. (000,000's)	Percentage of 1914
March 31st : 1914	5,512.8	100	100 ¹	5,512.8	100
1923	8,788.8	159.4	181	4,855.7	88.1
1924	9,148.3	165.9	179	5,110.8	92.7
1925	9,561.1	173.4	168	5,691.1	103.2
1926	9,686.1	175.6	151	6,410.—	116.3
1927	9,751.1	176.9	162 ²	6,019.1	109.2
1928	9,916.1	179.9	161	6,159.1	111.7

¹ Average for the year 1914.

² Since 1927, index calculated according to the new parity of 1 rupee = 1s. 6d. instead of the former parity of 2s.

(iii) *Amount of Gross Charges for Interest in 1913-14 and since 1923-24.*

Rupees (000,000's).

Financial year	Accounts	Interest on total ordinary debt	Interest on other obligations	Total interest
1913-14	} Closed accounts } Revised estimates } Budget estimates	140.—	11.8	151.8
1923-24		350.3	30.2	380.5
1924-25		375.6	36.2	411.8
1925-26		380.—	43.7	423.7
1926-27		373.1	49.—	422.1
1927-28		375.4	52.7	428.1
1928-29		374.9	62.2	437.1

(iv) *Gross interest charges in actual figures and reduced to pre-war price level.*

Date	Gross interest charges		Index number of wholesale prices (Average for the financial year)	Gross interest charges reduced to pre-war price level	
	Amount Rs. (000,000's)	Percentage of 1913-14		Amount Rs. (000,000's)	Percentage of 1913-14
1913-14	151.8	100	100 ¹	151.9	100
1923-24	380.5	250.6	172	217.4	143.2
1924-25	411.8	271.2	173	234.—	154.1
1925-26	423.7	279.—	159	263.2	173.3
1926-27	422.1	278.—	148	285.2	187.8
1927-28	428.1	281.9	167 ²	256.4	168.8
1928-29	437.1	287.9	163	268.2	176.6

¹ Average for the year 1914.

² Since 1927, index calculated according to the new parity of 1 rupee = 1s. 6d. instead of the former parity of 2s.

(v) *Public Debt and gross interest charges, per head of Population, in actual figures and reduced to pre-war price level.*

Date	Population (000,000's)	Public debt per head of population		Financial year	Gross interest charges per head of population	
		In actual figures	Reduced to pre-war price level		In actual figures	Reduced to pre-war price level
		Rupees			Rupees	
March 31st : 1914.	244.8	22.5	22.5	1913-14	-6	-6
1923.	247.5	35.5	19.6	1923-24	1.5	-9
1924.	247.8	36.9	20.6	1924-25	1.7	-9
1925.	248.-	38.6	22.9	1925-26	1.7	1.1
1926.	248.2	39.-	25.8	1926-27	1.7	1.1
1927.	248.4	39.3	26.9	1927-28	1.7	1.1
1928.	248.6	39.9	24.2	1928-29	1.8	1.1

The following table gives details of the public debt at the beginning and end of the financial year 1926-27.

Rupees (000,000's).

	March 31st 1926	March 31st, 1927
IN INDIA. — LOANS BEARING INTEREST.		
<i>Permanent Debt.</i>		
6% Bonds 1932	195.-	195.-
6% " 1931	113.-	113.-
6% " 1930	292.8	292.8
6% " 1927	199.7	175.8
5 1/2% War Bonds 1928	217.-	207.-
5% Loan of 1935	47.2	47.2
5% Bonds, 1933	214.6	214.6
5% War Loan, 1929-1947	222.-	222.-
5% Loan of 1945-1955	592.8	592.8
4 1/2% Loan for Indore State railway	10.-	10.-
4% Loan of 1960-70	—	295.-
4% Loan from Maharaja Scindia for State railway	15.-	15.-
4% Railway Loan from Nawab of Rampur	4.7	4.7
4% Conversion Loan of 1916-17	99.-	99.-
3 1/2% Loan of 1842-1843	199.5	200.1
3 1/2% " " 1854-1855	256.1	251.9
3 1/2% " " 1865	329.2	329.2
3 1/2% " " 1879	31.-	30.2
3 1/2% " " 1900-01	378.9	385.3
3% " " 1896-97	61.4	58.8
Total Permanent Debt in India	3,478.9	3,739.4
<i>Floating Debt.</i>		
Treasury Bills :		
Issued to public	(-.01)	(-.01)
Issued to paper currency reserve	496.5	414.7
Total Floating Debt in India	496.5	414.7
Total debt in India bearing interest	3,975.4	4,154.1
Total debt in India not bearing interest	203.9	4.9
Total other obligations	945.5	1,072.1
Total debt in India	5,124.8	5,231.1

Details of the Public Debt (continued).

£ (000,000's).

	March 31st, 1926	March 31st, 1927
IN ENGLAND. — LOANS BEARING INTEREST.		
<i>Permanent Debt.</i>		
India 7% Stock	1.-	—
India 5½% »	21.2	21.-
India 4½% »	40.-	39.9
India 3½% »	88.7	88.7
India 3% »	77.-	77.-
India 2½% »	11.6	11.6
East Indian Railway Irredeemable Debenture Stock 4½%	1.4	1.4
East Indian Railway 3% New Debenture Stock	8.-	8.-
East Indian Railway 3½% Debenture Stock	7.-	7.-
» » 4½% » » 1935-1955	3.5	3.5
Eastern Bengal Railway Debenture Stock 4%	-3	-3
South Indian Railway Debenture Stock 4½%	-4	-4
Great Indian Peninsula Railway Debenture Stock 4%	2.7	2.7
Great Indian Peninsula Railway Debenture Stock 3½%	3.5	3.5
Liability for British Government 5% War Loan (1929-1947) taken over by India	18.3	17.8
<i>Railway Annuities.</i>		
East Indian Railway Annuity terminating in 1953	18.3	18.-
Eastern Bengal Railway Annuity terminating in 1957	2.1	2.-
Scinde, Punjab and Delhi Railway Annuity terminating in 1958	7.-	6.8
Great Indian Peninsula Railway Annuity terminating in 1948	21.1	20.4
Madras Railway Annuity terminating in 1956	9.-	9.-
Total permanent debt in England	342.1	339.-
Rupees (000,000's)		
Total debt in England converted into Rs. at 1 R. = 1s. 6d.	4,561.3	4,520.-
Total public debt of the Government of India	9,686.1	9,751.1
Deduct : Loans raised on behalf of Provincial Governments	1,146.-	1,201.7
Net debt of the Central Government	8,540.1	8,549.4

NOTES.

1. For purposes of comparison, the sterling figures of the external debt have been converted at the rate of 1 rupee = 1s. 6d. since 1923. The items under "Other Obligations" (Unfunded Debt) are usually excluded from the public debt tables given in the finance accounts of the Government of India. The public debt figures there given as on March 31st, 1927, are as follows :

	Rupees (000,000's)
In India :	
Permanent debt	3,739.48
Floating debt	414.72
Non-interest-bearing debt	4.92
	<u>4,159.12</u>
In England :	
Permanent debt and railway annuities (at 10 rs. = £1)	3,390.86
Total	<u>7,549.98</u>
Out of which :	
Debt raised for Provincial Governments	1,201.70
Debt debited to commercial departments	6,166.85
Unproductive debt	<u>181.43</u>

2. The following table shows the market price of Indian Government securities in India :

	February 1st, 1923		February 1st, 1924		February 1st, 1925		February 1st, 1926		February 1st, 1927		February 1st, 1928	
	Rs.	As.	Rs.	As.	Rs.	As.	Rs.	As.	Rs.	As.	Rs.	As.
5% Tax-Free Loan 1945-1955 .	88	4	96	10	97	15	100	12	107	5	106	10
3½% Indian Government Rupee Loan	57	—	66	—	66	9	70	8	77	7	75	15

3. *Appropriation for Reduction or Avoidance of Debt.* — (A) Under the scheme of debt redemption adopted by the Government of India for the five years 1925-26 to 1929-30, the annual charge against the revenues of India for the purpose of making provision for the reduction or avoidance of debt is made up of :

(a) A sum of 40 million rupees ;

(b) Such additional sum as is equal to one-eightieth of any excess shown in the total of the debt outstanding on March 31st of the preceding year over the total outstanding on March 31st, 1923.

The amount required under this scheme was 49.03 million rupees in 1927-28 and 51.31 million rupees in 1928-29, converting sterling at 15 rupees = £1.

(B) These amounts should be increased further by 1.60 and 2.66 million rupees respectively, being the reparation receipts payable by Germany under the Dawes scheme. The Indian Finance Act, 1926, contains a provision to the effect that the balance of all moneys accruing to India after March 31st, 1926, from the Dawes Annuities, after payment of the amounts due to local authorities or other persons by way of reparation of loss or damage due to enemy action, shall be appropriated and applied for the purpose of the reduction or avoidance of debt. India's share under the Dawes scheme (representing 1.2 per cent of the British Empire share, which is equal to 22 per cent of the total amount payable to the Allied Powers) is assessed at 1.6 million rupees, the whole of which is provisionally included in the programme of reduction or avoidance of debt.

The total provision under this heading, therefore, is 50.63 million rupees for 1927-28 and 53.98 million rupees for 1928-29.

J. Provincial Revenue and Expenditure.

Closed Accounts, 1926-27.

	Rupees (ooo's)
<i>Revenue :</i>	
Principal heads of revenue (taxation and yield of forests)	749,096.7
Railways (net receipts)	224.2
Irrigation (net receipts)	67,044.3
Interest receipts	23,564.1
Civil administration	36,506.3
Civil works	6,920.9
Miscellaneous	19,134.9
Extraordinary items	13,146.9
Total	915,638.3
<i>Deduct :</i> Provincial contributions, etc.	51,322.5
Net	864,315.8
<i>Expenditure :</i>	
Direct demands on the revenue	103,654.7
Salt and other capital outlay from revenue	2,993.5
Railways : interest and miscellaneous charges	— 417.7
Irrigation	67,399.3
Debt service	29,474.8
Civil administration	493,625.9
Civil works	104,583.1
Miscellaneous	63,244.6
Extraordinary payments	5,170.—
Expenditure in England	31,904.6
Total	901,722.8
Deficit	37,407.—

ITALY

Notes on the Budget System.

1. The budget year covers the period from July 1st to June 30th.

The various ministries present their estimates for the ensuing financial year to the Ministry of Finance in the autumn of the previous year, and the budget estimates must be submitted to Parliament before the end of January. At the same time the Ministry of Finance submits a bill embodying not only all adjustments (including supplementary credits) already made in the budget for the current financial year, but also all those which are being proposed for the first time. The estimates of the various ministries are discussed and voted separately in the course of the first six months of the calendar year. If any of them are not voted before the beginning of the financial year, the intervening period is provided for financially by means of a provisional budget law.

2. Up to the end of the financial year 1925-26, the budget was in the form of one Revenue Act and as many Expenditure Acts as there were ministries, the totals of revenue and expenditure and provision for covering a negative balance being included in the Revenue Act. Since 1926-27, the revenue tables, the summary of revenue and expenditure, the authorisations to effect credit operations, etc., and the expenditure of the Ministry of Finance have been included in the same Act.

The Italian system is based on the principles of gross accounting and of preserving the unity of the budget. An important exception to the last-mentioned principle was introduced by a Decree of March 3rd, 1926, when an autonomous amortisation fund was created for the purpose of administering the service of the war debts to Great Britain and the United States, the fund being credited with the whole of Italy's share of reparation payments. Since 1925-26, neither these payments nor the amounts payable as debt service on the debts to the Allies are included in the general budget. The Amortisation Fund is not connected with the Treasury, but with the Deposit and Loan Institute, and the accounts of the fund have been shown, since June 1928, in the periodical publications of the Treasury. Certain special funds and autonomous undertakings (the State railways, the postal, telegraph and telephone services, forests, the autonomous fund for amortisation of internal debt, etc.) are the subject of special accounts, which, however, with some minor exceptions, form a supplement to the accounts of the ministries concerned, all transactions (including net surpluses surrendered or deficits covered) between the ministry and the special fund or undertaking being registered in the general budget.

The general budget was, until the end of the financial year 1925-26, divided into the following categories :

- I. Effective ordinary and extraordinary revenue and expenditure ;
- II. Construction of railways (Ministry of Public Works) ;
- III. Movement of capital ;
- IV. The *Giro* category.

The first three categories are called " Real " revenue and expenditure in contradistinction to the *Giro* category, which registers the assessed value of the use and yield of property and charges thereon, the State in this instance being at the same time both debtor and creditor. The intention is to show those charges which are actually borne by the community, but do not involve cash transactions, such as the rent of State buildings used for official purposes, interest on State securities held by the State itself, taxes due on State property, etc. For some time other items also were included in the *Giro* category, such, for instance, as receipts and payments on

account of the collection by the State of local excise duties in Rome, Palermo, Naples and Venice, and also on account of certain contributions by local authorities for educational purposes. Within the last few years the administration of local excise has been taken over by local authorities, and the contributions for educational purposes, like other contributions, have been shown under effective revenue.

The second category shows, on the revenue side, loans raised for construction of railways and contributions by interested bodies for the same purpose. In the 1926-27 budget this category was abolished, and expenditure on railway construction is now shown under effective extraordinary expenditure.

The third category, "Movement of capital", is intended to represent transference of values not affecting the net assets of the State. It registers chiefly receipts from loans and other capital sources and expenditure for certain capital purposes, namely :

<i>Receipts from :</i>	<i>Expenditure for :</i>
Sale of revenue-yielding property ;	Acquisition of certain revenue-yielding property ;
Repayment of outstanding loans and advances ;	Granting loans and advances ;
Loans raised.	Redemption of debt.

It also contains certain items of expenditure arising from the temporary handling of money for third parties, *e. g.*, lawyers' and attorneys' fees on account of civil parties, deposits in connection with expenditure on public sales, etc.

Revenue and expenditure are further subdivided into chapters (votes) and transfer may not be made from one chapter to another. The expenditure is either *fixed*, if dependent upon organic laws or permanent obligations falling due on fixed dates ; *obligatory*, if the State is liable to make payment under a special law ; *expenditure for order*, if the amount to be expended depends on the amount of the corresponding receipts ; or, finally, *variable* or *facultative*, if not falling into any one of the classes previously mentioned.

Various annexes to the budget of the Ministry of Finance enumerate those items of expenditure which may, by exception, be exceeded subject to a simplified form of procedure. There are two reserve funds — one for obligatory expenditure and expenditure for order and the other for unforeseen expenditure generally. The budgets of the various ministries include pensions and indemnities and also a small provision for interest on and repayment of advances which they have obtained from the Deposit and Loan Institute.

Gross figures for monopolies (since July 1928 Matches and Lotteries only) public domain, the mint, the printing office and the stationery and supplies office are all included in the budget of the Ministry of Finance. Pensions to the retired officials of those monopolies and offices are shown jointly with pensions to other officials of the Ministry. Forests, State railways ; since July 1925, the postal, telegraph and telephone services ; and, since July 1928, the tobacco, salt and quinine monopolies, are organised as autonomous undertakings, the expenditure including pensions, debt service and capital outlay. Various church and charitable funds, the autonomous fund for redemption of internal debt, the equipment fund of the fiscal guard, the emigration fund (incorporated in the general budget in July 1927) and other special funds derive their revenue from the State and other public bodies, from interest on securities and other proceeds of the property held by them, and, in the case of the Emigration Fund, the revenue consists partly of various transport taxes.

3. There are three categories of budgetary accounts : (a) authorisation accounts (*Conti della competenza*) which comprise all items of revenue and expenditure in respect of a financial year, *i. e.*, revenue claims legally arising in that year, irrespective of whether the actual collection of that revenue takes place within the year or not ; or, with regard to expenditure, liabilities incurred in virtue of a contract, of services rendered or supplies provided, on account of and during the year, irrespective of the date of issue of the pay vouchers or the settlement of the liability.

(b) Arrears accounts (*Conti dei residui*) which comprise all outstanding claims and liabilities, *i. e.*, items of revenue and expenditure which were included in the authorisation accounts but had not been finally cleared by effective payments on the last day of the budget year, when the accounts were closed.

(c) Cash accounts (*Conti di cassa*) which comprise all collections and payments during the year, irrespective of the year to which they legally belong.

While the budget estimates refer to the amounts in the *authorisation* accounts, with which they should be compared, the closed accounts show besides the *cash* revenue and expenditure

within the year. The closed accounts must be submitted to Parliament in the month of December after the end of the financial year. In addition to the budgetary accounts, a so-called "patrimonial" account is also submitted, which shows assets and liabilities of the State, including non-revenue-yielding property such as war material, objects of art, scientific collections, etc. The connection between the budgetary and the patrimonial accounts is shown in a special chapter.

The Audit Court exercises preventive control regarding : (i) acts and decrees entailing expenditure ; (ii) pay vouchers, and (iii) the issue of Treasury bills ; and posterior control as regards : (i) receipts ; (ii) cash transactions, and (iii) the closed accounts. All acts and decrees entailing expenditure must be registered by the Audit Court, which has the right to refuse registration if they are judged to be contrary to the law or to refer to Parliament the question of maintaining them. The Audit Court examines both the budgetary and the patrimonial account and reports thereon to Parliament. Pay vouchers must be not only registered but also endorsed by the Audit Court.

The Ministry of Finance publishes in the *Official Journal* monthly statements setting out the situation of the Treasury, cash transactions, the authorisation accounts and a summarised statement of the public debt. A detailed statement of the public debt is published every three months.

4. The budget of the Ministry of Finance includes tables showing the final balance for the whole of the budget and for each category separately. The balance of the first category is called the effective balance and represents the difference between current (ordinary and extraordinary) revenue and expenditure. In the *Giro* category, "revenue" and "expenditure" must, of course, balance. The final balance of the whole budget is therefore the same as the balance of the first three (for 1926-27, two) categories and is known as the "real balance". But a part of the revenue in the second and third categories consists of proceeds of loans, and those loan receipts should be deducted in order to arrive at the true balance to be provided for by loans. Special decrees sometimes deal with the allocation of surpluses on the "effective" authorisation account to particular purposes, e.g., redemption of debt, etc. Any cash surplus or deficit accrues to the Treasury or reduces its balance and is not transferred to the budget of the next year.

5. Until June 1926 the three banks of issue acted as bankers of the State. Since that date their functions have been concentrated at the *Banca d'Italia*, which has taken over the State assets and liabilities from the other two banks and has at present the exclusive right of note issue. The Central Treasury is a special department of the Ministry of Finance, but the *Banca d'Italia* performs the functions of the Treasury in the provinces, and, since June 1926, has acted as intermediary in all transactions abroad. The State has the right to certain obligatory advances at the rate of 1½ per cent per annum. Further advances were granted during the war at a very low rate of interest (¼ per cent). The State has a share in the profits of the bank and the receipts from a stamp duty imposed on notes issued.

6. Italy is a highly centralised State in which only expenditure on social and sanitary matters is defrayed to any great extent by local bodies. Under the Fascist Government, local administration has been re-organised in order to adjust local charges to State taxation and to prevent increases in taxation. The municipalities and provinces levy surtaxes on State taxes, are allotted a share in certain State taxes, and, in addition, the municipalities impose direct and indirect taxes within their areas. The issue of foreign loans has, since January 1928, been made subject to the assent of the Minister of Finance. The budgets of the State and the local authorities only contain transfers to a minor extent.

The following review, which was prepared in the spring of 1929, has been based mainly on :

- (a) The draft and voted budget estimates and the modifications thereof for 1913-14, 1925-26, 1926-27, 1927-28 and 1928-29.
- (b) The closed budget accounts for 1913-14, 1925-26, 1926-27 and 1927-28.
- (c) The patrimonial accounts for 1913-14, 1925-26, 1926-27 and 1927-28.
- (d) The laws and decrees concerning fiscal matters during recent years.

Movement of Prices.

The following table shows price movements and average cost of the dollar, expressed as a percentage of its cost at par, during 1925-1928 :

	1913	1925	1926	1927	1928
Index numbers of		Annual average			
Wholesale prices (<i>Bachi</i>)	100	596	603	495	462
		Month of July			
Retail prices (cost of living)	100	598	649	548	143 ¹
Average cost of the dollar.	100	485	496	375	100.1

¹ Gold index since date of stabilisation (1 gold lira = 3.66 new lire).

A. Summary of Budget Accounts.

The following table shows total figures for the authorisation accounts (see § 3 above) :

Lire (000,000's).

	1925-26	1926-27	1927-28	1927-28	1928-29
	Closed accounts		Estimates	Closed accounts	Estimates
I. <i>Total effective revenue</i>	21,043.6	21,449.8	19,620.8	20,071.7	17,643.-
<i>Total effective expenditure</i>	20,575.2	21,014.1	19,329.3	19,574.4	17,371.8
Balance	+ 468.4	+ 435.7	+ 291.5	+ 497.3	+ 271.2
II. <i>Construction of railways</i> :					
Revenue (excluding proceeds of loans)	5.9	...	...	...	...
Expenditure	250.-	...	...	...	...
Balance	- 244.1	...	...	...	...
III. <i>Movement of capital</i> :					
Revenue (excluding proceeds of loans and transfer of surpluses)	191.4	644.1	141.9	1,059.7	130.4
Expenditure	2,180.3	3,578.4	2,497.3	10,075.-	806.3
Balance	- 1,988.9	- 2,934.3	- 2,355.4	- 9,015.3	- 675.9
Total revenue (excluding proceeds of loans and transfer of surpluses)	21,240.9	22,093.9	19,762.7	21,131.4	17,773.4
Total real expenditure	23,005.5	24,592.5	21,826.6	29,649.4	18,178.1
Balance	- 1,764.6	- 2,498.6	- 2,063.9	- 8,518.-	- 404.7
Proceeds of loans	4,300.3	4,524.1	2,091.-	22,575.9	416.9
Transfer of surpluses . . . . .	...	...	...	885.6	...
Final balance	+ 2,535.7	+ 2,025.5	+ 27.1	+ 14,943.5	+ 12.2
Redemption of debt included in the budget . .	1,019.3	2,311.5	2,215.-	9,221.7	213.6

NOTES.

Since 1924-25 there has been a surplus on effective revenue and expenditure. The effective expenditure of 1925-26 contains a sum of 1,800 million lire which was allocated to a special fund, so that the real surplus of that year amounted to 2,268.4 million lire. The utilisation of this fund (1,523.8 million lire employed during 1926-27 and 58.3 million lire employed during 1927-28) for defence, economic development and debt redemption is not shown in the Authorisation accounts, but in the Arrears accounts of the years subsequent to 1925-26. The remainder of the effective surplus from 1925-26, together with the effective surplus of 1924-25 and 1927-28, were allotted to the fund for the amortisation of internal debt in 1927-28 and the effective surplus from 1926-27 to the same purpose in the course of the year 1926-27. These allotments are included in the capital expenditure of the years 1926-27 and 1927-28. Large loans were raised during 1927-28 in connection with conversion of the floating debt.

According to the special statement contained in the patrimonial accounts, the revenue and expenditure — after eliminating items showing increase or diminution in assets and liabilities — have been as follows in the past few years :

Lire (000,000's).

	1925-26	1926-27	1927-28
Revenue	19,912.-	20,202.4	18,853.5
Expenditure	18,527.8	18,398.5	17,215.4
Balance	+ 1,384.2	+ 1,803.9	+ 1,638.1

The final balances shown in the summary of budget accounts were : 2,535.7, 2,025.5 and 14,943.5 million lire respectively.

The smaller figures, however, represent the effective additions to State assets from the General Budget account.

The following table shows the accumulated arrears of revenue and expenditure (including the *Giro* category) at the end of the financial years 1924-25 to 1927-28 :

Lire (000,000's).

	1924-25	1925-26	1926-27	1927-28
Arrears of revenue	6,867.1	7,720.8	8,912.5	9,924.3
Arrears of expenditure	16,309.4	18,233.7	18,972.4	18,376.2
Balance	- 9,442.3	- 10,512.9	- 10,059.9	- 8,451.9

The three foregoing tables show the Authorisation accounts (*Conti della competenza*) and the Arrears accounts (*Conti dei residui*). The following table shows the cash receipts and cash expenditure in both these accounts :

Lire (000,000's).

	1925-26	1926-27	1927-28
Total revenue, excluding proceeds of loans	22,835.3	21,968.-	21,384.5
Total payments	20,777.2	23,570.4	29,396.-
Balance	+ 2,058.1	- 1,602.4	- 8,011.5
Proceeds of loans included in the budget	3,481.4	3,441.8	21,290.4
Final balance	+ 5,539.5	+ 1,839.4	+ 13,278.9

The following table shows the situation of the Treasury on June 30th, that is, the last day of the financial year, 1924 to 1928, and a comparison of the situation on June 30th, 1928, with that on June 30th 1925.

Lire (000,000's).

	June 30th, 1925	June 30th, 1926	June 30th, 1927	June 30th, 1928	Increase (+) or decrease (—) in 1928 compared with 1925
<i>Assets :</i>					
Cash in hand	1,277.3	2,841.1	1,328.9	1,706.5	+ 429.2
Outstanding Treasury credits	2,716.7	6,256.2	3,157.—	5,705.7	+ 2,989.—
Arrears of revenue	6,867.1	7,720.8	8,912.5	9,924.3	+ 3,057.2
Total assets of the Treasury	10,861.1	16,818.1	13,398.4	17,336.5	+ 6,475.4
<i>Liabilities :</i>					
Outstanding Treasury debts	29,754.5	29,333.7	23,061.1	8,883.7	— 20,870.8
Arrears of expenditure	16,309.4	18,233.7	18,972.4	18,376.2	+ 2,066.8
Total liabilities	46,063.9	47,567.4	42,033.5	27,259.9	— 18,804.—
Treasury balance	— 35,202.8	— 30,749.3	— 28,635.1	— 9,923.4	+ 25,279.4

According to the table above, the improvement in the Treasury situation during the past four years amounts to 25,279.4 million lire.

B. Budget Estimates for the Financial Years 1927-28 and 1928-29 compared with the Closed Accounts for the Financial Years 1925-26, 1926-27 and 1927-28.

REVENUE.

NOTE.

Until July 1928, the net receipts of postal, telegraph and telephone services and State railways were shown under the first item "Revenue from property". For 1928-29, these undertakings are shown under a new heading which also includes the so-called "industrial" profits of the tobacco, salt and quinine monopolies. The larger part of the profits from tobacco and salt, which are regarded as taxes, as well as the gross receipts of the match monopoly, are shown under the item "Monopolies". (Until July 1928, gross figures were shown throughout for monopolies.)

Lire (000,000's).

	1925-26	1926-27	1927-28	1927-28	1928-29
	Closed accounts		Estimates	Closed accounts	Estimates
I. EFFECTIVE REVENUE :					
<i>Ordinary receipts.</i>					
Revenue from property	459.7	361.8	344.6	315.4	86.8
Net receipts of State undertakings and monopolies	—	—	—	—	155.2
Taxes :					
Direct taxes	5,911.9	6,163.4	5,426.5	5,595.5	4,829.—
Taxes on transfer of property and on transactions	3,529.—	3,687.9	3,704.3	3,079.1	3,214.3
Indirect taxes on consumption	3,174.3	3,254.—	2,938.5	4,334.1	4,441.2
Monopolies	3,381.6	3,609.6	3,568.7	3,632.8	2,505.3
Quinine	20.2	17.3	23.5	15.2	—
Lotteries	475.8	481.—	500.—	526.6	480.—
Taxes on transactions :					
Ministry of Public Works	105.9	21.7	20.—	19.9	20.—
Ministry of Foreign Affairs	45.1	51.2	40.—	52.—	64.—
Receipts of the Emigration fund	—	—	—	22.9	—
Proceeds of minor public services	143.7	151.7	133.—	160.9	143.5
Refunds and contributions	502.7	561.3	584.5	547.3	730.—
Various ordinary receipts	2,724.8	2,667.3	2,073.1	1,504.7	744.6
Total ordinary receipts	20,474.7	21,028.2	19,356.7	19,806.4	17,473.9

B. Budget Estimates for the Financial Years 1927-28 and 1928-29, compared with the Closed Accounts for the Financial Years 1925-26, 1926-27 and 1927-28 (continued).

Lire (000,000's).

	1925-26	1926-27	1927-28	1927-28	1928-29
	Closed accounts		Estimates	Closed accounts	Estimates
I. EFFECTIVE REVENUE (continued) :					
<i>Extraordinary receipts.</i>					
Reimbursements and contributions	22.5	21.4	14.7	29.-	17.9
Proceeds of reparation deliveries	9.2	7.2	10.-	—	10.-
Additional items	114.9	110.6	—	13.3	—
Various extraordinary receipts	422.3	282.4	239.4	233.-	141.2
Total extraordinary receipts	568.9	421.6	264.1	265.3	169.1
Total effective revenue	21,043.6	21,449.8	19,620.8	20,071.7	17,643.-
II. CONSTRUCTION OF RAILWAYS					
	250.-	—	—	—	—
III. MOVEMENT OF CAPITAL :					
Sale of property	48.8	40.1	37.-	55.6	23.5
Proceeds of loans	4,047.3	4,517.1	2,091.-	22,525.4	416.9
Reimbursement of loans granted	1.3	-5	-5	-8	-5
Reimbursement of advances	86.5	152.5	89.4	197.3	85.4
Advances for land survey	-1	—	—	—	—
Reimbursements from special funds	34.4	5.-	—	—	—
Items compensated by corresponding expenditure	12.8	12.9	10.4	11.4	15.4
Withdrawal of coin from circulation	—	2.-	—	—	—
Issue of coin	—	401.1	—	737.6	—
Various refunds	7.6	30.-	4.6	5.4	5.6
Additional items	8.8	7.-	—	3.6	—
Surplus from previous years transferred	—	—	—	885.6	—
Total movement of capital	4,247.6	5,168.2	2,232.9	24,521.2	547.3
Total real revenue	25,541.2	26,618.-	21,853.7	44,592.9	18,190.3

EXPENDITURE.

NOTE.

The expenditure on the construction of railways has, since 1926-27, been included in the extraordinary expenditure of the Ministry of Public Works.

Expenditure on the Ministry of Corporations for 1925-26, 1926-27 and 1927-28 is included with that of the Ministry of Finance.

Lire (000,000's).

	1925-26	1926-27	1927-28	1927-28	1928-29
	Closed accounts		Estimates	Closed accounts	Estimates
I. EFFECTIVE EXPENDITURE :					
<i>Ordinary.</i>					
Ministry :					
Finance	6,800.-	7,359.2	7,117.1	7,314.4	5,975.1
Justice and Church	431.4	454.2	412.2	459.-	430.8
Foreign Affairs	66.5	73.6	64.6	90.3	78.5
Colonies	235.3	278.2	7.4	8.4	7.5
Public Instruction	1,169.9	1,212.4	1,155.6	1,180.9	1,164.3
Interior	494.2	612.9	615.8	609.2	603.-

B. Budget Estimates for the Financial Years 1927-28 and 1928-29, compared with the Closed Accounts for the Financial Years 1925-26, 1926-27 and 1927-28 (concluded).

Lire (ooo,ooo's).

	1925-26	1926-27	1927-28	1927-28	1928-29
	Closed accounts		Estimates	Closed accounts	Estimates
I. EFFECTIVE EXPENDITURE (continued) :					
<i>Ordinary (continued).</i>					
Ministry :					
Public Works	348.4	374.1	366.5	264.7	258.3
Communications	239.5	221.3	221.3	354.8	379.1
War	2,452.5	2,694.8	2,432.7	2,536.7	2,403.6
Marine	996.4	997.6	961.-	956.2	912.-
Aviation	550.6	713.8	668.5	605.4	654.-
National Economy	215.6	241.5	239.6	214.7	193.2
Corporations	—	—	—	—	2.1
Total ordinary expenditure	14,000.3	15,233.6	14,262.3	14,594.7	13,061.5
<i>Extraordinary.</i>					
Ministry :					
Finance	4,413.-	2,455.7	2,635.2	2,400.6	2,012.6
Justice and Church	59.5	54.2	48.8	31.8	30.2
Foreign Affairs	135.-	125.2	59.6	101.9	59.1
Colonies	171.-	288.2	383.7	630.-	375.2
Public Instruction	193.5	217.3	203.2	146.3	134.8
Interior	175.4	193.5	125.4	220.3	144.-
Public Works	898.4	1,515.8	846.6	781.5	757.2
Communications	10.8	66.2	66.5	118.2	215.5
War	340.4	415.1	341.9	165.4	249.-
Marine	84.6	322.8	258.-	253.7	239.8
Aviation	7.4	40.2	31.5	57.9	46.-
National Economy	85.9	86.3	66.6	72.1	46.8
Corporations	—	—	—	—	-1
Total extraordinary expenditure	6,574.9	5,780.5	5,067.-	4,979.7	4,310.3
Total effective expenditure	20,575.2	21,014.1	19,329.3	19,574.4	17,371.8
II. CONSTRUCTION OF RAILWAYS :					
Ministry of Public Works	250.-	—	—	—	—
III. MOVEMENT OF CAPITAL :					
Ministry :					
Finance	2,078.-	3,485.4	2,402.4	9,964.-	746.2
Justice and Church	—	—	—	-1	—
Foreign Affairs	—	-5	—	3.-	—
Colonies	12.-	—	—	6.5	—
Public Instruction	-6	-5	-6	-4	-5
Interior	-1	-1	-1	-1	-1
Public Works	—	—	—	-1	-1
Communications	—	—	—	—	—
War	2.4	2.4	2.4	3.2	3.-
Marine	—	—	—	—	—
Aviation	—	—	—	—	—
National Economy	87.2	89.5	91.8	97.6	56.4
Corporations	—	—	—	—	—
Total movement of capital	2,180.3	3,578.4	2,497.3	10,075.-	806.3
Total real expenditure	23,005.5	24,592.5	21,826.6	29,649.4	18,178.1

C. Analysis of Receipts.

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts				Estimates			
	Amount : Lire (000,000's)	Per- cent- age of total	Amount : Lire (000,000's)	Per- cent- age of total	Amount : Lire (000,000's)	Per- cent- age of total	Amount : Lire (000,000's)	Per- cent- age of total
I. Taxes on income and property :								
Land tax	148.3	-74	149.1	-60	150.-	-73	112.5	-63
Tax on buildings	295.8	1.48	305.2	1.23	310.-	1.50	210.-	1.17
Tax on <i>ricchezza mobile</i> ("movable wealth")	3,564.2	17.87	4,158.4	16.73	3,500.-	16.99	3,400.-	18.99
Tax on improved land	1.6	-.01	1.5	-.01	1.5	-.01	-.5	(-.003)
Tax on bachelors	—	—	3.5	-.01	50.-	-.24	50.-	-.28
Extraordinary tax on dividends and interest	82.-	-.41	46.2	-.19	3.-	-.02	3.-	-.02
Complementary tax on incomes exceeding 10,000 lire	136.7	-.69	63.6	-.26	50.-	-.24	25.-	-.14
Complementary tax on total income	147.-	-.74	217.2	-.87	195.-	-.95	210.-	1.17
Tax on directors' fees	3.1	-.02	-.5	(-.002)	—	—	—	—
Tax on receipts of directors of joint-stock companies	2.3	-.01	-.2	(-.001)	—	—	—	—
War super-tax on land, buildings and movable wealth	32.6	-.16	16.9	-.07	20.-	-.10	6.-	-.03
Extraordinary personal war tax	-.9	-.01	-.5	(-.002)	—	—	—	—
War profits tax	325.9	1.63	164.1	-.66	190.-	-.92	90.-	-.50
Extraordinary property tax (capital levy)	1,019.4	5.11	932.3	3.75	900.-	4.37	700.-	3.91
War tax on increase in value of property	96.6	-.48	70.6	-.28	50.-	-.24	15.-	-.08
Supplementary direct taxes on behalf of the mutilated	55.5	-.28	33.6	-.13	7.-	-.03	7.-	-.05
Arrears of taxes in new provinces	44.3	-.22	22.8	-.09	—	—	—	—
Total	5,956.2	29.86	6,186.2	24.88	5,426.5	26.34	4,829.-	26.97
II. Taxes on production, use and transactions :								
I. Customs duties :								
(a) Customs dues and harbour dues	663.2	3.32	479.7	1.93	450.-	2.18	1,415.8	7.91
(b) Supplementary duties			165.4	-.66	10.-	-.05	60.-	-.33
(c) Customs duties on corn			174.4	-.70	67.5	-.33	412.9	2.31
(d) Exchange quotas on import duties			2,111.1	10.58	1,930.2	7.77	1,500.-	7.28
Total	2,883.5	14.45	2,749.7	11.06	2,027.5	9.84	1,888.7	10.55
2. Internal taxes on production, sale and consumption :								
Excise duties on :								
Sugar	1,137.4	5.70	1,136.3	4.57	1,200.-	5.83	1,260.-	7.04
Glucose, etc.	10.1	-.05	9.7	-.04	10.-	-.05	9.-	-.05
Acetic acid	-.6	(-.003)	-.4	(-.002)	—	—	—	—
Seed oil	8.-	-.04	8.3	-.03	8.-	-.04	8.-	-.04
Spirits	386.1	1.94	375.-	1.51	380.-	1.84	375.-	2.09
Beer	58.8	-.29	61.7	-.25	58.-	-.28	60.-	-.33
Tax on wine	53.9	-.27	79.3	-.32	—	—	—	—
Tax additional to the octroi on wine, spirits and beer	237.-	1.19	222.8	-.89	220.-	1.07	220.-	1.23
Soda-water	6.1	-.03	6.7	-.02	6.-	-.03	6.-	-.03
Coffee	246.4	1.24	260.6	1.07	225.-	1.09	260.-	1.45
Coffee substitutes	37.6	-.19	35.2	-.14	36.-	-.18	35.-	-.20
Mineral oil	82.9	-.41	85.7	-.34	69.-	-.33	85.-	-.47
Gas and electric current	174.3	-.87	216.3	-.87	185.-	-.90	220.-	1.23

C. Analysis of Receipts (continued).

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts				Estimates			
	Amount: Lire (000,000's)	Per- cent- age of total	Amount: Lire (000,000's)	Per- cent- age of total	Amount: Lire (000,000's)	Per- cent- age of total	Amount: Lire (000,000's)	Per- cent- age of total
Excise duties on (continued) :								
Electric lamps, etc.	8.7	-.04	10.9	-.04	9.-	-.04	10.-	-.06
Gunpowder and explosives	5.7	-.03	5.-	-.02	5.-	-.02	4.5	-.03
Soaps	3.-	-.02	—	—	—	—	—	—
Playing-cards	9.7	-.05	10.4	-.04	10.-	-.05	10.-	-.06
Total	2,466.3	12.36	2,524.3	10.15	2,421.-	11.75	2,562.5	14.31
Taxes on board, lodging and entertainments								
Licence duties	139.-	-.70	118.6	-.48	113.-	-.55	113.-	-.63
Taxes on transport :								
(a) State railways	114.2	-.57	103.6	-.42	116.-	-.57	95.-	-.53
(b) Private railways, tramways, etc.	25.2	-.13	27.4	-.11	31.3	-.15	31.3	-.18
(c) Emigration transport.	—	—	—	—	—	—	14.-	-.08
Total	139.4	-.70	131.-	-.53	147.3	-.72	140.3	-.79
General turnover tax								
Taxes on motor-cars, bicycles, etc.	873.4	4.38	786.6	3.17	950.-	4.61	700.-	3.91
Succession duties	118.6	-.59	102.-	-.41	105.-	-.51	135.-	-.75
Tax on mortmain property	71.8	-.36	87.3	-.35	80.-	-.39	75.-	-.42
Registration dues	14.9	-.07	19.1	-.08	18.-	-.09	20.-	-.12
Stamp duties on transactions	1,018.4	5.10	1,073.9	4.32	855.-	4.15	800.-	4.47
Substitute for registration dues and tax on transactions	577.9	2.90	610.1	2.45	631.-	3.06	620.-	3.46
Mortgage tax	273.8	1.37	323.-	1.30	320.-	1.55	280.-	1.56
Consular fees	198.8	1.-	212.5	-.85	155.-	-.75	140.-	-.78
Arrears of taxes in new provinces	45.1	-.23	51.2	-.21	40.-	-.20	50.-	-.28
15.7	-.08	8.2	-.03	—	—	—	—	—
Total	8,955.4	44.89	8,964.5	36.06	8,087.8	39.26	7,724.5	43.15
III. Net receipts from monopolies :								
Tobacco	2,288.1	11.47	2,511.8	10.10	2,528.8	12.28	2,519.6	14.07
Salt								
Quinine								
Lighting appliances								
Lotteries	126.2	-.63	144.8	-.58	132.6	-.64	149.6	-.84
230.1	1.16	244.-	-.98	243.1	1.18	243.7	1.36	
Total	2,644.4	13.26	2,900.6	11.66	2,904.5	14.10	2,912.9	16.27
Total of I, II and III	17,556.-	88.01	18,051.3	72.60	16,418.8	79.70	15,466.4	86.39
IV. Fees, contributions and other administrative receipts								
	1,187.5	5.95	1,294.6	5.21	1,140.5	5.56	1,135.1	6.34
V. Net receipts from public domain and undertakings :								
Domain	56.2	-.28	57.1	-.23	35.1	-.17	41.8	-.23
Forests	3.7	-.02	3.7	-.01	3.7	-.02	3.7	-.02
Postal and telegraph services	57.-	-.29	110.-	-.44	—	(-.004)	15.4	-.08
Telephone service	19.7	-.10	24.1	-.10	14.5	-.07	11.1	-.06

C. Analysis of Receipts (concluded).

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts				Estimates			
	Amount : Lire (000,000's)	Per- cent- age of total	Amount : Lire (000,000's)	Per- cent- age of total	Amount : Lire (000,000's)	Per- cent- age of total	Amount : Lire (000,000's)	Per- cent- age of total
V. <i>Net receipts from public domain and undertakings (concluded) :</i>								
State railways	278.6	1.40	109.8	-44	250.-	1.21	24.4	-14
Deposit and Loan Institute	11.1	-05	6.8	-03	10.-	-05	10.-	-06
Post Office Savings Bank	26.1	-13	20.-	-08	20.-	-10	20.-	-12
Food supply services (liquidation)	1.8	-01	16.3	-07	—	—	—	—
Maritime traffic (liquidation)	-1	(-001)	—	—	—	—	—	—
Total	454.3	2.28	347.8	1.40	334.1	1.62	126.4	-71
VI. <i>Receipts from Banks of Issue</i>	101.6	-51	73.-	-29	120.9	-58	219.9	1.23
VII. <i>Share in profits of corporations, private companies, etc. :</i>								
Private railways, tramways, shipping	2.-	-01	1.2	(-005)	-5	(-002)	-7	(-003)
VIII. <i>Interest on advances granted by the State, etc., to :</i>								
(a) State railways	239.5	1.20	260.4	1.05	308.3	1.49	369.9	2.07
(b) Various bodies	125.1	-62	94.-	-38	33.5	-16	21.9	-12
Total	364.6	1.82	354.4	1.43	341.8	1.65	391.8	2.19
IX. <i>Receipts from payments under Peace Treaties</i>	15.-	-08	31.8	-13	35.-	-17	29.-	-16
X. <i>Issue of coinage</i>	—	—	401.1	1.61	—	—	—	—
XI. <i>Receipts from realisation of State assets :</i>								
(a) Sale of non-revenue-yielding State property	94.6	-48	56.8	-23	14.-	-06	14.-	-08
(b) Sale of revenue-yielding property	42.8	-21	40.1	-16	37.-	-18	23.5	-13
(c) Repayment of advances	129.8	-65	188.-	-76	94.5	-46	91.5	-51
Total	267.2	1.34	284.9	1.15	145.5	-70	129.-	-72
Total receipts excluding loan operations ¹	19,948.2	100	20,840.1	83.82	18,537.1	89.98	17,498.3	97.74
XII. <i>Proceeds of loan operations²</i>	—	—	4,022.4	16.18	2,063.9	10.02	404.7	2.26
Total receipts	19,948.2	100	24,862.5	100	20,601.-	100	17,903.-	100

¹ The difference between the figures for this item and those of the summary table on page 145 is due to the fact that the figures for monopolies, public domain and undertakings are net in the table above.

² Only that portion of the proceeds of loan operations which was necessary to balance revenue and expenditure accounts has been included in the table.

NOTES.

I. *Changes in taxation.*

During the period 1925-1928 important changes in the fiscal system were introduced, resulting in most cases in the abolition or lightening of existing taxes. There is scarcely a single tax unaffected by these changes, the most important of which are the following :

Taxes on income and property. — In July 1925, the last of the extraordinary taxes on income and property created during and immediately after the war — the extraordinary tax of 15 per cent on interest and dividends — was abolished. Besides the extraordinary capital levy which was introduced in 1920 and is payable by instalments up to 1938, and the collection of arrears of the extraordinary taxes now abolished, the State taxation on income and property at present consists of the following taxes: land tax (10 per cent since January 1st, 1925); tax on buildings (10 per cent since January 1st, 1925); tax on movable wealth; complementary tax on total income (created on January 1st, 1925, at progressive rates beginning with 1 per cent on a taxable income of 3,000 lire and rising to 10 per cent on a taxable income of 1 million lire or more); and the taxes on bachelors (created on January 1st, 1927 — (i) a fixed tax of 35, 50 or 25 lire according to the age of the bachelor; (ii) a surtax amounting to one-fourth of the tax payable on the total income).

By a Royal Decree of October 1924, the rates of the tax on *ricchezza mobile* were reduced as follows.

Category	From January 1st, 1925	From January 1st, 1927	From January 1st, 1929
	%	%	%
A. Yield of capital	24	22	20
B. Yield of capital and labour combined . . .	18	16	14
C. (1) Yield of arts and professions	16	14	12
C. (2) Salaries, pensions, etc.	12	11	10
D. Salaries, pensions, etc., paid by the State and other public institutions	10	9	8

By a Decree of August 1927, the reduced rate of 20 per cent for Category A was put into force as from January 1st, 1928, and the rate for Category C. (2) was reduced to 9 per cent as from the same date. The land tax and tax on buildings were reduced by 25 per cent for the years 1927-28, 1928-29 and 1929-30.

Taxes on production, use and transactions. — In the period 1925-1928, the following taxes were abolished: excise duty on wine (September 1924); excise duty on soaps (September 1925); some taxes on entertainments, board and lodging and the tax on bicycles (September 1926). Certain rates of the general turnover tax and of the taxes on transactions were reduced or exemptions were granted during 1926 and 1927. On the other hand, an additional tax on the local octrois on spirits, wine and beer (in February 1925) and a special tax for the improvement of roads (in January 1928) amounting to two-fifths of the existing tax on motor-cars, etc., were introduced. The rates of the tax on electrical power were increased in September 1925.

2. The item "Interest on advances granted to State railways" represents, on the one hand, interest on advances granted by the State and, on the other hand, contributions by the State railways towards the service of interest on some advances and loans raised by the State on their account. The sums repaid are shown under the item "Repayment of advances".

3. The item "Receipts from payments under Peace Treaties" includes only payments effected by Bulgaria, Hungary and China. The receipts from Germany are credited directly to the autonomous Amortisation Fund for war debts at the Deposit and Loan Institute.

D. Analysis of Expenditure.

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts				Estimates			
	Amount : Lire (000,000's)	Per- centage of total	Amount : Lire (000,000's)	Per- centage of total	Amount : Lire (000,000's)	Per- centage of total	Amount : Lire (000,000's)	Per- centage of total
I. <i>Defence</i> :								
Army	2,190.5	10.98	2,755.8	11.09	2,148.8	10.43	2,033.7	11.36
Navy	998.1	5.-	1,387.3	5.58	1,135.9	5.51	1,068.7	5.97
Air Force	529.9	2.66	679.9	2.73	625.9	3.04	614.5	3.43
Colonies	328.7	1.65	484.9	1.95	341.8	1.66	339.3	1.90
Other departments	2.-	-.01	3.2	-.01	1.9	-.01	1.8	-.01
Total	4,049.2	20.30	5,311.1	21.36	4,254.3	20.65	4,058.-	22.67

D. Analysis of Expenditure (continued).

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts				Estimates			
	Amount: Lire (000,000's)	Per- centage of total	Amount: Lire (000,000's)	Per- centage of total	Amount: Lire (000,000's)	Per- centage of total	Amount: Lire (000,000's)	Per- centage of total
II. <i>Foreign affairs</i>	207.-	1.04	234.9	-.94	130.3	-.63	140.3	-.78
III. <i>Colonial affairs</i>	107.4	-.54	158.3	-.64	64.8	-.31	58.8	-.33
IV. <i>Justice</i>	450.1	2.26	460.4	1.87	423.7	2.06	416.5	2.33
V. <i>Supreme organs of Government and General administration:</i>								
Voluntary militia	50.7	-.25	61.5	-.25	61.2	-.30	59.4	-.33
Public security	372.8	1.87	459.-	1.85	427.9	2.08	395.-	2.20
Royal Carabineers	440.6	2.21	453.9	1.82	460.3	2.23	438.5	2.45
Reserve funds	—	—	—	—	70.-	-.34	80.-	-.45
Miscellaneous expenses	244.4	1.23	331.6	1.33	254.6	1.23	218.7	1.22
Total	1,108.5	5.56	1,306.-	5.25	1,274.-	6.18	1,191.6	6.65
VI. <i>Public health</i>	42.9	-.22	48.6	-.19	36.3	-.18	36.1	-.20
VII. <i>Social welfare:</i>								
Subsidies on account of public calamities	201.-	1.01	238.5	-.96	225.9	1.10	229.5	1.28
Social insurance	51.2	-.25	53.7	-.22	50.4	-.24	—	—
Subsidies for house construction	133.6	-.67	216.6	-.87	93.6	-.45	88.6	-.50
Other social expenditure	71.9	-.36	83.1	-.33	71.-	-.35	89.3	-.50
Total	457.7	2.27	591.9	2.38	440.9	2.14	407.4	2.28
VIII. <i>Economic administration:</i>								
(a) Agriculture, industry, com- merce, etc.	231.5	1.16	267.-	1.07	255.-	1.24	242.7	1.36
(b) Communications and public works, current expenditure	839.6	4.21	976.4	3.93	896.4	4.35	900.6	5.03
(c) Communications, construc- tion	700.9	3.51	1,107.4	4.45	481.1	2.33	562.4	3.14
Total	1,772.-	8.88	2,350.8	9.45	1,632.5	7.92	1,705.7	9.53
IX. <i>Education:</i>								
Primary instruction	897.8	4.50	920.5	3.70	873.-	4.24	830.8	4.64
Other expenditure on education	422.3	2.12	475.4	1.91	422.-	2.05	397.5	2.22
Total	1,320.1	6.62	1,395.9	5.61	1,295.-	6.29	1,228.3	6.86
X. <i>Church</i>	94.5	-.47	94.3	-.38	94.2	-.46	74.3	-.42
XI. <i>Financial administration</i>	774.-	3.88	1,093.4	4.40	745.1	3.62	701.3	3.92
XII. <i>Share of provinces, municipalities, etc., in yield of taxes common to central and local authorities, etc.</i>	111.7	-.56	194.8	-.78	135.7	-.66	194.-	1.08
XIII. <i>Pensions:</i>								
Fighting services	244.7	1.22	304.8	1.22	248.6	1.21	263.5	1.47
Civil services	430.3	2.16	509.6	2.05	459.-	2.23	460.9	2.57
War pensions and military assistance	1,418.6	7.11	1,309.3	5.27	1,278.-	6.20	1,288.3	7.20
Total	2,093.6	10.49	2,123.7	8.54	1,985.6	9.64	2,012.7	11.24
XIV. <i>Refunds and drawbacks</i>	366.5	1.84	299.9	1.21	165.7	-.80	167.3	-.93
XV. <i>War charges</i>	44.2	-.22	36.4	-.15	30.5	-.15	25.5	-.14

D. Analysis of Expenditure (concluded).

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts				Estimates			
	Amount; Lire (000,000's)	Per- centage of total	Amount; Lire (000,000's)	Per- centage of total	Amount; Lire (000,000's)	Per- centage of total	Amount; Lire (000,000's)	Per- centage of total
XVI. Debt service :								
Administration	205.2	1.03	164.2	-.66	—	—	—	—
Interest	4,085.6	20.48	4,773.4	19.20	4,652.5	22.59	4,421.4	24.70
Repayment	1,030.3	5.16	2,411.5	9.70	2,215.—	10.75	213.6	1.19
Total	5,321.1	26.67	7,349.1	29.56	6,867.5	33.34	4,635.—	25.89
XVII. Investment in revenue-yielding assets :								
Outlay on railways	303.5	1.52	426.—	1.71	252.—	1.22	272.—	1.52
Purchase of private railways . .	9.8	-.05	51.2	-.21	7.9	-.04	7.9	-.04
Purchase of shares	60.—	-.31	14.4	-.06	—	—	—	—
Purchase of land	3.4	-.02	—	—	—	—	—	—
Advances to State railways . .	737.—	3.69	637.—	2.56	500.—	2.43	300.—	1.68
Advances to Telephone service .	100.—	-.50	100.—	-.40	100.—	-.48	100.—	-.56
Advances to Monopolies	—	—	—	—	—	—	30.—	-.17
Other advances	377.8	1.90	552.7	2.22	165.—	-.80	140.3	-.78
Allocation to funds	-.8	(-.004)	31.7	-.13	—	—	—	—
Total	1,592.3	7.98	1,813.—	7.29	1,024.9	4.97	850.2	4.75
Total expenditure ¹	19,912.8	99.82	24,862.5	100	20,061.—	100	17,903.—	100
Surplus	35.4	-.18	—	—	—	—	—	—
Grand total	19,948.2	100	24,862.5	100	20,061.—	100	17,903.—	100

¹ The difference between the figures for these totals and those of the summary table on page 145 is due : (a) to the calculation of net results for monopolies, public domain and undertakings ; and (b) to the fact that 1,800 million lire were deducted from the expenditure in 1925-26 and 1,523.8 million added to that in 1926-27. As stated on page 146, the real surplus on the " effective " account amounted in 1925-26 to 2,268.4 million lire, of which 1,800 million were allocated to a special fund for defence, economic development and debt redemption. The expenditure of this fund is not shown in the Authorisation account, but in the Arrears account for the years subsequent to 1925-26. The 1,523.8 million lire spent in 1926-27 have, for this reason, been added to the figures shown in the Authorisation account, thus explaining the relatively large amounts shown for that year in the table above on account of defence, economic administration, debt service, etc.

NOTES.

1. *Defence.* — The expenditure charged to the navy includes certain items of a civil character such as expenditure on lighthouses, buoys, etc. The expenditure of the Air Force contains some expenditure on civil aviation which it has not been possible to show separately from defence expenditure proper.

The defence expenditure under the heading " Colonies " consists of contributions to colonial budgets for defence purposes.

2. *Church.* — This item contains only State contributions towards the Church fund and corresponding expenditure in the new provinces. The other receipts of the Church fund are made up chiefly of the proceeds of sale of property.

3. The item *Share of provinces, etc.* also includes certain subsidies granted by the State to local authorities.

4. The item *Foreign affairs* includes for 1928-29 the expenditure of the former Emigration Fund.

5. The *Debt Service* figure given in the table includes the amount provided for in the budget of the Ministry of Finance and the comparatively insignificant amounts payable by the various ministries on their loans from the Deposit and Loan Institute, but since 1926, not the amount required for service of debts to the Allies (administered by an autonomous fund).

E. Monopolies.

Lire (ooo,ooo's).

	1925-26	1926-27	1927-28	1928-29
	Closed accounts		Estimates	
<i>Tobacco :</i>				
Gross receipts (State's share), including tax on tobacco	3,074.8	3,278.6	3,250.7	3,251.7
Working expenses	823.8	801.8	753.7	833.6
Balance	+ 2,251.-	+ 2,476.8	+ 2,497.-	+ 2,418.1
<i>Salt :</i>				
Gross receipts (including tax on salt)	180.4	185.9	185.-	190.-
Working expenses	78.2	86.8	67.9	106.5
Balance	+ 102.2	+ 99.1	+ 117.1	+ 83.5
<i>Quinine :</i>				
Gross receipts	20.2	17.3	23.5	20.-
Working expenses	9.5	8.2	15.3	10.9
Balance	+ 10.7	+ 9.1	+ 8.2	+ 9.1
Balance of tobacco, salt and quinine Monopolies . . .	2,363.9	2,585.-	2,622.3	2,510.7
Various expenses common to tobacco and salt Monopolies	38.4	39.6	56.9	...
Net receipts from tobacco, salt and quinine Monopolies	2,325.5	2,545.4	2,565.4	2,510.7
Deduct allocations to reserve funds . . . . .	...	...	...	10.5
Balance	+ 2,325.5	+ 2,545.4	+ 2,565.4	+ 2,500.2
<i>Extraordinary receipts :</i>				
Advances from the Treasury . . . . .	...	...	...	30.-
Extraordinary expenditure	37.4	33.6	36.6	10.6
Balance	- 37.4	- 33.6	- 36.6	+ 19.4
Total net balance of tobacco, salt and quinine Monopolies transferred to general budget	+ 2,288.1	+ 2,511.8	+ 2,528.8	+ 2,519.6
<i>Lighting appliances and cigarette paper :</i>				
Gross receipts	126.4	145.1	133.-	150.-
Gross expenditure	-.2	-3	-4	-4
Balance	+ 126.2	+ 144.8	+ 132.6	+ 149.6
<i>Lotteries :</i>				
Gross receipts	475.8	481.-	500.-	480.-
Gross expenditure	245.7	237.-	256.9	236.3
Balance	+ 230.1	+ 244.-	+ 243.1	+ 243.7
Total net receipts from monopolies transferred to general account	+ 2,644.4	+ 2,900.6	+ 2,904.5	+ 2,912.9

NOTE.

According to a Decree of October 1925, the municipalities receive a share of 5 per cent of the proceeds of sales of tobacco products within the Kingdom. This share has been estimated at 160 million lire for 1927-28 and at 166.9 million lire for 1928-29, but is not included in the budget.

The gross expenditure on monopolies was shown, until June 1928, in the budget of the Ministry of Finance, making it difficult — in some cases impossible — to separate expenditure on monopolies from that on other services. The totals above for 1925-26, 1926-27 and 1927-28 are therefore approximate.

In 1928, the production, import and sale of tobacco and salt as well as the production and sale of quinine were entrusted to an autonomous body, the budget of which forms an appendix to the general

budget. The receipts of the tobacco and the salt monopolies, since July 1928, have been divided into industrial and commercial proceeds and proceeds of taxes. The proportion between the two categories is established in the general budget (for 1928-29: Tobacco, 75 per cent of the proceeds of sales within the Kingdom is regarded as tax on tobacco; 25 per cent of these proceeds and all other proceeds as industrial yield. Salt: 45 per cent of the proceeds of edible salt, tax; 55 per cent of these proceeds and all other receipts industrial yield).

Pensions are included in the figures above and investments are included under extraordinary expenditure.

The administration of the monopolies on lighting appliances (including matches), cigarette-paper and lotteries remains in the hands of the newly formed autonomous body. However, the gross figures of the monopolies are, as formerly, shown in the general budget. The expenditure of the lighting-appliances and cigarette-paper monopoly consists of the cost of controlling the private industry and the cost of acquisition and sale of firestones.

F. Public Domain and Undertakings.

Lire (000,000's).

	1925-26	1926-27	1927-28	1928-29
	Closed accounts		Estimates	
<i>Domain :</i>				
Miscellaneous gross and net receipts	98.5	103.6	73.-	80.2
Working expenses	42.3	46.5	37.9	38.4
Balance	+ 56.2	+ 57.1	+ 35.1	+ 41.8
<i>Forests :</i>				
1. Ordinary and extraordinary account :				
Gross receipts	30.7	29.4	24.8	21.2
Gross expenses	23.4	30.-	19.1	15.7
Balance	+ 7.3	- -6	+ 5.7	+ 5.5
Share paid to the State	3.7	3.7	3.7	3.7
2. Movement of capital :				
Realisation of assets	7.2	11.7	...	...
Investments	2.5	-6	2.-	1.8
Balance	+ 4.7	+ 11.1	- 2.-	- 1.8
<i>Post and telegraph :</i>				
Ordinary receipts	919.5	1,044.9	966.5	891.3
Ordinary expenditure	853.9	898.5	955.7	865.9
Balance	+ 65.6	+ 146.4	+ 10.8	+ 25.4
Paid to Treasury	57.-	110.-	-8	15.4
Allocation to reserve fund	8.6	6.4	...	...
Transferred to extraordinary budget . . . . .	...	30.-	10.-	10.-
Extraordinary receipts :				
Transfer from ordinary budget . . . . .	...	30.-	10.-	10.-
Extraordinary expenditure . . . . .	...	30.-	10.-	10.-
Balance . . . . .	...	...	...	...
<i>Telephone :</i>				
Ordinary receipts	63.8	73.8	65.4	69.8
Ordinary expenditure, including payment of debt and reserve fund	41.9	47.-	50.9	58.7
Balance	+ 21.9	+ 26.8	+ 14.5	+ 11.1
Paid to the Treasury	19.7	24.1	14.5	11.1
Allocation to reserve fund	2.2	2.7	...	...
Extraordinary receipts :				
Advances	106.-	100.-	100.-	100.-
Other receipts	63.1	39.6	39.4	21.3
Extraordinary expenditure	169.1	139.6	139.4	121.3
Balance . . . . .	...	...	...	...

F. Public Domain and Undertakings (continued).

Lire (000,000's).

	1925-26	1926-27	1927-28	1928-29
	Closed accounts		Estimates	
<i>State railways :</i>				
Ordinary receipts	5,499.2	5,359.3	5,335.-	4,660.6
Ordinary expenditure	4,758.2	5,035.5	4,937.-	4,506.2
Transfer to extraordinary budget	362.9	168.1	148.-	130.-
Balance	+ 378.1	+ 155.7	+ 250.-	+ 24.4
<i>Extraordinary receipts :</i>				
Advances from Treasury	737.-	627.-	500.-	300.-
Contributions of State for plant and rolling-stock	153.5	102.-	52.-	52.-
Transferred from ordinary budget	362.9	168.1	148.-	130.-
One-quarter of ordinary budget surplus	99.5	45.9	...	...
Other receipts	13.-	14.4	...	...
Total extraordinary receipts	1,365.9	957.4	700.-	482.-
Extraordinary expenditure	1,365.9	957.4	700.-	482.-
Balance . . . . .	...	...	...	...
Net receipts of the State	278.6	109.8	250.-	24.4
<i>Liquidation of food supply services :</i>				
Receipts	19.-	16.3	...	...
Expenditure	17.2	...	...	...
Balance	+ 1.8	+ 16.3	...	...
<i>Liquidation of maritime traffic :</i>				
Receipts	-1	...	...	...
Expenditure . . . . .	...	...	...	...
Balance	+ -1	...	...	...
<i>Deposit and Loan Institute :</i>				
Net receipts of State	11.1	6.8	10.-	10.-
<i>Post Office Savings Bank :</i>				
Net receipts of State, seven-tenths of surplus	26.1	20.-	20.-	20.-

NOTES.

1. *Domain.* — Gross receipts on account of public domain (land, buildings, canals, mines, various property rights) are shown in the general budget under several headings. As the expenditure on public domain is charged to the budget of the Ministry of Finance under several headings and in some cases jointly with other expenditure, the figures in the table above are only approximately correct.

2. *Forests.* For the operations of the autonomous State forests there is a special budget annexed to the general budget. — The "Working receipts" include proceeds of the realisation of certain assets. "Working expenses" include contributions towards pensions, a small amount for the service of advances from the Deposit and Loan Institute and appropriations for investments. A fixed amount is transferred every year to the Treasury, the remainder of the surplus being placed to the credit of a special account at the Deposit and Loan Institute. The item "Realisation of assets" consists chiefly of withdrawals from that account.

3. *Postal, telegraph and telephone Services.* — In 1925-26 these services were organised as autonomous undertakings, the telephone service being separated from the others and a certain part of its management handed over to private enterprise.

4. *State railways* (autonomous undertaking). — The ordinary railway expenditure (as shown in the table above) includes pension charges, interest payments on Treasury advances and contributions to the general budget towards the service of debt incurred on behalf of the State railways.

The extraordinary expenditure consists entirely of appropriations for investment and the acquisition of railway material. Part of the cost of acquisition of rolling-stock is covered by a transfer of revenue from the ordinary account. Since 1926, one-fourth of the surplus of the ordinary account has been transferred annually to the extraordinary account and the remaining three-fourths to the general budget.

It will be seen that in recent years about one-fourth of the extraordinary expenditure has been covered by the transfers from the ordinary account.

In order to arrive at the net receipts of the Treasury, the budgetary surplus to be transferred to the State Treasury should be reduced by the extraordinary non-repayable contributions by the State for plant.

5. *Deposit and Loan Institute and Post Office Savings Bank.* — Only the net receipts by the State are shown in the general budget. The object of the Deposit and Loan Institute is to receive deposits which are used for: (1) advances to the State, local authorities and charitable institutions; (2) acquisition of buildings, etc. Several services, of which the most important is the Post Office Savings Bank and, since March 1926, the Amortisation Fund, are annexed to the Institute.

G. Public Debt.

(i) Table showing the Public Debt in 1914 and since 1922.

NOTE.

The foreign debt in the table below does not include war debt to the Allies, the service of which is relegated to a special amortisation fund deriving its revenue from reparation payments by Germany.

Lire (000,000's).

Date	Domestic debt						Foreign debt ³		Total debt	
	Funded ¹		Floating ²		Total		Amount	Move- ment (+ or —)	Amount	Move- ment (+ or —)
	Amount	Move- ment (+ or —)	Amount	Move- ment (+ or —)	Amount	Move- ment (+ or —)				
June 30th : 1914	14,840	...	926	...	15,766	...	...	...	15,766	...
1922	56,600	+ 1,628	36,236	+ 4,726	92,836	+ 6,354	...	...	92,836	+ 6,354
1923	60,058	+ 3,458	35,486	— 750	95,544	+ 2,708	...	...	95,544	+ 2,708
1924	60,468	+ 410	32,695	— 2,791	93,163	— 2,381	...	...	93,163	— 2,381
1925	63,258	+ 2,790	27,589	— 5,106	90,847	— 2,316	...	...	90,847	— 2,316
1926	63,453	+ 195	27,856	+ 267	91,309	+ 462	2,480	+ 2,480	93,789	+ 2,942
1927	62,699	— 754	20,976	— 6,880	83,675	— 7,634	1,921	— 559	85,596	— 8,193
1928	84,828	+ 22,129	1,118	— 19,858	85,946	+ 2,271	1,841	— 80	87,787	+ 2,191

¹ Includes Treasury bonds or 7, 5 and 3 years' currency.

² Includes Treasury bonds for one year or less, Treasury notes in circulation, banknotes issued on Treasury account and the debt to the Deposit and Loan Institute.

³ Not including the war debt, but only the loan of \$100 million contracted in November 1925 with Morgan & Co., New York. The figures shown for foreign debt are those given in the Patrimonial account.

(ii) Table showing the total of the Public Debt in 1914 and since 1922 in actual figures and reduced to pre-war price level.

Date	Public debt		"Bachi" index number of wholesale prices ¹ (Annual average)	Public debt reduced to pre-war price level	
	Amount : Lire (000,000's)	Percentage of 1914		Amount : Lire (000,000's)	Percentage of 1914
June 30th : 1914	15,766	100	100 ²	15,766	100
1922	92,836	589	520	17,853	113
1923	95,544	606	510	18,734	119
1924	93,163	591	512	18,196	115
1925	90,847	576	554	16,398	104
1926	93,789	595	600	15,632	99
1927	85,896	545	473 ³	18,160	115
1928	87,787	557	462 ³	19,002	120

¹ New series.

² Year 1913.

³ June 30th.

(iii) Table showing the amount of Debt Service — interest on and amortisation of Public Debt — for the financial year 1913-14 and since 1922-23, in actual figures and reduced to pre-war price level.

Financial year ending	Accounts	Debt service		"Bachi" index number of wholesale prices ¹ (Annual average)	Total debt service reduced to pre-war level	
		Amount : Lire (ooo,ooo's)	Percentage of 1914		Amount : Lire (ooo,ooo's)	Percentage of 1914
June 30th : 1914	Closed accounts	689.7	100	100 ²	689.7	100
1923		6,134.3	889	510	1,202.8	174
1924		7,378.8	1,070	512	1,441.2	209
1925		6,520.6	945	554	1,177.—	171
1926		5,321.1	772	600	886.9	129
1927		7,349.1	1,066	566	1,298.4	188
1928		Estimates	6,867.5	996	464	1,480.1	215
1929	Estimates	4,635.—	672	460	1,007.6	146

¹ New series.

² Year 1913.

(iv) Table showing the Public Debt and Debt Service, per head of population, in actual figures and reduced to pre-war price level.

Date	Population (ooo,ooo's)	Public debt per head of population		Financial year ending	Debt service per head of population	
		In actual figures	Reduced to pre-war price level		In actual figures	Reduced to pre-war price level
		Lire			Lire	
June 30th : 1914	35.8	440.4	440.4	June 30th : 1914	19.3	19.3
1922	38.9	2,386.5	458.9	1923	155.7	30.5
1923	39.4	2,425.—	475.5	1924	185.4	36.2
1924	39.8	2,340.8	457.2	1925	161.8	29.2
1925	40.3	2,254.3	406.9	1926	132.—	21.7
1926	40.8	2,298.8	385.1	1927	180.1	31.8
1927	40.8	2,105.3	445.1	1928	168.3	36.3
1928	40.8	2,151.6	465.7	1929	113.6	24.7

The following table gives details of the Public Debt on June 30th, 1914, and June 30th, 1922-1928.

Lire (ooo,ooo's).

	June 30th, 1914	June 30th, 1922	June 30th, 1923	June 30th, 1924	June 30th, 1925	June 30th, 1926	June 30th, 1927	June 30th, 1928
DOMESTIC DEBT :								
<i>Funded debt :</i>								
Pre-war debts	14,840	49,368	13,291	12,531	12,488	12,443	12,398	12,233
National loans	—		36,021	35,998	35,998	35,997	36,053	35,878
" " Issue of 1926	—	—	—	—	—	—	—	27,251
Treasury Bonds : 3-year	—	5,232	5,213	3,468	—	—	—	—
5-year	—		—	—	2,415	1,672	1,140	—
7-year	—		2,000	4,000	4,000	4,000	4,000	—
9-year	—	—	1,528	4,000	5,996	6,836	7,312	7,640
3½% bonds of the Venetian Provinces for war loss indemnities	—	—	5	471	908	1,075	1,214	1,268
25-year 4¾% Treasury bonds	—	—	—	—	1,443	1,420	572	548
Redeemable ex-Austrian debt	—	—	—	—	10	10	10	10
Total funded debt	14,840	56,600	60,058	60,468	63,258	63,453	62,699	84,828

Details of Public Debt (concluded).

Lire (ooo,ooo's).

	June 30th, 1914	June 30th, 1922	June 30th, 1923	June 30th, 1924	June 30th, 1925	June 30th, 1926	June 30th, 1927	June 30th, 1928
DOMESTIC DEBT (continued):								
<i>Floating debt:</i>								
Short-term Treasury bonds	926	25,505	24,943	22,236	17,589	17,832	15,209	—
Treasury notes		2,267	2,428	2,428	2,100	2,100	1,291	296
Banknote currency issued on behalf of the State		8,049	7,764	7,476	7,068	6,729	4,229	—
Interest-bearing current account: Deposit and Loan Institute		415	351	555	765	1,128	247	822
National Social Insurance Insti- tute		—	—	—	67	67	—	—
Total floating debt	926	36,236	35,486	32,695	27,589	27,856	20,976	1,118
Total domestic debt	15,766	92,836	95,544	93,163	90,847	91,309	83,675	85,946
FOREIGN DEBT:								
100 million dollar loan contracted in November 1925 with Morgan & Company, New York	—	—	—	—	—	2,480	1,921	1,841
Total public debt	15,766	92,836	95,544	93,163	90,847	93,789	85,596	87,787

In August 1927, a fund for the amortisation of domestic debt was created which replaced the National Consortium previously formed for this purpose. To this fund were allotted the surpluses of the "effective" account as from 1924-25 and various other sums.

The allotments from the budgets up to June 1928 were:

	Lire (ooo,ooo's)
Effective surplus: 1924-25	417.2
1925-26	468.4
1926-27	435.7
1927-28	497.3
Allotment from the liquidation of food supply and maritime traffic (arrears)	300.—
Sale of material, etc.	45.5
Total	<u>2,164.1</u>

By June 30th, 1928, the fund had employed 336 million lire for the purchase of Government securities of a nominal value of 424.5 million lire. In addition, bonds to the value of 857,000 lire were voluntarily offered and bonds to the value of 153.5 million lire were taken over from the National Consortium for the amortisation of public debt.

NOTES.

1. The charges for interest on public debt for 1927-28 and 1928-29 are estimated as follows:

	1927-28	1928-29
	Lire (ooo,ooo's)	
On perpetual debt	3,296.1	3,431.2
On redeemable debt	404.5	335.6
On ordinary Treasury bills	241.—	<i>mémoire.</i>
On 5, 7 and 9-year Treasury bonds	487.—	440.—
On current Treasury accounts and other debts	194.3	190.3
On debt to bank of issue		
On railway credit certificates	21.—	20.3
On ex-Austrian debts	4.—	4.—
On debt to the Deposit and Loan Institute	4.6	—
	<u>4,652.5</u>	<u>4,421.4</u>

2. By a decree of November 6th, 1926, the Government decided to consolidate the floating and short-term debt by means of the following conversion operations :

- (a) Obligatory conversion of ordinary 5 and 7-year Treasury bonds.
- (b) Optional conversion of 9-year Treasury bonds.
- (c) Obligatory subscription by certain credit institutions out of their available funds and those created by them between November 6th and December 31st, 1926.
- (d) Optional subscription by the public.

The new consolidated securities bear interest at the rate of 5 per cent, are free of all current and future taxes, and are repayable from 1936. They were issued at rates varying from 116.5 lire to 100 lire of the new security to 100 of the old bonds, and at 87.50 for new subscriptions. This operation, involving the issue and conversion of about 27.2 milliard lire, was entered in the accounts of 1926-27 and 1927-28.

3. The Treasury notes issued are of small denomination (5, 10 and 25 lire) ; these notes, which amounted to about 500 million lire before the war, were increased on various occasions during the war. Since October 1926 they have been slowly withdrawn and replaced by coin.

4. The advances made by the banks of issue in the form of bank notes fall into several categories.

The following table shows the situation of those notes in June, 1925, 1926 and 1927 :

	June 1925	June 1926	June 1927
	Lire (000,000's)		
Obligatory advances under the terms of the laws concerning the bank of issue	485	360	360
Extraordinary advances during the war	4,515	4,515	2,290
For the withdrawal of Treasury bonds in 1919.	1,000	1,000	1,000
Supply of banknotes on account of the Deposit and Loan Institute	582	579	579
For the exchange of Austro-Hungarian notes circulating in the new provinces.	275	275	—
Anticipatory advances to third persons on behalf of the State	211	—	—
	<u>7,068</u>	<u>6,729</u>	<u>4,229</u>

On June 30th, 1926, the *Banca d'Italia* took over the State liabilities from the other two banks. In August of the same year the proceeds of the dollar loan contracted in November 1925 (90 million dollars) were transferred to the *Banca d'Italia* and 2,500 million lire of the State debt to that bank were cancelled. It was intended to redeem the whole debt due by the State in about eight years by annual payments of 500 million lire, but in connection with the stabilisation of the currency in December 1927 the Bank was authorised to write up its assets and the increase in the value of its reserves was credited to the State. In this way the debt shown above was cancelled at once.

5. The following table shows the public debt as on June 30th, 1928, in Italian currency and in U.S.A. dollars :

(Rate of exchange : \$1 = 19.095 lire.)

	Lire (000,000's)	U.S.A. dollars (000,000's)
Domestic debt	85,946	4,501
Foreign debt	1,841	96
Total debt	87,787	4,597
Debt per head of population	2,151.6 lire	\$ 112.7

H. War Debts.

I. UNITED KINGDOM.

On June 30th, 1920, Italy owed to the United Kingdom £465,920,000. In the succeeding years that amount was increased by the delivery of new bonds in lieu of payment of interest, so that the total amount due in January 1926 was £610,840,000. On January 27th, 1926, the two Governments came to an agreement regarding terms of settlement extending over 62 years and

that agreement was ratified by the respective Parliaments in the autumn of 1926. The Italian Government agreed to pay (including interest) :

Until June 30th :	£
1926	2,000,000
1928 annually	4,000,000
1932 annually	4,250,000
1987 annually	4,500,000
1988	2,250,000

From the total debt, however, must be deducted £22,200,000 in gold, which was deposited by Italy as part security for Italian war debt and which Great Britain has agreed to refund by instalments beginning in 1928 and continuing until 1987.

The above payments are to be made at the Bank of England on September 15th and March 15th of each year.

The total sum to be paid (without deduction of the £22,200,000) amounts to £276,750,000, the present value of the debt, at 4.5 per cent, being about £89,588,000. By June 30th, 1928, five instalments of £2,000,000 each had been paid.

2. UNITED STATES OF AMERICA.

On November 14th, 1925, the two Governments came to an agreement regarding the funding of the debt of 2,042,199,000 dollars within a period of 62 years and the agreement has been ratified by the respective Parliaments.

The annuities stipulated are as follows :

Lire (000,000's).		
Until : 1930	5,000	(No interest)
1940 rising from 14,621 to 18,172	(including 1/8% interest)	
1950 » » 21,104 to 26,280	(» 1/4% »)	
1960 » » 31,449 to 38,752	(» 1/2% »)	
1970 » » 43,142 to 52,629	(» 3/4% »)	
1980 » » 56,394 to 67,644	(» 1% »)	
1987 » » 74,048 to 80,988	(» 2% »)	

The present value of the debt at 4.5 per cent amounts to about 528 million dollars. By June 30th, 1928, three instalments of 5 million dollars each had been paid.

3. There were in addition some smaller war debts due to :

Canada	6.- million Canadian dollars
Sweden	5.1 million Swedish kronor
The Netherlands	3.- million florins
Brazil	10.3 million dollars.

The first three of these were finally repaid during the financial year 1922-23 and the debt to Brazil during 1923-24.

4. The amortisation fund for the service of the foreign war debts, which was instituted by a Decree of March 3rd, 1926, is credited with the amount paid in reparation since July 1st, 1924. The Italian share of reparation receipts amounts to 10 per cent of the net amount received from Germany and 40 per cent of the amount received from Austria, Hungary and Bulgaria.

I. Total State Assets and Liabilities.

(PATRIMONIAL ACCOUNT).

Lire (000,000's).

	June 30th, 1925	June 30th, 1926	June 30th, 1927	June 30th, 1928
<i>Assets.</i>				
Assets of the Treasury	10,861.1	16,818.1	13,398.3	17,336.5
Liquid assets :				
Movable and immovable property, credits, securities	10,310.—	11,472.9	14,023.6	17,809.2
Industrial assets	8,628.2	7,988.5	8,284.—	11,247.—
Non-liquid assets :				
War material	10,691.2	11,714.5	12,948.7	14,762.9
Supplies intended for State services, etc.	1,809.8	2,023.7	2,292.3	2,427.3
Scientific and artistic material	266.4	267.—	287.3	293.2
Total assets	42,566.8	50,284.7	51,235.2	63,876.1
<i>Liabilities.</i>				
Liabilities of the Treasury	46,063.9	47,567.4	42,033.4	27,259.9
Treasury notes	400.—	400.—	242.—	4.6
Redeemable and irredeemable debt	63,306.2	65,954.2	64,587.5	86,713.1
Various liabilities	6,076.1	7,039.—	11,219.6	10,947.4
Total liabilities	115,846.2	120,960.6	118,082.5	124,928.—
Balance	73,279.4	70,675.9	66,847.3	61,048.9

NOTES.

The above statement of the Patrimonial account does not include the assets and liabilities of the autonomous undertakings or special funds. The agreement with Great Britain and the United States and the creation of a special fund for the amortisation of war debts, on July 1st, 1926, resulted in a reduction in the liabilities of this account of 23,404.5 million lire, which were transferred to the fund. For the sake of comparison, it has not been included in the figures for June 30th, 1925. The postal, telegraph and telephone service has been excluded since June 30th, 1926. On the other hand, the emigration fund, which was incorporated in the general accounts in 1927-28, is included in the figures for June 30th, 1928.

The floating debt as shown in the detailed table on page 161 is included in the liabilities of the Treasury with the exception of a portion of the Treasury notes. The amounts shown for redeemable and irredeemable (domestic and foreign) debt do not correspond fully to the totals as shown in the detailed table on page 161, in consequence of some divergencies in the methods of accounting.

As was shown in the table reviewing the situation of the Treasury, in the chapter on the summary of budget accounts, the improvement in the situation of the Treasury since June 30th, 1925, amounted to 25,279.4 million lire. From the above table it will be seen that the improvement shown for the same period by the more comprehensive Patrimonial account, which includes the Treasury accounts, amounted to 12,230.5 million lire.

K. Local Finance.

The latest available data refer to the estimates for 1925 :

	(a) PROVINCES :	Lire (000,000's)
Effective revenue :		
Taxes		586.5
Fees and other revenue		305.4
Total effective revenue		891.9
Effective expenditure		982.3
Balance		— 90.4

ITALY

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	Lire (ooo,ooo's).
Movement of capital :	
Receipts	240.1
Expenditure	<u>170.6</u>
Balance	+ 69.5
<i>Giro</i> category and special funds :	
Receipts	200.1
Expenditure	<u>200.1</u>
Balance	<u>...</u>

(b) MUNICIPALITIES :

Effective Revenue :	
Taxes	3,057.5
Share of State taxes	30.9
Fees and other revenue	1,021.6
Total effective revenue	<u>4,110.-</u>
Effective expenditure	<u>4,947.2</u>
Balance	<u>- 837.2</u>
Movement of capital :	
Receipts	1,786.6
Expenditure	<u>892.4</u>
Balance	<u>+ 894.2</u>
<i>Giro</i> category and special funds :	
Receipts	993.2
Expenses	<u>993.2</u>
Balance	<u>...</u>

JAPAN

Notes on the Budget System.

1. The financial year covers the period April 1st to March 31st. The budget for the forthcoming year is first submitted to the House of Representatives, the Lower House of the Diet. If the Diet should fail to vote the budget in time for any year, the budget of the preceding year remains in force. If this budget should prove to be insufficient, supplementary votes must be asked from the Diet. Thus when the budget estimates for the financial year 1928-29 failed to pass owing to the dissolution of the House of Representatives, the authorities were obliged to compile a new budget within the limits of the budget for the preceding year ; but in order to meet urgent needs they had to secure the approval of a supplementary budget by the Diet at an extraordinary session which was convoked in April 1928. In special circumstances, the Diet has the power to draw up a scheme of revenue and expenditure extending over a number of years. These are referred to as "continuing expenditures".

Expenditure connected with the Emperor and the Imperial household is defrayed out of the national Treasury but is not submitted to the approval of the Diet except when an increase is demanded. Likewise "those already fixed expenditures based by the Constitution upon the powers vested in the Emperor, and such expenditures as may have arisen as the effect of law, or that appertain to the legal obligations of the Government, shall neither be rejected nor reduced by the Imperial Diet without the consent of the Government". In that fixed expenditure are included the appropriations for the army, navy and civil service.

2. The budget comprises a general budget and special accounts budgets.

(a) The general budget is a gross budget apart from monopolies and public undertakings (other than postal, telegraph and telephone services and forests) and State property, which form the subject of special accounts of which the net figures appear in the general budget only.

The general budget is divided into ordinary and extraordinary revenue and expenditure.

While revenue is classified according to the nature of receipts, expenditure is classified departmentally.

The ordinary revenue and expenditure are composed of regular items, which continue from year to year.

Ordinary revenue comprises receipts from taxation, from public undertakings and State property, including postal, telegraph and telephone services, forests and profits of State monopolies such as salt, camphor and tobacco and certain transfers from special accounts.

Extraordinary revenue and expenditure are composed of new and non-recurring items.

On the extraordinary side of the revenue appear the proceeds of sales of State property, receipts from the issue of public loans, local contributions to expenses incurred by the State for the benefit of certain prefectures, transfers from some special accounts and transfers of surpluses from the preceding year.

(b) There are actually thirty-two special accounts. The most important of these are the accounts of "special regions" (Colonies, etc.), of the Government railways and of other State undertakings, monopolies, the National Debt Consolidation Fund and the fund for the regulation of rice supply.

The special accounts follow a system of departmental classification. Thus, the accounts for munitions or dockyards are shown respectively for the Army and Navy Departments.

There are not only receipts and payments from one account to another, but also complicated receipts and payments between separate sections of the various accounts.

3. When urgent necessity demands, and the Diet is not in session and cannot be convoked, the Government is authorised to incur expenditure on its own responsibility, but such expenditure must receive the approval of the Diet at its next session.

The accounts relating to the revenue and expenditure of each fiscal year are closed on July 31st of the following fiscal year. The balance of the accounts is calculated with the inclusion of the proceeds of loans and of surpluses transferred from preceding years.

The National Loan Redemption Act as amended in 1915 requires the redemption of the national debt up to a maximum of 1.16 per cent of the amount outstanding at the commencement of the preceding financial year. The same Act as amended in 1927 requires an additional appropriation for the same purpose of 25 per cent of the surplus actually created in the year before the preceding one. Thus 25 per cent of the surplus created in the financial year 1926-27 will be applied to redemption of debt in the financial year 1928-29.

The Bank of Japan acts as agent for the Government.

4. *Provincial Finances.* — The principal sources of revenue for provincial and local treasuries are the surtaxes. In addition, the provinces receive grants from the central Treasury principally for industrial development, salaries and expenses of police organisation and for public health.

The provincial surtaxes are levied principally on four national taxes — on land, business, income and mining. The rate varies according to the decision of the central Government.

Besides these, the provinces levy rates on households, and taxes on restaurants, places of public entertainment, ships and vehicles.

The principal items of provincial expenditure are police, public works, education, loans to corporations for industrial purposes, hospitals and sanitation and administrative charges.

The revenue of cities, towns and villages consists of the yield of properties, proceeds of municipal undertakings (such as tramways), rates and taxes, school fees, grants from central and prefectural treasuries, etc. Surtaxes are imposed on the same four national taxes (land, income, business, mining) as are the provincial surtaxes and on certain provincial taxes (household rate, house tax, etc.).

Cities, towns and villages also levy their own special taxes, such as land rates, taxes on land transfer otherwise than by inheritance, and income tax on incomes not subject to the national tax.

This review, prepared in July 1929, is based principally on the following publications :

- (a) The Financial and Economic Annual of Japan for 1928, published by the Department of Finance.
- (b) Quarterly Reports of Financial and Economic Conditions in Japan for 1927 and 1928.
- (c) *Résumé statistique de l'Empire du Japon*, 1928, issued by the Director of Statistics to the Imperial Cabinet of Japan.
- (d) Monthly Reports on Current Economic Conditions in Japan, issued by the Tokyo Chamber of Commerce and Industry.

Note on Price Movement.

TABLE SHOWING MOVEMENT OF WHOLESALE PRICES DURING THE PERIOD UNDER REVIEW.

	1913	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29
		(Average for the financial year)						
Index numbers of wholesale prices	100	193	165	207	196	174	169	171

A. (i) Summary of General Budget Accounts.

1 yen = 2s. = \$0.4985 = 2.5833 gold francs = 12.7225 French francs.

Yen (000,000's).

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28 ¹	1928-29
	Closed accounts						Estimates
<i>Revenue :</i>							
Ordinary	1,428.2	1,303.8	1,438.6	1,443.2	1,452.4	1,484.8	1,484.4
Extraordinary	659.1	741.5	688.8	628.2	604.—	578.—	224.7
Total	2,087.3	2,045.3	2,127.4	2,071.4	2,056.4	2,062.8	1,709.1
<i>Expenditure :</i>							
Ordinary	891.3	960.6	1,051.—	1,016.3	1,082.—	1,171.7	1,200.—
Extraordinary	538.4	560.5	574.—	508.7	496.8	594.—	509.1
Total	1,429.7	1,521.1	1,625.—	1,525.—	1,578.8	1,765.7	1,709.1
Balance	+ 657.6	+ 524.2	+ 502.4	+ 546.4	+ 477.6	+ 297.1	...

¹ Actual account on July 31st, 1928.

Extraordinary revenue includes proceeds of loans and transfers of budget surpluses ; the following table shows the balance between revenue excluding these two items and expenditure as above.

A. (ii) Summary of General Budget Accounts.

Yen (000,000's).

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29
	Closed accounts						Estimates
Total revenue, less loans and transferred surpluses	1,483.5	1,352.7	1,475.2	1,522.5	1,476.—	1,524.—	1,529.5
Total expenditure	1,429.7	1,521.1	1,625.—	1,525.—	1,578.8	1,765.7	1,709.1
Balance	+ 53.8	—168.4	—149.8	—2.5	—102.8	—241.7	—179.6
Proceeds of loans	26.9	35.—	128.—	46.6	34.—	61.1	64.—
Surplus transferred from previous years	576.9	657.6	524.2	502.4	546.5	477.7	115.6
Final balance (transferred to following years)	657.6	524.2	502.4	546.5	477.7	297.1	...
Public debt redemptions	—8	44.1	45.5	50.6	66.6	88.1	181.5

NOTES.

1. The final balance represents the Treasury balance available at the end of the financial years and transferred to the following years.

2. The accumulated deficit from 1922 to 1928 amounts to 611.4 million yen (665.2 less 53.8 million yen, actual surplus of 1922-23), of which 331.6 million yen have been covered by loans and 279.8 million yen by a portion of the balance available on March 31st, 1922, reducing the latter from 576.9 million yen to 297.1 million. It will be seen from above that the budget for 1928-29 constitutes a further heavy drain on this balance. This situation was created on the one hand by the expenditure due to the earthquake of 1923 and on the other by economic depression during 1927. From 1923, the proceeds of loans have been devoted to reconstruction work.

B. Budget Estimates for 1928-29, compared with the Closed Accounts for 1925-26, 1926-27 and 1927-28.

(Note. — This table shows the principal items of revenue and expenditure in the form in which they appear in the General Budget of Japan.)

Yen (ooo,ooo's).

	1925-26	1926-27	1927-28	1928-29
	Closed accounts			Estimates
(a) REVENUE.				
<i>Ordinary :</i>				
Taxes	894.8	887.1	898.8	901.6
Stamp receipts	91.6	82.3	81.4	79.1
Receipts from public undertakings and State property	427.6	451.4	471.5	473.4
Transferred from special account for Deposit Bureau, Finance Department	3.-	3.3	3.3	3.3
Transferred from special account of funds for educational improvement and agrarian development	5.5	7.7	7.7	7.4
Other miscellaneous receipts	20.7	20.6	22.1	19.6
Total ordinary receipts	1,443.2	1,452.4	1,484.8	1,484.4
<i>Extraordinary :</i>				
Proceeds of sale of State property	6.7	4.5	3.7	6.9
Miscellaneous receipts	3.8	2.4	2.2	8.-
Local payment to expenses incurred by the State for the benefit of certain prefectures	3.-	2.-	4.-	2.8
Local contributions to expenses incurred by the State for the benefit of certain prefectures	10.1	10.5	11.5	10.-
Fund belonging to special accounts transferred	2.2	2.7	15.4	13.9
Receipts from the issue of public loans	46.6	34.-	61.1	64.-
Repayment from the insurance companies	1.-	1.3	1.7	3.5
War profits tax	-1	-	-	-
Surplus of the preceding year transferred	502.4	546.4	477.5	115.6
Other miscellaneous receipts	52.3	-2	-9	-
Total extraordinary receipts	628.2	604.-	578.-	224.7
Total revenue	2,071.4	2,056.4	2,062.8	1,709.1
(b) EXPENDITURE.				
<i>Ordinary :</i>				
Imperial household	4.5	4.5	4.5	4.5
Foreign affairs	15.4	15.6	16.1	16.3
Home affairs	42.5	45.-	48.-	42.2
Finance	271.3	286.2	329.9	348.7
Army	170.7	167.5	174.1	176.-
Navy	122.2	127.4	136.5	143.5
Justice	31.-	31.5	32.5	32.5
Public instruction	79.2	113.6	118.8	118.6
Agriculture and forestry	21.6	24.6	26.6	26.6
Commerce and industry	3.2	3.4	4.3	5.-
Communications	254.7	262.7	280.4	286.1
Total ordinary expenditure	1,016.3	1,082.-	1,171.7	1,200.-
<i>Extraordinary :</i>				
Foreign affairs	4.5	3.7	6.1	3.-
Home affairs	180.-	161.6	223.3	166.1
Finance	38.4	52.-	54.9	57.1
Army	44.-	29.4	44.-	48.3
Navy	106.8	109.8	137.-	119.-
Justice	2.5	3.1	6.-	2.4
Public Instruction	21.2	18.2	20.4	20.6
Agriculture and forestry	22.4	19.7	24.2	27.5
Commerce and industry	7.8	9.3	7.1	6.7
Communications	81.1	90.-	71.-	58.4
Total extraordinary expenditure	508.7	496.8	594.-	509.1
Total expenditure	1,525.-	1,578.8	1,765.7	1,709.1

C. Analysis of Receipts.

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts						Estimates	
	Amount: Yen (000,000's)	Percentage of total	Amount: Yen (000,000's)	Percentage of total	Amount: Yen (000,000's)	Percentage of total	Amount: Yen (000,000's)	Percentage of total
I. Taxes on income and property :								
Land tax	74.6	4.95	68.7	4.41	67.6	3.87	67.1	3.97
Income tax	235.—	15.58	209.6	13.44	215.1	12.33	211.4	12.52
Business tax	65.8	4.36	62.2	3.99	—	—	—	—
Business profits tax	—	—	—	—	48.—	2.75	62.7	3.71
Capital interest tax	—	—	12.3	—79	15.4	—88	15.9	—94
Mining tax	5.5	—36	5.2	—33	5.6	—32	5.4	—32
War profits tax	—1	—01	—	—	—	—	—	—
Total	381.—	25.26	358.—	22.96	352.1	20.17	362.5	21.46
II. Taxes on production, use and transactions :								
Customs duties	111.2	7.37	150.6	9.66	140.6	8.06	141.1	8.35
Tonnage duties	1.4	—09	1.5	—10	1.5	—09	1.5	—09
Succession tax	17.1	1.13	18.4	1.18	21.1	1.21	21.5	1.27
Tax on liquors	212.6	14.09	216.6	13.89	242.1	13.87	238.5	14.12
Tax on soy	7.—	—46	1.—	—06	—	—	—	—
Table-waters duties	—	—	3.—	—19	4.1	—23	4.2	—25
Sugar excise	76.7	5.08	82.4	5.28	79.3	4.54	78.5	4.65
Consumption tax on textile fabrics	56.1	3.73	36.—	2.31	37.5	2.15	34.7	2.06
Travel-ticket tax	12.6	—84	1.4	—09	—	—	—	—
Stamp receipts	91.6	6.07	82.3	5.28	81.4	4.66	79.1	4.68
Tax on bourses	14.1	—94	14.9	—95	11.7	—67	14.9	—88
Total	600.4	39.80	608.1	38.99	619.3	35.48	614.—	36.35
III. Net surplus from State fiscal monopolies :								
	153.—	10.14	167.4	10.73	173.3	9.93	168.4	9.97
Total of I, II and III	1,134.4	75.20	1,133.5	72.68	1,144.7	65.58	1,144.9	67.78
IV. Fees, contributions and other administrative receipts :								
Deposit Bureau, Finance Department	3.—	—20	3.3	—21	3.3	—19	3.3	—20
Funds for educational improvement and agrarian development	5.5	—36	7.7	—49	7.7	—44	7.4	—44
Local payments and contributions to expenses incurred by the State for the benefit of certain prefectures	13.1	—87	12.5	—80	15.5	—89	12.8	—76
Miscellaneous receipts	76.9	5.10	23.2	1.49	25.2	1.44	27.6	1.63
Total	98.5	6.53	46.7	2.99	51.7	2.96	51.1	3.03
V. Public domains and undertakings :								
Postal, telegraph and telephone services (gross receipts)	209.6	13.89	223.1	14.31	236.6	13.56	240.7	14.25
Forests, net surplus	26.5	1.76	19.2	1.23	21.3	1.22	23.3	1.38
Other receipts from public undertakings and State property	22.—	1.46	22.4	1.44	20.1	1.15	21.—	1.24
Total	258.1	17.11	264.7	16.98	278.—	15.93	285.—	16.87

C. Analysis of Receipts (continued).

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts						Estimates	
	Amount: Yen (000,000's)	Percentage of total	Amount: Yen (000,000's)	Percentage of total	Amount: Yen (000,000's)	Percentage of total	Amount: Yen (000,000's)	Percentage of total
VI. Receipts from banks of issue :								
Tax on the issue of banknotes	5.1	-34	3.3	-21	8.8	-50	4.2	-25
VII. Receipts from realisation of State assets :								
Proceeds of sale of State property Fund belonging to Special Accounts transferred	6.7	-44	4.5	-29	3.7	-21	6.9	-41
Repayment from the insurance companies	2.2	-15	2.7	-18	15.4	-88	13.9	-82
.	1.-	-07	1.3	-08	1.7	-10	3.5	-21
Total	9.9	-66	8.5	-55	20.8	1.19	24.3	1.44
Total receipts excluding loans and transferred surpluses	1,506.-	99.84	1,456.7	93.41	1,504.-	86.16	1,509.5	89.37
VIII. Receipts from loan operations :								
Receipts from the issue of public loans	2.5	-16	34.-	2.18	61.1	3.50	64.-	3.79
IX. Surpluses transferred from previous years	—	—	68.8	4.41	180.4	10.34	115.6	6.84
Grand total	1,508.5 ¹	100	1,559.5 ¹	100	1,745.5 ¹	100	1,689.1 ¹	100

¹ The difference between the totals in this table and those in the summary table of General Budget Accounts on page 3 is caused by the fact that the table above (a) shows only the net revenue from forests, and (b) includes only the portion of loans and transferred surpluses necessary to balance expenditure.

NOTES.

1. The information about receipts is not detailed enough to allow the analysis of amounts shown as "Miscellaneous receipts" under the heading *Fees, contributions and other administrative receipts*.

2. The sub-heading "Other receipts from public undertakings and State property" contains also receipts from prisons and dividends.

3. *Taxation system and changes in taxation.*

A. *Taxes on Income and Property.* — The principal taxes on income and property are the land tax, business profits tax, capital interest tax and income tax.

(a) The *land tax* is levied on the value of the land, which is assessed on the basis of capitalised net earnings or on the rent collected. The tax on residential land is 2½ per cent of the official valuation, that on agricultural land is 4½ per cent¹, and that on other land is 5½ per cent². Originally the land tax was the most important source of revenue, but in recent years, through successive amendments to the Land Tax Law, there has been a marked lightening of the burden of this tax. The actual returns have fallen from 74.6 million yen in the financial year 1925-26 to 67.1 million yen in the budget estimate

¹ Except in Hokkaido, where it is 3.2 per cent.

² Except in Hokkaido, where it is 4½ per cent.

for 1928-29. On April 1st, 1926, the land tax was abolished in the case of independent farmers whose land is under 200 yen in value. The object at present in view is to base the tax upon the "value of lease".

(b) *Business profits tax and capital interest tax.* — The business tax Law of 1896 was repealed in March 1926, and two new taxes were substituted for it — business profits tax and capital interest tax. Business profits are taxed at the rate of 3.6 per cent in the case of juridical persons and 2.6 per cent in the case of individuals. The tax on interest is at the rate of 2 per cent per annum. In the budget estimates for 1928-29, a reduction is made in the business tax imposed on individuals whose profit is comparatively small. With the proposed transfer of the tax to local Governments, profits up to 1,000 yen would be exempted.

(c) The *income tax*, first instituted in 1887 and last revised in 1926, is levied upon juridical persons and upon individuals domiciled in Japan, except in Chosen, Taiwan and Karafuto — where the law is not in force — and upon incomes derived from Japanese sources. The threefold division of income tax is as follows :

Class I :

	Per cent
(a) Ordinary profits of a corporation that has its head office or principal business office in Japan	5
Others with head office outside Japan	10
(b) Excess profits of a corporation are divided into three classes :	
(i) That portion of the income in excess of 10 and under 20 per cent of the capital	4
(ii) That portion of the income in excess of 20 and under 30 per cent	10
(iii) That portion of the income in excess of 30 per cent of the capital	20
(c) Net assets of a corporation undergoing liquidation or amalgamation :	
The total of moneys transferred to reserves and income normally exempted by law from the income tax.	5
Others	10

Class II :

Interest on public bonds receivable in Japan	4
Other interest receivable in Japan	5
Dividends, etc., of persons not domiciled in Japan	7.5

Class III :

In this class are put together incomes not included in the first two classes. Incomes amounting to less than 1,200 yen are exempted from taxation, while a progressive rate rising from 2 to 36 per cent in twenty scales is applied. For instance :

	Yen	Yen	Per cent	
Exceeding	1,200	and below	1,500	2
»	3,000	»	5,000	5
»	10,000	»	15,000	9.5
»	30,000	»	50,000	15
»	100,000	»	200,000	21
»	500,000	»	1,000,000	25
»	2,000,000	»	3,000,000	30
»	4,000,000			36

The tax payable by the head and each of the other members of a family living together or inmates of a household is determined by applying the rates to the total of their incomes and then working out the amount thus obtained in proportion to their respective incomes.

(d) As recommended by the findings of the recent Taxation Investigation Committee, the land tax and business profits tax revenues are to be transferred to provincial Governments (prefectures) in order to supply them with independent and certain resources for the development of local finances.

According to the estimate of the Ministry of Finance, the transfer of the land tax and the business profits tax is expected to decrease the State revenues by 67.8 million yen and 61.4 million yen respectively, making a total of 129.2 million yen. This decrease in the State revenue is to be made up by revising the

income tax and capital interest tax, by curtailing certain expenditure and, lastly, by the transfer of funds from various special accounts to the budget. The rate of tax on incomes of corporations exceeding 10,000 yen and incomes of individuals not derived from personal property is to be raised. A new proportionate rate of income tax is to be applied to certain classes of unearned and earned incomes with different rates according to the total amount of assessable income.

The capital interest tax levied as at present will be incorporated in the income tax, except that assessed on the interest of national loans, which will be levied as before.

B. The principal *Taxes on Production, Use and Transactions* are:

- (a) the Customs duties, which are estimated to yield, in 1928-29, 141.1 million yen;
- (b) the liquor tax, which is expected to yield 238.5 million yen;
- (c) the sugar excise, 78.5 million yen;
- (d) the consumption tax on textile fabrics, 34.7 million yen;
- (e) succession tax, 21.5 million yen.

The travel-tickets tax and the tax on soy were abolished in April 1926; on the other hand, a duty on table-waters was introduced at the same time.

(a) *Customs duties*. — Customs duties were first established in Japan in 1859, when the rates were determined by the treaties with Western Powers. With the revision of the Tariff Treaties in 1899, a general Statutory Tariff policy was first put into effect. At the same time, export duties were entirely abolished. The Import Tariff was subjected to a general revision on July 17th, 1911. The number of articles finally enumerated in the tariff was 672, classified into seventeen groups, and the duties thereon were converted as far as possible into specific duties. While raw materials were allowed to come in free of duty, finished manufactured articles had to pay duties which in 1911 represented 15 to 40 per cent of their value. For luxury articles, duties represented about 50 per cent.

Revised Tariff Conventions were concluded with Great Britain and Germany in July 1911 and with Italy in June 1913, by which Japan agreed to mutual concessions and reductions in Customs duties upon various articles of consumption. It was stipulated at the same time that, while each country was at liberty to raise or reduce its Customs tariff, in the event of their being raised the party which did not alter its tariff might, after three months' notice, abrogate the Convention relating to Customs duties.

The luxury tariff was revised in July 1924, when an *ad valorem* duty of 100 per cent was imposed for the time being on 120 articles of merchandise designated as luxuries.

During the four years under review, the Japanese tariff policy was subjected to further minor revisions, once in 1926 and twice in 1927.

(b) The *liquor tax*, the most important in this group, is subdivided into three classes: (1) tax on saké; (2) beer tax; (3) tax on alcohol and alcoholic liquors. The first varies from 36 yen per koku¹ to 1.80 yen per koku for each per cent of pure alcohol. The second, created in 1901, is levied upon brewers of beer at the rate of 25 yen per koku on the quantity brewed. The last is levied upon other alcohol and alcoholic liquors (except wine) at the rate of 1.80 yen for each per cent of pure alcohol contained in 1 koku of the original fluid. In no case, however, does the rate of the tax fall below 42 yen per koku.

There is no tax upon wine or other alcoholic liquors made from fruit of any kind.

(c) The *sugar excise* was introduced in 1901 and is imposed upon sugar, molasses and syrups withdrawn from bond for purposes of domestic consumption. The rates vary from 1 yen to 10 yen per picul² according to the kind of article.

(d) The *textile consumption tax* was instituted in 1905 and is levied at the rate of 10 per cent *ad valorem* upon textiles delivered for domestic consumption. In April 1926, the tax on cotton fabrics was discontinued.

(e) The *succession tax*, first promulgated in 1905, has been revised several times since, the last revision having been undertaken in April 1926.

The tax rates vary, in the case of succession to the headship of a family, from 0.5 per cent to 16 per cent, and, in the case of succession to property, from 1 per cent to 21 per cent, according to the amount of property and the degree of kinship.

The diminution in the yield of taxes in 1926-27 and 1927-28 is caused, not only by the reductions in the rates and the abolition of existing taxes, but also by the economic depression of 1927, as may be seen from the diminished yield of the sugar excise, the stamp duties and the bourse tax.

¹ 1 koku = 180.4 litres.

² 1 picul = 60 kilogrammes.

D. Analysis of Expenditure.

	1925-26		1926-27		1927-28		1928-29	
	Closed accounts						Estimates	
	Amount : Yen (000,000's)	Percentage of total	Amount : Yen (000,000's)	Percentage of total	Amount : Yen (000,000's)	Percentage of total	Amount : Yen (000,000's)	Percentage of total
<i>I. National Defence :</i>								
Army	214.7	14.23	196.9	12.63	218.1	12.49	224.3	13.28
Navy	229.1	15.19	237.3	15.21	273.5	15.67	262.5	15.54
Total	443.8	29.42	434.2	27.84	491.6	28.16	486.8	28.82
<i>II. Foreign affairs</i>	19.9	1.32	19.3	1.24	22.2	1.27	19.3	1.14
<i>III. Justice</i>	33.5	2.22	34.6	2.22	38.5	2.21	34.9	2.07
<i>IV. Supreme organs of Government and General Administration, and Social and Health Administration :</i>								
Imperial household	4.5	-30	4.5	-29	4.5	-26	4.5	-27
Home affairs :								
Ordinary expenditure	42.5	2.82	45.-	2.89	48.-	2.76	42.2	2.50
Extraordinary expenditure . . .	179.9	11.92	161.5	10.36	223.3	12.79	166.1	9.83
Cabinet and Privy Council	-9	-06	1.-	-06	1.1	-06	1.2	-07
House of Peers and House of Representatives	3.2	-21	3.4	-22	2.6	-15	3.6	-21
Court of Administrative Litigation and Board of Auditors	-5	-03	-6	-04	-6	-03	-6	-04
Total	231.5	15.34	216.-	13.86	280.1	16.05	218.2	12.92
<i>V.* Economic administration :</i>								
Agriculture and forestry :								
Ordinary expenditure	5.1	-34	5.3	-34	6.4	-37	6.6	-39
Extraordinary expenditure . . .	22.4	1.48	19.7	1.26	24.2	1.39	27.5	1.63
Commerce and industry :								
Ordinary expenditure	3.2	-21	3.4	-22	4.3	-25	5.-	-30
Extraordinary expenditure . . .	7.8	-52	9.3	-60	7.1	-41	6.7	-40
Communications :								
Ordinary expenditure	125.-	8.29	130.9	8.39	141.4	8.10	145.1	8.59
Extraordinary expenditure . . .	81.1	5.38	90.-	5.77	71.-	4.06	58.4	3.45
Total	244.6	16.22	258.6	16.58	254.4	14.58	249.3	14.76
<i>VI. Education, science and arts</i>	100.4	6.66	131.8	8.45	139.2	7.97	139.2	8.24
<i>VII. Financial administration :</i>								
Ordinary expenditure	45.2	3.-	48.-	3.08	43.5	2.49	53.6	3.17
Extraordinary expenditure	38.4	2.54	52.-	3.33	54.9	3.15	57.1	3.38
Total	83.6	5.54	100.-	6.41	98.4	5.64	110.7	6.55
<i>VIII. Pensions :</i>								
Pensions and annuities	129.7	8.60	131.8	8.45	139.-	7.96	141.-	8.35
<i>IX. Debt service :</i>								
Transferred to National Debt Consolidation Fund	221.5	14.68	233.2	14.95	282.1	16.16	289.7	17.15
Grand Total	1,508.5 ¹	100	1,559.5 ¹	100	1,745.5 ¹	100	1,689.1 ¹	100

¹ See footnote to Analysis of Revenue table.

NOTES.

1. The sub-heading "Home affairs", under *Supremes organs*, etc., includes, besides the political administration, also social and health expenditure. The extraordinary expenditure comprises outlay due to the earthquake of September 1923.

2. The sub-heading "Communications" of the item *Economic administration* includes the working expenses of and capital outlay on postal, telegraph and telephone services, which it was impossible to show separately.

3. *Debt service*: it is not possible to show interest separately from amortisation but, according to the "Financial and Economic Annual, 1928", the following amount of public debt has been redeemed: in 1925-26: 50.6 million yen; 1926-27: 66.6 million yen; 1927-28: 88.1 million yen. These amounts, however, include redemption of the debts of the special funds.

4. The expenditure in 1927-28 exceeded that in the preceding year by 186 million yen. This was due mainly to increases of: (a) 57.4 million yen for national defence, chiefly the cost of the despatch of troops to China; (b) 61.7 million yen for expenditure on home affairs (due to earthquake); and (c) 49.1 million yen in the transfers to the National Debt Consolidation Fund.

As the original budget estimate provided for an increased expenditure of 92 million yen only, the difference was covered from the Treasury balance.

E. State Monopolies.

Yen (000,000's).

	1925-26	1926-27	1927-28
	Closed accounts	Estimates	
Gross receipts	302.8	311.1	327.-
Working expenses	165.7	175.2	172.1
Net receipts	137.1	135.9	154.9

NOTES.

The principal State monopolies are tobacco, camphor and salt. Their transactions form the subject of special accounts.

1. *Tobacco*. — The Leaf-Tobacco Monopoly Law was put into operation in 1898. According to the Law of 1904 (the Manufactured Tobacco Monopoly Law), which is now in force, the cultivation of leaf-tobacco is permitted to private individuals who have obtained Government permission. The leaf-tobacco gathered by them is taken over by the Government, suitable compensation being paid according to quality, and manufactured in Government factories. The manufactured article is sold at fixed prices by licensed dealers. Foreign tobacco may not be imported except by the Government or by persons appointed for the purpose by the Government, and the exportation of tobacco can likewise only be effected under licence. The net profit of the monopoly in the actual account for the financial years 1926-27 and 1927-28 amounted to 166 million yen and 169.4 million yen respectively.

2. *Camphor and Salt*. — The Crude Camphor and Camphor Oil Monopoly Law was passed in 1903; the Salt Monopoly Law in 1905. Under these laws, the manufacture of crude camphor, camphor oil and salt is only permitted under licence, the Government purchasing the products at fixed prices from the manufacturers. The sale, as in the case of tobacco, is effected by the Government through licensed dealers.

The Camphor Monopoly Law is also in operation in Formosa, which supplies the bulk of the export products.

The Salt Monopoly Law refers to Japan only. Foreign and Formosan salt may not be imported except by the Government or persons appointed by the Government. Salt can be exported by

any person without special authorisation. Salt intended for use in industry, agriculture, mining and fisheries receives special treatment and is also sold at a reduced price. The annual net profit of the monopoly came to about 10 million yen in the actual account up till 1917-18. But in and after the financial year 1918-19, the idea of realising profits from the salt monopoly was abandoned.

F. Public Domain and Undertakings.

Yen (000,000's).

	1925-26	1926-27	1927-28	1928-29
	Closed accounts			Estimates
<i>Forests :</i>				
Receipts	43.-	38.5	41.5	43.3
Expenditure	16.5	19.3	20.2	20.-
Balance	+26.5	+19.2	+21.3	+23.3
<i>Postal, telegraph and telephone services :</i>				
Gross Receipts	209.6	223.1	236.6	240.7
<i>Other receipts from public undertakings and State property</i>				
	22.-	22.4	20.1	21.-
<i>Special accounts :</i>				
<i>Imperial Government Railways :</i>				
<i>I. Capital account :</i>				
Revenue	192.3	206.4	219.8	194.1
Expenditure	193.9	206.4	219.8	193.3
<i>II. Stores account :</i>				
Revenue	211.8	217.3	223.-	223.-
Expenditure	211.8	217.3	223.-	223.-
<i>III. Profit-and-loss account :</i>				
Revenue	617.9	634.3	654.5	654.6
Expenditure	467.6	479.9	495.6	514.-
Balance	148.7	154.4	158.9	141.4

NOTES.

Railways.

1. The capital account derives its revenue from railway profits, proceeds of public and temporary loans, proceeds of sale of property, receipts from materials and structures for railway use, and miscellaneous receipts. Expenditure consists of the cost of the construction and improvement of railways, redemption of debts, cost of materials and structures for railway use, and other miscellaneous expenses.

2. The revenue account obtains its revenue from the various receipts from the working of the railways, charges for the loan of articles forming part of its capital, interest on deposits and miscellaneous receipts. The excess of the total annual revenue over expenditure in the revenue account becomes the profit. The balance remaining after deducting therefrom the amount to be transferred to the reserve account is transferred to the capital account.

3. The reserve account receives as revenue a sum not exceeding 10 per cent of the railway profit. Its expenditure is the amount required to meet deficits in the revenue and expenditure of other accounts caused by natural calamities, accidents and other unforeseen occurrences.

G. Public Debt.

(i) Table showing the Public Debt in 1914 and since 1920.

Yen (000,000's).

Date	Domestic debt						Foreign debt		Total	
	Funded		Floating		Total		Amount	Move- ment (+ or—)	Amount	Move- ment (+ or—)
	Amount	Move- ment (+ or—)	Amount	Move- ment (+ or—)	Amount	Move- ment (+ or—)				
March 31st:										
1914 . . .	1,054.6	...	...	...	1,054.6	...	1,529.5	...	2,584.1	...
1920 . . .	1,482.4	+427.8	...	...	1,482.4	+427.8	1,311.2	-218.3	2,793.6	+209.5
1921 . . .	1,819.6	+337.2	...	...	1,819.6	+337.2	1,424.4	+113.2	3,244.-	+450.4
1922 . . .	2,184.9	+702.5	...	...	2,184.9	+365.3	1,359.-	-65.4	3,543.9	+299.9
1923 . . .	2,450.1	+265.2	...	...	2,450.1	+265.2	1,358.6	-4	3,808.7	+264.8
1924 . . .	2,576.2	+126.1	...	...	2,576.2	+126.1	1,621.4	+262.8	4,197.6	+388.9
1925 . . .	2,822.9	+246.7	...	...	2,822.9	+246.7	1,506.8	-114.6	4,329.7	+132.1
1926 . . .	3,179.6	+356.7	340.3	+340.3	3,579.9	+697.-	1,479.3	-27.5	4,999.2	+669.5
1927 . . .	3,470.3	+290.7	240.3	-100.-	3,710.6	+190.7	1,461.2	-18.1	5,171.8	+172.6
1928 . . .	3,785.3	+315.-	159.2	-81.1	3,944.5	+233.9	1,453.4	-7.8	5,397.9	+226.1

The figures above include the debts incurred for the general as well as for the special accounts.

(ii) Total debt in actual figures and reduced to pre-war price level.

Date	Public debt		Index number of wholesale prices (Bank of Japan)	Public debt reduced to pre-war price level	
	Amount: Yen (000,000's)	Percentage of 1914		Amount: Yen (000,000's)	Percentage of 1914
March 31st:					
1914	2,584.1	100	100 ¹	2,584.1	100
1920	2,793.6	108	259 ²	1,078.6	42
1921	3,244.-	126	191	1,698.4	66
1922	3,543.9	137	201	1,763.1	68
1923	3,808.7	147	196	1,943.2	75
1924	4,197.6	162	211	1,989.4	77
1925	4,329.7	168	204	2,122.4	82
1926	4,999.2	193	184	2,717.-	105
1927	5,171.8	200	171	3,024.4	117
1928	5,397.9	209	169	3,194.-	124

¹ 1913.² Average for the year.

(iii) Amount transferred to National Debt Consolidation Fund for Debt Service in 1913-14 and since 1919-20, in actual figures and reduced to pre-war price level.

Financial year	Debt service		Wholesale price index number (Bank of Japan)	Debt service reduced to pre-war price level	
	Amount: Yen (000,000's)	Percentage of 1913-14		Amount: Yen (000,000's)	Percentage of 1913-14
1913-14	142.6	100	100 ¹	142.6	100
1919-20	111.2	78	248	44.8	31
1920-21	94.9	67	230	41.3	29
1921-22	112.-	79	202	55.4	39
1922-23	115.2	81	193	59.7	42
1923-24	163.2	114	204	80.-	56
1924-25	188.-	132	207	90.8	64
1925-26	221.5	155	196	113.-	79
1926-27	233.2	164	174	134.2	94
1927-28	282.1	198	169	166.9	117
1928-29	289.7	203	171	169.4	119

¹ 1913.

The above figures include only the debt service forming a charge on the general budget and not that of the special accounts.

(iv) Table showing the Public Debt per head of population, in actual figures and reduced to pre-war price level.

Date	Population ¹ (000,000's)	Public debt per head of population	
		In actual figures	Reduced to pre-war price level
March 31st: 1914.	54.1	47.8	47.8
1920.	57.9	48.2	18.6
1921.	58.7	55.3	29.-
1922.	59.5	59.6	29.7
1923.	60.3	63.2	32.2
1924.	61.1	68.7	32.6
1925.	62.-	69.8	34.2
1926.	63.-	79.4	43.2
1927.	64.- ²	80.8	47.3
1928.	65.- ²	83.-	49.1

¹ Represents number of persons legally domiciled in the Japanese Empire (including "special regions", colonies, etc.) on December 31st in each year.

² Approximate figure.

Table giving details of the Public Debt on March 31st, 1925, 1926, 1927 and 1928.

Yen (000,000's).

	March 31st :			
	1925	1926	1927	1928
DOMESTIC DEBT.				
<i>Funded debt :</i>				
5% loan (Mark "Ka", "Ta", "Re", "So", "Tsu", "Ne", "Na", etc.; Mark "Sa", "Ki", "Yu", "Me", "Mi", "Hi")	354.4	488.4	632.3	806.3
5% loan (Mark "Ko")	429.-	426.5	419.6	419.5
5% loan (Special)	135.1	134.5	120.9	120.9
5% loan ("Onshi")	27.2	23.4	25.3	22.2
4% loan (1st and 2nd issue)	267.7	267.6	267.4	266.6
5% Exchequer Bonds (Mark "I"; Mark "Ta", "Re", "So", "Tsu" "2nd", etc.)	1,529.5	1,759.2	1,924.8	2,069.8
Railway notes	80.-	80.-	80.-	80.-
Total funded debt	2,822.9	3,179.6	3,470.3	3,785.3
<i>Floating debt :</i>				
Special Exchequer notes	—	340.3	240.3	159.2
Total Domestic debt	2,822.9	3,519.9	3,710.6	3,944.5
FOREIGN DEBT.				
4% sterling loan of 1st issue	92.7	91.5	91.3	91.3
4% sterling loan of 2nd issue	244.1	243.6	234.8	230.6
5% sterling loan	224.5	223.2	222.8	222.7
4% franc loan	173.-	170.8	170.4	169.6
4% sterling loan of 3rd issue	107.4	105.7	105.5	105.4
6½% dollar loan	294.-	283.2	275.1	272.5
6% sterling loan	244.1	244.1	244.1	244.1
Debentures of the purchased railway companies (Old Kwansai Railway Company)	9.8	—	—	—
Sterling debentures of the South Manchurian Railway Company	117.2	117.2	117.2	117.2
Total Foreign debt	1,506.8	1,479.3	1,461.2	1,453.4
Total Public debt	4,329.7	4,999.2	5,171.8	5,397.9

Note. — The Special Account Law for the proceeds of special Exchequer notes was abolished on and after March 31st, 1925, and accordingly funds and debts included hitherto in the Special account for the proceeds of special Exchequer notes reverted to the General account.

*Amount of National Debts chargeable to the Various Accounts at the End
of the Financial Years indicated.*

Yen (000,000's).

	1922-23		1923-24		1924-25		1925-26		1926-27		1927-28	
	Amount	Interest	Amount	Interest	Amount	Interest	Amount	Interest	Amount	Interest	Amount	Interest
General account	2,411.5	111.2	2,743.4	132.3	2,746.7	136.6	3,344.4	164.3	3,446.3	169.3	3,518.7	175.3
Imperial railway, special account	1,122.-	54.8	1,171.6	57.3	1,258.7	61.6	1,311.7	64.3	1,362.3	66.9	1,450.3	71.3
Special account for iron- foundry	—	—	—	—	—	—	—	—	—	—	25.6	1.1
Special account for Chosen Special account for Taiwan Special account for Karafuto	176.7	8.8	181.3	9.-	212.5	10.6	227.4	11.4	242.4	12.1	269.8	13.5
Special account for Kwantung Government Special account for Gov- ernment of the South Sea Islands.	79.3	3.7	80.6	3.7	88.3	4.1	91.-	4.3	94.-	4.4	103.7	4.9
	18.-	-9	19.5	1.-	22.3	1.1	22.9	1.1	24.9	1.2	27.-	1.3
	1.1	-1	1.2	-1	1.2	-1	1.7	-1	1.7	-1	2.7	-1
	—	—	—	—	—	—	-1	(-.003)	-1	(-.003)	-1	(-.003)
Total	3,808.6	179.5	4,197.6	203.4	4,329.7	214.1	4,999.2	245.5	5,171.7	254.-	5,397.9	267.5

Note. — Since the year 1925-26, special Exchequer notes have been included in the General account.

H. Local Finance.

(a) PROVINCES.

Yen (000's).

	1922-23	1923-24	1924-25	1925-26	1926-27
	Closed accounts			Estimates	
<i>Receipts.</i>					
Local land taxes and taxes on area of property	80,915	81,058	78,652	73,444	75,343
Supplementary trade taxes	26,686	23,529	28,639	23,799	26,505
Supplementary income tax	6,758	5,516	6,305	5,273	5,792
Taxes on mines, duties on patent medicines and endowments, and supplementary taxes thereon	537	519	470	598	546
Family and house taxes	58,013	63,215	61,117	53,017	57,938
Trade tax	9,990	9,150	9,051	8,982	9,115
Various taxes	49,137	51,684	54,669	52,054	55,352
Communal and other taxes	8,932	8,055	7,539	8,107	9,157
Grants from the Treasury and State subsidy. .	39,231	46,062	48,978	40,843	47,423
Gifts	11,851	8,745	8,779	4,506	7,450
Local debts	38,801	46,361	46,484	16,691	17,968
Various receipts	49,228	52,151	53,629	47,627	57,933
Brought forward from preceding financial year	87,976	93,574	82,477	6,658	8,650
Total	468,055	489,619	486,789	341,599	379,172

H. Local Finance (continued).

(a) PROVINCES.

Yen (000's).

	1922-23	1923-24	1924-25	1925-26	1926-27
	Closed accounts			Estimates	
<i>Expenditure.</i>					
Expenses of general council meetings	1,562	1,849	1,751	1,683	1,864
Police service and expenses on account of construction	61,810	74,592	71,373	68,927	73,073
Expenses and subsidies on account of public works	116,468	122,773	126,704	82,565	97,111
Expenses and subsidies on account of education	75,428	86,617	92,041	82,858	95,742
Expenses and subsidies for the development of agriculture, industry, etc	39,785	39,978	40,324	36,294	39,316
Expenses and subsidies on account of public health and hospitals	8,599	10,792	9,800	8,137	8,555
Expenses of district sub-offices and upkeep of buildings	9,805	11,645	11,529	10,506	10,081
Public works	2,748	5,696	3,282	2,355	2,765
Local debts	19,674	23,350	25,245	24,589	26,976
Expenses of collecting provincial taxes	6,462	6,778	6,898	6,394	7,062
Expenditure on staff	4,241	4,695	6,780	6,043	6,923
Other expenses	27,500	18,422	18,933	11,222	9,662
Total	374,082	407,187	414,660	341,573	379,130

(b) PRINCIPAL TOWNS.

Yen (000's).

	1922-23	1923-24	1924-25	1925-26	1926-27
	Closed accounts			Estimates	
<i>Receipts.</i>					
National, local and supplementary taxes :					
Land tax	4,358	3,656	3,481	4,395	5,036
Income tax	15,607	10,551	13,727	11,945	14,124
Trade tax	31,164	31,924	28,637	29,308	31,607
House tax	21,605	20,982	21,770	22,370	26,776
Various taxes	14,603	14,641	16,474	17,789	19,010
Special taxes	19,877	16,717	18,194	18,770	18,996
Duties and commissions	104,948	82,939	134,374	145,820	153,904
Subsidies granted	12,302	29,659	30,171	54,346	55,749
Receipts on account of public debt	108,534	122,829	138,394	185,865	215,457
Other receipts	184,167	235,105	216,953	136,490	135,511
Total	517,165	569,003¹	622,175	627,098	676,170
<i>Expenditure.</i>					
Expenses of municipal council meetings	867	942	967	1,075	1,223
Expenses of municipal administrative offices	17,229	19,273	20,299	20,480	23,572
Public works	28,873	39,069	39,244	76,814	79,582
Education	62,676	70,763	71,851	81,761	85,244
Public health	57,749	55,154	62,973	73,684	82,911
Agricultural and industrial development	1,785	11,505	4,306	19,281	23,140
Social welfare	8,288	9,890	10,246	10,212	10,036
Amortisation of public debt	51,583	59,138	87,105	125,914	152,466
Gas and electricity works	96,492	114,965	104,625	115,765	135,735
Other expenditure	62,031	39,792	50,628	85,388	77,999
TOTAL	387,573	420,551	452,154	610,374	671,908

¹ In the "Résumé statistique de l'Empire du Japon", this total reads "559,004".

H. Local Finance (continued).

(c) COMMUNES.

Yen (ooo's).

	1922-23	1923-24	1924-25	1925-26	1926-27
	Closed accounts			Estimates	
<i>Receipts.</i>					
National local and supplementary taxes:					
Land tax	40,004	39,057	39,090	38,976	39,338
Income tax	11,122	9,435	9,205	7,993	8,344
Trade tax	17,971	17,212	18,270	17,499	18,389
House tax	198,099	165,608	162,945	155,074	164,013
Various taxes	29,703	31,313	32,619	29,131	32,068
Special taxes	5,415	5,316	5,705	5,243	5,468
Duties and commissions	10,387	12,483	12,608	13,274	14,895
Subsidies granted	36,158	59,030	60,600	52,526	62,047
Receipts on account of Public debt	24,321	27,651	24,519	11,804	16,131
Other receipts	135,301	125,329	139,064	72,767	82,134
Total	508,481	492,434	504,625	404,287	442,827
<i>Expenditure.</i>					
Expenses of municipal council meetings	3,020	2,845	2,716	3,278	3,479
Office expenses	73,397	75,740	76,387	73,000	77,135
Public works	46,925	37,156	42,191	32,429	36,000
Education	193,316	201,755	212,373	194,235	210,586
Public health	19,006	18,579	16,583	15,614	19,419
Agricultural and industrial development	7,020	7,646	6,935	6,975	7,535
Expenses on account of Public debt	9,961	13,471	12,700	14,349	17,217
Expenditure on construction and administration of public property and reserve funds	24,750	27,878	28,571	27,093	28,263
Social welfare	879	3,233	2,565	1,396	2,356
Other expenses	77,125	37,719	38,267	35,630	40,932
Total	455,399	426,022	439,288	403,999	442,922

Local Loans, classified according to objects for which they were raised, in 1914 and since 1923.

Yen (ooo,ooo's).

	Loans for which Government approval is required						Loans for which Government approval is not required					
	1914	1923	1924	1925	1926	1927	1914	1923	1924	1925	1926	1927
Education	8.2	38.2	39.8	41.5	49.4	42.-	3.3	27.5	42.8	60.-	68.7	93.8
Sanitation	42.6	162.9	164.6	171.7	188.7	178.9	-2	-7	1.3	2.5	2.5	2.5
Industry	145.3	282.6	286.8	293.3	348.4	456.2	-6	-1	-2	3.-	3.5	7.8
Public works	84.3	191.2	202.6	219.2	338.1	404.1	1.7	15.3	32.5	54.5	37.6	51.8
Redemption of old loans	28.7	10.2	10.7	10.7	12.8	27.3	-3	1.3	2.3	2.5	6.5	11.-
Other purposes	5.7	112.9	126.5	141.9	184.-	199.2	-3	1.1	8.4	28.5	21.9	40.5
Total	314.8	798.-	831.-	878.3	1,121.4	1,307.7	6.4	46.-	87.5	150.8	140.7	207.4

Grand Total of local loans at the end of :

Yen (ooo,ooo's).

1914	321.2
1923	844.-
1924	918.5
1925	1,029.1
1926	1,262.1
1927	1,515.1

PORTUGAL

Notes on the Budget System.

Extensive reforms have been introduced into the budget system of Portugal in connection with other measures taken by the Government in recent years with a view to improving the financial situation. The present notes which had been prepared in May 1928 were revised in October 1929 in order to include the changes made in the system during 1928 and up to September 1929.

1. The budget year covers the period from July 1st to June 30th. Until 1926, the estimates were submitted to Parliament at the beginning of the calendar year. If the budget was not voted in time, monthly votes on account (called " duodecimos ") of the revenue and expenditure contained in the draft budget were usually adopted by Parliament for periods ranging from one to six months.

This procedure was changed in 1926, when, Parliament not having voted the budget before the close of the session, the Government adopted the estimates for the coming financial year, 1926-27, by a Decree dated June 30th, 1926, so that monthly votes on account were not necessary. The estimates for 1927-28, 1928-29 and 1929-30 were also put into force by Decree.

The estimates of these years were prefaced by a report of the Finance Minister.

2. The Portuguese budget is a gross budget. It is divided into : (1) A general budget composed of (a) the budget of ways and means and (b) the budget of the expenditure of the various Ministries ; and (2) the special budgets of autonomous services (General Deposit Institute, postal and telegraph services, and, until July 1928, forest and water services, Port of Lisbon, Institute of Compulsory Social Insurance, fund for agricultural development, Agricultural exchange and Agricultural Credit Institution — the last named taken over in July 1929 by the General Deposit Institute). For these services, as well as for lotteries and the railways, only the actual payments of net results to and from the State Treasury are shown in the general budget. The same applied to the match and tobacco monopolies until they were abolished in June 1925 and May 1927 respectively.

Revenue is divided into ordinary and extraordinary, the former having, until June 1928, been again divided into the following eight chapters :

- (a) Direct taxes (including interest on payments in arrears, fines, some fees and emoluments) ;
- (b) Registration fees and receipts collected by means of stamps ;
- (c) Indirect taxes ;
- (d) Receipts from fiscal monopolies, public undertakings, and the Bank of Portugal ;
- (e) Receipts from public property and various other sources (chiefly fees and some taxes on transactions) ;
- (f) Interest and dividends on bonds and shares. (Interest on State securities held by the Treasury form the principal part of this item) ;
- (g) Repayment of advances and loans granted to colonies and local and private bodies, and corresponding contributions ;
- (h) Receipts earmarked for various services and special funds (various taxes, fees, emoluments and other administrative receipts).

The full yield of a given tax was not always shown under one heading but distributed among several chapters. The tax on rural real estate, for instance, with its surtaxes, was shown under seven articles of different chapters. A Government Decree of May 1928 on budgetary reforms

provides for a new distribution of the receipts among the eight chapters according to their nature. They are at present designated as follows :

- (a) Direct taxes ;
- (b) Indirect taxes ;
- (c) Taxes on particular industries ;
- (d) Fees and yield of various services ;
- (e) Public domain and undertakings and share in profits ;
- (f) Yield of shares and bonds of banks and companies ;
- (g) Reimbursements ;
- (h) Earmarked revenue.

Extraordinary revenue comprises receipts from realisation of State assets, some of the proceeds of loan operations for certain public works ; profits on coinage, reparations and (until July 1927) various surtaxes levied to cover expenditure on cost-of-living bonuses.

Expenditure is divided into the ordinary and extraordinary expenditure of the various ministries, the individual items being classified according to the nature of the expenditure — for personnel, for material and for other purposes. Under the accountancy law, extraordinary expenditure comprises charges of a purely transitory character, but until July 1927 it was made up chiefly of expenditure on cost-of-living allowances.

Under the terms of the Decree of May 1928, introducing reforms in the budget, extraordinary expenditure is, in future, only to comprise expenditure on :

- (a) Reconstitution of the national economy and promotion of economic progress ;
- (b) Maintenance of public order in exceptional cases.

The same Decree prescribed that ordinary expenditure should be covered by ordinary revenue, while extraordinary expenditure is to be covered by a surplus on the ordinary budget or by loans, extraordinary taxes and other receipts. Expenditure on the maintenance of public order is, in principle, to be covered by the proceeds of surtaxes levied on direct taxes.

The service of public debt is shown in a special chapter of the Ministry of Finance, with the exception, until 1928, of some appropriations on account of certain loans contracted for special purposes (*e.g.*, construction of battleships, roads, harbours, school-houses, cheap dwellings) granted by the General Deposit Institute and charged directly to the corresponding Ministries.

Until 1928 no distinction was made between current and capital expenditure. The decree on budgetary reforms prescribed that, in the estimates of the various ministries, there should be inserted a total of all the items representing outlay for construction of buildings and purchase of immovable property.

In virtue of a decree of March 27th, 1929, the expenditure is divided, as from July 1929, into sections corresponding to each Ministry (subdivided into chapters for the head offices and divisions for the subordinate services). The expenditure on civil pensions and debt service is shown in special chapters of the Ministry of Finance. For each division the expenditure is distributed among four classes :

- (a) Expenditure on staff ;
- (b) Expenditure on material ;
- (c) Payments for services ;
- (d) Various charges with further subdivisions (articles, numbers and items) according to their nature.

The expenditure on material contains the following subdivisions :

- (a) New constructions and works (railways, buildings, roads, bridges, harbours, other items) ;
- (b) Purchase of material of permanent utilisation (immovable property ; vehicles and animals ; movable property ; war material) ;
- (c) Expenditure on maintenance and repair of property indicated above.
- (d) Material for current consumption.

The expenditure on services contains the following subdivisions :

- (a) Hygiene, health and comfort ;
- (b) Communications ;
- (c) Control ;
- (d) Share in sales, collections, etc. ;
- (e) Various expenses.

Transfer from one section, chapter, division and class of expenditure to another is prohibited ; but between the smaller subdivisions it may be authorised by the Ministers concerned, subject, in certain cases, to the approval of the Finance Minister.

Public undertakings not administered as autonomous services (mint, printing offices, etc.) are accounted for under the Ministries to which they are attached. Neither the autonomous nor the other undertakings contain, as a rule, any pension charges ; but some autonomous services provide for the service of debt raised on their behalf. Outlay for capital purposes is included either in the working expenses of the undertaking in question or in the extraordinary expenditure of the general budget ; or, in the case of some autonomous services, is charged to special funds or loan accounts. Some of the autonomous services (and their special funds) had, until 1928, been credited with the whole or a part of the yield of certain taxes, either as grants from the general budget or directly.

In a number of cases, figures given in the general budget do not quite agree with the corresponding items in the autonomous budgets.

Since the war there has been an increase in the number of special funds of which some were partly, and others wholly, excluded from the budget. The revenue credited to these funds consisted mainly of taxes, which were often so combined with each other and with other revenue in an aggregate total that it has not been possible to analyse them on the basis of the information given in the public accounts.

Great progress towards the complete unity of the budget has, however, been made during the last few years. The decree authorising the budget for 1927-28 prescribed that all receipts, even those earmarked by special law to any autonomous institution or destined to constitute special funds to meet special charges, should be paid into the Treasury as received, and be incorporated, in principle, in the general budget. A further decree of January 18th, 1928, issued precise regulations regarding the special funds and, as from July 1928, incorporated the accounts of all autonomous services in the general budget, with the exception of the General Deposit Institute the postal and telegraph services, and any establishments performing banking operations. All services of a purely industrial or commercial character will be transferred to private undertakings.

3. The Portuguese accounting system distinguishes between the " economic year " and the " *gerencia* ". The former is the financial year in the accounts of which are to be included all transactions (" liquidations ", *i.e.*, documentary establishment of claims and liabilities embodying an order to collect or to pay on the one hand, and the collections and payments on the other hand) irrespective of the year of their realisation. It allows of comparison of the amounts authorised by the budget with the amounts actually collected or paid and renders it possible to attribute the responsibility for each transaction to the Minister or official in charge.

The " *gerencia* " accounts register all cash transactions from July 1st to June 30th, irrespective of the year to which they legally relate.

If the liquidation of a given item of expenditure duly authorised by the budget has not been carried out before the last day of the financial year, June 30th, it may still be undertaken during the next thirty days. If that limit is passed, the authorisation lapses and the expenditure can only be properly liquidated after being re-voted in a subsequent budget (under the heading, " Expenditure on account of closed economic years "). An exception is made to this rule, however, in the case of extraordinary expenditure on public works, purchase of material for war and for other purposes, authorised by special laws, which may be effected in an indeterminate period, as the balance of which use has not been made may be transferred to subsequent economic years.

Expenditure liquidated but not actually paid at the end of the budget year may be paid in the two subsequent years during which the accounts of an " economic year " are kept open. If, at the end of that period, full payments have not been made, the balances are annulled and may only be paid if re-voted in a subsequent budget, also under " Expenditure on account of closed economic years ".

The cash payments and collections in a given year, as shown in the " *gerencia* " accounts, thus represent : (a) cash payments of the current economic year, including expenditure on account of closed economic years, and (b) cash payments of the two preceding economic years.

4. Control of expenditure is exercised by the Accounting Department in the Ministry of Finance and the independent Audit Court. Preventive control by the Accounting Department is exercised, on the one hand, before certain commitments are incurred (contracts exceeding certain amounts, etc.) and, on the other hand, before payments may be effected. Various decrees of the last few years have strengthened the position of the Finance Minister by giving him extra-

ordinary powers of preventive control of extraordinary expenditure, autonomous services, payments in foreign currencies, etc. The decree on budgetary reform of May 1928 prescribed that no new expenditure or new taxes might be introduced during the period of reconstruction without the assent of the Finance Minister. A decree of March 1929 provided for the creation of a budget office at the Ministry of Finance, which would in future prepare the budget and oversee its strict execution.

Monthly returns of budget revenue and expenditure are published by the General Accounting Department at the Ministry of Finance, generally within forty-five days of the end of the month in question. Monthly returns of floating debt are also published, but separately, by the Treasury Department. Under the terms of the Accounting Act of 1919, the annual accounts (including Treasury transactions and the situation of the public debt) must be submitted by January 31st of the year following the end of the financial year, but there is great delay in the publication of these. Provisional accounts, however, are published about ten to twelve months after the end of the budget year, while a summary of the monthly accounts becomes available in two or three months.

5. The management of public funds is performed through collecting and pay offices, the fiscal agency at Rio de Janeiro, the Banco Ultramarino, the General Deposit Institute and the Bank of Portugal, the last acting as general treasurer. The accounts of the autonomous services and special funds, which had previously been held by the General Deposit Institute, were transferred as from July 1st, 1928, to the Bank of Portugal.

6. The central Government bears the cost of political administration, district police, justice, the national guard, personal expenditure on education (the local authorities providing for the material expenditure on primary instruction, including in some cases construction of schoolhouses), health and social welfare (including the Institute of Social Insurance and Relief and many hospitals), and a great part of that of public works. The State grants temporary subsidies to the municipalities for the payment of officials of the local districts which have been abolished (*Concelhos*). The municipalities collect surcharges on State taxes, besides levying taxes of their own. One of these taxes, an export duty of 3 per cent of the value of any commodity exported from the territory of the municipality, was abolished, by the terms of the decree on budgetary reforms, as from January 1929. The same decree provides for a reduction of at least 10 per cent of the actual expenditure of local authorities, regulates their right to levy taxes, makes provision for budgeting, accounting and control, and even for the suppression of any municipality of which the expenditure on personnel amounts to more than 75 per cent of revenue or the expenditure on personnel and the service of public debt alone absorb all the revenue.

7. The colonies are autonomous in their financial administration. They contribute towards certain expenditure by the home Government on their account and receive advances and subsidies for public works and debt service. The decree on budgetary reforms submits the colonies to the same principles regarding budgeting, accounting and control as those concerning the State, restricts their autonomy during the reconstruction period and prohibits their raising foreign loans. Some colonies have been deprived of their fiscal autonomy in consequence of their financial position.

In the future, the accounts and the situation of the public debt of local authorities and the colonies are to be shown in tables accompanying the yearly estimates of the State.

The following review, prepared in May 1928 and revised in October 1929, has been based mainly on :

- (a) Estimates for 1926-27, 1927-28, 1928-29 and 1929-30.
- (b) The provisionally closed accounts of 1925-26 and 1926-27, and the provisional monthly results of 1927-28 and 1928-29.
- (c) The *Diario do Governo*, which contains all laws, decrees and other official announcements.

Note on Cost-of-Living Index, Exchange Movements and Note Circulation.

	1913	1922	1923	1924	1925	1926	1927	1928	1929
	Month of July								
Cost-of-living index	100	1,128	1,720	2,652	2,286	2,148	2,430	2,427 ¹	2,354

¹ January, 1929; July 1928 not available.

The following table shows the average rate of exchange of the escudo on New York (parity: 1 escudo = 108.056 cents), the cost of the dollar as a percentage of parity and the percentages used in the estimates as basis for the payment of liabilities abroad :

	1913-14	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
Average cost of dollar in escudos	10.79	19.459	28.265	23.105	19.512	19.562	21.209	22.412	22.338 ¹
Average cost of dollar as percentage of parity	117	2,103	3,054	2,497	2,108	2,114	2,303	2,421	2,414 ¹
Percentages used in calculating the estimates of liabilities abroad	—	1,000	1,500	2,145	1,900	1,900	2,000	2,100	2,100

¹ Average, July-September, 1929.

The following table shows the note circulation in 1913, the increase from 1922 to 1929, and the share of the State each year.

	Escudos (000,000's).								
	1913	1922	1923	1924	1925	1926	1927	1928	1929
	Dec.	June							
Note circulation	87	815	1,213	1,615	1,641	1,843	1,803	1,902	1,893
Of which, on account of the State	—	700	1,000	1,325	1,325	1,325	1,450	1,450	1,450

A. Summary of Budget Accounts, 1922-23—1929-30.

The following table gives a summary of ordinary and extraordinary revenue and expenditure. Special taxes to cover the cost of living bonuses have been transferred to the revenue.

	Escudos (000,000's).							
	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Actual (cash) results.							Estimates
<i>Total ordinary and extraordinary expenditure</i>	1,019.4	1,025.5	1,616.3	1,500.6	2,054.—	1,824.1	2,049.1	2,024.8
<i>Revenue :</i>								
(a) Ordinary revenue.	426.3	693.3	953.8	1,046.—	1,136.6	1,561.7	2,289.5	1,910.9
(b) Surtaxes in extraordinary revenue.	33.3	78.4	128.—	147.6	135.8	48.8	...	...
Total (a) and (b).	459.6	771.7	1,081.3	1,193.6	1,272.4	1,610.5	2,289.5	1,910.9
Miscellaneous extraordinary receipts	56.7	9.2	120.7	5.7	28.—	18.7	36.1	13.—
Exceptional war receipts	—06	1.3	—1	—5	90.6	...	...	...
Total revenue	516.4	782.2	1,202.1	1,199.8	1,391.—	1,629.2	2,325.6	1,923.9
Balance	—503.—	—243.3	—414.2	—300.8	—663.—	—194.9	+ 276.5	—100.9
<i>Deduct :</i>								
(a) 6½ per cent loan, 1923 . . . . .	...	...	...	172.7	18.4	...	...	...
(b) Other loan receipts	1.8	13.8	4.2	5.9	3.—	18.4	8.9	109.5
(c) Sale of silver . . . . .	...	...	167.—	...	...	...	...	...
Balance covered by Treasury operations	—501.2	—229.5	—243.—	—122.2	—641.6	—176.5	+ 285.4	+ 8.6

The following table shows the balance of the Treasury for the financial years 1922-23 to 1928-29 :

Escudos (000,000's).

	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29
<i>Receipts :</i>							
Cash in hand in the Treasuries and at the Bank of Portugal at the beginning of the year	¹	—17.2	42.4	69.6	70.6	46.7	93.8
Balance of budget accounts	—	—	—	—	—	—	285.4
Balance of Treasury operations	¹	289.1	270.2	123.2	617.7	223.6	—
Total	484.—	271.9	312.6	192.8	688.3	270.3	379.2
<i>Expenditure :</i>							
Balance of budget accounts	501.2	229.5	243.—	122.2	641.6	176.5	—
Balance of Treasury operations	—	—	—	—	—	—	175.5
Cash in hand in the Treasuries and at the Bank of Portugal at the end of the year	—17.2	42.4	69.6	70.6	46.7	93.8	203.7
Total	484.—	271.9	312.6	192.8	688.3	270.3	379.2

¹ Not available.

It should be noted that the balance of the budget accounts includes the proceeds of funded loans.

The accumulated deficit for the period from July 1922 to June 1928 thus amounted to 2,319.2 million escudos of which 238.2 million were covered by long term loans, 167 million by the sale of silver on the London market and the remainder, *i. e.*, 2,081 million escudos, by the issue of Treasury bills, by advances from the Bank of Portugal and the General Deposit Institute and, in recent years, by advances from Baring Bros. and the Midland Bank in London.

The measures introduced by the government since 1927, especially during 1928 and 1929, with a view to increasing the receipts, reforming the administration and cutting down and controlling expenditure closely, had the effect of reducing the deficit of 1927-28 and of producing a surplus of 276 million escudos in 1928-29. This surplus has been employed for repayment of the whole of the foreign floating debt (about 125 million escudos) and Treasury bills in gold to the amount of 17 million escudos, to increase the credit balance at the Bank of Portugal by 100 million escudos and that abroad by 19 million escudos.

B. Provisionally Closed Accounts for the Financial Years 1924-25, 1925-26, 1926-27, 1927-28, 1928-29 and Estimates for 1929-30.

Escudos (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Provisionally closed accounts			Provisional monthly results		Estimates
REVENUE.						
<i>I. Ordinary receipts :</i>						
1. Direct taxes	280.9	357.3	350.4	384.8	538.8	610.3
2. Indirect taxes	464.4	477.—	524.2	626.5	835.6	699.—
3. Taxes on production	33.9	43.—	89.2	57.8	76.1	74.9
4. Fees and proceeds of various services	128.—	122.1	110.6	143.5	222.9	143.2
5. Domain, undertakings and share in profits	60.6	73.3	68.8	166.9	142.6	124.4
6. Dividends and interest	3.4	5.7	5.8	5.1	3.6	5.0

B. Provisionally Closed Accounts for the Financial Years 1924-25, 1925-26, 1926-27, 1927-28, 1928-29 and Estimates for 1929-30 (continued).

Escudos (000,000's).

	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Provisionally closed accounts			Provisional monthly results		Estimates
REVENUE (continued).						
I. Ordinary receipts (continued) :						
7. Repayments	9.2	7.7	14.7	42.4	81.6	46.9
8. Earmarked revenue	96.9	103.5	125.9	195.8	227.1	206.6
Total	1,077.3	1,189.6	1,289.6	1,622.8	2,128.3	1,910.9
II. Extraordinary receipts						
	287.6	179.7	22.2	19.5	45.-	122.5
Refunds	1,364.9	1,369.3	1,311.8	1,642.3	2,173.3	2,033.4
War receipts	—	—	—	5.3	161.2	—
Total receipts	1,365.-	1,369.8	1,311.8	1,647.6	2,334.5	2,033.4
EXPENDITURE.						
I. Ordinary :						
1. Ministry of Finance :						
(a) Public Debt	268.1	337.1	412.9	495.8	589.1	471.5
(b) General charges	24.-	17.2	34.4	59.1	48.7	107.2
(c) Services of the Ministry	35.9	42.1	71.3	128.3	135.5	157.9
2. Ministry of the Interior	44.-	43.7	59.9	154.3	194.9	175.2
3. " " Justice and Church	3.-	3.6	4.4	26.5	36.9	39.6
4. " " War	118.4	127.8	168.-	296.7	312.1	321.-
5. " " the Marine	48.9	44.2	55.2	130.3	129.4	144.3
6. " " Foreign Affairs	34.6	5.9	4.4	36.-	25.9	30.8
7. " " Trade and Communica- tions	47.-	71.-	54.-	105.1	234.6	181.7
8. " " the Colonies	7.3	6.9	8.-	9.8	18.3	19.3
9. " " Education	15.6	19.-	19.6	131.7	142.4	165.-
10. " " Labour	1.9	1.8	-3	-1	—	—
11. " " Agriculture	21.7	5.5	7.-	22.7	41.6	30.3
Total ordinary expenditure	670.4	725.8	899.4	1,596.4	1,909.4	1,843.8
II. Extraordinary :						
1. Ministry of Finance	117.6	112.3	184.9	28.8	7.-	—
2. " " the Interior	90.5	91.9	98.8	23.6	1.6	—
3. " " Justice and Church	21.4	22.5	23.-	2.3	—	—
4. " " War	138.4	147.8	187.7	12.2	2.2	—
5. " " the Marine	66.6	71.1	94.6	17.3	7.1	—
6. " " Foreign Affairs	7.1	1.2	1.8	2.5	—	—
7. " " Trade and Communica- tions	51.6	37.4	58.4	53.1	111.9	181.-
8. " " the Colonies	69.6	103.4	253.-	73.1	8.9	—
9. " " Education	104.3	110.1	129.9	13.6	-9	—
10. " " Labour	51.4	54.7	8.8	-2	—	—
11. " " Agriculture	219.-	13.8	13.1	-8	-1	—
Total extraordinary expenditure	937.5	766.2	1,054.-	227.7	139.7	181.-
Total expenditure	1,607.9	1,492.-	1,953.4	1,824.1	2,049.1	2,024.8

NOTES.

1. For the sake of comparison, the revenue is grouped according to the classification introduced in 1928. The various interchanges between the ministries in the budgets for 1928-29 and 1929-30 prevent close comparison with earlier years.

2. For 1926-27, 90.6 million escudos, representing merely a book-keeping entry on account of the funding of the floating war debt to Great Britain, have been deducted from both sides of the account.

3. The provisional monthly results give the expenditure of the various ministries without deducting refunds of expenditure and show these refunds in a total sum under receipts.

C. Analysis of Receipts.

	1925-26		1926-27		1927-28		1928-29		1929-30	
	Provisionally closed accounts								Estimates	
	Amount : Escudos (ooo,ooo's)	Per- centage of total	Amount : Escudos (ooo,ooo's)	Per- centage of total	Amount : Escudos (ooo,ooo's)	Per- centage of total	Amount : Escudos (ooo,ooo's)	Per- centage of total	Amount : Escudos (ooo,ooo's)	Per- centage of total
I. Taxes on income and property :										
Land tax (rural real estate)	81.4	5.84	74.6	4.06	82.7	4.86	178.6	8.89	139.-	7.48
Taxes on buildings (urban real estate)	27.1	1.94	29.4	1.60	26.3	1.55			63.5	3.42
Trade tax and surtaxes	121.-	8.68	96.7	5.26	115.6	6.80	127.3	6.33	217.-	11.67
Professional tax	—	—	—	—	—	—	—	—	11.5	-.62
Tax on capital invested	31.9	2.29	36.8	2.-	40.3	2.37	43.5	2.17	36.7	1.97
Complementary tax	—	—	—	—	—	—	19.7	-.98	19.-	1.02
Tax on income of State officials	6.1	-.44	6.6	-.36	1.7	-.10	—	—	—	—
Income-tax	4.6	-.33	13.5	-.73	9.1	-.53	—	—	—	—
Military taxes	8.3	-.60	9.-	-.49	19.6	1.15	31.-	1.54	22.5	1.21
Extraordinary tax on income of State officials (" Public Salvation Tax ")	—	—	—	—	2.2	-.13	30.5	1.52	14.-	-.75
Tax on mines	-.1	-.01	-.1	-.01	-.1	-.01	-.1	-.01	-.1	-.01
Tax on banks, for social institutions	—	—	—	—	-.6	-.03	2.7	-.13	2.2	-.12
Various taxes and interest on belated payments, etc.	3.3	-.23	3.6	-.20	5.2	-.31	13.5	-.67	4.6	-.25
Total	283.8	20.36	270.3	14.71	303.4	17.84	446.9	22.24	530.1	28.52
II. Taxes on production, use and transactions :										
Customs duties :										
On exports	11.-	-.79	10.1	-.55	8.6	-.51	14.8	-.74	15.-	-.81
On imports	258.2	18.52	331.4	18.04	411.3	24.18	535.9	26.66	456.-	24.53
Extraordinary duty on sugar, petrol and light oils	—	—	—	—	—	—	62.5	3.11	94.-	5.06
Accessory customs duties	10.6	-.76	8.2	-.45	24.6	1.45	20.1	1.-	25.6	1.38
Total	279.8	20.07	349.7	19.04	444.5	26.14	633.3	31.51	590.6	31.78
Excise duties :										
Tax on alcohol	—	—	—	—	—	—	4.6	-.23	4.2	-.23
Tax on tobacco	—	—	—	—	17.1	1.01	24.6	1.22	27.-	1.45
Tax on sale of tobacco	1.-	-.07	1.6	-.09	1.4	-.08	3.-	-.15	3.2	-.17
Tax on matches and lighting appliances	4.-	-.29	4.-	-.22	12.7	-.75	10.-	-.50	9.5	-.51
Tax on fish	11.9	-.85	10.6	-.57	10.8	-.63	18.7	-.93	16.2	-.87
Total	16.9	1.21	16.2	-.88	42.-	2.47	60.9	3.03	60.1	3.23
Turnover tax	111.9	8.03	88.3	4.81	110.4	6.49	107.4	5.35	—	—
Railway tax	—	—	6.4	-.35	28.8	1.69	39.8	1.98	38.5	2.07
Road taxes	5.3	-.38	5.4	-.29	7.7	-.45	10.3	-.51	12.6	-.68
Various shipping taxes	23.2	1.66	27.8	1.51	26.1	1.54	20.7	1.03	18.5	1.-
Entertainment taxes	—	—	-.3	-.02	2.9	-.17	3.5	-.17	3.3	-.18
Tax on gambling	—	—	—	—	-.3	-.02	1.3	-.06	1.-	-.05

C. Analysis of Receipts (continued).

	1925-26		1926-27		1927-28		1928-29		1929-30	
	Provisionally closed accounts								Estimates	
	Amount : Escudos (000,000's)	Per- centage of total	Amount : Escudos (000,000's)	Per- centage of total	Amount : Escudos (000,000's)	Per- centage of total	Amount : Escudos (000,000's)	Per- centage of total	Amount : Escudos (000,000's)	Per- centage of total
II. Taxes on production, use and transactions (continued):										
Taxes on succession and gifts	39.8	2.85	40.3	2.19	46.4	2.73	116.-	5.77	45.-	2.42
Taxes on transactions in real property	36.8	2.64	43.5	2.37	48.7	2.86			48.-	2.58
Stamp taxes and duties	95.9	6.88	94.4	5.14	96.2	5.66	115.-	5.72	134.-	7.21
Consular fees	44.-	3.16	40.1	2.18	47.8	2.81	35.9	1.79	45.-	2.42
Various taxes for port works	5.3	-38	6.9	-38	12.1	-71	14.4	-72	13.9	-75
Various taxes for social relief	3.2	-23	10.5	-57	19.8	1.16	19.1	-95	15.6	-84
Tax on sale of bills of exchange	3.-	-22	1.7	-09	-5	-03	2.-	-10	—	—
Tax on insurance	—	—	—	—	—	—	1.4	-07	1.7	-09
Miscellaneous taxes	2.8	-20	2.6	-14	3.5	-21	3.9	-19	4.4	-24
Total	667.9	47.91	734.1	39.96	937.7	55.14	1,184.9	58.95	1,032.2	55.54
III. Receipts from monopolies :										
Matches	7.-	-50	—	—	—	—	—	—	—	—
Tobacco	52.9	3.80	73.8	4.02	128.-	7.53	3.-	-15	—	—
Lotteries	6.6	-47	5.7	-31	9.3	-54	17.-	-85	16.9	-91
Total	66.5	4.77	79.5	4.33	137.3	8.07	20.-	1.-	16.9	-91
Total I, II and III	1,018.2	73.04	1,083.9	59.-	1,378.4	81.05	1,651.8	82.19	1,579.2	84.97
IV. Fees, contributions, and other administrative receipts :	38.7	2.77	30.5	1.66	80.1	4.71	172.5	8.58	68.7	3.70
V. Surplus on public domain and undertakings :										
State railways	1.2	-09	—	—	5.6	-33	6.2	-31	6.4	-34
Postal and telegraph services	—	—	—	—	—	—	1.7	-08	1.7	-09
General Deposit Institute	19.4	1.39	12.-	-65	—	—	43.5	2.16	25.8	1.39
Port of Lisbon	—	—	—	—	—	—	16.6	-83	—	—
Miscellaneous proceeds of public domain and undertakings	1.3	-09	-7	-04	2.6	-15	3.2	-16	9.4	-51
Total	21.9	1.57	12.7	-69	8.2	-48	71.2	3.54	43.3	2.33
VI. Receipts from Bank of Issue	4.7	-33	9.8	-53	5.3	-31	—	—	5.4	-29
VII. Dividends on Government shares in corporations, companies, etc.	—	—	-9	-05	1.6	-09	-9	-05	-9	-05
VIII. Interest on loans and advances granted by the State	5.7	-41	4.9	-27	3.5	-21	2.7	-13	4.7	-25
IX. Reparations :										
German	-4	-03	4.6	-25	11.-	-65	35.5	1.77	20.-	1.07
Bulgarian	-1	-01	-1	-01	—	—	—	—	—	—
Total	-5	-04	4.7	-26	11.-	-65	35.5	1.77	20.-	1.07

C. Analysis of Receipts (concluded).

	1925-26		1926-27		1927-28		1928-29		1929-30	
	Provisionally closed accounts								Estimates	
	Amount : Escudos (000,000's)	Per- centage of total	Amount : Escudos (000,000's)	Per- centage of total	Amount : Escudos (000,000's)	Per- centage of total	Amount : Escudos (000,000's)	Per- centage of total	Amount : Escudos (000,000's)	Per- centage of total
X. Receipts from coinage . . .	—	—	—	—	—	—	29.1	1.45	5.—	—27
XI. Receipts from realisation of State assets :										
Sale of State property . . .	2.1	—15	15.3	—83	5.4	—32	12.6	—62	9.5	—51
Liquidation of State rail- way	—	—	7.4	—40	3.7	—22	1.6	—08	—	—
Repayment of advances and loans granted by the State	1.5	—11	4.—	—22	8.6	—50	31.9	1.59	21.—	1.13
Total	3.6	—26	26.7	1.45	17.7	1.04	46.1	2.29	30.5	1.64
Total receipts, excluding proceeds of loans . . .	1,093.3	78.42	1,174.1	63.91	1,505.8	88.54	2,009.8	100	1,757.7	94.57
Proceeds of loans	178.6	12.81	21.4	1.16	18.4	1.08	—	—	100.9	5.43
Deficit	122.2	8.77	641.6	34.93	176.5	10.38	—	—	—	—
Grand total	1,394.1	100	1,837.1	100	1,700.7	100	2,009.8	100	1,858.6	100

Only net results of public undertakings are shown in the table above. On the other hand, interest on the securities held by the State as collateral or free of liabilities has been deducted.

NOTES.

I. *Changes in taxation.* The most important changes in taxation which occurred during the period under consideration were :

1925. — The match monopoly was abolished. Under the new arrangement the receipts of the State consist of : (a) a tax on production ; (b) duties on imported matches ; (c) proceeds of the sale of matches imported by the State ; (d) dividends on shares in possession of the State (the State owns 25 per cent of the shares of the match companies) ; and (e) stamp duties and fees.

1926. — The various taxes on railway transport (transit tax with various surtaxes, tax on turnover, sundry stamp duties, etc.) were replaced by a railway tax of 12 per cent on gross receipts, 80 per cent of the yield being allocated to a railway fund. Until July 1927, only the share of the State was shown in the general account.

1927. — The stamp duties on performances and entertainments were abolished and replaced by special taxes.

The tobacco monopoly was abolished and the State factories were leased to a private concern. The manufacture, import and sale of tobacco are now subject to import duties, to a fixed rent paid by the lessees of State factories and to a tax on production which has been fixed at 10 per cent of the sale value in the first ten years, rising thereafter by 2 per cent every five years until a maximum of 18 per cent is reached.

A supplementary tax of 6 per cent of the tax on rural real estate was created to cover the expenses of surveying.

A surtax of 2 per cent on the taxes on trade and real estate was introduced to cover part of the expenditure on new telephone lines.

During 1928 and 1929 the Government directed its efforts towards increasing the productivity of the tax system, at the same time paying special attention to its simplification.

The most important changes effected in this period were :

(a) The various surtaxes on real estate, trade, successions and gifts, transactions and turnover were abolished.

(b) The income-tax was replaced by a tax complementary to that on urban and rural estate, trade and capital invested. The rate of the new tax begins at 2 per cent on an assessable income exceeding 7,000 escudos, rises by thirteen steps of 0.5 per cent each, to 8.5 per cent on income exceeding 200,000 escudos. Companies are subject to a tax of 4 per cent, the amount paid being deducted later from the tax on capital invested. In this connection the tax on interest on foreign securities payable in Portugal was reduced from 10 to 2 per cent. The exemption limit was raised in 1929 to 10,000 escudos.

(c) A tax on salaries of public servants, called "Public Salvation Tax", was introduced as from April 1928; in May 1928 new rates were adopted, beginning at 2 per cent on salaries up to 1,000 escudos per month, rising by four steps to 6 per cent on salaries exceeding 4,000 escudos; further, taxes on salary increments effected since 1925 (4.7 and 8 per cent) and on gratuities (10 and 25 per cent) were introduced. Emoluments, salaries, etc., of public servants, subject to the industrial tax, pay on this account at the increased rate of 20 per cent, those not hitherto subject to the tax paying at the rate of 6 per cent.

In July 1929 the rates of the Public Salvation Tax were reduced by 50 per cent and those of the industrial tax on salaries, etc., of public servants were reduced to 17 and 3 per cent respectively.

(d) The taxes on urban and rural real estate were modified to meet the effects of the depreciation of the currency. The assessable yield has generally been calculated at a figure representing the yield in 1914 multiplied by 22. The rate is 14.5 per cent for rural and 15 per cent for urban real estate. At the same time an increase in house rent corresponding to the modified coefficients of taxable yield has been authorised.

(e) The Trade Tax was entirely reorganised. Persons carrying on commercial and industrial activities are now divided into three groups:

(i) Persons carrying on activities enumerated in a special table and paying fixed annual taxes. These taxes vary according to profession, place of business and in some cases means of production employed, the lowest tax being 20 escudos and the highest 22,000 escudos.

(ii) Limited liability companies. The rate is 1.17 per cent of the capital of banks and 3.5 per cent of the capital of other companies. The assessable capital is either its nominal value or its average value according to the quotations on the Bourse during the preceding year, if higher than the nominal value. It may not, however, be less than 12 times the dividend paid in the preceding year, in the first case, or less than 12 times or more than 16 times in the second case. The tax may be reduced to 0.75 per cent for banks and 1 per cent for other companies if they showed no profit in the preceding year.

(iii) Persons paying a tax of 15 per cent of their presumed profit, calculated on turnover as estimated by a special commission.

In connection with the reform of the trade tax, the tax on turnover was abolished.

(f) A professional tax on salaried persons and persons exercising liberal professions has been created. The rates of the tax on salaried persons are 2 per cent on the salary, 5 per cent on fees, honoraria of directors, managers, etc., of limited liability companies and 8 per cent on shares in profits allotted to employees. The exemption limit is 6,000 escudos in Lisbon and Porto, 5,400 in county towns and 4,800 escudos elsewhere.

For the payment of the tax on liberal professions all persons exercising the same profession in a town are grouped together. The number of such persons multiplied by the amount of the tax given in a table appended to the Law (varying from 60 escudos to 2,600 escudos according to the profession and the place) forms the total amount to be paid. This amount is distributed between taxpayers of one class by a commission, no taxpayer being charged with less than one-tenth or more than ten times the tax fixed in the table.

(g) The tax on capital invested has been fixed at 14 per cent (formerly 10 per cent plus 41.4 per cent surtaxes = 14.14 per cent). Foreign securities have the privilege of paying only 2 per cent.

(h) An extraordinary import duty ("National Salvation Duty") on sugar (3 gold escudos per 100 kilograms) gasoline (2 escudos per 100 kilograms) and light mineral oil (0.50 gold escudo per 100 kilograms) has been introduced. The various additional and accessory duties levied by the Customs houses were replaced by a single additional duty of 0.5 — 2.5 per cent of the Customs duty paid.

(i) The rates of the tax on successions and gifts were modified in 1928 and 1929. They are now levied in cases of children, grandchildren, etc., on a rising scale of six steps from 2 per cent on successions of 100-1,000 escudos, to 8 per cent on those of more than 1,000,000 and for the sixth class (persons beyond the third degree of relationship) from 15 per cent to 35 per cent.

(j) The tax on transactions in real property has been fixed at 12 per cent (formerly 10 per cent plus 41.4 per cent surtax).

2. The islands of Madeira and the Azores were granted fiscal autonomy in 1928, and the State taxes locally collected assigned to them.

3. The increase in the item : Fees, contributions, etc., since 1927, is due to the incorporation of the receipts of various special funds and services.

4. The State railways were leased in 1927 for a period of thirty years to a private company against payment of : (a) a fixed rent of 6 per cent on the gross receipts after deducting taxes and reimbursements, and (b) a variable share in net profits ranging from 70 to 85 per cent. All deficits are to be borne by the company, except in cases of *force majeure* or of the tariffs being maintained at too low a level by the Government, in which event the Government must cover 70 per cent of the deficit.

5. The interest on securities held by the Government, which has been set off against the service of public debt, amounted for the years under consideration to 92.3, 104.6, 111.5, 119.3 and 105.6 million escudos, respectively.

D. Analysis of Expenditure.

	1927-28		1928-29		1929-30	
	Estimates					
	Amount : Escudos (ooo,ooo's)	Percent- age of total	Amount : Escudos (ooo,ooo's)	Percent- age of total	Amount : Escudos (ooo,ooo's)	Percent- age of total
I. Defence :						
Army	284.4	16.60	272.7	15.87	264.7	14.24
Navy	152.7	8.92	128.5	7.48	128.8	6.93
Colonies	1.2	-0.07	1.1	-0.07	1.1	-0.06
Total	438.3	25.59	402.3	23.42	394.6	21.23
II. Foreign Affairs	35.5	2.07	32.6	1.90	30.8	1.66
III. Colonial Affairs	16.9	-0.99	17.5	1.01	18.2	-0.98
IV. Justice	28.-	1.63	37.3	2.17	40.1	2.16
V. Supreme Organs of Government and General Administration :						
Supreme organs and internal administration	25.2	1.48	20.8	1.21	24.5	1.32
National guard	44.4	2.59	43.6	2.54	43.8	2.36
Public security	37.2	2.17	39.9	2.32	37.9	2.04
Printing office (deficit)	3.8	-0.22	1.8	-0.11	2.2	-0.11
Total	110.6	6.46	106.1	6.18	108.4	5.83
VI. Public Health	46.-	2.69	46.9	2.73	47.-	2.53
VII. Social Administration	36.6	2.14	27.-	1.57	27.7	1.49
VIII. Economic Administration :						
Agriculture, industry, trade, etc.	29.8	1.74	34.9	2.03	31.-	1.67
Roads	110.6	6.46	112.4	6.54	112.2	6.04
Railways	—	—	30.-	1.75	30.-	1.61
Harbours and waterworks	24.6	1.43	21.3	1.24	124.7	6.71
State Railway liquidation charges	40.-	2.34	32.1	1.87	15.-	-0.81
Postal and telegraph services (deficit)	2.9	-0.17	—	—	—	—
Forests (deficit)	-3	-0.02	2.2	-0.13	4.8	-0.26
Total	208.2	12.16	232.9	13.56	317.7	17.10
IX. Education, Science and Arts :						
Primary instruction	107.3	6.27	90.7	5.28	84.8	4.56
Other expenditure	83.3	4.86	86.6	5.04	85.7	4.61
Printing office (deficit)	-5	-0.03	-5	-0.03	-4	-0.02
Total	191.1	11.16	177.8	10.35	170.9	9.19
X. (a) Financial Administration	129.6	7.57	134.6	7.84	146.7	7.89
(b) Mint and Hallmark Offices (deficit)	3.5	-0.20	2.1	-0.12	2.4	-0.13
Total	133.1	7.77	136.7	7.96	149.1	8.02

D. Analysis of Expenditure (continued).

	1927-28		1928-29		1929-30	
	Estimates					
	Amount : Escudos (000,000's)	Percent- age of total	Amount : Escudos (000,000's)	Percent- age of total	Amount : Escudos (000,000's)	Percent- age of total
XI. Pensions :						
Civil services						
Fighting services						
	171.6	10.02	166.—	9.66	183.7	9.88
XII. Debt Service :						
Administration	5.4	—32	5.—	—29	4.5	—24
Interest	261.9	15.29	301.2	17.53	315.9	17.—
Amortisation	26.—	1.51	26.—	1.52	47.4	2.55
Total	293.3	17.12	332.2	19.34	367.8	19.79
XIII. Investments in Revenue-yielding Assets :						
Outlay on Mint	—9	—05	—3	—02	—3	—02
Outlay on postal and telegraph services	2.6	—15	2.3	—13	2.3	—12
Total	3.5	—20	2.6	—15	2.6	—14
Grand total	1,712.7	100	1,717.9	100	1,858.6	100

The estimates for 1927-28 and 1928-29 have been analysed as the monthly provisional results are not sufficiently detailed. Only undertakings which have deficits are shown in the table above.

NOTES.

1. Various special funds and services have, since 1928, been included in the budget (a total of about 73 million escudos) which makes it impossible to see in all cases the substantial reductions effected in most of the services.

2. The expenditure of the Ministry of the Marine includes some expenditure for civil purposes. Since February 1929 all services regarding development of the mercantile marine, including fisheries, but excluding exploitation and construction of harbours, have been transferred to this Ministry.

3. Expenditure against the item " Colonies " consists of expenditure on administration and subsidies granted to them for the service of debts contracted with the General Deposit Institute.

4. The main part of the expenditure on health is devoted to the upkeep of hospitals.

5. The item " Economic Administration, Railways ", represents allocation to a special railway fund (formerly outside the budget, its revenue consisting of a portion of the transport taxes). The charges of the State railways not taken over by the railway company which works them at present are in course of liquidation.

6. *Pensions.* — State expenditure on pensions and contributions towards pension funds were, until 1928, distributed over the budget. For the year 1929-30 civil pensions and a portion of the military pensions form the subject of a special chapter of the Ministry of Finance. The pension charges shown in the Ministries of War and the Marine are 76.1, 80.6 and 71.8 million escudos for 1927-28, 1928-29 and 1929-30 respectively. Since March 1929, all pension services have been centralised at a National Provident Institution, which is managed by the General Deposit Institute.

7. Until 1928, the expenditure of some ministries included certain sums for the service of debt raised on their behalf. These amounts have been placed against the item " Debt service " in the table above. In July 1928, the outstanding debts of the various ministries to the General Deposit Institute were combined. Their service is now included in the general debt service. Securities to a considerable amount have been handed over as collateral for debts and a smaller amount is held by the Treasury. They do not represent an effective liability of the State and, in the table above, the interest on these securities has been deducted from the gross charges.

E. Fiscal Monopolies.

Escudos (000,000's).

	1927-28	1928-29	1929-30
	Provisional monthly results		Estimates
<i>Tobacco :</i>			
Net receipts	128.-	3.-	—
<i>Lotteries :</i>			
Share of the State	9.3	17.-	16.9
Total net receipts from fiscal monopolies	137.3	20.-	16.9

NOTES.

1. The monopoly of the match company expired on April 25th, 1925, and that of the tobacco company on April 30th, 1926. Import, production and sale of both commodities are no longer confined to the State and the receipts of the State consist chiefly of taxes.

2. The net proceeds of lotteries are distributed as follows :

38 per cent to a charitable institution in Lisbon ;

62 per cent to the State.

The budget shows only the share of the State. About 70 per cent of that share is in turn earmarked for social purposes.

F. Public Undertakings.

Escudos (000,000's).

	1927-28	1928-29	1929-30
	Estimates		
<i>General Deposit Institute :</i>			
Gross receipts	76.3	97.4	181.7
Gross expenditure	51.4	59.2	142.5
Balance	+ 24.9	+ 38.2	+ 39.2
<i>Forests and Water Services :</i>			
Gross receipts	5.6	4.9	4.9
Gross expenditure	5.9	7.1	9.7
Deficit covered by a special fund	— -.3	— 2.2	— 4.8
<i>Railways :</i>			
Net receipts . . . . .	...	7.4	6.4
<i>Port of Lisbon. — Working account :</i>			
Gross receipts	55.7	59.9	26.4
Gross expenditure	37.3	30.3	23.6
Balance	+ 18.4	+ 29.6	+ 2.8
<i>Port of Lisbon. — Capital account :</i>			
Loans	19.1	...	19.1
Capital expenditure	37.5	29.6	21.9
Balance	— 18.4	— 29.6	— 2.8

F. Public Undertakings (continued).

Escudos (000,000's).

	1927-28	1928-29	1929-30
	Estimates		
<i>Postal and Telegraph Services — Working account :</i>			
Gross receipts	91.5	89.8	101.8
Working expenses	94.4	89.8	95.1
Balance	— 2.9	...	+ 6.7
<i>Postal and Telegraph Services — Capital Account :</i>			
Receipts from various sources	6.2	3.4	4.2
Subsidy from the State	2.6	2.3	2.3
Total	8.8	5.7	6.5
Expenditure	8.8	5.7	13.2
Balance . . . . .	...	...	— 6.7
<i>Miscellaneous proceeds of Public Domain and undertakings. . .</i>	2.8	9.2	9.4
<i>Mint and Hallmark Offices :</i>			
Gross receipts	2.—	1.9	2.4
Gross expenditure	5.5	4.—	4.8
Balance	— 3.5	— 2.1	— 2.4
<i>Printing Office in Lisbon :</i>			
Gross receipts	9.6	7.9	7.5
Gross expenditure	13.4	9.7	9.7
Balance	— 3.8	— 1.8	— 2.2
<i>Printing Office, University of Coimbra :</i>			
Gross receipts	— .2	— .2	— .3
Gross expenditure	— .7	— .7	— .7
Balance	— —.5	— —.5	— —.4

NOTES.

1. As stated in the introductory notes, the accounts of the autonomous services, with the exception of the General Deposit Institute and the Postal and Telegraph Services, have been incorporated in the general budget.

2. The receipts of the General Deposit Institute consist chiefly of the interest on public securities, loans to the Treasury and other Government departments, districts, municipalities, harbour administrations, etc., and on deposit at the Bank of Portugal. Twenty per cent of the surplus of the General Deposit Institute is allocated to a reserve fund and 80 per cent forms the State's share of the profits. The services of the General Deposit Institute were reorganised in March 1929. All credit transactions by the State or for the account of the State in favour of agriculture and industry and all pension charges have been centralised in two institutions — the National Credit Institute and the National Provident Institute — which have been attached to the Deposit Institute and are managed by it for the account of the State. Assets and liabilities of the Agricultural Credit Fund and of the General Deposit Institute relating to agricultural and industrial credits have been taken over by the National Credit Institute, which is authorised to issue bonds up to 300 million escudos. The General Deposit Institute is now designated General Deposit, Credit and Provident Institute.

3. The State railways were leased in 1927 for 30 years against payment of a fixed rent of 6 per cent of the gross earnings and a variable share of 70 to 80 per cent of the net profits. The special fund of the State railways became, in that year, a special fund for all the railways, and the amount to its credit is to be devoted to the cost of studies regarding construction of new lines and to the service of railway debt, advances and subsidies to private railways, guarantee of interest, etc., under the control of the Supreme Railway Council.

G. Public Debt.

While the Government publishes monthly statements regarding the floating debt, the situation of the funded debt is contained in the general State accounts, which are only published after the lapse of a considerable period of time. In accordance with the Decree of May, 1928, on budgetary reforms, however, the budgets for 1928-29 and 1929-30 contain in the introduction a statement of the situation of the public debt, making a distinction between the effective debt and the fictitious debt represented by bonds held by the Government.

Table showing the Public Debt as on December 31st, 1927 and 1928, after deduction of bonds held by the Government :

	December 31st, 1927		December 31st, 1928	
	£	Escudos (000,000's)	£	Escudos (000,000's)
A. Domestic Debt :				
1. Funded debt :				
(a) Gold loans	4,617,060	454.6	4,608,760	505.8
(b) Loans repayable in paper escudos		1,764.7		1,768.8
2. Floating debt		1,897.7		2,051.6
Total Domestic Debt		4,117.—		4,326.2
B. Foreign Debt :				
1. Funded debt	54,545,621	5,370.6	55,256,190	6,064.4
2. Floating debt	1,125,480	110.8	899,351	98.7
Total Foreign Debt	55,671,101	5,481.4	56,155,541	6,163.1
Total Public Debt		9,598.4		10,489.3
Total debt in U. S. A. dollars (000,000's)		475.6		462.4
Total debt per head of population (Estimate, 1927, 6.2 million)		\$76.7		\$74.6

Rates of conversion used in the table above :

	December 31st, 1927	December 31st, 1928
	Escudos	
£1 =	98.460	109.750
\$1 =	20.182	22.685

The domestic debt in gold was as follows :

	On December 31st, 1927 £	On December 31st, 1928 £
4 ½% gold loan, 1912	617,060	608,760
6 ½% gold loan, 1923	4,000,000	4,000,000
	<u>£4,617,060</u>	<u>£4,608,760</u>

Table giving details of the Domestic Funded Debt as on December 31st, 1927 and 1928 :

Escudos (000,000's).

	December 31st, 1927	December 31st, 1928
3% Consolidated debt (£4,000,000)	393.1	300.2
6 ½% Consolidated debt	393.8	439.—
3% Redeemable debt	2.5	2.4
4% " "	4.—	3.7
4 ½% " "	84.1	89.5
5% " "	13.—	12.9
6 ½% " "	—	9.8
7% " "	15.2	14.3
Contractual advance from the Bank of Portugal	1,325.—	1,325.—
Debt to the General Deposit Institute	76.7	75.5
Various loans	1.9	2.3
	<u>2,219.3</u>	<u>2,274.6</u>

NOTES.

1. The service of the 6½% consolidated debt and of the 1916 block of the 4½% redeemable debt is payable in gold.

2. The Government holdings of internal bonds on the above dates were as follows :

	December 31st, 1927	December 31st, 1928
	Escudos (000,000's)	
3% Consolidated debt	4,525.9	4,528.7
6½% Consolidated debt (£4,000,000)	393.8	439.-
4 and 4½% redeemable debt	-4	-4
	<u>4,920.1</u>	<u>4,968.1</u>

The main part of the Government holdings of the 3% consolidated loan is placed with the Bank of Portugal as collateral for the contractual debt (see next note). In 1927 a part was placed as collateral security with Baring Bros. (see Note 2 on table of foreign floating debt), and in the same year 297 million escudos (£3,000,000) of the 6½% consolidated debt were placed with the Midland Bank. The remainder and the holdings of the redeemable loans are held for the account of special funds, or free.

3. The so-called "contractual advances" have been granted under contracts between the State and the Bank of Portugal. The State has to pay yearly 1 per cent on the amount due, five-eighths of this amount being for an amortisation fund which is owned by the State and will ultimately be employed for redemption of the debt. Further, one-fifth of the State share of the profits of the bank has to be paid into the fund. Payments due to this fund have not been effected for a couple of years and in June 1929 the arrears amounted to about 80 million escudos. For 1928-29 the payments have been resumed and measures have been taken for payment of the arrears: A portion of this fund amounting, in June 1929, to 149.7 million escudos, is invested in the 3% external converted debt of 1903. As collateral for the contractual debt, the Government has deposited with the bank 4,386.8 million escudos of the 3% internal perpetual bonds. According to the statement of the floating debt, this debt has amounted, since 1927, to 1,450 million escudos.

4. The debt to the General Deposit Institute consists of various liabilities on account of numerous loans contracted since 1892 by public authorities, institutions and special funds at rates of interest varying from 4 to 10 per cent and redeemable at different periods from 1933 to 1980. In July 1928 all these debts were converted into one debt. The amount was fixed at 76.7 million escudos repayable in 50 half-early instalments of 3.27 million escudos each, including 7 per cent interest.

5. Besides the above-mentioned fund, there are some small sinking funds, the receipts of which, in addition to the interest on the securities of these funds, consist of special discounts, interest, proceeds of redemption of quit-rents, sale of movable property, etc.

Table giving details of the Foreign Funded Debt as on December 31st, 1927 and 1928 :

	December 31st, 1927	December 31st, 1928.
I. New external 3% converted debt of 1902 :	£	£
Series I (3% perpetual debt of 1856 - 1892)	27,960,380	29,044,960
Series II (4% redeemable debt of 1890)		
Series III (4½% redeemable debt of 1888 - 1889) :		
Interest-bearing bonds	2,889,080	2,851,846
Non-interest-bearing bonds		
Total	30,849,460	31,896,806
2. 4½% loan (Municipality of Lisbon) 1886	96,161	84,384
3. War debt to Great Britain	23,600,000	23,275,000
Total foreign funded debt	54,545,621	55,256,190

NOTES.

1. Besides the amounts shown above, the Government holds £1.4 million of the 3% conversion loan, 1902, £1.3 million being collateral for loans, and £0.1 million free.

2. Of the foreign loans, the war debt and the Lisbon debt are entirely held abroad, whereas only about £12 million of the 1902 conversion loan is held abroad.

3. The service of the foreign loans as well as that of the gold loans and the perpetual and some redeemable debts are entrusted to a special *Junta do Crédito publico*. The foreign loans are guaranteed by Customs revenue and the amounts collected at the Customshouses of Lisbon and Oporto are paid daily into the Bank of Portugal to the credit of the *Junta*.

4. By an agreement dated December 31st, 1926, Portugal undertook to repay the war debt due to Great Britain (which amounted at that date to £23,732,900, including 5 per cent interest in arrears) by means of the following annuities :

In 1926	£125,000	In 1929-1938.	£350,000
1927	250,000	1939-1987.	400,000
1928	300,000	1988	200,000

The present value of these annuities, discounted at the rate of 5 per cent, amounts to about £5,000,000.

The following table gives details of the Domestic Floating Debt as on June 30th of the years 1922 - 1929.

Escudos (000,000's).

	1922	1923	1924	1925	1926	1927	1928	1929
	June 30th							
1. Treasury bills	255.5	308.7	234.7	405.-	791.-	1,031.6	1,245.8	1,247.6
2. General Deposit Institute	118.4	170.-	90.6	291.5	443.7	600.4	583.7	590.3
3. Miscellaneous debts	14.2	31.9	44.-	38.3	18.9	1.-	1.1	1.-
4. Bank of Portugal :								
Current accounts :								
(a) Advances, foreign exchange (Convention of December 29th, 1922)	—	41.-	107.6	179.6	354.1	163.7	203.4	262.3
(b) Treasury account	15.5	30.3	—	—	—	—	—	—
(c) Agricultural credit	5.9	9.4	9.2	9.6	9.9	9.7	9.8	10.-
Total, Bank of Portugal . . .	21.4	80.7	116.8	189.2	364.-	173.4	212.2	272.3
Total domestic floating debt . . .	409.5	591.3	486.1	924.-	1,617.6	1,806.4	2,042.8	2,111.2
Credit balance on current account with the Bank of Portugal .	—	—	3.1	48.9	35.1	12.1	34.1	134.5

NOTES.

1. The Treasury bills are of three, six, and twelve months' currency, and bear interest at the rate of 7, 7½, and 8 per cent respectively.

2. The transactions of the General Deposit Institute are recorded in the general Treasury account, and in this way all funds not otherwise specially allotted are lent automatically to the Government. On the other hand, the Treasury has to provide the Deposit Institute with liquid funds if deposited money is withdrawn.

3. The miscellaneous debts are made up of bills of the financial agency in Rio de Janeiro and of securities deposited by responsible persons.

4. The debt due to the Bank of Portugal (excluding the "contractual advances") consists of the following items :

(a) The advances under the Convention of December 29th, 1922, regarding the purchase and sale of foreign exchange by the Bank of Portugal for account of the State. The paper escudos paid for the exchange, which become the property of the State, are said to be "advanced" to the State. The foreign bill holdings on June 30th, 1928 and 1929, amounted to 70 million and 150.7 million escudos respectively, the net debt on this account amounting, therefore, to 132.4 and 111.6 million escudos respectively.

(b) The overdrafts on the Treasury account, at present limited to 20 million escudos free of interest. As will be seen in the table, the Treasury has had, since 1924, a credit balance on this account.

(c) The overdraft on account of agricultural credit, limited to 10 million escudos.

The following table shows details of the Foreign Floating Debt as on June 30th of the years 1922 - 1929.

£'s (ooo's).

	1922	1923	1924	1925	1926	1927	1928	1929
	June 30th							
(a) War debt	19,454	20,461	21,544	22,678	23,733 ¹	—	—	—
(b) Treasury bills	—	—	2	3	4	75	271	98
(c) Bank of Portugal	—	—	420	320	—	—	—	—
(d) Baring Bros. & Co	—	—	250	250	195	250	250	—
(e) Midland Bank	—	—	—	—	—	1,250	1,000	—
(f) Various creditors	570	774	—	—	—	—	—	—
Total in £ ²	20,024	21,235	22,216	23,251	23,932	1,575	1,521	98
Total in paper escudos (ooo,ooo's)	1,247.48 ³	2,204.64 ³	3,395.47	2,261.15	2,267.55	149.63	163.91	10.59
Credit balances in London and Paris	—	—	—	—	—	—	—	530.9

¹ Funded in December 1926.

² Cost of £1 :

	Escudos
June : 1922	62.299
1923	103.821
1924	152.839
1925	97.250
1926	94.750
1927	95.003
1928	98.460
1929	108.187

³ After deduction of small credit balances.

NOTES.

1. The Treasury bills in gold are sold against payment in foreign currencies.

2. The advances granted by the Midland Bank and Baring Bros. were made against Treasury bills, the last of which matured in 1928 and the beginning of 1929. The Midland Bank held as additional security £3,000,000 of bonds of the 6½% loan of 1923, and Baring Bros. had received as collateral bonds of the 3% (internal) perpetual loan, amounting to 95.4 million escudos. On June 30th, 1929, the Treasury had credit balances amounting to £404,300 with Baring Bros., £122,900 with the Midland Bank, and £3,700 with the Crédit Lyonnais, having thus converted a debt of £1,250,000 on June 30th, 1928, into a claim of £530,900 on June 30th, 1929.

Payments of debt service effected by the *Junta do Credito publico*, the Treasury and various Ministries for the three years, were estimated as follows :

Escudos (ooo,ooo's).

	1927-28	1928-29	1929-30
	Estimates		
Debt service	416.8	457.3	473.4
Deduct : Service of debt held by the Government	123.6	125.1	105.9
Net debt service	293.2	332.2	367.5
Net debt service per head of population	47.3 escudos	53.6 escudos	59.3 escudos
Net debt service per head of population in U. S. A. dollars	\$2.2	\$2.4	\$2.7

H. Reparations.

By the terms of the plan of 1922 for the distribution of German reparations, Portugal is to receive a share equal to 0.75 per cent of these. According to a decree of November 1926, 60 per cent of the proceeds must be utilised for the home country and 40 per cent for the colonies.

I. Local Finance.

The following table gives a summary of the estimates of the municipalities for 1928-29 and 1929-30.

Escudos (000,000's).

	1928-29	1929-30
Receipts excluding loans	222.5	231.-
Expenditure	252.7	243.9
Redemption of debt included in expenditure	(5.7)	(6.7)
Balance	— 30.2	— 12.9
Proceeds of loans	34.8	13.4

The following table gives a summary of the estimates of the districts (on the Continent) for 1928-29 and 1929-30.

Escudos (000,000's).

	1928-29	1929-30
Receipts excluding loans	8.3	12.5
Expenditure	8.3	11.2
Redemption of debt included in expenditure	(-1)	...
Balance . . . . .	...	+ 1.3
Proceeds of loans . . . . .	...	-2

In the spring of 1928 the districts of Madeira and the Azores Islands were granted administrative autonomy and certain functions regarding political affairs, health, economic administration and education were transferred to them.

The industrial tax, the land and house taxes, the tax on transactions, etc., formerly collected by the State, are now ceded to them.

Their estimates for 1929-30 are as follows :

	Escudos (000,000's)
Receipts	27.4
Expenditure	27.6
Balance	— .2
Proceeds of loans	— .2

The following table shows the public debt of the municipalities and districts on December 31st, 1927 and 1928.

Escudos (000,000's).

	December 31st, 1927	December 31st, 1928
Municipalities	126.2	135.9
Districts	1.7	1.2
Autonomous districts	— 1	2.2
Total	127.9	139.3

¹ Not available.

J. Colonial Finance.

The following table gives a summary of colonial estimates for 1928-29 and 1929-30.

Escudos (ooo,ooo's).

	1928-29	1929-30
<i>Angola :</i>		
Receipts excluding loans	181.6	182.2
Expenditure	195.7	189.8
Balance	— 14.1	— 7.6
Proceeds of loans	7.3	7.6
<i>Mozambique :</i>		
Receipts excluding loans	321.1	315.5
Expenditure	322.5	304.2
Balance	— 1.4	+ 11.3
Proceeds of loans	1.4	...
<i>Cape Verde Islands :</i>		
Receipts	16.4	19.9
Expenditure	16.4	19.9
Balance . . . . .	...	...
<i>Guinea :</i>		
Receipts	21.5	23.5
Expenditure	21.5	23.5
Balance . . . . .	...	...
<i>India :</i>		
Receipts	35.7	43.4
Expenditure	54.3	42.4
Balance	— 18.6	+ 1.-
<i>Macao :</i>		
Receipts	39.-	47.2
Expenditure	39.-	46.-
Balance . . . . .	...	+ 1.2
<i>St. Thomas and Principe Island :</i>		
Receipts	12.-	12.5
Expenditure	12.-	12.3
Balance . . . . .	...	+ -.2
<i>Timor :</i>		
Receipts excluding loans	11.5	11.3
Expenditure	19.8	14.1
Balance	— 8.3	— 2.8
Proceeds of loans	8.3	2.8
Total receipts	638.8	655.5
Total expenditure	681.2	652.2
Balance	— 42.4	+ 3.3
Total proceeds of loans	17.-	10.4

The financial situation of some of the colonies recently led to restriction of their autonomy, and special measures were taken to lighten the burden of their debt charges.

ROUMANIA

On February 7th, 1929, the Roumanian Parliament passed legislation adopting : (1) a scheme for the stabilisation of the currency and the economic development of the country including provision for the issue of an international loan ; (2) a Convention between the Government and the National Bank. The following notes take account of the modifications in the financial organisation effected by this law and certain other measures adopted in consequence of it.

Notes on the Budget System.

1. Until 1923, the financial year covered the period from April 1st to March 31st. The 1923 budget was framed for nine months only (April 1st to December 31st), with a view to starting subsequent financial years on January 1st. Since 1924, therefore, the budget year coincides with the calendar year. Since that date, the budgets have been voted regularly during the December preceding each financial year.

2. The budget for the financial year 1923 included all the revenue and expenditure of the State for the above-mentioned period of nine months. For 1924 there was, in addition to the general budget, a special budget for the social welfare funds, which amounted to less than $\frac{1}{2}$ per cent of the total general budget. The 1925 budget again included the special budget of the social welfare funds. On January 1st, 1926, a general pensions fund with a special budget of its own was created by the Law of April 14th, 1924, and the general budget now shows only the subsidy granted by the State to that fund.

A large proportion of the relief work relating to war cripples, orphans and widows has been transferred to semi-official associations, for which the Government provides part of the necessary funds in the form of grants. The budgets of these associations are shown separately in the general State budget and are also subject to the approval of Parliament. These budgets show as revenue the State grants, gifts from private sources and income proper.

The railways have ranked as an independent organisation since the beginning of 1926, and the postal, telegraph and telephone service since 1927.

In virtue of the Law of February 7th, 1929, the administration of the Government monopolies has, since that date, been entrusted to an " Autonomous Monopolies Office " — an independent institution enjoying full corporate status under civil law, and financial autonomy.

Under the " Law for the Organisation and Administration on business Principles of Public Undertakings and Property " of March 15th, 1929, all the other Government undertakings and properties still incorporated in the general budget are to be given a commercial organisation and an independent administration before January 1st, 1930, and the general budget will in future contain only their net results.

Although, as a general rule, revenue is not allocated to specific purposes, the Roumanian budget contains certain items of revenue which are so assigned.

3. The amounts to be accounted to any financial year may be received during a period of eighteen months, *i. e.*, a period including the six months following the financial year in question.

4. By an administrative law which came into force on January 1st, 1926, the municipalities and the departments took over certain functions previously appertaining to the central administration. This change affected the Ministries of the Interior, Public Health, Public Works, Education, Industry and Agriculture. In addition, laws establishing chambers of commerce, agriculture,

industry and labour relieved the State to some extent of functions of an economic and social character.

In order to ensure the equilibrium of the budget and exact payment of the creditors of the State, the Government scheme of February 7th, 1929, introduced the following measures for the preparation, carrying out and control of the budget.

(a) The Minister of Finance is made responsible for the equilibrium of the budget. He alone prepares the general budget on the basis of the estimates which have been submitted to him by the various Ministers.

(b) In accordance with British parliamentary practice, the members may not propose fresh credits or increase those proposed by the Government.

(c) If the budget is not voted in time, the last voted estimates remain in force.

(d) If additional expenditure becomes necessary in the course of the financial year the Minister of Finance must ask Parliament to provide the receipts required to meet it.

(e) Surplus revenue may not be utilised before the close of the financial year.

(f) The Ministers and heads of departments may only incur expenditure within the limits of the budget appropriations. With a view to controlling in advance the incurrence of liabilities under the budget, a comptroller has been appointed to work with each ministry. All the comptrollers meet once a month to discuss the carrying out of the budget and, if necessary, to submit a report to the Minister of Finance. No act involving expenditure to be borne by the State may be presented to the Minister concerned or signed by him unless it has previously been submitted to the comptroller for approval.

(g) Apart from small expenses for which special rules were contemplated, no payments may be effected without an order for payment signed by the Minister concerned or his representative, and approved by the comptroller. In order to avoid an order for payment being issued to a creditor of the State when there are not sufficient funds in the Treasury to meet it, the Minister of Finance prepares an allocation list, before the end of each month, showing the maximum amount which will be available for each minister during the following month.

(h) A department dealing with the general movement of funds is created at the Ministry of Finance.

(i) The National Bank is made responsible for the movement of public funds throughout the country. Available funds are paid regularly into the bank. \$11,000,000 of the proceeds of the stabilisation and economic development loan have been allotted to the Treasury as a working fund.

(j) The National Bank is authorised to grant the Treasury temporary advances not exceeding 2,000 million lei, which bear no interest and must be reimbursed at the end of the second half of each year. In addition, the Treasury may issue bills to an amount not exceeding 2,000 million lei, redeemable at one year.

(k) The Minister of Finance is to publish at least once a month a statement showing for the past month: (1) the amounts paid, sub-divided according to the main chapters of the budget; (2) the receipts collected; (3) the amounts of Treasury bills issued, reimbursed and outstanding; (4) the amounts advanced to the Treasury by the National Bank.

The Minister of Finance is to indicate every three months the legislative and administrative measures adopted in fulfilment of the Government's scheme.

(l) The Audit Court is to be reorganised in order to assure immediate and rapid control of accounts. It will, moreover, supervise the strict execution of the budget and collaborate in the preventive control of the incurring of expenditure.

The information shown in the present memorandum, prepared in May 1929, is largely taken from the following documents:

(a) Explanatory statements regarding the State budget for the years 1923, 1924, 1925, 1926, 1927 and 1928, submitted by the Minister of Finance.

(b) State budgets for 1923, 1924, 1925, 1926, 1927 and 1928.

(c) Articles on the finances of the country published in the Roumanian *Economist*, the monthly bulletin of the Roumanian Economic Institute.

(d) *The Statistical Year-Book of Roumania*.

(e) *Bulletin of Information and Documentation of the National Bank of Roumania*, January, February, March and April 1929.

(f) *Correspondance économique roumaine (Ministère de l'industrie et du commerce)*, 1928, 1929.

Note on the Movement of Prices.

The following table shows the movement of retail prices for the period 1922-1929 :

	1914	1922	1923	1924	1925	1926	1927	1928	1929
	Month of July								
Index number of retail prices (cost of living)	100	1,633	2,400	2,660	3,180	3,390	3,900	4,086	4,240

A. Summary of Budget Accounts for the Period 1923-1929.

1 Leu = £0.00123, = \$0.00598, = 0.031 gold franc, = 0.15267 French franc.

Lei (000,000's):

	1922-23	1923 (nine months)	1924	1925	1926	1927	1928	1929
	Closed accounts					Provisionally closed accounts	Estimates	
Total revenue (excluding proceeds of loans)	15,114	18,792	27,744	34,039	31,224	36,008	38,350	37,700
Total expenditure	10,032	13,639	21,404	29,440	28,499	34,526	38,350	37,700
Balance	+ 5,082	+ 5,153	+ 6,340	+ 4,599	+ 2,725	+ 1,482	...	...

The figures for the financial years 1922-23 to 1925 show the gross receipts and expenditure of railways, the General Pensions Fund and the postal, telegraph and telephone services. Those for 1926 only show the gross receipts and expenditure of the postal, telegraph and telephone services. The distribution of the figures among these services for the years 1925-1929 was as follows :

Lei (000,000's)

	1925	1926	1927	1928	1929
	Closed accounts		Estimates		
Total receipts, excluding those of railways, General Pensions Fund and postal, telegraph and telephone services	24,877.7	29,933.1	34,640.-	38,350.-	37,700.-
Railway receipts	8,063.4	—	—	—	—
General Pensions Fund receipts	295.8	—	—	—	—
Postal, telegraph and telephone receipts	801.6	1,291.1	—	—	—
Total receipts	34,038.5	31,224.2	34,640.-	38,350.-	37,700.-
Total expenditure, excluding that of railways, General Pensions Fund and postal, telegraph and telephone services	19,603.5	27,687.8	33,390.-	38,350.-	37,700.-
Railway expenditure	8,274.8	—	—	—	—
General Pensions Fund Expenditure	878.-	—	—	—	—
Postal, telegraph and telephone expenditure	683.7	811.5	—	—	—
Total expenditure	29,440.-	28,499.3	33,390.-	38,350.-	37,700.-

The Roumanian budget accounts for the years 1922-23 to 1927 were formally balanced. The 1921-22 budget included an ordinary budget, the estimated receipts and expenditure in which amounted to 7,708.5 million lei, and an extraordinary budget of 2,500 million lei. The latter was not entirely carried through, as there was not sufficient actual cover. In point of fact, the budget year 1921-22 closed with a deficit of about 2,000 million lei.

The surpluses shown in the closed accounts of the budgets for 1922-23 to 1927 are only apparent. They were expended during the same financial years in repairing the equipment of the country, in increasing the credits for the public services and to some extent in raising salaries and wages. The opening of numerous extra-budgetary credits had the effect of creating a large number of Treasury accounts. Moreover, the various Government administrations and the railways have outstanding liabilities to third parties. The exact amount of these arrears is not yet known and a special committee is at present engaged in drawing up a detailed statement of them.

In the *Bulletin of the National Bank* for April 1929, the result of the closed accounts for 1928 is estimated as follows :

	Lei (000,000's)
Receipts collected in 1928 (January-December)	30,779
Receipts collected during the first three months of 1929 for the financial year 1928	1,359
Probable receipts to be collected by June 30th, 1929, for the financial year 1928	500
Total receipts	<u>32,638</u>
Expenditure authorised	38,350
Extraordinary credits not utilised	700
Total expenditure	<u>37,650</u>
Deficit (not including the deficit of the railways)*	<u>5,012</u>

This deficit is due, on the one hand, to the bad harvest in 1928, and, on the other, to the inadequate yield of certain taxes (in particular export duties and the alcohol tax).

According to the Government scheme, the following amount out of the proceeds of the stabilisation loan are available for covering the deficit on the general budget and the State railways for 1928 and the payment of arrears :

	\$ (000,000's)
Working capital fund of the Treasury	11
Working capital fund of the State railways	9

To these amounts should be added a portion or the whole of the payments effected by Germany in virtue of the agreement of November 10th, 1928 (see page 220) which, discounted, furnish about \$17 million. The Government has, therefore, a maximum of about 6,182 million lei at its disposal. Of this amount, 3,005 million lei had been employed by April 1929 for the payment of arrears (2,861.6 million lei of which were arrears of the State railways).

B. General Budget Estimates for the Years 1927 and 1928 compared with the Closed Accounts for the Years 1925 and 1926.

Lei (000,000's)

	1925	1926	1927	1928
	Closed accounts		Estimates	
<i>Revenue.</i>				
1. Direct taxation	4,223.9	4,900.9	6,407.-	7,282.-
2. Indirect taxation	10,667.7	12,907.5	13,379.-	15,297.-
3. Stamp and registration taxes	2,113.-	2,569.4	3,318.-	3,600.-
4. Fiscal monopolies	4,858.7	6,310.6	6,996.-	7,461.9
5. Ministry of Communications ¹	9,381.8	2,040.6	710.9	726.5
6. Public domain	539.8	680.7	814.1	935.1
7. Subsidies	85.8	21.6	24.2	34.4

¹ The figures for 1926 and later years do not include railway revenue ; from those for 1927 and 1928 postal revenue is excluded.

**B. General Budget Estimates for the Years 1927 and 1928
compared with the Closed Accounts for the Years 1925 and 1926 (continued).**

Lei (000,000's).

	1925	1926	1927	1928
	Closed accounts		Estimates	
<i>Revenue (continued).</i>				
8. Ministry of Finance ¹	1,306.3	847.-	1,447.5	1,485.4
9. " " the Interior	44.4	67.8	72.9	14.2
10. " " Justice	68.4	116.4	118.-	120.-
11. " " Foreign Affairs	136.6	63.4	80.-	70.-
12. " " Agriculture and Public Domain	41.2	23.2	39.9	19.4
13. " " Public Health and Social Welfare	133.8	162.8	153.4	111.3
14. " " Labour, Co-operative Organisations and Social Insurance	7.3	7.1	57.5	74.8
15. " " Industry and Trade	352.-	433.6	927.9	939.9
16. " " War	37.5	30.6	43.5	134.1
17. " " Public Works	2.7	3.8	2.-	2.5
18. " " Education	24.3	23.5	28.8	31.3
19. " " Religion and Art	13.3	13.7	19.4	10.2
Total revenue	34,038.5	31,224.2	34,640.-	38,350.-
<i>Expenditure.</i>				
1. Ministry of War	4,753.3	5,626.7	6,904.2	7,830.5
2. " " Finance ²	7,093.9	10,539.5	12,747.4	14,736.2
3. " " Education	2,516.8	3,591.5	4,001.-	4,732.3
4. " " Religion and Art	611.2	832.6	1,076.9	1,295.9
5. " " the Interior	1,376.2	1,971.3	1,959.1	2,081.3
6. " " Public Works	373.7	409.5	333.7	355.-
7. " " Justice	610.7	875.5	963.9	1,077.4
8. " " Agriculture and Public Domain	831.8	980.5	1,134.6	1,386.6
9. " " Industry and Trade	467.-	472.6	479.3	510.1
10. " " Foreign Affairs	265.5	76.-	85.5	98.2
11. " " Public Health and Social Welfare	1,041.3	1,209.-	1,109.8	1,181.3
12. " " Labour, Co-operative Organisations and Social Insurance	115.-	165.-	186.-	240.1
13. " " Communications ³	9,379.4	1,742.-	693.5	712.-
14. Prime Ministers' office	4.2	7.6	12.7	13.1
15. Improvement of the position of present and retired officials	—	—	2,000.-	200.-
16. Fund for supplementary and extraordinary credits	—	—	952.4	1,000.-
17. Fund for payment of war damage compensation and first payments of requisition bonds	—	—	—	100.-
18. Fund for adjustment and unification of civil and mili- tary pensions	—	—	—	100.-
19. Fund for relief of the totally disabled	—	—	—	50.-
20. Fund to facilitate the construction of dwellings for State employees	—	—	—	100.-
21. Extraordinary public works	—	—	—	250.-
22. Liquidation of sums due under closed accounts	—	—	—	300.-
Total expenditure	29,440.-	28,499.3	34,640.-	38,350.-

¹ For 1926 and later years, the figures do not include contributions towards pensions.

² For 1926 and later years, the figures exclude ordinary pensions but include the State subsidy towards the General Pensions Fund.

³ The figures for 1926 and later years do not include expenditure on railways; from those for 1927 and 1928 postal expenditure is excluded.

C. Analysis of Receipts.

BUDGET ESTIMATES.

	1925		1926		1927		1928	
	Amount: lei (ooo,ooo's)	Per- centage of total	Amount: lei (ooo,ooo's)	Per- centage of total	Amount: lei (ooo,ooo's)	Per- centage of total	Amount: lei (ooo,ooo's)	Per- centage of total
<i>I. Taxes on income and property :</i>								
Land tax	460.-	2.25	460.-	1.88	1,300.-	4.18	1,200.-	3.50
House tax	220.-	1.08	230.-	-.94	650.-	2.09	650.-	1.90
Tax on interest and dividends	650.-	3.18	720.-	2.95	700.-	2.25	750.-	2.19
Tax on income derived from trade and industry	800.-	3.92	1,099.5	4.50	1,200.-	3.86	1,500.-	4.37
Tax on wages	550.-	2.69	700.-	2.86	1,230.-	3.95	1,600.-	4.67
Tax on professional earnings	180.-	-.88	185.-	-.76	190.-	-.61	250.-	-.73
Military tax	8.-	-.04	9.5	-.04	10.-	-.03	12.-	-.03
General income tax	350.-	1.71	450.-	1.84	725.-	2.33	800.-	2.33
Tax on property of foreigners	240.-	1.17	240.-	-.98	240.-	-.77	250.-	-.73
Super-tax	87.7	-.43	85.9	-.35	90.-	-.29	128.-	-.37
Tax on mines and quarries .	286.5	1.40	44.2	-.18	27.8	-.09	29.5	-.09
Total	3,832.2	18.75	4,224.1	17.28	6,362.8	20.45	7,169.5	20.91
<i>II. Taxes on production, use and transactions :</i>								
Customs duties :								
Import duties	1,500.-	7.34	2,500.-	10.23	4,750.-	15.26	6,800.-	19.83
Export duties	5,000.-	24.47	4,000.-	16.36	2,500.-	8.03	2,250.-	6.56
Accessory duties	440.-	2.16	635.-	2.60	650.-	2.09	150.-	-.44
Total	6,940.-	33.97	7,135.-	29.19	7,900.-	25.38	9,200.-	26.83
Excise duty on :								
Alcohol	850.-	4.16	1,000.-	4.09	2,140.-	6.88	2,500.-	7.29
Brandy	95.-	-.47	95.-	-.39	165.-	-.53	125.-	-.36
Beer	60.-	-.29	50.-	-.20	150.-	-.48	140.-	-.41
Wine	220.-	1.08	220.-	-.90	220.-	-.71	180.-	-.53
Sugar and glucose	80.-	-.39	100.-	-.41	400.-	1.29	400.-	1.17
Petroleum products	90.-	-.44	90.-	-.37	380.-	1.22	420.-	1.23
Electric light and gas	18.-	-.09	22.-	-.09	7.-	-.02	5.-	-.01
Denatured alcohol	7.-	-.03	7.-	-.03	7.-	-.02	8.-	-.02
Petroleum	—	—	500.1	2.05	485.6	1.56	498.9	1.46
Other articles	50.-	-.25	55.-	-.22	150.-	-.48	200.-	-.58
Total	1,470.-	7.20	2,139.1	8.75	4,104.6	13.19	4,476.9	13.06
Licences for the sale of spirits	25.-	-.12	25.-	-.10	20.-	-.06	19.-	-.06
Luxury tax and turnover tax	850.-	4.16	1,200.-	4.91	1,750.-	5.62	2,000.-	5.84
Entertainments tax	80.-	-.39	90.-	-.37	90.-	-.29	100.-	-.30
Succession duties and tax on gifts	175.-	-.86	340.-	1.39	350.-	1.12	398.8	1.16
Stamp duty	888.4	4.35	1,427.-	5.84	1,932.2	6.21	3,251.2	9.48
Registration tax	640.-	3.13	1,110.-	4.54	1,132.-	3.65	—	—
Transport tax	-.5	(-.002)	-.8	(-.001)	-.8	(-.003)	—	—
Tax on gambling	2.-	-.01	2.-	-.01	2.-	-.01	1.-	(-.003)
Tax on patents of invention	-.5	(-.002)	—	—	—	—	—	—
Supplementary taxes	100.-	-.49	100.-	-.41	—	—	—	—
Supplementary tax for Labour Fund	408.8	2.-	—	—	—	—	—	—
Miscellaneous taxes	16.-	-.08	40.2	-.16	—	—	—	—
Total	11,596.2	56.76	13,609.1	55.67	17,281.6	55.53	19,446.9	56.73
<i>III. Net surplus from Monopolies .</i>	3,298.8	16.15	4,091.5	16.74	4,943.-	15.88	4,900.7	14.29
Total of I, II and III	18,727.2	91.66	21,924.7	89.69	28,587.4	91.86	31,517.1	91.93

C. Analysis of Receipts (continued).

BUDGET ESTIMATES.

	1925		1926		1927		1928	
	Amount: lei (000,000's)	Per- centage of total	Amount: lei (000,000's)	Per- centage of total	Amount: lei (000,000's)	Per- centage of total	Amount: lei (000,000's)	Per- centage of total
IV. Fees, contributions and other administrative receipts:								
Deductions from salaries of officials for pensions	349.1	1.71	1.1	(-.004)	1.6	(-.004)	2.1	-.01
Contributions by municipalities and provinces	48.9	-.24	23.3	-.10	24.2	-.08	34.4	-.11
Other receipts	387.6	1.90	476.1	1.95	540.5	1.74	798.3	2.33
Total	785.6	3.85	500.5	2.05	566.3	1.82	834.8	2.45
V. Net surplus from public domain and undertakings:								
Fisheries	46.8	-.23	46.8	-.19	222.-	-.71	98.5	-.29
Forestry	88.1	-.43	89.2	-.36	197.-	-.63	221.-	-.64
Mines and gasworks	96.4	-.47	—	—	35.6	-.12	6.4	-.02
Sericulture	1.5	-.01	1.9	-.01	2.5	-.01	—	—
Postal, telegraph and telephone services	107.3	-.52	507.5	2.08	500.-	1.61	250.-	-.73
Fluvial navigation	38.-	-.19	17.5	-.07	49.3	-.16	46.4	-.14
Popular Bank	14.9	-.07	-.2	(-.001)	—	—	—	—
Health resorts	2.2	-.01	2.2	-.01	3.9	-.01	5.-	-.01
Total	395.2	1.93	665.3	2.72	1,010.3	3.25	627.3	1.83
VI. (a) Receipts from the Bank of Issue	5.5	-.03	5.5	-.02	5.5	-.02	85.-	-.25
(b) Notes not presented for payment	—	—	—	—	—	—	135.-	-.39
VII. (a) Dividends on capital invested in Government funds, in commercial companies, associations, etc.	25.-	-.12	60.-	-.24	60.-	-.19	70.-	-.20
(b) Net revenue accruing to the State from commercialised industrial undertakings	—	—	80.-	-.33	30.-	-.10	40.9	-.12
VIII. Interest on advances granted by the State	10.-	-.05	20.3	-.08	30.3	-.10	120.1	-.35
IX. Receipts from realisation of State assets:								
Sale of revenue-yielding State property	31.-	-.15	31.-	-.13	33.-	-.10	31.-	-.09
Repayment of advances granted by the State	5.5	-.03	5.7	-.02	5.7	-.02	5.-	-.01
Total	36.5	-.18	36.7	-.15	38.7	-.12	36.-	-.10
X. Receipts brought forward from previous years	445.9	2.18	1,153.8	4.72	790.-	2.54	817.2	2.38
Grand total	20,430.9 ¹	100	24,446.8 ¹	100	31,118.5 ¹	100	34,283.4 ¹	100

¹ The totals are lower than those of the official documents owing to the fact that only net surpluses from monopolies, public domain and public undertakings are shown in the table above.

Details of the closed accounts not being available, the estimates for 1925 and 1926 have been analysed.

NOTES.

Changes in Taxation.

1. *Taxes on income and property.* — Land tax and house tax : In consequence of the depreciation of the currency and the rise in prices since 1923, the assessable income based on actual income as shown in the census of 1923 is much lower than the true present income. For this reason the taxable income from agricultural property and houses has been trebled since 1927 as a provisional measure until the next census.

The following taxes have been increased as from 1929 : the tax on mines, the tax on interest and dividends (by 10 per cent) on total income up to 40,000 lei by 10 per cent and by 20 per cent on total income above 40,000 lei.

2. *Taxes on production, use and transactions.* — Hitherto, indirect taxation has only been partly unified, but a reform is contemplated with a view to unifying the fiscal legislation in the various Roumanian provinces.

(a) *Customs.* — Import duties were increased in 1927, the increases affecting certain classes of goods with a view to protecting national industry.

Export duties are levied on articles of primary importance such as cereals, wood, petroleum products, cattle, etc. In order to stimulate export, these are being reduced gradually from year to year. By 1928, the reduction amounted to 30 per cent in comparison with the rate of the previous year.

(b) Up to and including 1926, there was an alcohol monopoly in Bessarabia. This was abolished in 1927, but the total production of alcohol within the Kingdom was subjected to limitation and at the same time the tax on alcohol was increased by 2.50 lei per decalitre-degree.

The system of limiting the production of alcohol has brought about a sudden decrease in the yield of the alcohol tax. For the financial year 1927 the estimates were 2,140 million lei and the receipts collected 1,730.1 million lei ; in 1928, the estimates were 2,500 million lei and the receipts collected 622.4 million lei. This is one of the principal causes of the 1928 deficit. The alcohol tax was increased as from January 1st, 1929, but the Government contemplates modifying the present regime of limiting output, which is the cause of the fall in the yield of this tax.

Excise duties on beer and petroleum products were increased in 1927 and again in 1929.

(c) In 1927, the tax on turnover ceased to be levied on commercial transactions and is now levied (ordinary rate 2 per cent ; luxury articles 10 and 15 per cent) on the articles themselves, either at the place of production or on entry into the country at the same time as the Customs duties.

Under a new stamp Act which came into force on May 1st, 1927, the various stamp duties levied in the four provinces up to that date were replaced by uniform duties. This stamp tax has been increased by 20 per cent during 1929.

(d) A fresh tax on motor-cars was introduced in 1929. Assessment is based on ownership of the motor-car.

This tax is payable yearly and amounts to :

- 3,000 lei for a car up to 1,000 kilogrammes ;
- 5,000 lei for a car of 1,000 to 1,200 kilogrammes ;
- 7,000 lei for a car of 1,200 to 1,500 kilogrammes ;
- 10,000 lei for a car exceeding 1,500 kilogrammes.

The following are not subject to this tax : taxicabs (which are subject to the commercial taxes), motor-lorries, motor-tank-lorries, street-sweepers, water-carts, motor-ambulances, etc.

D. Analysis of Expenditure.

BUDGET ESTIMATES.

	1925		1926		1927		1928	
	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total
I. Defence :								
Army								
Air Force	4,121.1	20.17	4,789.—	19.59	6,615.8	21.26	8,228.5	24.—
Navy	349.5	1.71	405.5	1.66	477.9	1.54		
	120.6	—59	135.1	—55	166.5	—53		
Total	4,591.2	22.47	5,329.6	21.80	7,260.2	23.33	8,228.5	24.—

D. Analysis of Expenditure (continued).

BUDGET ESTIMATES.

	1925		1926		1927		1928	
	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total
II. Foreign Affairs	227.9	1.12	230.8	-.94	285.5	-.93	424.2	1.24
III. Justice	512.-	2.51	648.8	2.65	963.9	3.10	1,077.4	3.14
IV. (a) Supreme organs of govern- ment and general adminis- tration	1,330.-	6.51	1,588.1	6.50	2,102.-	6.75	2,348.5	6.85
(b) Supplementary salaries and pensions to State officials	2,000.-	9.79	3,000.-	12.27	2,000.-	6.43	300.-	-.88
(c) Fund for supplementary and extraordinary expen- diture	959.5	4.70	1,333.2	5.45	952.4	3.06	1,350.-	3.94
Total	4,289.5	21.-	5,921.3	24.22	5,054.4	16.24	3,998.5	11.67
V. Public Health	711.2	3.48	810.2	3.32	776.-	2.49	843.9	2.46
VI. Social Welfare	230.3	1.13	318.7	1.30	332.3	1.07	426.8	1.24
VII. (a) Economic administration (promotion of agriculture, trade, navigation and in- dustry)	538.3	2.63	603.6	2.47	956.1	3.07	1,034.4	3.02
(b) Public works	309.5	1.51	369.-	1.51	340.4	1.09	351.9	1.03
(c) Net deficit on public do- main and undertakings :								
Mines, gasworks, ironworks	—	—	4.2	-.02	—	—	—	—
Sericulture	—	—	—	—	—	—	2.8	-.01
Railways	308.8	1.51	—	—	300.- ¹	-.96	300.- ¹	-.88
Navigation (maritime)	30.6	-.15	9.6	-.04	-.9	(-.003)	-.2	—
Printing works	16.4	-.08	10.2	-.04	22.5	-.07	4.6	-.01
Popular Co-operative Bank	—	—	—	—	1.9	-.01	—	—
Total	1,203.6	5.88	996.6	4.08	1,621.8	5.20	1,693.9	4.95
VIII. Education	2,323.1	11.37	2,808.4	11.49	4,242.3	13.63	5,009.9	14.60
IX. Church	440.7	2.16	542.8	2.22	946.7	3.04	1,147.5	3.35
X. Financial administration	629.4	3.08	744.4	3.05	1,062.5	3.42	1,534.7	4.48
XI. Share of municipalities and provinces in yield of tax on spirits	300.-	1.47	300.-	1.23	700.-	2.25	993.7	2.90
XII. Pensions :								
Fighting services	93.-	-.45	—	—	—	—	—	—
Civil services	152.9	-.75	—	—	—	—	—	—
War pensions	790.4	3.87	172.4	-.70	179.4	-.58	229.2	-.67
State subsidy to the General Pension Fund	—	—	1,148.6	4.70	1,959.5	6.29	2,805.2	8.18
Total	1,036.3	5.07	1,321.-	5.40	2,138.9	6.87	3,034.4	8.85

¹ This sum of 300 million lei is not a deficit on the railways to be covered by the State, but rather a subsidy to them by the State as compensation for free passes and reduced passenger rates granted by the railway administration to State officials and those in receipt of State pensions.

D. Analysis of Expenditure (concluded).

BUDGET ESTIMATES.

	1925		1926		1927		1928	
	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total	Amount: lei (000,000's)	Per- cent- age of total
XIII. Liquidation of charges due under earlier budgets	—	—	—	—	—	—	300.—	—88
XIV. War charges :								
Fund for compensating war damage and for payment of requisition bonds	250.—	1.22	—	—	—	—	100.—	—28
XV. Public debt service :								
Administration	1.1	—01	1.1	(—004)	5,734.—	18.43	5,470.—	15.96
Interest and annuities	1,033.4	5.06	1,667.1	6.82				
Repayment	41.5	—20	43.1	—18				
Loss on exchange	2,601.5	12.73	2,762.9	11.30				
Total	3,677.5	18.—	4,474.2	18.30	5,734.—	18.43	5,470.—	15.96
XVI. Investments in revenue-yielding assets :								
Railways	8.2	—04	—	—	—	—	—	—
Grand total	20,430.9 ¹	100	24,446.8 ¹	100	31,118.5 ¹	100	34,283.4 ¹	100

¹ The totals are lower than those of the official documents owing to the fact that only net deficits on public domain and undertakings are shown in the table above.

Details of the closed accounts not being available, the estimates for 1925 and 1926 have been analysed.

NOTES.

1. Since the 1926 budget, the public debt service includes a sum allocated to liquidation of the State's debt to the National Bank on May 19th, 1925. The funds to cover this allocation are derived from : one-third of the yield of taxation on luxury articles and turnover tax ; the State's share of dividends from the Deposit Institute and from the National Bank ; and the yield of commercialised State undertakings. These funds amounted at the end of 1926 to 797 million lei ; at the end of 1927 to 1,897 million and in the 1928 budget were estimated at 1,259 million lei.

The reduction in the public debt service in 1928 as compared with 1927 is to be explained by the consolidation of Treasury bills and by the abolition of the reserve against various payments on account of public debt. Until 1927, this reserve was maintained as cover for possible expenditure which might prove necessary for settlements reached during the budget year. Since 1928, similar cases have been dealt with by means of a general fund for opening credits.

2. State employees' salaries consist of : (a) a fixed sum and (b) an allowance on account of high cost of living. In addition to the sums applied to improving the material conditions of State employees and pensioners, shown under IV (b) in the table above, a further sum of 1,000 million lei from the 1925 surplus was devoted to this purpose in 1926.

3. Expenditure on national defence represents the maintenance of an army strength of 125,000. The increase in this item of expenditure is due to cost-of-living allowances, improvement in the standard of living of the troops, increased cost of forage and purchase of equipment for the Air Force.

4. The application of the Act of January 1st, 1926, referred to above, relating to administrative decentralisation has involved modifications in the budgetary expenditure of the Ministries of the Interior, of Public Health, of Public Works, of Industry and of Agriculture. To facilitate this reform the State grants subsidies to local authorities, representing the yield of supplementary rates on certain direct taxes. For 1926 and 1927 these shares amounted to the following sums :

	Lei (000,000's)	
	1926	1927
Provincial authorities	498	1,071
Municipalities	667	1,309
	<u>1,165</u>	<u>2,380</u>

These sums do not, however, appear in the general budget of the State, as they are handed over direct to local authorities.

On the other hand, the municipalities and provinces have a share in the proceeds of the duty on spirits which appears in the general State budget. In the 1927 budget it was estimated at 700 million lei and in that of 1928 at 993 million lei.

5. The General Pensions Fund became an autonomous institution having a separate budget on January 1st, 1926. The State, however, continues to meet the charges for some war pensions and cost-of-living allowances to persons in receipt of State pensions. The expenditure of the General Pensions Fund was as follows :

Lei (000,000's).

	1926	1927	1928
Combatant service pensions	135.-	213.5	360.-
Civil service pensions	228.-	650.-	1,080.-
War pensions	814.-	1,111.7	1,403.2
Costs of administration	21.4	53.2	52.5
Various expenses	166.6	230.-	274.9
Total	1,365.-	2,258.4	3,170.6

E. State Fiscal Monopolies.

Lei (000,000's).

	1925	1926	1927	1928
	Budget estimates			
<i>Gross Receipts :</i>				
Tobacco	3,356.7	4,172.9	4,869.1	5,482.6
Cigarette paper	525.-	500.-	515.-	515.-
Matches	450.-	610.-	650.-	680.-
Playing cards	25.-	27.-	30.-	40.-
Explosives	140.-	150.-	150.-	140.-
Salt	240.-	315.-	850.-	600.-
Alcohol in Bessarabia	170.-	170.-	—	—
Extraordinary receipts from workpeople's rents	10.-	10.-	10.-	10.-
Deductions from wages of workers in State undertakings	26.1	25.3	31.1	28.8
Total gross receipts	4,942.8	5,980.2	7,105.2	7,496.4
Total working expenses	1,644.-	1,888.7	2,162.2	2,595.7
Total net surplus	3,298.8	4,091.5	4,943.-	4,900.7

F. Public Domain and Undertakings.

Lei (000,000's).

	1925	1926	1927	1928
	Budget estimates			
<i>Fisheries :</i>				
Gross receipts	70.-	70.-	250.-	150.-
Working expenses	23.2	23.2	28.-	51.5
Balance	+ 46.8	+ 46.8	+ 222.-	+ 98.5
<i>Forests :</i>				
Gross receipts	250.-	280.-	450.-	500.-
Working expenses	161.9	190.8	253.-	279.-
Balance	+ 88.1	+ 89.2	+ 197.-	+ 221.-

F. Public Domain and Undertakings (continued).

Lei (000,000's omitted).

	1925	1926	1927	1928
	Budget estimates			
<i>Mines, gasworks and ironworks :</i>				
Gross receipts	437.5	230.6	330.6	310.-
Working expenses	341.1	234.8	295.-	303.6
Balance	+ 96.4	- 4.2	+ 35.6	+ 6.4
<i>Sericulture :</i>				
Gross receipts	20.-	10.-	12.-	8.-
Working expenses	18.5	8.1	9.5	10.8
Balance	+ 1.5	+ 1.9	+ 2.5	- 2.8
<i>Railways :</i>				
Gross receipts	7,966.-	11,643.-	14,500.-	13,300.-
Working expenses	8,274.8	11,643.-	14,800.-	13,600.-
Balance	- 308.8	...	- 300.-	- 300.-
<i>Postal, telegraph and telephone services :</i>				
Gross receipts	791.-	1,319.-	1,768.8	1,836.5
Working expenses	683.7	811.5	1,268.8	1,586.5
Balance	+ 107.3	+ 507.5	+ 500.-	+ 250.-
<i>Maritime navigation :</i>				
Gross receipts	239.2	296.8	348.2	333.-
Working expenses	269.8	306.4	349.1	333.2
Balance	- 30.6	- 9.6	- -9	- -2
<i>Fluvial navigation :</i>				
Gross receipts	228.-	277.6	361.2	390.7
Working expenses	190.-	260.1	311.9	344.3
Balance	+ 38.-	+ 17.5	+ 49.3	+ 46.4
<i>Printing works :</i>				
Gross receipts	30.-	50.-	60.-	80.-
Working expenses	46.4	60.2	82.5	84.6
Balance	- 16.4	- 10.2	- 22.5	- 4.6
<i>Popular bank :</i>				
Gross receipts	26.-	32.2	43.-	60.9
Working expenses	11.1	32.-	44.9	60.9
Balance	+ 14.9	+ -2	- 1.9	...
<i>Health resorts :</i>				
Gross receipts	12.6	13.6	14.6	15.6
Working expenses	10.4	11.4	10.7	10.6
Balance	+ 2.2	+ 2.2	+ 3.9	+ 5.-

NOTES.

1. The tobacco monopoly figures also include the receipts and expenditure of the tobacco-growing improvement organisation. The funds of this organisation are secured by retaining 5 per cent on all payments for tobacco delivered to the monopoly by growers, the monopoly itself furnishing a sum equal to the total of the amount thus retained.

Increases in the selling prices of tobacco and salt came into force in 1927 and further increases in certain prices of tobacco were effected in February 1929. The price of salt, however, was reduced again in 1928.

The administration of the Government monopolies has, since February 7th, 1929, been entrusted to an independent institution — "the Kingdom of Roumania Monopolies Institute" — in return for a total sum of \$300 million, administered by a Board of Directors and a Managing Committee. It was authorised to contract the 1929 stabilisation and economic development loan of \$101 million, the net proceeds of which were handed over to the State in part payment of the above liability of \$300 million. The remainder is only payable in the event of additional loans being raised and to an amount equal to the net proceeds of such loans. The Institute granted the concession of the match monopoly in return for an annual payment and a share in the profits of exploitation to the Swedish Match Company for thirty years, the latter having subscribed \$30 million of the loan at par. As long as the amount of \$300 million is not paid to the State, the receipts of the Institute, after deduction of the sums needed for the service of the loans contracted, the working expenses, adequate allocations for repairs, renewals, maintenance, depreciation, the working capital fund, and possibly an extraordinary reserve fund, are to be paid into the Treasury.

2. The deficits on the *railways* during the period of 1923 to 1925 were mainly due to the freight charges, which are still low, even though rates have been increased on various occasions. Moreover, the extraordinary credits for the same period amounted to 3,544 million lei.

Under the law of June 13th, 1925, on the organisation and working of the railways, the Roumanian Railway Administration is deemed to be a juridical person under the authority and supervision of the Ministry of Communications.

The bodies responsible for this administration are: (a) the managing board; (b) the general directorate. The managing board consists of nine members.

The Roumanian Railway Administration's financial year begins on January 1st and closes on December 31st.

The entire annual expenditure and receipts of the administration, together with the sums required for the service and amortisation of the debts contracted, are shown in its budget, which is submitted to the Chamber of Deputies for approval. The general State budget only shows estimates of net receipts or deficits.

The net surplus is allocated as follows: 45 per cent to the renewal and improvement fund, 45 per cent to the Treasury for the creation of a fund for building new lines, and 10 per cent to the premiums fund.

During the first ten years the net receipts are not to be paid to the State but to be devoted to improvements and replacements.

The sum of 300 million lei shown as a deficit on railways is rather a subsidy to them by the State as compensation for free passes and reduced passenger rates granted by the railway administration to State officials and persons in receipt of State pensions.

The closed accounts of the railways are not available. It appears, however, from the report of Professor Rist and M. Auboin, that the railways were working at a loss and were burdened by arrears of indebtedness. Of these debts 2,861.8 million lei have already been reimbursed, 1,504.7 million lei (\$9,000,000) having been allotted from the proceeds of the 1929 stabilisation and economic development loan to the working fund of the State railways, and 1,357.1 million lei obtained from payments effected by Germany in virtue of the Convention of November 10th, 1928 (see page 220). The Government scheme of 1929 for currency stabilisation and economic development provides for agreements being signed between the State and the railway administration:

- (1) On the amount, creation and application of a working capital fund;
- (2) On the changes to be introduced in the relations between the general budget and that of the railways;
- (3) On the programme of improvements and new constructions to be carried out.

The total expenditure on this programme, which will cover a period of about six years, is estimated at 21,600 million lei or about \$130 million. These works have been divided according to their urgency, the first amounting to \$45 million and the second to \$85 million. For carrying out this programme, a sum of at least \$35 million, realised from the proceeds of the stabilisation loan, will first be applied. Moreover, the State railways are to receive:

- (a) The proceeds of the liquidation of certain bills purchased from the National Bank (\$10 million);
- (b) The amount accruing to the State through repayment of advances granted to certain credit institutions;
- (c) A portion of the amount received from Germany under the Agreement of November 10th, 1928.

3. Under the terms of the law of March 15th, 1929, all public undertakings, institutions, services and establishments not of a purely administrative character, as well as all properties and rights forming

the domain of the State, the departments, communes or any other public utility institution controlled by the bodies named, are to be organised before January 1st, 1930, on a commercial basis in one of the following forms :

- (a) Farming or leasing ;
- (b) Concession ;
- (c) Public commercial management ;
- (d) Mixed management (limited liability companies) ;
- (e) Co-operative management ;
- (f) Combination of two or more of systems (a) to (e).

All these concerns will be placed under a supreme board for the administration of public domain and undertakings.

(a) and (b) Farming is, as a rule, limited to five years and the duration of a concession must not exceed 30 (in certain cases 50) years. In both cases the annual rent or dues must be at least equal to the average net profits realised by the public undertaking during the five preceding years.

(c) Undertakings under public commercial management (the expenditure of State Railways, postal, telegraph and telephone services, monopolies, military establishments, etc.) will include the service of debt as well as interest on and amortisation of the capital invested. Services rendered and supplies delivered to or by the State administration will be paid for.

Expenditure may only exceed revenue in cases in which the supreme interest of the State is involved. In such cases corresponding compensation will be given for the expenditure effected or the loss sustained in the interest of the State.

Incidental deficits will be covered by interest-bearing advances granted by the State (department, commune, etc.). For investments which cannot be covered by their revenue, the undertakings may either be authorised by legislation to raise long-term loans or may receive loans from the Government.

G. Public Debt.

(i) Table showing the Situation of the Domestic Debt in 1923, 1924, 1925, 1926 and 1927.

Lei (000,000's).

Date	Domestic debt					
	Funded		Floating		Total	
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)
December 31st : 1923	16,892.2	...	12,225.7	...	29,117.9	...
1924	14,892.2	- 2,000.-	11,680.-	- 545.7	26,572.2	- 2,545.7
1925	25,423.3	+ 10,531.1	664.7	- 11,015.3	26,088.-	- 484.2
1926	24,822.2	- 601.1	687.7	+ 23.-	25,509.9	- 578.1
1927	25,778.-	+ 955.8	687.7	...	26,465.7	+ 955.8

Note. — For foreign debt, see detailed table below and notes thereon.

The domestic debt, amounting to 26,465.7 million lei on December 31st, 1927, would represent approximately 648 million lei if reduced to pre-war price-level.

(ii) Table showing the Amount of Debt Service (Interest and Amortisation).

Financial Year	Accounts	Debt Service	
		Amount : lei (000,000's)	Percentage of 1923
1923	Budget estimates	2,534.6	100.-
1924		3,339.9	131.8
1925		3,676.4	145.-
1926		4,473.1	176.5
1927		5,734.-	226.2
1928		5,470.-	215.8

Table giving details regarding the public debt as on December 31st, 1924, 1925, 1926 and 1927.

	December 31st, 1924	December 31st, 1925	December 31st, 1926	December 31st, 1927
I. DOMESTIC DEBT.				
A. Funded debt:				
Lei (ooo,ooo's).				
1. Rentes issued in 1889-1913 inclusive	500.-	500.-	500.-	479.-
2. 4% Brasov permanent debt	1.-	1.-	1.-	1.-
3. 4% Forest Loan of 1910.	13.-	13.-	13.-	13.-
4. 4% Internal Loan, 1910.	44.2	44.2	44.2	38.5
5. 5% Municipal Pasturage Loan, 1910	20.-	20.-	20.-	20.-
6. 4% Permanent debt for payment of mortgage institution property	—	—	22.7	13.5
7. District Railways Loan	39.-	39.-	39.-	27.6
8. 5% Rentes, National Loan, 1916	400.-	400.-	400.-	379.4
9. 5% Rentes, Union Loan, 1919	1,143.1	1,143.1	1,143.1	1,092.4
10. 5% Rentes, Reconstruction Loan, 1920	2,731.9	2,731.9	2,731.9	2,616.6
11. 5% Group Loan on account of State officials, 1920	400.-	315.-	315.-	315.-
12. 5% Expropriation Loan, 1922	9,600.-	9,600.-	9,600.-	12,000.-
13. Loans granted by the National Bank	—	10,616.1	9,992.3	8,782.-
Total funded debt	14,892.2	25,423.3	24,822.2	25,778.-
B. Floating debt:				
1. Loans granted by the National Bank	11,015.3	—	—	—
2. Internal Treasury bills	664.7	664.7	687.7	687.7
Total floating debt	11,680.-	664.7	687.7	687.7
Total domestic debt	26,572.2	26,088.-	25,509.9	26,465.7
II. FOREIGN DEBT.				
A. Funded debt:				
(ooo,ooo's)				
1. Loans issued in 1889-1913 inclusive	Fr. 570.-	Fr. 570.-	Fr. 570.-	Fr. 499.1
2. 4% Consolidation Loan, 1922	£28.6	£28.5	£29.2	£30.-
3. 4% Foreign Loan, 1922	£2.3	£2.5	£1.6	£2.-
4. 6% Foreign Consolidation Rentes, 1925		Lire 41.1	Lire 38.5	Lire 36.5
5. 5% Foreign Rentes, 1926 (Block A) for purchase of private railways			£-7	£-7
6. 7% Italian Loan, 1926			Lire 200.-	Lire 180.-
7. Debt to the Allies:				
(a) To England			£31.3	£31.1
(b) To United States of America			\$122.5	\$122.1
(c) To Italy			Lire 247.5	Lire 245.2
8. Share of Austrian and Hungarian pre-war debt, for which Roumania has become responsible under the terms of the Innsbruck Protocol and the Prague Agreement:				
In sterling				£2.3
In dollars				\$22.2
In French francs				Fr. fr. 19.4
9. Compensation for damage to petrol plant and machinery in 1916				£9.9
10. Annuity on account of S. T. E. G. railways on Roumanian territory				Fr. fr. 28.7
11. Special charges arising from consolidation of Treasury bills:				
England				£5.1
United States of America				\$2.4
France				Fr. fr. 23.2
Switzerland				Sw. fr. 3.2
Italy				Lire 13.3
Belgium				B. fr. 45.8
Scandinavian countries				Kr. -4

Table giving details
regarding the public debt as on December 31st, 1924, 1925, 1926 and 1927 (continued).

	December 31st, 1924	December 31st, 1925	December 31st, 1926	December 31st, 1927
	(000,000's).			
B. Floating debt:				
Foreign Treasury bills not presented for conversion	£5.5	£5.5		Fr. fr. 12.9
Total foreign debt	Fr, 570.- £36.4	Fr, 570.- £36.5 Lire 41.1	Fr, 570.- £62.8 Lire 486.- \$122.5	Fr. 499.1 £81.1 Lire 475.- \$146.7 Fr. fr. 84.2 Sw. fr. 3.2 B. fr. 45.8 Kr. -4

NOTES.

1. According to the January *Bulletin of the National Bank*, the total foreign debt, converted into gold lei, was as follows at the end of the budget years:

Gold lei (000,000's)

	1924	1925	1926	1927	1928
Funded debt	2,278.7	2,210.-	3,110.-	4,234.6	5,056.9
Floating debt	1,315.8	1,418.4	1,114.2	215.9	168.5
Total	3,564.5	3,628.4	4,224.2	4,450.5	5,225.4

2. The Roumanian public debt during the war was increased by the issue of bank-notes. After the war, Roumania issued Treasury bonds on foreign markets, and also a number of consolidated internal loans to ensure the food supplies of the country. For the purpose of unifying the currency, Roumania had to call in the Austro-Hungarian bank-notes and the rouble notes in circulation in the new provinces, and also to exchange the notes issued in the occupied territories by the *Banque générale* for the account of Germany. The total issues required for the unification of the currency amounted, on December 31st, 1921, to 7,026.7 million lei. Further recourse was had to the issue of bank-notes to meet the deficits on the first State budgets after the war.

3. The largest item in the consolidated internal debt consists of the compensation for expropriation necessitated by the agrarian reform scheme. To pay for the expropriated lands, the State issued certificates repayable in ten years and bearing interest at 5 per cent. One-half of this debt is borne by the State and the other half by peasants purchasing land.

4. The first agreement regarding the State debt to the National Bank was concluded in May 1925. According to that agreement, the debt was to be repaid in fifteen years by means of a liquidation fund derived from one-third of the yield of the turnover tax, one-third of the duty on petroleum, one-third of the mining tax and one-third of the income of the commercialised undertakings. In the 1926 budget, a sum of 623.8 million lei was allocated for this purpose. The table above shows the debt after deduction of the amounts allocated to the liquidation fund.

Under the Convention concluded on February 7th, 1929, between the State and the National Bank, the Treasury advances to the National Bank were reduced to 4,000 million lei, as follows :

	(Lei 000,000's)
Advances accorded prior to the Convention of May 19th, 1925	10,679.-
Advances accorded subsequent to the Convention of May 19th, 1925	3,978.3
Total	14,657.3
Part of the liquidation fund created by the Convention of May 19th, 1925, paid to the bank	2,657.5
Surplus derived from writing up the metal reserve on the basis of the new parity rate	7,999.8
Total	10,657.3
Advances to the Treasury by the National Bank left outstanding	4,000.-

The residue of 4,000 million lei is represented by Treasury bills which the Bank will be able to mobilise. This balance will be progressively redeemed from the following resources :

(a) The sums falling to the State either as dividends on shares owned by the Government or as its share in profits of the Bank.

(b) The interest on certain bills and on the bonds of certain credit institutions, held by the National Bank for the account of the Treasury. These bills and bonds have been bought by the State in virtue of the stabilisation scheme and \$25 million of the stabilisation loan have been transferred to the National Bank (see page 221 regarding the utilisation of the loan).

(c) The proceeds of the funds deposited by the Treasury and invested in commercial securities through the National Bank.

(d) The sums obtained from the gold deposit at Moscow.

All the other funds devoted to the redemption of the debt to the National Bank under the convention of May 19th, 1925, return to the general State budget.

5. War debt to the Allies is due principally on account of supplies of war material, and that to the United States of America to food supplies purchased after the war. The war debts to Great Britain, the United States, Italy and France have now been funded.

The agreement regarding the funding of the debt to Great Britain was signed in London on October 19th, 1925. Great Britain has received Treasury bonds to the value of £18.5 million sterling, representing the principal of its claims. The accrued interest, which amounted to £6 million at the beginning of 1926, is deducted from Roumanian claims on account of compensation for damages resulting from the destruction of oil wells. This debt is redeemable in sixty-two years by means of the following annuities:

	£ (000's)
1926	50
1927	100
1928	150
1929	200
1930-1934	250
1935-1944	275
1945-1966	500
1967-1987	750

The annuities total £31.3 million.

The consolidation of the United States debt was effected by the agreement signed on December 4th, 1925. Under the agreement, this debt was fixed as on June 15th, 1925, at \$44.6 million, including arrears of interest. It is repayable in sixty-two years beginning with June 15th, 1926.

The annuities are fixed as follows :

	\$ (000's)
1926	200
1927	300
1928	400
1929	500
1930	600
1931	700
1932	800
1933	1,000
1934	1,200
1935	1,400
1936	1,600
1937	1,800
1938	2,000
1939	2,200
1940-1987	2,446

Thus the amount, consisting of capital and interest, which Roumania will have paid by the end of that period is 122.5 million dollars.

War debt to Italy was fixed at 157.9 million lire on June 30th, 1926, and is redeemable in fifty annuities of 2,250,000 lire for the first ten years ; 4,000,000 lire for a second similar period ; 5,500,000 lire for the third period and 6,500,000 lire during the last twenty years. The annuities thus total 247.5 million lire.

In the table of public debt, the figures shown for war debt to Great Britain, the United States of America and Italy represent the total of annuities outstanding.

Roumania's war debt to France was settled by the agreement signed in Paris on March 28th, 1928. The amount of the debt was fixed, in principal and interest accrued on December 31st, 1927, at 961.6 million gold francs.

On the other hand, France owes 434 million gold francs, representing the compensation due to Roumania for damage resulting from the destruction of the Roumanian oil-wells. Thus Roumania's net debt to France now stands at 527.6 million gold francs. Roumania has to make the following yearly payments :

	Gold francs (ooo,ooo's)
For 1928	1.3
» 1929	2.5
» 1930	3.8
» 1931	5.-
» 1932-1936	6.3
» 1937-1942	6.9
» 1943-1946	8.3
» 1947-1968	15.1
» 1969-1989	22.6

The payments are effected half-yearly : on March 1st and September 1st of each year in equal amounts. The whole of the first annuity was, however, payable on June 1st, 1928. Any delay involves payment of interest at 6 per cent.

6. A large proportion of the share of Austro-Hungarian loans for which Roumania became liable as one of the Succession States of that monarchy was settled under the Innsbruck Protocol of June 29th, 1923, and the Prague Agreement of November 1925.

7. The foreign 5% *rente* of 1926 was issued for the purchase of railways situated in Transylvania from seventeen private companies.

8. Payment of compensation in respect of destruction of machinery and plant at petroleum wells in 1916 was decided by the terms of conventions entered into between the Government and the petroleum companies, dated November 1st and 8th, 1926. These conventions were based on the agreement with Great Britain on October 19th, 1925, regarding the settlement of war debts. The amount of compensation was fixed at £9,978,890, payable in a period of forty years.

By the terms of the agreements signed by the Allies, one-half of these payments are to be met by Great Britain and one-half by France.

9. The " special charges arising from consolidation of Treasury bills " refer to relief credits and food supplies granted to Roumania after the war. The sums shown in the table represent the total annuities payable. Most of these charges will be cleared by 1935.

10. The table of public debt above does not cover the whole of Roumania's State obligations. It excludes : the war debt to France (settled subsequently to the date to which figures in the table refer) ; the cost of purchasing some private railways in the new provinces ; part of the Austro-Hungarian debt not included in the Innsbruck Protocol or the Prague agreement ; certain other obligations under the terms of the Peace Treaties.

11. On November 10th, 1928, a Convention was signed by Roumania and Germany. Roumania agreed, *inter alia*, to pay the interest and amortisation charges on unstamped pre-war bonds according to sliding scales which began with 35 per cent of the nominal gold value for the 1913 loan in 1928 and with 20 per cent for all other loans in 1929, rising in 1970 to 100 per cent for the 1913 loan, and to 50 per cent for all other loans. On the other hand, the German Government undertook to pay to Roumania 75.5 million Reichsmarks, in liquidation of certain outstanding claims, in the following manner :

- 30.5 million during the eight days following the exchange of the instruments of ratification ;
- 15 million Reichsmarks on April 1st, 1929 ;
- 15 million Reichsmarks on April 1st, 1930 ;
- 15 million Reichsmarks on April 1st, 1931.

These bonds have been discounted by a group of German bankers and the proceeds have been allotted by the Roumanian Government to some of the accounts created in connection with the 1929 stabilisation and economic development loan.

12. *The 1929 stabilisation and economic development loan.* — In order to obtain the resources necessary for the execution of the Government's stabilisation and economic development scheme, the Autonomous Monopolies Office was authorised, as stated above, page 215, to contract an international loan of \$101 million, the net proceeds of which were transferred to the State. The loan was contracted with the Chase National Bank, Blair & Co., and Dillon, Read & Co., for \$69 million, with the *Banque de Paris et des Pays-Bas* for 561,638,000 Fr. frs., and with Hambros Bank and Lazard Brothers & Co., for £2 million.

The loan bears 7 per cent interest, is redeemable in thirty years, and is exempt from all taxes, whether State or local.

The service of the debt, payable half-yearly on February 1st and August 1st, is secured by a direct first charge on the revenues of the Monopolies Office and is guaranteed by the State. The Monopolies Office also became responsible for 7 per cent of the nominal value of the coupons of the French block in respect of a portion of the French income-tax.

The *Svenska Tandsticks Aktiebolaget* took over \$30 million. The remainder (\$39 million) of the block in dollars was issued at 88 : \$5,000,000 in Germany ; \$1,000,000 in Austria ; \$3,000,000 in Belgium ; \$12,000,000 in the United States of America ; \$8,000,000 in Italy ; \$3,000,000 in the Netherlands ; \$2,000,000 in Roumania ; \$4,000,000 in Switzerland ; \$1,000,000 in Czechoslovakia.

The sterling block was issued at 88 in London and that in French francs at 92.

The annual service of this debt amounts to about 1,368 million lei, but in 1929 an additional sum of about 123 million lei will be necessary as the Monopolies Office undertook, (a) to make provision for the coupon of August 1st, 1929, as from May 31st, and to maintain this advance of two months in future ; (b) to constitute before February 1st, 1930, a reserve equivalent to three months' service.

The net proceeds of the loan have been, or are to be, utilised as follows :

	\$ (ooo,ooo's)
(a) Purchase of long-term bills and bills with insufficient liquidity from the National Bank.	10
(b) Advances granted by the National Bank to various credit institutions to be taken over by the State (Account A)	15
(c) Working capital fund of the Treasury (Account B)	11
(d) Working capital fund of the State railways (Account C)	9
(e) Investment fund of the State railways (Account D), minimum	35
(f) Fund for public works (Account E), maximum	10

In order to facilitate the execution of the stabilisation scheme, a technical adviser has been appointed, who will collaborate with the board of managers and the executive committee of the National Bank. He will be consulted on all matters regarding the application of the stabilisation scheme, the service of arrears and the execution of transfers stipulated for in the loan contract.

H. Reparation Payments to Roumania.

By the terms of the Agreement relating to the distribution of the annuities payable under the Dawes Plan, Roumania receives :

- (a) 1.1 per cent of German reparation payments ;
- (b) 1.1 per cent of the first half of Austrian, Hungarian and Bulgarian reparation payments and 20 per cent of the second half, that is, 10.55 per cent of the total.

Between November 11th, 1918, and August 31st, 1927, Roumania received from Germany, on account of reparations, payments to the value of 63.2 million gold marks, or 2,528.5 million lei, delivered in the form of :

	Gold marks	Lei
	(ooo,ooo's)	
Material for Roumanian railways	56.1	2,242.7
Material for shipping	-1	5.1
Pharmaceutical supplies	5.6	224.3
Cash	1.2	47.-
Miscellaneous deliveries	-2	9.4
	63.2	2,528.5

For the fourth year of application of the Dawes Plan, from September 1st, 1927, to August 31st, 1928, Roumania was to receive a sum of 14.8 million gold marks, or 590.1 million lei, which were to meet the cost of sanitary supplies ordered and railway material.

Up to the present, Roumania has received reparations from Bulgaria amounting to 1.9 million gold marks, or 75.9 million lei, which have been utilised for reducing the public debt.

By the terms of the Paris Agreement dated January 14th, 1925, Roumania's share receivable from Hungarian reparation payments was fixed at 10.55 per cent. These payments, however, are not to begin until the year 1930.

According to the terms of the Geneva Protocol granting a moratorium to Austria in respect of reparation payments, Roumania is not at present receiving any payment on that account. Under an agreement with Austria, concluded in 1925, Austria is to pay a sum of 950,000 gold crowns on account of certain restitution claims.

SPAIN

Notes on the Budget System.

1. Until 1924, the budget year began on April 1st ; from 1924 until 1926, on July 1st ; since January 1st, 1927, it has coincided with the calendar year. The intermediate periods arising from these changes in the financial year were provided for by special budgets.

The estimates are prepared by the Ministry of Finance and, since the autumn of 1923, submitted to the Council of Ministers (Military Directorate) before being sanctioned by the King. They must be published in the *Official Journal* on the day before the beginning of the budget year. Since October 1927, the budget has been submitted for discussion to the Consultative National Assembly. If the new budget has not been voted in time, the budget for the expiring financial year remains in force, provided that it has been duly voted. Thus the budget for 1924-25 remained in force during 1925-26. The budget for 1929 was voted at the same time as that for 1930.

2. Until June 1925, there was one general budget, comprising, with some exceptions of minor importance, all expenditure on State functions and the corresponding receipts. Since that date, the principle of unity of the budget has been abandoned and the following budgets introduced :

- (a) A special budget for capital investments in railways, in connection with the reorganisation of the private and State railway systems (Railway fund) ;
- (b) An extraordinary budget for capital investments in general (July 1926) ;
- (c) A fund for the extraordinary redemption of public debt, in June 1927.

The general budget is gross for both the administration proper and public undertakings, except some autonomous establishments and undertakings which are leased to private or semi-official bodies, for which only the net results are shown, e.g., the tobacco monopoly, some mines, since 1928 the newly established petroleum monopoly, etc. The general budget consists of :

Part A (Expenditure), which is divided into :

- (i) The general obligations of the State, Royal household, legislative bodies, public debt, pensions and the Supreme Audit Court ;
- (ii) The obligations of the ministerial departments, subdivided into chapters, articles and paragraphs.

Part B (Receipts), divided into :

- (i) Direct taxes ;
- (ii) Indirect taxes ;
- (iii) Monopolies and undertakings ;
- (iv) Properties, royalties etc. ;
- (v) Various Treasury receipts, including loans.

Expenditure on the ministerial departments is further classified under :

- (a) Permanent expenditure, subdivided into expenditure on personnel and material and miscellaneous expenditure for the central and provincial administrations ;
- (b) Small appropriations for liabilities on account of previous years requiring legislative authorisation ; and
- (c) Temporary expenditure, that is, expenditure on supernumerary officials, advances, extraordinary subsidies, and, until July 1926, all capital goods. While a portion of the receipts of the Railway fund and the Amortisation fund consists of transfers from the general

budget, the extraordinary budget is entirely independent of it. It was voted for the period from July 1926 to December 31st, 1936, and amounted to 3,538.9 million pesetas, which are to be covered by the issue of loans.

There are some receipts earmarked for special purposes ; for instance, the surtax on real estate is devoted to educational purposes, that on successions beyond the fourth degree of relationship to the fund of the National Provident Institute for Old-age Pensions for Workmen ; the yield of the tax (licences and taxes on tickets) on shipping companies which undertake transport of emigrants is placed in the Emigration fund ; a small part of the proceeds of the lottery monopoly is assigned to benevolent associations as compensation for the abolition of private lotteries, etc. On the other hand local authorities have a share in the proceeds of certain taxes. The expenditure on monopolies and public undertakings worked by the State is shown under the expenditure of the various ministries on which they depend. No special appropriations for pensions or debt service are shown separately.

3. The Budget Law proper enumerates in its introduction items of expenditure the amounts of which are not specifically stated in Part A or may be increased up to such sums as are required for complete fulfilment of duly acknowledged liabilities. Apart from these items, the various departments are not authorised to exceed the appropriations granted or to transfer the grants from one service to another. If those appropriations should prove insufficient or unforeseen expenses be incurred, supplementary or extraordinary appropriations are granted by royal decree.

4. The accounts are closed on the last day of the budget year. All appropriations which have not been utilised by that date are annulled, with the exception of permanent appropriations specifically enumerated in the general budgets and the appropriations in the extraordinary budget.

The Ministry of Finance publishes in the *Official Journal* monthly statements of the cash accounts and, six to ten months after the close of the budget year, provisional accounts of the budgetary transactions and the situation of the Treasury. The definitive statements are not available until some years later.

The statements for each year refer to claims and liabilities which have arisen and been acknowledged (administrative accounts), to all cash transactions effected in the current year (cash accounts), and to the arrears at the end of the year. Collections on account of previous years are shown in special columns of the statement ; but for payments on account of previous years (forming in some cases more than 20 per cent of the total payments) only aggregate sums are appended to the accounts of the various ministries.

A comparison of the budget estimates and the closed accounts can only be made after taking into account supplementary, extraordinary and "permanent" credits and the payment of arrears and after allowing both for the items mentioned above which are either not specifically indicated or only roughly estimated, and for expenditure authorised by the Accountancy Law or special laws and not specified in the estimates. The total of such items amounted in 1927 to 927 million pesetas, or about 30 per cent of the voted budget.

5. The difference between revenue and expenditure is not shown in the estimates, but the closed accounts give the balance between claims acquired by the State and liabilities incurred, cash receipts and expenses as well as arrears of revenue and expenditure. Proceeds of credit operations are included in the figures showing claims acquired by the State and cash revenue.

A surplus or deficit is not transferred to the succeeding year, but increases or diminishes the Treasury balance.

Until 1927, the Finance Law authorised the Government to issue loans and Treasury obligations to cover deficits or extraordinary and temporary expenditure voted in the general budgets. The law creating the extraordinary budget authorised the Government to issue loans to cover the total amount of extraordinary expenditure and the law creating the railway fund authorised the issue of 2,600 million pesetas in several blocks. The Council of Ministers fixes the conditions of issue. The amount of floating debt which the Government might incur was, until 1926, generally limited to a maximum of one-fourth of the estimated expenditure. Since 1927, the limit has been one-eighth, which may only be exceeded in case of war or grave internal disturbances.

6. The Government keeps various accounts with the Bank of Spain. In addition to an old statutory advance of 150 million pesetas free of interest, which does not fall due before 1946, the bank may grant advances to the Treasury up to a limit of 350 million pesetas, of which 200 million pesetas are free of interest ; if the advances remain above the limit of 200 million pesetas for a period of six months, the Treasury has to pay 1 per cent interest on the amount in excess

of 200 million, and if they are prolonged for nine months or more, 2 per cent. The bank has, moreover, taken over the responsibility for promissory notes in connection with certain overseas liabilities (on account of former colonies: Cuba, Porto Rico and the Philippines) which bear 2 per cent interest and are now being gradually redeemed by part of the proceeds of a special discount operation.

If the bank dividend amounts to more than 10 per cent of the nominal capital (177 million pesetas), the Government receives 5 per cent of the profits of the bank and in addition shares on a sliding scale in the profits up to 52 per cent if the dividend exceeds 20 per cent. There is no tax on the issue of notes.

7. The national budget covers expenditure on the Roman Catholic Church and a very large part of that on education, public works and economic administration. On the other hand, social relief and health services are mainly provided for by local authorities and private organisations, the Government defraying only the expenditure on some central offices and subsidies and advances for social purposes.

The relation between the expenditure of the State and the local authorities is in the ratio of about 4 to 1. The State, provincial and municipal budgets are interdependent both on account of payment for services rendered and on account of payment of subsidies, contributions, transfers of taxes, shares in taxes and other sources of revenue, etc.

The following review, which was prepared in the summer of 1929, has been based on:

- (a) The estimates for 1924-25, 1925-26, the second half of 1926, 1927, 1928 and 1929;
- (b) The provisionally closed accounts for the years 1924-25 to 1927, as indicated above.

Note on Price Movement.

Index number of:	1913	1923	1924	1925	1926	1927	1928
Wholesale prices (annual average)	100	172	183	188	181	172	167
	Month of July						
Retails prices (foodstuffs)	100 ¹	177	184	189	187	189	176

¹ July 1914.

A. Summary of Budget Accounts.

The following table shows the administrative accounts (claims and liabilities) for the financial years 1923-24 to 1927 compared with the estimates for 1928 and 1929:

Pesetas (000,000's).

	1923-24	1924: second quarter	1924-25	1925-26	1926: second half-year	1927	1928	1929
	Provisionally closed accounts						Estimates	
Receipts, excluding proceeds of loans	2,747.2	722.9	2,956.2	3,000.-	1,537.4	3,307.5	3,258.5	3,399.8
Expenditure:								
General budget:								
Ordinary and temporary expenditure	3,414.-	966.8	3,504.8	3,492.-	1,580.7	3,363.5	3,257.6	3,370.1
Extraordinary budget	—	—	—	—	81.1	312.9	462.7	402.5
Total Expenditure	3,414.-	966.8	3,504.8	3,492.-	1,661.8	3,676.4	3,720.3	3,772.6
Balance	-666.8	-243.9	-548.6	-492.-	-124.4	-368.9	-461.8	-372.8
Proceeds of loans	923.9	304.6	802.7	400.-	220.-	2.5	462.7	402.5

The accumulated deficit for the period from April 1st, 1923, to December 31st, 1927, thus amounted to 2,444.6 million pesetas.

The following table shows the cash accounts for the financial years 1923-24 to 1928.

Pesetas (ooo,ooo's).

	1923-24	1924: second quarter	1924-25	1925-26	1926: second half-year	1927	1928
Provisionally closed accounts							
Receipts, excluding proceeds of credit operations	2,680.7	662.-	2,878.2	2,926.-	1,459.4	3,220.7	3,522.3
Expenditure :							
General budget :							
Ordinary and temporary expenditure	3,511.7	855.9	3,301.3	3,536.6	1,476.4	3,243.8	3,341.6
Extraordinary budget	—	—	—	—	81.1	312.9	443.-
Total expenditure	3,511.7	855.9	3,301.3	3,536.6	1,557.5	3,556.7	3,784.6
Balance	-831.-	-193.9	-423.1	-610.6	-98.1	-336.-	-262.3
Proceeds of loans	923.9	304.6	802.7	400.-	220.-	2.5	484.8

The accumulated cash deficit for the period from April 1st, 1923, to December 31st, 1927, amounted to 2,492.7 million pesetas, that is, 48.1 million more than the deficit on the administrative account. The loans raised during the same period totalled 2,653.7 million pesetas. It will be noticed that since 1926 the financial situation has greatly improved, the Treasury having been able to cover the deficits on the general accounts of the second half of 1926 and the year 1927 out of available Treasury funds without having recourse to borrowing, and the cash accounts of the general budget for 1928 even closed with a surplus of 180.7 million pesetas.

The whole of the floating debt, consisting of Treasury bills amounting to 5,225.5 million pesetas, was converted into consolidated debt in the spring of 1927.

The loans raised in the second half of 1926 and later are of long term and exclusively for the purposes of the extraordinary (investments) budget.

The situation of the Treasury will be seen from the following table :

Pesetas (ooo,ooo's).

	31. III. 1923	30. VI. 1924	30. VI. 1925	30. VI. 1926	31. XII. 1926	31. XII. 1927
<i>Assets :</i>						
Cash at the Bank of Spain	212.4	316.8	517.8	567.6	556.7	534.7
Unpaid budget claims :						
For the year just closed	139.2	236.4	172.3	152.8	128.7	175.3
For previous years	1,361.-	1,339.4	1,430.7	1,453.2	1,541.9	1,534.8
Overseas claims	471.6	471.6	471.6	471.6	471.6	471.6
Various debtors	407.6	450.3	465.6	467.9	459.2	486.3
Total	2,591.8	2,814.5	3,058.-	3,113.1	3,158.1	3,202.7
<i>Liabilities :</i>						
Unpaid budget liabilities :						
For the year just closed	240.8	300.-	363.3	361.1	407.9	545.8
For previous years and on account of municipalities	1,018.5	972.-	926.-	939.7	998.5	973.9
Advance from the Bank of Spain	212.3	150.-	150.-	150.-	150.-	150.-
Advances from the deposit institute	92.1	117.9	115.8	112.8	121.4	147.6
Treasury bills	3,101.-	4,049.-	4,825.5	5,225.5	5,225.4	1.-
Overseas liabilities	124.1	119.3	117.3	115.7	114.8	113.4
Other creditors	28.5	33.7	24.8	23.9	23.2	23.-
Total	4,817.3	5,741.9	6,522.7	6,928.7	7,041.2	1,954.7
Balance	-2,225.5	-2,927.4	-3,464.7	-3,815.6	-3,883.1	+1,248.-

It must be noted that the amounts representing the unpaid budget liabilities comprise those of the whole period since 1850, and, for the claims, even earlier than that date.

B. I. Ordinary Budget Estimates for the Financial Years 1928 and 1929 compared with the Provisionally Closed Accounts (Administrative Accounts) for the Financial Year 1925-26, second half of the Year 1926, and the Year 1927.

Pesetas (000,000's).

	1925-26	1926: second half-year	1927	1928	1929
	Provisionally closed accounts			Estimates	
<i>(a) REVENUE.</i>					
Direct taxes	1,081.6	565.6	1,268.6	1,182.7	1,228.3
Indirect taxes	1,134.-	561.-	1,212.9	1,172.2	1,225.3
Monopolies and public undertakings	669.9	346.3	700.6	796.9	829.2
State properties, royalties, etc. :					
<i>(a) Income</i>	62.9	24.9	55.1	52.6	55.1
<i>(b) Proceeds of sales</i>	1.4	-.3	1.4	1.8	
Other receipts of the Treasury	450.2	39.3	68.9	52.3	61.9
Total revenue	3,400.-	1,537.4	3,307.5	3,258.5	3,399.8
<i>(b) EXPENDITURE.</i>					
<i>A. General obligations of the State.</i>					
1. Royal household	9.5	4.8	9.5	9.5	9.5
2. Legislation	2.1	1.-	2.4	1.6	1.6
3. Public debt	727.2	409.2	964.7	845.9	854.1
4. Pensions	116.9	61.4	128.8	114.7	138.3
5. Supreme Audit Court	1.2	-.6	1.3	1.2	1.2
Total general obligations	856.9	477.-	1,106.7	972.9	1,004.7
<i>B. Obligations of Ministerial Departments.</i>					
1. Presidency of the Council of Ministers	14.9	14.9	28.8	29.1	49.-
2. Ministry of Foreign Affairs (1929 included in item 1 : Presidency)	12.8	7.-	15.9	15.9	
3. Ministry of Justice :					
<i>(a) Civil obligations</i>	36.8	18.3	35.7	37.5	40.1
<i>(b) Ecclesiastical obligations</i>	61.-	30.8	62.5	62.7	67.8
4. Ministry of War	453.9	189.5	352.8	352.-	366.9
5. Ministry of the Marine	202.9	72.9	155.3	164.2	167.-
6. Ministry of the Interior	265.6	125.8	258.1	257.-	271.8
7. Ministry of Public Instruction and Fine Arts	173.6	75.9	155.5	166.-	202.3
8. Ministry for Economic Development	463.-	161.2	286.-	294.3	271.6
9. Ministry of Labour, Commerce and Industry (1929 Labour)	27.6	14.-	26.4	25.1	37.2
10. Ministry of National Economy					22.9
11. Ministry of Finance	34.9	19.1	33.1	36.7	38.6
12. Cost of collection of taxes and public revenue			128.2	125.4	128.7
13. Share of local authorities and other bodies in taxes	455.7	183.4	325.9	385.4	396.7
14. Spanish possessions in West Africa	2.7	1.4	3.4	3.4	3.4
15. Moroccan affairs	429.7	189.5	346.2	287.2	260.2
16. Services in course of liquidation	—	—	43.-	42.8	41.2
Total Ministerial Departments	2,635.1	1,103.7	2,256.8	2,284.7	2,365.4
Total expenditure	3,492.-	1,580.7	3,363.5	3,257.6	3,370.1

B. II. Extraordinary Budget Estimates for the Financial Years 1928 and 1929 and the ten-year period 1926-1936 compared with the Provisionally Closed Accounts for the second half of the Year 1926 and the Year 1927.

Pesetas (000,000's).

	1926-1936	1926: second half-year	1927	1928	1929
	Estimates	Provisionally closed accounts		Estimates	
<i>(a) REVENUE.</i>					
Redeemable public debt	3,538.9	220.—	2.5	462.7	402.5
<i>(b) EXPENDITURE.</i>					
Presidency of the Council of Ministers	72.9	—	8.—	9.7	—
Ministry of:					
Foreign Affairs	29.—	—	4.2	4.6	—
Justice	30.—	—	2.9	4.—	—
War	631.6	18.5	40.1	60.3	65.—
the Marine	877.6	41.3	69.3	90.—	90.—
the Interior	65.6	1.—	3.—	13.6	—
Public Instruction	200.—	3.1	13.7	25.—	—
Economic Development	1,600.—	16.4	167.—	247.5	247.5
Finance	32.2	—8	4.7	8.—	—
Total	3,538.9	81.1	312.9	462.7	402.5

Note. — The extraordinary expenditure on the Presidency (Foreign Affairs), Justice, the Interior, Public Instruction and Finance was transferred in 1929 to the general budget. The estimated total of the extraordinary budget for the period of ten years indicated in the table has, therefore, been reduced from 3,538.9 to 3,202.7 million pesetas.

C. Analysis of Receipts.

	1925-26		1926: second half-year		1927		1928	
	Provisionally closed accounts						Estimates	
	Amount : Pesetas (000,000's)	Per- cent- age of total	Amount : Pesetas (000,000's)	Per- cent- age of total	Amount : Pesetas (000,000's)	Per- cent- age of total	Amount : Pesetas (000,000's)	Per- cent- age of total
<i>I. Taxes on income and property.</i>								
Tax on rural real estate	169.—	5.30	113.8	7.29	210.9	6.23	219.2	6.44
Tax on urban real estate	120.1	3.77	70.6	4.52	139.5	4.12	116.5	3.42
Business tax	179.8	5.64	89.5	5.73	194.5	5.75	167.5	4.92
Income-tax on trade, labour, and capital	374.8	11.76	177.6	11.37	409.3	12.10	377.—	11.07
Trade on the clergy	1.7	—05	—8	—05	1.8	—05	1.2	—04
Tax on mines	13.—	—41	8.2	—53	11.3	—34	12.—	—35
Tax on dignities and titles	2.—	—06	—6	—04	1.4	—04	2.—	—06
Personal tax	9.5	—29	1.8	—11	—3	—01	—	—
Total	869.9	27.28	462.9	29.64	969.—	28.64	895.4	26.30

C. Analysis of Receipts (continued).

	1925-26		1926: second half-year		1927		1928	
	Provisionally closed accounts						Estimates	
	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total
II. Taxes on production, use and transactions:								
A. Customs duties:								
Import duties	557.8	17.50	259.7	16.63	550.-	16.26	495.7	14.56
Export duties	3.2	-.10	1.3	-.08	2.4	-.07	2.5	-.07
Accessory Customs charges	6.7	-.21	3.9	-.25	7.2	-.21	6.5	-.20
Duties in the free ports of the Canary Islands	8.3	-.26	4.8	-.31	9.5	-.28	10.-	-.29
Total	576.-	18.07	269.7	17.27	569.1	16.82	514.7	15.12
B. Internal taxes on production, use and transactions:								
(a) Excise duties on:								
Sugar	92.2	2.89	48.-	3.08	102.2	3.03	100.-	2.94
Spirits	45.7	1.43	18.3	1.17	37.-	1.09	40.-	1.17
Beer	4.3	-.13	1.9	-.12	4.5	-.13	4.5	-.13
Chicory	2.1	-.07	1.-	-.07	2.3	-.07	2.-	-.06
Gas, electric light, etc.	30.3	-.95	13.9	-.89	31.9	-.94	32.-	-.94
Gunpowder and explosives	6.3	-.20	3.6	-.23	7.9	-.23	6.9	-.20
General excise duties	4.-	-.12	1.9	-.12	3.3	-.10	3.-	-.09
Total (a)	184.9	5.79	88.6	5.68	189.1	5.59	188.4	5.53
(b) Other internal taxes:								
Tax on safes	-4	-.01	-2	-.01	-3	-.01	-3	-.01
Tax on clubs and societies	-1	(-.003)	-.03	(-.002)	-.05	(-.001)	-1	(-.003)
Tax on carriages	-1	(-.003)	-.03	(-.002)	-1	(-.002)	-1	(-.003)
Taxes on transport by sea	41.4	1.30	17.8	1.14	44.3	1.31	43.-	1.27
Taxes on internal transport	69.5	2.18	37.-	2.37	69.3	2.05	68.-	2.-
Taxes on motor vehicles					21.1	-.62	34.-	1.-
Taxes on transport of emigrants	1.-	-.03	-4	-.03	1.3	-.04	1.-	-.03
Taxes on property transactions	149.3	4.68	87.5	5.60	211.4	6.25	201.-	5.91
Surtaxes on property transactions	10.5	-.33	1.2	-.08	2.8	-.08	—	—
Taxes on payments by the State and local authorities	14.6	-.46	7.8	-.50	16.9	-.50	17.-	-.50
Stamp duties	251.9	7.91	145.7	9.33	311.9	9.22	315.-	9.25
Surtax on stamp duties	5.9	-.19	—	—	—	—	—	—
Tax on the admission of securities to Stock Exchange transactions	-1	(-.003)	—	—	—	—	-1	(-.003)
Consular duties	4.3	-.14	2.2	-.14	8.1	-.24	9.-	-.26
Total (b)	549.1	17.23	299.9	19.20	687.6	20.32	688.6	20.23
Total II	1,310.-	41.09	658.2	42.15	1,445.8	42.73	1,391.7	40.88
III. Net surplus from State fiscal monopolies:								
Tobacco	260.4	8.17	135.1	8.65	278.7	8.24	273.3	8.03
Matches	12.2	-.39	9.-	-.58	16.7	-.49	16.-	-.47
Lotteries	95.7	3.-	102.1	6.53	112.3	3.32	113.8	3.34
Petroleum	—	—	—	—	—	—	78.-	2.29
Total III	368.3	11.56	246.2	15.76	407.7	12.05	481.1	14.13
Total of I, II and III	2,548.3	79.93	1,367.3	87.55	2,822.5	83.42	2,768.2	81.31

C. Analysis of Receipts (concluded).

	1925-26		1926: second half-year		1927		1928	
	Provisionally closed accounts						Estimates	
	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total
IV. <i>Fees, contributions and other administrative receipts:</i>								
Contributions from Navarra and the Basque Provinces	11.9	-37	5.9	-38	38.7	1.14	45.8	1.35
Payments by local authorities	16.5	-52	7.4	-47	17.8	-53	15.8	-46
Fees and other administrative receipts	54.4	1.71	40.2	2.58	70.3	2.08	54.3	1.59
Total	82.8	2.60	53.5	3.43	126.8	3.75	115.9	3.40
V. <i>Net surplus from public domain and undertakings:</i>								
Salt-works	1.4	-04	-8	-05	1.1	-03	1.7	-05
Mines (Almadén and Linares)	11.7	-37	4.3	-27	12.1	-36	14.-	-41
Real estate	-4	-01	-4	-03	-6	-02	-6	-02
Official Journal	—	—	—	—	—	—	-1	(-003)
Insurance	—	—	—	—	-1	(-002)	—	—
Total	13.5	-42	5.5	-35	13.9	-41	16.4	-48
VI. <i>Receipts from the Bank of Issue</i>	24.7	-78	—	—	29.3	-87	23.-	-68
VII. <i>Interest</i>	-1	(-003)	-1	-01	-3	-01	-1	(-003)
VIII. <i>Receipts from realisation of State assets:</i>								
Sale of non-revenue-yielding property	1.2	-04	-1	-01	-5	-01	-2	-01
Sale of revenue-yielding property	-3	-01	-2	-01	-8	-02	1.6	-04
Repayments of loans and allocations granted by the State	25.2	-79	10.6	-68	20.5	-61	17.4	-51
Total	26.7	-84	10.9	-70	21.8	-64	19.2	-56
Total receipts excluding proceeds of loans	2,696.1	84.57	1,437.3	92.04	3,014.6	89.10	2,942.8	86.43
Receipts from loan operations ¹	400.-	12.55	124.4 ¹	7.96	2.5	-07	461.8 ¹	13.57
Deficit	92.-	2.88	—	—	366.4	10.83	—	—
Grand Total	3,188.1 ²	100	1,561.7 ²	100	3,383.5 ²	100	3,404.6 ²	100

¹ Only that part of the loans has been included in the table above which was necessary to balance the expenditure.

² The totals in the table above are lower than those in the table on page 224 owing to the fact that the table above shows only net results of the working of monopolies, public domain and undertakings.

NOTES.

1. The line of distinction between taxes on income and property and those on production, use and transactions does not in all cases correspond to the division into direct and indirect taxes in the Spanish budget.

2. The modifications in the taxation system effected during the last few years were chiefly directed towards simplification, unification and increase of productivity.

3. Taxes on income and property :

(a) *Taxes on urban and rural real estate.* — The rates have not been modified since 1911 (14–20.25 per cent for rural real estate and 17–22 per cent for urban real estate). But the taxable yield was increased in March 1926 — in certain cases by 20–25 per cent.

(b) *Business tax.* — On May 11th, 1926, the grouping of the various categories of trade and professions was simplified. There are at present four groups : (i) commerce and small industry ; (ii) special professions and trades ; (iii) manufacture ; and (iv) handicraft. These groups are subdivided into many sections, classes, etc., and assessed according to different rates. The presumed or actual gross yield, after deduction of a certain percentage for losses, serves, however, as a general basis of assessment. The rates for the various categories are fixed each year by a consultative council attached to the Ministry of Finance. They must not be lower than 0.25 per cent or higher than 2 per cent of the annual gross receipts. In 1927, the lowest rate was 0.25 per cent of the gross yield of wholesale trade in foodstuffs and beverages ; the highest 1 per cent of that of commissioners, brokers, etc., while the rate for all industries not specified was 0.60 per cent.

(c) *Tax on income (Utilidades de la riqueza mobiliaria).* — (i) On December 15th, 1927, the classification in the first group, comprising income from labour, was simplified and the great differences formerly existing in the rates applicable to the various categories of salaried persons were diminished. They are at present grouped under the following four classes and assessed at progressive rates, the first three classes being exempt if the income is lower than 1,500 pesetas.

I. Public officials, etc. : 12 scales, beginning with 3 per cent on income from 1,500–2,000 pesetas and rising to a maximum of 12 per cent on income of 20,000 pesetas and over.

II. Members of liberal professions, private employees, etc. : 13 scales, beginning with 2.5 per cent on income from 1,500–2,000 pesetas ; maximum 11 per cent for 20,000 pesetas and over.

III. Actors, etc. : 5, 7 and 10 per cent of income according to remuneration per performance.

IV. Workmen and soldiers : assessed according to the rates for Class II, but exempt from the tax on salary not exceeding 3,250 pesetas a year or 10.85 pesetas per working day.

(ii) The rates of the tax on interest from loans have amounted since January 1928 to 6, 6.5, 7 and 7.5 per cent on interest below 4 per cent, from 4–6, from 6–7 and above 7 per cent of the principal respectively.

(iii) The other rates on income from capital and the rates on the income of the third group, *i.e.*, from capital and labour combined, have not been modified since 1922 (20 per cent interest from State loans ; 5.5 per cent on dividends equalling 5 per cent of capital, rising progressively to 17.25 per cent on dividends equalling 25 per cent of capital ; 6 per cent on profits equalling 5 per cent of capital, rising to 15 per cent on that part of the profit which exceeds 15 per cent of capital.

(d) The *personal tax*, which since 1907 has been a State tax in small localities only, was ceded to the provinces in January 1926.

4. Taxes on production, use and transactions :

(a) *Customs duties.* — The most important changes in Customs duties since 1925 have been : in February 1926 the diminution of duties on petroleum products ; in April 1926, the increase in the duties on wine and alcoholic beverages from 70 to 80 pesetas per hectolitre ; in July 1926, at the time of the prohibition of the import of wheat and wheat flour, an increase of duties on other cereals and certain other vegetable products. A special tax on cotton (0.05 peseta per kilogramme of raw cotton) was transferred directly to the committee of the textile industry. A general increase of 10 to 25 per cent on various groups of the tariff — animals, 15 per cent ; iron and ironware, 20 per cent ; other metals, except gold, silver and platinum, 10 per cent ; machinery, hardware, 20 per cent ; electrical material, 15 per cent ; vehicles, 20 per cent ; cotton yarn, 20 per cent and fabrics, 25 per cent ; other textile fabrics, 15 per cent ; wool and raw hair, 15 per cent ; yarn, 20 per cent ; fabrics, 20 per cent ; silk fabrics, 20 per cent ; in October 1926, an additional duty on silk and silk goods.

(b) *Excise duties.* — (i) The duty on *sugar* has amounted since 1922 to 45 pesetas per 100 kilogrammes net (the Customs duty being 85 pesetas). The duty on sweetening materials was raised in December 1927 to 12 pesetas per kilogramme (formerly 3 pesetas) for medical use, and to 40 pesetas for other purposes.

(ii) In April 1926, the duties on *spirits* made from wine were increased from 70 to 80 pesetas per hectolitre ; on other kinds of spirit from 100 to 110 pesetas ; but they were reduced on denatured spirit from 20 to 10 pesetas if made from wine residue, and to 15 pesetas if made from molasses. In October 1926, the licence duties on distilleries were abolished.

(c) In December 1926, some sub-headings were inserted in the existing tariff of the *tax on transport by sea*, resulting in a reduction of the tax on transport of iron pyrites from 1 to 0.75 peseta per metric

ton, and an increase in the tax on that of colonial foodstuffs (from 12 to 50 pesetas per ton), and of motor-cars (from 20 to 100 pesetas per ton).

(d) The tax on *motor vehicles* was formerly included in the tax on internal transport. In April 1927, all State and local taxes on motor vehicles were combined in a single tax, the local authorities and the National Roads Association (created in 1926) having a share in the proceeds to correspond to the yield of the taxes levied by them in the last budget year. The tax amounts to 100 pesetas for the first 5 horse-power, to 20, 25 and 33 pesetas for each horse-power up to 10, 16, and 22 horse-power respectively; and to 40 pesetas per each horse-power above 22.

(e) *Tax on property transactions.* — This tax is levied on transactions *inter vivos* and *mortis causa*, on real and personal property, property rights, and on mortmain property.

(i) The rates for transactions *inter vivos* vary from 0.25 to 5 per cent according to the nature of the transaction. On April 27th, 1926, the surtax (20 per cent of the State tax) on certain transactions which the provinces had levied since 1922 reverted to the State, so that the rates at present vary from 0.25 to 6 per cent. The provinces receive provisionally a share equal to the yield of the surtax in the last year.

(ii) On the same date, the system of application of succession duties was simplified. The eleven degrees of relationship which had been employed since 1920 were reduced to four and the rates in most of the classes were increased. There are ten scales for each class (property up to 1,000; 10,000; 50,000; 100,000; 250,000; 500,000; 1,000,000; 2,000,000; 5,000,000; and over 5,000,000 pesetas). The rates for heirs succeeding in direct line begin with 1 per cent and rise to 5 per cent on estates exceeding 5,000,000 pesetas. For the other three classes, the rates rise as follows: 16–23.25 per cent for collaterals of the third degree; from 19–25.25 per cent for those of the fourth degree; and from 24–30.75 per cent for all other degrees as well as for persons not related to the deceased.

(iii) By the same decree, an estate duty was created. The rates begin with 1 per cent on the net property of the deceased when not exceeding 10,000 pesetas, and rise by nine increments of 1 per cent up to 10 per cent on net property exceeding 5,000,000 pesetas. This tax is not levied if the property is inherited by a parent, grandparent, etc., or by a direct descendant of the deceased.

(iv) The rate of the tax on mortmain property has remained at 2.5 per mille annually since 1910.

(f) The *Stamp duties* include, besides the duties paid on various administrative, judicial and private documents and registers, the postage and telegraph stamps; hunting, fishing and arms licence duties; trade-mark duties; taxes on advertisements; playing-cards and public entertainments; and, since May 1926, a tax of 5 per cent on luxuries. In May 1926, the additional stamp duties (10 per cent of the State tax) which the provinces had levied since 1922 reverted to the State. At the same time, the rates were generally increased by a further 10 per cent or in certain cases more.

5. Navarra and the Basque Provinces enjoy wide fiscal autonomy, but make contributions to the State budget. At the end of 1926, the Government concluded an agreement for twenty-five years with the three Basque provinces of Vizcaya, Guipúzcoa and Álava by the terms of which the contributions were fixed as follows:

	Pesetas (ooo,ooo's)
1927–1931	40.—
1932–1936	40.5
1937–1941	41.—
1942–1946	42.5
1947–1950	45.—
1951	50.—

The contribution of Navarra was increased in August 1927 from 2 million to 6 million pesetas.

6. The payments by local authorities include 10 per cent of local revenue from forests and 20 per cent of revenue from other domains, the share of the State in some local taxes and local contributions to education, penitentiaries, etc.

7. *Repayment of loans and advances.*

The greater part of this item represents repayment of advances granted by the State to railway companies.

D. Analysis of Expenditure.

	1925-26		1926: second half-year		1927		1928	
	Provisionally closed accounts						Estimates	
	Amount : Pesetas (000,000's)	Per- cent- age of total	Amount : Pesetas (000,000's)	Per- cent- age of total	Amount : Pesetas (000,000's)	Per- cent- age of total	Amount : Pesetas (000,000's)	Per- cent- age of total
I. National defence :								
Army	433.8	13.61	196.4	12.58	386.1	11.41	398.8	11.72
Navy	160.5	5.03	91.-	5.83	169.5	5.01	197.5	5.80
Air force	20.1	-.63	11.6	-.74	23.3	-.69	30.7	-.90
Operations in Morocco	410.4	12.87	185.7	11.89	331.8	9.81	280.6	8.24
Total	1,024.8	32.14	484.7	31.04	910.7	26.92	907.6	26.66
II. Foreign affairs	12.8	-.40	7.3	-.47	20.2	-.60	20.6	-.60
III. Colonial affairs :								
Possessions in West Africa :								
Ordinary	2.7	-.08	1.4	-.08	3.4	-.10	3.4	-.10
Extraordinary	—	—	—	—	2.2	-.07	2.2	-.06
Administration of Morocco	13.3	-.42	3.8	-.25	14.4	-.42	6.8	-.20
Administration of Morocco :								
Repayable expenditure	6.-	-.19	—	—	4.5	-.13	6.-	-.18
Total	22.-	-.69	5.2	-.33	24.5	-.72	18.4	-.54
IV. Justice	36.8	1.15	18.3	1.17	37.9	1.12	41.3	1.21
V. Supreme organs of Government and general administration :								
Supreme organs of Government	25.9	-.81	19.3	1.23	33.1	-.98	35.2	1.03
General administration	41.-	1.29	21.5	1.38	48.4	1.42	50.6	1.49
Civil guard	99.8	3.13	48.4	3.10	98.1	2.90	99.2	2.91
Deficit on Official Journal	—	—	-.2	-.01	-.2	-.01	—	—
Total	166.7	5.23	89.4	5.72	179.8	5.31	185.-	5.43
VI. Public health	9.8	-.31	4.3	-.28	11.2	-.33	14.6	-.43
VII. Social administration	23.7	-.74	12.6	-.80	22.-	-.65	19.5	-.57
VIII. Economic administration :								
Central administration, agricul- ture, industry, commerce, etc.	69.6	2.18	33.1	2.12	82.9	2.45	77.7	2.27
Current expenditure on commu- nications and public works	127.-	3.98	67.9	4.35	136.-	4.02	151.6	4.46
Deficit on postal services	51.5	1.62	27.-	1.73	57.1	1.69	53.4	1.57
Deficit on telegraph and tele- phone service	33.1	1.04	21.2	1.36	38.3	1.13	36.-	1.06
Deficit on insurance	-.1	(-.003)	—	—	—	—	—	—
Allocations to railway fund	15.-	-.47	12.7	-.81	18.6	-.55	—	—
Capital expenditure on :								
Roads	126.1	3.95	63.4	4.06	200.-	5.91	274.5	8.06
Railways	62.6	1.96	—	—	—	—	—	—
Harbours and lighthouses	30.8	-.97	14.9	-.95	76.8	2.27	82.2	2.42
Waterworks	34.3	1.08	11.5	-.74	22.3	-.66	32.1	-.94
Paving in Madrid	1.2	-.04	-.7	-.04	—	—	—	—
Reafforestation	—	—	—	—	4.5	-.13	12.8	-.38
Total	551.3	17.29	252.4	16.16	636.5	18.81	720.3	21.16
IX. Education :								
Primary instruction	112.4	3.53	56.1	3.59	115.6	3.42	125.3	3.68
Other expenditure	61.2	1.92	22.9	1.46	53.9	1.59	82.5	2.42
Total	173.6	5.45	79.-	5.05	169.5	5.01	207.8	6.10

D. Analysis of Expenditure (continued).

	1925-26		1926: second half-year		1927		1928	
	Provisionally closed accounts						Estimates	
	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total	Amount: Pesetas (000,000's)	Per- cent- age of total
X. Church	61.-	1.91	30.8	1.97	64.-	1.89	64.2	1.89
XI. Financial administration:								
Customs guard	55.2	1.73	27.4	1.75	52.9	1.56	52.9	1.55
Other expenditure	71.1	2.23	36.5	2.34	80.-	2.37	84.1	2.47
Deficit on Mint and stamp- printing office	4.4	-.14	3.1	-.20	4.1	-.12	2.6	-.08
Total	130.7	4.10	67.-	4.29	137.-	4.05	139.6	4.10
XII. Payments to provinces, municipa- lities, etc.	77.1	2.42	35.1	2.25	72.9	2.15	96.9	2.85
XIII. Pensions:								
Fighting services	82.-	2.57	43.5	2.78	88.4	2.61	77.2	2.27
Civil services	34.9	1.10	17.9	1.15	40.5	1.20	37.6	1.10
Total	116.9	3.67	61.4	3.93	128.9	3.81	114.8	3.37
XIV. Debt service:								
Administration	1.3	-.04	-.7	-.04	1.4	-.04	2.-	-.06
Interest	686.8	21.54	386.6	24.76	853.6	25.23	787.7	23.14
Repayment	39.1	1.23	21.9	1.40	109.7	3.25	56.2	1.65
Total	727.2	22.81	409.2	26.20	964.7	28.52	845.9	24.85
XV. Investments in revenue-yielding assets:								
Outlay on postal services	1.4	-.04	1.-	-.06	1.8	-.05	8.1	-.24
Outlay on telegraph services	3.1	-.10						
Loans and advances	49.2	1.55	4.-	-.26	1.9	-.06	—	—
Total	53.7	1.69	5.-	-.32	3.7	-.11	8.1	-.24
Total expenditure	3,188.1	100	1,561.7	100	3,383.5	100	3,404.6	100

The totals in the table above are lower than those in the table on page 224 owing to the fact that the table above shows only net results of the working of public domain and undertakings.

NOTES.

1. *Defence.* — The sub-heading "Navy" includes some expenditure of a civil character. Certain expenditure on material, subsidies to navigation companies and premiums for the construction of new ships, which have amounted to about 40 million to 60 million pesetas during recent years, has been transferred to "Economic administration".

2. Expenditure on *Colonial affairs* represents deficits incurred by possessions in West Africa, covered by the home country, and the cost of the administration of Morocco.

3. *Supreme organs of Government and general administration* also include expenditure on public health and social administration, which it has not been possible to show separately.

4. *Economic administration.* (a) The sub-heading "Central administration, etc.", includes expenditure on social administration, which it has not been possible to show separately.

(b) The deficit on postal, telegraph and telephone services is apparent only, as the receipts from postage and telegraph stamps are included with the State stamp duties.

(c) *Allocations to Railway fund and capital expenditure on railways.* — Since the creation of the autonomous Railway fund mentioned in the notes on the budget system, the reimbursements on account of advances formerly granted by the State to the railway companies have been transferred to this fund. Since July 1926, the general budget has not contained any further expenditure on railway construction.

5. The *Payments to Provinces, Municipalities, etc.*, include their shares in the tax on real estate, the business tax, the tax on transactions, stamp duties and, since 1927, in the tax on motor vehicles. Until July 1926, some of these payments were shown in the closed accounts jointly with other expenditure. The difference between the estimated amount of this expenditure and the total actual expenditure on the items involved is included in the table above in "Payments to Provinces, Municipalities, etc."

6. It has not been possible to show the pensions on account of the Moroccan war separately. The figures for the Ministries of War, the Marine, the Interior and the section for the collection of tax revenue include various minor pension payments.

7. *Debt service.* — The closed accounts do not show separately the amount devoted to debt redemption. In the table above, the estimated amount of redemption has, therefore, been shown.

8. *Investments in revenue-yielding assets.* — The item "Loans and advances" for 1925-26 represents advances to railway companies. Such advances have since that year been granted from the autonomous Railway fund.

E. State Fiscal Monopolies.

Pesetas (000,000's).

	1925-26	1926: second half-year	1927	1928
	Provisionally closed accounts			Estimates
<i>Tobacco:</i>				
Net receipts	260.4	135.1	278.7	273.3
<i>Matches:</i>				
Gross receipts	43.8	23.6	39.8	40.-
Working expenses	31.6	14.6	23.1	24.-
Balance	+ 12.2	+ 9.-	+ 16.7	+ 16.-
<i>Lotteries:</i>				
Gross receipts	351.1	184.1	370.-	390.-
Working expenses	225.4	82.-	8.8	9.2
Lottery winnings paid			248.9	267.-
Balance	+ 95.7	+ 102.1	+ 112.3	+ 113.8
<i>Petroleum:</i>				
Net receipts . . . . .	...	...	...	78.-
Total net Balance	+ 368.3	+ 246.2	+ 407.7	+ 481.1

NOTES.

1. In 1921, the Government concluded a new contract with the company to which the manufacture and sale of tobacco and its products had been leased, to run until 1941. The company is entitled to a commission of 3 per cent of the net proceeds up to 150 million pesetas and 4 per cent of the proceeds in excess of 150 million pesetas. The company undertakes the sale of stamps, for which it receives a commission of 0.75 per cent of the net yield up to 150 million pesetas and of 1 per cent of the yield in excess of that amount. Lastly, it has undertaken the transport, warehousing and sale of matches without remuneration. The company reimburses the State for expenditure on control. This amount is included in the item "Fees" in the budget.

2. In 1911, the manufacture of matches was taken over by the State; but in 1916 the Government was authorised to lease it, and a contract was made in 1921, which also comprised the manufacture of lighting apparatus. The gross receipts include the proceeds of the tax on mechanical lighters.

3. The *lottery* monopoly is under the direct management of the State. Subsidies to charitable societies as compensation for private lotteries abolished or other subsidies paid from the yield of lotteries are not included in the figures above.

4. The import, manufacture, storage, distribution and sale of *liquid mineral combustibles and their derivatives* throughout the country and the Balearic Islands were leased to a company for twenty years in January 1928. The capital of the company amounts to 195 million pesetas, in which shares to the value of 45 million pesetas were given free of charge to the State. The company is entitled to a commission of 4 per cent of the proceeds of the monopoly. Besides the dividend on its shares, the State has a share in profits in excess of 8 per cent of the capital, 25 per cent of profits amounting to 8-10 per cent and 50 per cent of profits exceeding 10 per cent.

F. Public Domain and Undertakings.

Pesetas (000,000's).

	1925-26	1926: second half-year	1927	1928
	Provisionally closed accounts			Estimates
<i>Salt-works :</i>				
Net receipts	1.4	-8	1.1	1.7
<i>Mines :</i>				
(a) Almadén :				
Net receipts	11.-	4.-	12.1	13.-
(b) Linares :				
Gross receipts	2.8	-3	...	1.-
Working expenses	2.1	...	...	...
Balance	+ -.7	+ -.3	...	+ 1.-
<i>Real estate :</i>				
Gross receipts	-5	-4	-7	-7
Working expenses	-1	...	-1	-1
Balance	+ -.4	+ -.4	+ -.6	+ -.6
<i>Mint and stamp-printing office :</i>				
Gross receipts	1.1	-7	-2	1.2
Working expenses	5.5	3.8	4.3	3.8
Balance	- 4.4	- 3.1	- 4.1	- 2.6
<i>Official Journal :</i>				
Gross receipts	1.1	-4	1.1	1.3
Working expenses	1.1	-6	1.3	1.2
Balance . . . . .	...	- -.2	- -.2	+ -.1
<i>Post Office :</i>				
Gross receipts ¹	6.9	1.2	5.5	7.-
Working expenses	58.4	28.2	62.6	60.4
Balance	- 51.5	- 27.-	- 57.1	- 53.4
<i>Telegraph and telephone services :</i>				
Gross receipts ¹	5.5	1.1	5.1	0.-
Working expenses	38.6	22.3	43.4	42.-
Balance	- 33.1	- 21.2	- 38.3	- 36.-

¹ Excluding receipts from stamps.

F. Public Domain and Undertakings (continued).

Pesetas (000,000's).

	1925-26	1926: second half-year	1927	1928
	Provisionally closed accounts			Estimates
<i>Insurance :</i>				
Gross receipts	-.1	-.1	-.2	...
Working expenses	-.2	-.1	-.1	...
Balance	— -.1	...	+ -.1	...
Total surplus	13.5	5.5	13.9	16.4
Total deficit	89.1	51.5	99.7	92.-
Net Balance	— 75.6	— 46.-	— 85.8	— 75.6

NOTES.

1. *Salt-works.* — The figures above refer to the salt-works of Torrevieja, which were leased on September 26th, 1923. The budget shows only an insignificant amount for fiscal control. The State receives a fixed annual rent of 1,000,000 pesetas and 0.15 peseta on each quintal sold. The value of the salt-works of Torrevieja has been estimated at 15.75 million pesetas.

2. *State mines.* — The quicksilver mines of Almadén are at present worked by an autonomous board of administration created in 1916, and in 1921 the lead mines of Arrayanes (Linares) were also entrusted to that body. The mines of Almadén and Arrayanes are valued at 200 million and 22.9 million pesetas respectively. The figures in the tables do not show total working expenses as the expenditure of the Ministry of Finance contains expenditure on the personnel of the mines, which it has not been possible to separate. Pensions to Almadén miners are not included in the working expenses, but combined with others in the general item " Civil pensions " (about 1.3 million pesetas).

3. *Real estate.* — A royal decree of 1921 ordered the transfer of the administration of all public forests to the Ministry for Economic Development. In the most recent inventory of State domain available (1921), urban real estate is valued at 449.3 million pesetas, State forests at 31.9 million and the remaining rural estate at 46.7 million. As stated in the note on the analysis of revenue, the State receives 10 per cent of the revenue from forests owned by local bodies and 20 per cent of the revenue from other domain.

4. The State owns several *canals*, of which the Aragon Canal is the most important. Working expenses of canals are given under the expenditure of the Ministry for Economic Development jointly with other expenditure on water-works, while the receipts amount to 0.4 million pesetas. These receipts are included in the revenue table under the item " Fees ". The expenditure on the Canal de Isabel II is not included in the budget.

5. Part of the expenditure on the personnel of the *Mint* is included in the expenditure of the Ministry of Finance, so that the figures given in the table are not complete. Further, part of the expenditure on the Mint is combined with that on printing stamps.

6. The expenditure on the editorial and administrative staff of the *Official Journal* is included in the expenditure on personnel in the budget of the Ministry of the Interior. The " working expenses ", therefore, comprise only expenditure on material, of which a part is paid to the licensed private office which prints the journal.

7. The gross receipts of the *postal, telegraph and telephone services* do not comprise the proceeds of the sale of stamps, which are included among receipts from stamp duties in the budget. It has not been possible to show the real balance of these services, but statistics of previous years indicate positive balances.

8. The *railway* mileage under the direct management of the State is small. Expenditure on the State railways was included until 1926 under the general item " Railways " in the budget of the Ministry for Economic Development and cannot be distinguished from other expenditure. Railways in Spain have been constructed, generally speaking, by the State and worked by companies holding concessions, with reversion to the State after ninety-nine years or less. In order to assist the railways, the State has guaranteed the interest on bonds issued, granted subsidies and advances for salaries and the acquisition of rolling-stock, those advances being repayable in twenty annuities, including 5 per cent interest. By

various royal decrees in 1924 and 1925, the system of private and State railway management was reorganised; a supreme Railway Council was instituted, which assumed control of State and private railways, and provision was made for the constitution of an autonomous Railway fund which finances outlay on renewals, improvements and new construction. The issue of a railway loan of 2,600 million pesetas in various blocks at 5 per cent interest and repayable in fifty years was authorised in July 1925. By June 1928, 800 million pesetas had been raised. Besides the proceeds of loans the fund has at its disposal the following receipts: (a) an annual allocation from the general budget for covering the obligations created by the new system; (b) the reimbursement of advances granted to the railway companies; (c) the State's share in the profits of the companies; (d) the difference between current proceeds of taxes on passengers and goods and their yield in 1923; (e) all profits obtained by the State from leasing and working railways.

According to the most recent valuation available, the capital value of the Spanish railway system amounts to 3,777 million pesetas. From the first concession until March 1922, the State had expended 767.6 million pesetas on subventions, constructions and preparatory investigations.

G. Public Debt.

(i). Table showing the Public Debt in 1913 and since 1922.

Pesetas (000,000's).

Date	Domestic debt						Foreign debt		Total debt	
	Funded		Floating		Total		Amount	Move- ment (+ or—)	Amount	Move- ment (+ or—)
	Amount	Move- ment (+ or—)	Amount	Move- ment (+ or—)	Amount	Move- ment (+ or—)				
December 31st :										
1912	8,807.—	...	190.9	...	8,997.9	...	1,035.—	...	10,032.9	...
1922	10,950.2	+ 2,143.2	3,333.4 ¹	+ 3,142.5	14,283.6	+ 5,285.7	917.4	—117.6	15,201.—	+ 5,168.1
1923	10,911.4	— 38.8	3,576.1 ²	+ 242.7	14,487.5	+ 203.9	917.4	...	15,404.9	+ 203.9
1924	10,887.2	— 24.2	5,072.6	+ 1,496.5	15,959.8	+ 1,472.3	917.4	...	16,877.2	+ 1,472.3
1925	10,827.3	— 59.9	5,471.8	+ 399.2	16,299.1	+ 339.3	917.4	...	17,216.5	+ 339.3
1926	11,064.9	+ 237.6	5,471.1	— .7	16,536.—	+ 236.9	917.4	...	17,453.4	+ 236.9
1927	16,900.5	+ 5,835.6	246.—	— 5,225.1	17,146.5	+ 610.5	917.4	...	18,063.9	+ 610.5

¹ At the end of March 1923.

² At the end of March 1924.

The floating debt comprises Treasury bills and bonds (including those on account of overseas liabilities) and the debt to the Bank of Spain.

The foreign debt comprises loans issued abroad. A considerable portion of the bonds is held by persons domiciled in Spain.

(ii). Table showing the Public Debt in 1913 and since 1922, in actual figures and reduced to pre-war price level.

Date	Public debt		Index number of wholesale prices	Public debt reduced to pre-war price level	
	Amount : Pesetas (000,000's)	Percent- age of 1912		Amount : Pesetas (000,000's)	Percent- age of 1912
December 31st :					
1912	10,032.9	100	100 ¹	10,032.9	100
1922	15,201.—	152	172	8,837.8	88
1923	15,404.9	154	176	8,752.7	87
1924	16,877.2	168	198	8,523.9	85
1925	17,216.5	172	187	9,206.7	92
1926	17,453.4	174	186	9,383.5	94
1927	18,063.9	180	169	10,688.7	107

¹ 1913.

(iii). Table showing the amount of Debt Service — interest on and amortisation of Public Debt — for the financial year 1912 and since 1922, in actual figures and reduced to pre-war price level.

Financial year ending	Accounts	Debt service		Index number of wholesale prices	Debt service reduced to pre-war price level	
		Amount : Pesetas (ooo,ooo's)	Percent-age of 1912		Amount : Pesetas (ooo,ooo's)	Percent-age of 1912
December 31st, 1912	Closed accounts	451.8	100	100	451.8	100
March 31st, 1922		803.3	178	177	453.8	100
March 31st, 1923		669.6	148	171	391.6	87
March 31st, 1924		959.6	212	180	533.1	118
(Quarter ending)	Provisionally closed accounts			%		
June 30th, 1924		228.7	202	179	511.6	113
June 30th, 1925		764.—	169	187	408.6	90
June 30th, 1926		727.2	161	177	410.8	91
(Half year ending)	Estimates					
December 31st, 1926		409.2	181	186	220.—	97
December 31st, 1927		964.7	214	169	570.8	126
December 31st, 1928		845.9	187	175	483.4	107

(iv). Table showing the Public Debt and Debt Service per head of population, in actual figures and reduced to pre-war price level.

Date	Population (ooo's)	Public debt per head of population		Financial year	Debt service per head of population	
		In actual figures	Reduced to pre-war price level		In actual figures	Reduced to pre-war price level
		Pesetas			Pesetas	
December 31st :						
1912	19,951	502.9	502.9	1912	22.6	22.6
1922	21,503	706.9	411.—	1922-23	31.1	16.5
1923	21,640	711.9	404.5	1923-24	44.3	25.4
				1924, IV-VI	10.5	5.8
1924	21,763	775.5	391.7	1924-25	35.1	18.7
1925	21,967	783.7	419.1	1925-26	33.1	17.9
				1926, VII-XII	18.5	9.9
1926	22,128	788.7	424.1	1927	43.—	24.7
1927	22,444	804.8	476.2	1928	37.4	21.4

Table giving details of the Funded Debt as on December 31st, 1924, 1925, 1926 and 1927.

Pesetas (ooo,ooo's).

	December 31st, 1924	December 31st, 1925	December 31st, 1926	December 31st, 1927
<i>Funded debt :</i>				
Domestic debt :				
4% Internal	8,377.2	8,351.5	8,400.1	8,655.4
4% Redeemable (1908)	138.9	137.—	135.—	133.—
5% Redeemable (1900, 1920)	1,378.—	1,352.3	1,325.2	1,296.9
5% Redeemable (1917)	993.1	986.5	979.6	972.3
5% Redeemable (1926), free of income tax	—	—	225.—	225.—
5% Redeemable (1927), free of income tax	—	—	—	3,546.5
5% Redeemable (1927) subject to income tax	—	—	—	2,071.4
Total Domestic funded debt	10,887.2	10,827.3	11,064.9	16,900.5
Foreign debt :				
4% External	910.7	910.7	910.7	910.7
3% External	6.7	6.7	6.7	6.7
Total Foreign funded debt	917.4	917.4	917.4	917.4
Total Funded debt	11,804.6	11,744.7	11,982.3	17,817.9

Table giving details of the Floating Debt as on June 30th, 1925 and 1926,
and on December 31st, 1926 and 1927.

Pesetas (ooo,ooo's).

	June 30th, 1925	June 30th, 1926	December 31st, 1926	December 31st, 1927
<i>Floating debt :</i>				
Treasury Bills :				
5% due February 4th, 1927	1,095.4	1,095.4	1,095.4	—
5% due April 15th, 1928	700.—	700.—	700.—	-.5
5% due November 4th, 1928	1,275.—	1,275.—	1,275.—	-.1
5% due January 1st, 1929	1,255.1	1,255.1	1,255.1	-.2
5% due June 5th, 1930	500.—	500.—	500.—	-.1
5% due April 8th, 1930	—	400.—	400.—	-.1
Total Treasury bills	4,825.5	5,225.5	5,225.5	1.—
Statutory debt to the Bank of Spain	150.—	150.—	150.—	150.—
Overseas liabilities	97.1	97.1	95.6	95.—
Total Floating debt	5,072.6	5,472.6	5,471.1	246.—

NOTES.

1. The figures for funded domestic debt shown in the tables above do not include bonds withdrawn from circulation for the purpose of conversion, redemption, etc.

2. The tables above do not include: (a) the loan of 300 million pesetas raised in October 1923 for construction of railways; (b) the loans raised by the Supreme Railway Council — 300 million in October 1925 and 200 million in 1927 (300 million were raised in April 1928); (c) the loan of 20 million pesetas raised in 1921 for development of national industry.

3. While, in 1919, 489.8 million pesetas of the 4% Foreign debt were owned by persons domiciled in Spain, the corresponding amount in 1925 was about 830 million pesetas. In that year the outstanding bonds of the 4% Perpetual external debt were exchanged for new bonds of two classes: (i) sealed bonds — those held by foreigners, the service of which is payable in London, Paris and Berlin in sterling, francs and marks; and (ii) bonds held by persons domiciled in Spain.

4. In June 1926, an Amortisation fund for extraordinary redemption of debt was created. The receipts of this fund consist of:

- (a) A yearly allocation of not less than 5 million pesetas from the general budget;
- (b) Estates reverting to the State;
- (c) Proceeds of sales of real estate ceded to the State in payment of taxes due;
- (d) The amount of salaries budgeted for but not spent in consequence of death, superannuation, etc.;
- (e) A new additional tax of 0.10 per cent on payments made by the State;
- (f) Gifts and legacies not earmarked for specific purposes;
- (g) Surpluses on the ordinary budget.

5. In October 1926, the Government issued a loan of 225 million pesetas at 99 per cent, carrying interest at 5 per cent. The proceeds of this loan, which is exempt from income tax and redeemable in fifty years from January 1st, 1937, served for execution of the works estimated for in the extraordinary budget. A loan of 500 million pesetas was raised in the spring of 1928. It was issued at 98 per cent, bears interest at 4.5 per cent, is exempt from income tax and redeemable in fifty years from January 1st, 1938.

6. In the spring of 1927, the Government succeeded in consolidating the entire floating debt, consisting of Treasury bills, which amounted to 5,225.5 million pesetas in December 1926. The consolidation was performed in two steps: voluntary conversion of 4,810.4 million pesetas and forced conversion or repayment of the remaining 415.1 million pesetas, 377 million being converted and only 38.1 million repaid in cash. The new consolidated debt bears interest at 5 per cent and consists of two classes of bonds: (a) bonds exempt from income tax exchanged at the rate of 100 pesetas nominal to 98 pesetas of old Treasury bonds and redeemable in fifty years from January 1st, 1937; (b) bonds subject to income tax (20 per cent) at the rate of 100 pesetas to 85.5 pesetas of old Treasury bonds and redeemable in fifty years from January 1st, 1928.

By means of these transactions, the State converted Treasury bills to the amount of 5,225.5 million pesetas maturing during the next four years into a long-term liability nominally amounting to 5,617.9 million pesetas repayable in sixty years.

7. In the spring of 1928, conversion of a portion of the 4% Perpetual internal debt into redeemable debt was effected. The debt is free of income tax, redeemable in seventy years from January 1st, 1929, and consists of two classes: (a) 3% bonds exchanged at the rate of 100 pesetas nominal to 100 (converted amount, 2,034.35 million pesetas); (b) 4% bonds exchanged at the rate of 80 nominal pesetas of new bonds to 100 pesetas of old bonds. Old bonds to the value of 1,372.6 million pesetas were converted into new bonds to the value of 1,098.13 million pesetas. While the first block leaves the nominal amount unchanged, it involves a loss of 20 per cent in interest to the owner (yield of the old bonds, 4 per cent — 20 per cent income tax = 3.20 per cent; actual yield, 3 per cent), the second block reduced the nominal capital by 20 per cent (total debt reduction = 247.54 million pesetas) and leaves the yield unchanged (yield of the old bonds as above, 3.20 per cent against 4 per cent yield of 80 nominal = 3.20 per cent).

8. On December 15th, 1923, a group of Spanish bankers granted a loan of 52.3 million pesetas to the Austrian Government. The loan, which was not open to public subscription, bears 6 per cent interest and is repayable in twenty years. Following the lines of the League of Nations loan to Austria, this independent loan is secured on the one hand by a guarantee of the Spanish Government and on the other by the Austrian Customs and tobacco receipts.

The following table shows the public debt as on December 31st, 1927, in Spanish currency and in U. S. A. dollars.

Rate of exchange: \$1 = 5.90 pesetas.

	Pesetas (000,000's)	In U. S. A. dollars (000,000's)
Domestic debt	16,921.5	2,868.05
Foreign debt	917.4	155.49
Total debt	17,838.9	3,023.54
Debt per head of population	794.8 pesetas	134.7 dollars

H. Local Finance.

A. BUDGETS AND ACCOUNTS.

I. Provinces.

The following table shows the receipts and disbursements of the provinces (excluding the Basque Provinces and Navarra) for the years 1925-26, 1926 (second half-year) and 1927:

Pesetas (000,000's).

	1925-26	1926: second half-year	1927
(a) Receipts.			
Dividends, interest, etc.	4.6		5.1
Provincial domain	3.7		3.5
Subsidies and gifts	22.—		30.4
Accessory receipts	4.3		5.7
Fees and dues	4.—		7.6
Provincial taxes	9.2		7.4
Taxes transferred from the State.	22.7	2	36.5
Taxes transferred from municipalities	60.9		61.9
Provincial surtaxes	15.—		13.8
Special resources	3.7		4.3
Fines	— ¹		— ¹
Refunds.	— ¹		— ¹
Arrears from previous years	— ¹		— ¹
Miscellaneous receipts.	6.1		11.6
	7.1		12.8
Total	164.1	94.6	202.1

¹ Shown under "Miscellaneous receipts".

² No details available for the second half of 1926.

I. *Provinces* (continued).

Pesetas (ooo,ooo's).

	1925-26	1926: second half-year	1927
<i>(b) Expenditure.</i>			
General obligations	12.7		12.8
Provincial representation	1.3		1.3
Provincial domain	1.8		1.4
Cost of collection	2.9		5.1
Staff and material	13.-		16.2
Public health	1.5		1.7
Charities	54.9	1	60.2
Social relief	1.2		1.1
Public instruction	4.2		5.8
Public works and buildings	52.1		73.8
Agriculture and cattle-breeding	2.8		3.1
Drawbacks and refunds	-6		4.9
Unforeseen expenditure	2.3		1.6
Miscellaneous expenses	11.5		11.2
Total	162.8	78.1	200.2
Balance	+ 1.3	+ 16.5	+ 1.9

¹ No details available for the second half of 1926.II. *Municipalities.*

The following table shows the receipts and expenditure of the municipalities (excluding the Basque Provinces and Navarra) for the year 1927.

Pesetas (ooo,ooo's).

	1925-26	1926: second half-year	1927
<i>(a) Receipts.</i>			
Dividends, interest, etc.			24.-
Yield of municipal property			32.2
Subsidies			2.1
Municipal services			8.9
Accessory and extraordinary receipts			23.6
Dues			15.2
Special investments	1	2	8.8
Fees			136.8
Share in State taxes and surtaxes			146.3
Municipal taxes			285.4
Fines			2.1
Other receipts			1.2
Arrears from previous years			21.1
Total	659.9	2	707.7
<i>(b) Expenditure.</i>			
General obligations			210.8
Municipal representation			5.7
Security			33.-
Police			56.4
Cost of collection			28.3
Staff and material			83.9
Health			71.2
Charities	1	2	56.-
Social relief			4.9
Public instruction			35.5
Public works			83.1
Forests			3.9
Development			10.9
Other expenditure			5.9
Unforeseen expenditure			9.8
Arrears			5.3
Total	655.7	2	704.6
Balance	+ 4.2		+ 3.1

¹ Details not available.² Not available.

NOTES.

1. The Statute of the municipalities was modified under a decree of March 8th, 1924, and that of the provinces on March 20th, 1925.

Their obligatory and voluntary functions were fixed in such a way as to extend those of the provinces, and precise rules were drawn up regarding their administration, including fiscal matters, especially the nature of local receipts and the conditions of collection. In some cases, maximum limits of taxation were laid down.

2. In addition to revenue from property and services, subsidies, fees and dues, special assessments and fines, the municipalities are entitled to revenue from the following taxes and surtaxes:

A. Municipal taxes:

- (a) Tax on net profits of limited liability companies not subject to the State business tax;
- (b) Taxes on areas not built upon;
- (c) Taxes on uncultivated land;
- (d) Tax on increment in value;
- (e) Taxes on motor-cars, carriages, horses, bicycles, etc. (the municipal tax on motor-cars was abolished in 1927);
- (f) Taxes on spirits, alcoholic beverages, meat and fowls;
- (g) Taxes on rents paid;
- (h) A general tax.

The municipalities also have the right to employ the personal services of the inhabitants for municipal work for a period not exceeding fifteen days per annum for remuneration at the level of wages for unskilled labour.

B. Taxes ceded entirely by the State to municipalities and shares in State taxes, as, for instance, 20 per cent of the tax on urban real estate and of the business tax for municipalities which abolished the general excise duties, and since 1927, a share in the State tax on motor-cars.

C. Surtaxes on the business tax, the tax on mines, on certain classes of the income tax (directors, artists, insurance agents and companies, etc.).

The municipalities may also, with the approval of the Minister of Finance, levy the following surtaxes in order to secure the service of their debt:

- (a) On the taxes on urban real estate, on business, on certain incomes, on the net profits of limited liability companies;
- (b) For other extraordinary expenditure, surtaxes up to 5 per cent may be levied on municipal taxes.

3. The receipts of the provinces consist similarly of revenue from property and services, fees and dues, subsidies, special assessments, fines and of the following categories of taxes and surtaxes:

A. Provincial taxes, including those on property situated in the provinces.

B. (a) Taxes ceded entirely by the State or municipalities, as, for instance, the personal tax, of which, until June 1925, a part had been municipal (in large towns) and a minor portion State (in small municipalities).

(b) Shares in State taxes: 5 per cent of the tax on rural real estate.

Since July 1926, a share of the State tax on transactions and the proceeds of the stamp duties in compensation for the abolished surtaxes and equivalent to the proceeds there of in 1925-26.

Since 1927, a share of the State tax on motor-cars.

(c) Shares in municipal taxes and surtaxes and in municipal shares in State taxes. The amount of these shares in municipal resources is limited as follows:

90 per cent of the amount paid in 1924-25 as "contributions" (*contingente*), provided it did not exceed 10 per cent of the ordinary municipal revenue;

85 per cent if that "contribution" amounted to between 10 and 20 per cent of the ordinary revenue;

Or 80 per cent if it exceeded 20 per cent of the revenue.

For towns with more than 200,000 inhabitants, the total of the shares may amount to the total "contribution" paid in 1924-25. The latest information available shows that the contribution amounted to 68.7 million pesetas in 1924-25, whereas the share in municipal taxes amounted in 1925-26 to 60.3 million pesetas, or about 88 per cent of the above.

C. Surtaxes on State and municipal taxes. — Surtax on the municipal taxes on areas not built upon and on uncultivated land (up to 100 per cent).

The surtax on certain transactions (20 per cent of State tax) and on certain stamp taxes (10 per cent) were abolished in 1926.

B. LOCAL DEBT.

The following table shows the situation of the public debt of the provinces (including the Basque Provinces) and municipalities on December 31st, 1924, 1925 and 1926 :

Pesetas (000,000's).

	1924	1925	1926
Provinces	108.6	112.4	186.2
Municipalities	805.8	924.4	944.6
Total	914.4	1,036.8	1,130.8

SWITZERLAND

Notes on the Budget System.

1. The budget year corresponds with the calendar year. Towards the end of June a circular letter is sent from the Department of Finance to the other departments asking them to forward their budget proposals. The Administration prepares the budget during September and October, and submits it to the Federal Assembly at the end of October or the beginning of November. The budget is generally voted in December, though sometimes not before January. In the latter case, the Federal Government is empowered by a special authorisation for the intervening period.

2. In 1913 Switzerland adopted a method of double accounting, showing how the State capital has been affected by the operations during the year.

The budget system comprises :

- (a) The ordinary budget (Administration account), with the budgets of undertakings administered by the Federation ;
- (b) The extraordinary budget ;
- (c) The Federal Railways budget.

The ordinary budget (Administration account) shows the regular revenue and expenditure of the administration proper (gross figures) and net results of public undertakings. The following are exceptions to this rule : the Federal Grain Administration, which distributes no surplus, and the alcohol monopoly, which distributes its surplus between the cantons and certain municipalities ; the Mint, the surplus of which is carried to a reserve fund, and, until 1926, the telegraph and telephone services, the surplus of which went to reduce their debt. Part of the ordinary budget expenditure is effected in the form of subsidies, which are paid to the cantons to various insurance, sickness and unemployment funds, and bodies engaged in social or educational work.

The extraordinary budget shows on the revenue side the yield of the " war " taxes, any surplus on the Administration account and sundry minor receipts. On the expenditure side are shown expenses in connection with redemption of the public debt, subsidies to industries and railways, unemployment relief expenditure, etc., and any deficit on the Administration account.

The extraordinary revenue and expenditure form a part of the profit and loss account of the capital account, which covers, besides, the modifications brought about in State assets and liabilities by capital expenditure, purchases and sales, depreciation, amortisation, etc.

The Federal Railways form an independent concern with its own budget quite separate from that of the Confederation. Like the Federal budget, the railway budget is voted by the Federal Assembly, but is dealt with separately. The only connection between the two budgets is that the Federal budget grants a subsidy to the railways in aid of electrification. The debt of the Federal Railways is also entirely distinct from the rest of the Federal Public Debt.

There are, besides, various (about 80) *special funds* consisting chiefly of endowments administered mainly by the Department of Finance. They derive their revenue either wholly or partially from the State budget or from sources outside the budget (interest on investments).

Three of the special funds are particularly important as being closely connected with the Federal Budget. The Unemployment Fund was formed by adding one-fifth to the war profits tax, first collected in 1916, together with a sum of 3 million francs from the 1915 war profits tax. Up to December 31st, 1928, Federal contributions amounted to 110.1 million francs, and disbursements up to the same date to 103.9 million francs.

Since January 1st, 1921, a pensions and insurance fund has been in operation for Government officials. Each official contributes annually 5 per cent of his salary to the fund and the Confederation 7 per cent. The Federal contribution is entered in the ordinary budget as a Government subsidy to the Fund. Contributions to the Fund for officials and employees of the postal, telegraph and telephone services and other public undertakings are included in the expenditure of those undertakings. The Federal Railways have their own pensions, relief and sickness funds.

Under the Federal Decree of February 19th, 1926, the entire yield of the import duty on tobacco is paid by the Confederation to the special fund for old-age and surviving dependants' insurance. At the end of December 1928 a sum of 3 million francs from the "liquidation fund of war-time economic enterprises" was paid into this fund, together with a further sum of 3 million francs from the ordinary Budget (Administration account) surplus for 1928.

3. The accounts are kept open until the end of February (after the end of the fiscal year) to permit the collection of revenue and payment of expenditure in respect of that year. The inscribed revenue and expenditure comprise only receipts and disbursements actually effected during the fiscal year. The closed accounts are generally published in May and submitted to the Federal Assembly in June.

4. Before the war, the financial connection between the Confederation and the cantons was based on the principle that indirect taxes were to be assigned to the Confederation, direct taxes to the cantons. Only one exception was made — in the case of the military (exemption) tax, half of which was reserved for the Federal Treasury. Since 1915 this principle has been abandoned, so far as the war taxes and stamp duties are concerned. The cantons receive one-fifth of the proceeds of such revenue, and, in addition, share in the yield of the alcohol monopoly, the tax on commercial travellers' licences, and the bulk of the profits of the National Bank of Switzerland.

The following review, prepared in September 1929, has been based mainly on :

- (a) The State accounts of the Swiss Confederation for the years 1925, 1926, 1927 and 1928 ;
- (b) Messages from the Federal Council to the Federal Assembly concerning the budget of the Confederation for 1925, 1926, 1927, 1928 and 1929 ;
- (c) Report of the Federal Council to the Federal Assembly concerning its operations in 1927 and 1928 ;
- (d) The budget for 1929 ;
- (e) The budgets of the Federal Railways for the years 1925, 1926, 1927, 1928 and 1929 ;
- (f) The Swiss Statistical Bulletin, published by the Federal Bureau of Statistics, 1926, 1927 and 1928 ;
- (g) The Statistical Year-Book for Switzerland, for 1925, 1926, 1927 and 1928.

Note on Price Movement.

The following table shows the movement of prices during the period 1921-1928.

Index numbers of :	1914	1921	1922	1923	1924	1925	1926	1927	1928
	Annual average								
Wholesale prices (Lorenz)	100	191	168	181	175	162	145	142	145
» » (Official)	100								
	Last week in July								
Retail prices (Cost of living)	100	200	164	164	169	168	162	160	161

A. Summary of Budget Accounts.

Francs (000,000's).

	1921	1922	1923	1924	1925	1926	1927	1928	1929
	Closed Accounts								Estimates
<i>Ordinary Budget (Administration Account) :</i>									
Revenue	189.6	235.5	253.4	282.9	299.-	313.7	331.3	383.1	352.8
Expenditure	317.2	314.9	298.9	304.5	308.-	323.1	332.9	359.4	350.9
Balance	- 127.6	- 79.4	- 45.5	- 21.6	- 9.-	- 9.4	- 1.6	+ 23.7	+ 1.9
<i>Extraordinary Budget (Capital Account) :</i>									
Revenue	119.2	129.9	91.4	66.8	55.8	100.6	54.4	35.5	36.5
Expenditure	209.6	103.-	112.6	88.7	59.-	79.-	52.8	56.2	36.5
Balance	- 90.4	+ 26.9	- 21.2	- 21.9	- 3.2	+ 21.6	+ 1.6	- 20.7	...
Final Balance	- 218.-	- 52.5	- 66.7	- 43.5	- 12.2	+ 12.2	...	+ 3.-	+ 1.9

In 1913 the closed accounts showed a deficit. The final deficit of both budgets (ordinary and extraordinary) continued to increase during the war as a result of the considerable extra expenditure on account of mobilisation costs, unemployment grants and subsidies paid to the watchmaking, hotel and embroidery industries. This deficit reached the highest figure in 1918. The aggregate deficits from 1913 to 1925, inclusive, amounted to 1,682.8 million francs of which the deficits for 1913 and 1914 were partially covered by a credit balance of 116.1 million francs which the State still had at its disposal. The balance of 1,566.7 million francs was met by the proceeds of loans. A plan for the redemption of this debt in a period of 40 years was drawn up and provision was made for the appropriation of 275 million francs out of 345 million francs which the war tax is expected to yield in future (see note on the public debt).

The accounts for the year 1926 closed with a surplus of 12.2 million francs, which was transferred to an adjustment reserve formed out of the yield of the war tax. In 1927 revenue and expenditure balanced, while in 1928 a surplus of 3 million francs was transferred to the special Federal fund for old age and surviving dependants' insurance.

B. Estimates for the Financial Year 1929 compared with the Closed Accounts for the Financial Years 1925, 1926, 1927 and 1928.

I. ORDINARY BUDGETS. (Administration Account).

Francs (000,000's).

	1925	1926	1927	1928	1929
	Closed Accounts				Estimates
<i>Revenue :</i>					
1. Revenue from capital	21.-	23.3	25.2	27.3	25.-
2. General administration	- 3	- 3	- 4	- 6	- 6
3. Departments :					
(a) Political	1.5	- 8	- 7	1.-	- 2
(b) Interior	1.1	1.2	1.2	1.2	1.2
(c) Justice and Police	3.6	2.5	2.4	2.6	2.2
(d) Military	1.9	1.8	1.9	1.9	1.8
(e) Finance and Customs	261.6	275.1	288.8	334.1	309.7
(f) Public Economy	2.8	2.6	1.5	3.7	2.8
(g) Postal services and Railways	4.7	5.5	8.6	10.1	8.8
4. Miscellaneous receipts	- 5	- 6	- 6	- 6	- 5
Total revenue	299.-	313.7	331.3	383.1	352.8

B. Estimates for the Financial Year 1929 compared with the Closed Accounts for the Financial Years 1925, 1926, 1927 and 1928 (continued).

I. ORDINARY BUDGETS (continued).

(Administration Account).

Francs (000,000's).

	1928	1927	1926	1925	1929
	Closed accounts				Estimates
<i>Expenditure :</i>					
1. Debt service	116.6	111.9	112.-	128.3	114.6
2. General administration	3.1	3.1	5.1	5.2	5.5
3. Departments :					
(a) Political	6.3	6.2	6.5	6.7	6.9
(b) Interior	28.6	25.2	31.-	1.8	32.2
(c) Justice and Police	8.3	8.6	7.7	37.6	8.-
(d) Military	85.6	86.7	85.1	87.1	86.7
(e) Finance and Customs	20.8	20.8	20.7	21.3	22.9
(f) Public Economy	33.4	55.2	57.2	63.4	65.9
(g) Postal services and Railways	-8	-8	9.-	1.-	1.1
4. Miscellaneous expenses	4.5	4.6	6.7	7.-	7.1
Total expenditure	308.-	323.1	332.9	359.4	350.9

II. EXTRAORDINARY BUDGETS.

(Capital Account).

Francs (000,000's).

	1925	1926	1927	1928	1929
	Closed Accounts				Estimates
<i>Revenue :</i>					
1. Increase in balance of Investment account	15.7	4.2	4.9	2.8	—
2. Miscellaneous receipts	20.8	4.7	11.-	4.1	—
3. War taxes	19.3	91.7	27.5	15.7	32.-
4. Allocation from reserve fund : War tax	—	—	11.-	12.9	4.5
5. Surplus on the Administration account	—	—	—	20.7	—
Total revenue	55.8	100.6	54.4	56.2	36.5
<i>Expenditure :</i>					
1. Buildings	3.3	2.-	1.7	-1	—
2. Decrease in balance of Investment account	—	—	—	—	—
3. Amortisation	9.6	4.9	6.-	13.-	—
4. Reserve fund against bad debts	-2	—	—	—	—
5. Miscellaneous expenses	45.9	27.1	17.9	14.5	11.5
6. Deficit on the Administration account	9.-	9.4	1.6	—	—
7. Amortisation of the deficit on the State account	—	45.-	27.2	28.6	25.-
Total expenditure	68.-	88.4	54.4	56.2	36.5

C. Analysis of Receipts.

(ORDINARY BUDGET)

	1925		1926		1927		1928		1929	
	Closed accounts								Estimates	
	Amount : Francs (000,000's)	Per- centage of total	Amount : Francs (000,000's)	Per- centage of total	Amount : Francs (000,000's)	Per- centage of total	Amount : Francs (000,000's)	Per- centage of total	Amount : Francs (000,000's)	Per- centage of total
<i>I. Taxes on income and property :</i>										
One-half of the military (exemption) tax	4.7	1.34	4.8	1.18	4.9	1.30	5.1	1.24	4.8	1.23
War taxes	19.3	5.51	91.7	22.51	27.5	7.26	15.7	3.81	32.—	8.22
Total	24.—	6.85	96.5	23.69	32.4	8.56	20.8	5.05	36.8	9.45
<i>II. Taxes on production, use and transactions :</i>										
Customs duties :										
Import duties	212.5	60.63	220.5	54.12	228.4	60.32	251.8	61.10	242.7	62.34
Export duties	—7	—20	—7	—17	—8	—21	—8	—19	—7	—18
Customs fees	4.2	1.20	5.1	1.25	4.9	1.30	5.3	1.29	5.1	1.31
Total	217.4	62.03	226.3	55.54	234.1	61.83	257.9	62.58	248.5	63.83
Stamp duties	34.5	9.84	42.—	10.31	47.6	12.57	69.—	16.74	54.3	13.95
Total	251.9	71.87	268.3	65.85	281.7	74.40	326.9	79.32	302.8	77.78
<i>III. Net surplus from monopolies</i>	—	—	—	—	—	—	—	—	—	—
Total I, II and III.	275.9	78.72	364.8	89.54	314.1	82.96	347.7	84.37	339.6	87.23
<i>IV. Fees, assessments, contributions and other administrative receipts</i>	16.4	4.68	13.2	3.24	10.6	2.80	13.2	3.20	10.8	2.77
<i>V. Net surplus from public domain and undertakings :</i>										
Powder service	—1	—03	—1	—02	—1	—03	—1	—02	—1	—02
Postal service	4.6	1.31	5.5	1.35	5.9	1.56	7.3	1.77	6.1	1.57
Telegraph and telephone services	—	—	—	—	2.6	—68	2.7	—66	2.6	—67
Total	4.7	1.34	5.6	1.37	8.6	2.27	10.1	2.45	8.8	2.26
<i>VI. Receipts from bank of issue.</i>	—4	—11	—5	—12	—5	—13	—5	—12	—5	—13
<i>VII. Dividends on Government shares in corporations, companies, etc.</i>	6.6	1.88	5.8	1.43	7.3	1.93	9.4	2.28	6.9	1.77
<i>VIII. Interest</i>	14.4	4.11	17.5	4.30	17.9	4.73	17.9	4.35	18.2	4.68
<i>IX. Receipts from realisation of State assets :</i>										
Repayment of advances	7.7	2.20	—	—	—1	—03	—4	—10	—	—
Allocation from reserve funds, etc.	12.2	3.48	—	—	19.5	5.15	12.9	3.13	4.5	1.16
Total	19.9	5.68	—	—	19.6	5.18	13.3	3.23	4.5	1.16
Total receipts	338.3	96.52	407.4	100	378.6	100	412.1	100	389.3	100
Deficit	12.2	3.48	—	—	—	—	—	—	—	—
Grand total	350.5	100	407.4	100	378.6	100	412.1	100	389.3	100

NOTES.

I. *Changes in taxation.* — (a) Before the war, Customs duties and the military tax formed the only tax receipts of the Confederation, and, except for the military tax, in which both the Confederation and the cantons had shares, other taxes were assigned to the cantons.

(b) In order to meet the extraordinary expenditure incurred during the war for mobilisation costs, unemployment relief and subsidies granted to the chief industries, the Confederation had recourse to extraordinary taxation. The first war tax was introduced in 1915, together with a tax on war profits, which latter was maintained until the end of 1920. In 1922, the first war tax was replaced by a new war tax.

This new war tax consists of taxes on property and on earned income. It was to be levied for 12 years, in three periods of four years each. Taxpayers who pay the total tax for a four-year period at once are granted 10 per cent rebate. The yield of the tax during the years 1922 and 1926 was, and in 1930 will, therefore, be as large as in the three succeeding years together. Part of the yield of the new war tax levied in the first year of each period is paid to an adjustment reserve from which are taken in successive years the amounts required to make up the sum needed for redemption of debt and other extraordinary expenditure. The cantons' share of revenue collected by the Confederation amounts to 20 per cent in the case of the first and the new war taxes, and to 10 per cent in the case of the tax on war profits. The cantons' share in the yield of these taxes is to some extent a remuneration for their co-operation in the assessment and collection of these taxes.

The following table shows the yield of extraordinary taxation for the period from 1916 to 1928 :

Francs (000,000's).

Financial year	First war tax	New war tax	Federal tax on war profits
1916.	70.6	—	—
1917.	37.5	—	87.9
1918.	12.6	—	178.1
1919.	2.5	—	206.5
1920.	1.2	—	152.5
1921.	2.4	-.3	75.2
1922.	-.2	116.4	23.8
1923.	-.2	33.9	4.2
1924.	-.3	29.-	2.-
1925.	-.1	23.6	-.8
1926.	—	149.2	-.4
1927.	—	34.4	-.3
1928.	—	19.9	—
Total 1916-1928	127.6	406.7	731.7

Of these amounts the cantons had received 156 million francs by 1926, and in addition 110.1 million francs out of the tax on war profits have been paid to the unemployment fund.

(c) The revenue from Customs duties, which depends to a large extent on the economic situation, is increasing yearly. The treaties of commerce with Germany and Czechoslovakia which came into force on January 1st and July 12th, 1927, respectively, reduced the duties on a large number of important articles in the tariff and, as a result of the most-favoured-nation clause, similar reductions were conceded in the case of imports from other countries.

In 1928 increased import duties on motor vehicles produced additional revenue amounting to 6.5 million francs, and supplementary duties on imported beer 3.9 million francs.

Tobacco duties have been increased since January 1st, 1924, and the proceeds, since January 1st, 1926, paid over to the old-age and surviving dependents' fund. They amounted in 1925 to 20.3, in 1926 to 18.7, in 1927 to 21.4 and in 1928 to 21.4 million francs.

Owing to larger imports and repeated increases in rates, the fiscal importance of the petrol tax is steadily growing. Under the decree of September 21st, 1928, the cantons receive one-fourth of this tax. (The Federal budget shows the gross amount including the cantons' share.)

(d) Stamp duties on various transactions were introduced on October 4th, 1917. They were further imposed on coupons at the end of 1921 and on transport documents in 1922. Apart from the usual yield of stamp duties, the year 1928 showed extra receipts owing to stamp duty being collected on shares issued before October 4th, 1917 (the date on which the Federal law on stamp duties came into force). The cantons receive 20 per cent of the revenue from all stamp duties. The Federal budget shows the net amount after deducting the share due to the cantons. In 1928 these extraordinary stamp duties yielded a sum of 15 million francs which was transferred to the Sinking Fund.

2. In the case of the profits of the National Bank paid to the Federal Treasury, the cantons receive an initial amount of 80 centimes per head of population and two-thirds of the balance, the remaining one-third going to the Confederation.

D. Analysis of Expenditure.

	1925		1926		1927		1928		1929	
	Closed Accounts								Estimates	
	Amount : Francs (ooo,ooo's)	Per- centage of total	Amount : Francs (ooo,ooo's)	Per- centage of total	Amount : Francs (ooo,ooo's)	Per- centage of total	Amount : Francs (ooo,ooo's)	Per- centage of total	Amount : Francs (ooo,ooo's)	Per- centage of total
I. <i>Defence :</i>										
Army	85.4	24.37	91.4	22.44	90.4	23.88	91.-	22.08	88.-	22.61
Remount farm (deficit)	-.2	-.05	-.1	-.02	-.1	-.02	-.2	-.05	-.2	-.05
Total	85.6	24.42	91.5	22.46	90.5	23.90	91.2	22.13	88.2	22.66
II. <i>Foreign Affairs</i>	6.2	1.77	6.2	1.52	6.5	1.72	6.7	1.63	6.9	1.77
III. <i>Justice</i>	3.-	-.86	3.4	-.84	3.4	-.90	3.9	-.94	4.2	1.08
IV. <i>Supreme organs of Govern- ment and General admin- istration.</i>	6.-	1.71	5.8	1.42	7.2	1.90	7.-	1.70	7.9	2.03
V. <i>Public Health</i>	2.6	-.74	2.8	-.69	2.4	-.63	2.8	-.68	3.2	-.82
VI. <i>Social administration :</i>										
Fund for old age and surviving dependants' pensions.	—	—	18.7	4.59	21.4	5.65	24.4	5.92	20.5	5.27
Social insurance	13.4	3.82	13.6	3.34	12.9	3.41	15.5	3.76	14.7	3.78
Unemployment relief	18.2	5.19	11.6	2.85	3.2	-.85	2.8	-.68	2.-	-.51
Other social welfare ex- penses	16.5	4.71	2.7	-.66	1.6	-.42	-.4	-.10	-.8	-.20
Total	48.1	13.72	46.6	11.44	39.1	10.33	43.1	10.46	38.-	9.76
VII. <i>Economic administration</i>										
(a) <i>Agriculture :</i>										
Administration, sub- sidies, etc.	10.6	3.03	14.5	3.56	13.2	3.49	14.1	3.42	19.4	4.98
Deficit on :										
Experiment and research stations for viticulture, horticulture, etc.	1.1	-.31	1.1	-.27	1.1	-.29	1.2	-.29	1.3	-.33
Stud farm.	-.2	-.05	-.2	-.05	-.2	-.05	-.2	-.05	-.2	-.05
(b) <i>Trade and industry.</i>	11.3	3.23	11.5	2.82	11.8	3.12	13.9	3.37	12.8	3.29
(c) <i>Public works and constructions</i>	16.6	4.74	12.6	3.09	19.6	5.18	19.8	4.80	19.1	4.91
(d) <i>Subsidies to Federal Railways</i>	10.-	2.85	10.-	2.46	10.-	2.64	10.-	2.43	10.-	2.57
Total	49.8	14.21	49.9	12.25	55.9	14.77	59.2	14.36	62.8	16.13
VIII. <i>Education</i>	7.7	2.20	7.8	1.91	7.7	2.03	7.9	1.92	8.3	2.13
IX. <i>Financial administration</i>	20.-	5.71	20.-	4.91	20.-	5.28	20.6	5.-	22.-	5.65
X. <i>Grants to Provinces, Municipalities, etc.</i>	—	—	—	—	—	—	—	—	—	—
XI. <i>Pensions :</i>										
(a) <i>Special Pensions</i>	-.2	-.05	-.2	-.05	-.2	-.05	-.3	-.07	-.3	-.08
(b) <i>Grants to the Insurance Fund :</i>										
Ordinary Grant (excluding public undertakings)	2.8	-.81	2.8	-.69	3.3	-.87	3.3	-.80	3.4	-.87
Extraordinary Grant (excluding public undertakings)	-.7	-.20	1.1	-.27	2.4	-.63	2.4	-.58	2.5	-.64
(c) <i>Grants to the Relief Fund</i>	-.2	-.05	-.2	-.05	-.1	-.03	-.1	-.03	-.1	-.03
Total	3.9	1.11	4.3	1.06	6.-	1.58	6.1	1.48	6.3	1.62

D. Analysis of Expenditure (continued).

	1925		1926		1927		1928		1929	
	Closed Accounts								Estimates	
	Amount : Francs (000,000's)	Per- centage of total	Amount : Francs (000,000's)	Per- centage of total	Amount : Francs (000,000's)	Per- centage of total	Amount : Francs (000,000's)	Per- centage of total	Amount : Francs (000,000's)	Per- centage of total
XII. Debt Service :										
Interest and commission	113.1	32.27	109.2	26.80	109.5	28.93	109.-	26.45	107.7	27.66
Amortisation of costs of loan issues	4.5	1.28	2.7	-66	-3	-08	-7	-17	-7	-18
Redemption	—	—	45.-	11.05	27.2	7.18	28.6	6.94	30.-	7.71
Payments to the Re- demption Fund (Yield of extraordinary stamp duty)	—	—	—	—	—	—	15.-	3.64	1.2	-31
Total	117.6	33.55	156.9	38.51	137.-	36.19	153.3	37.20	139.6	35.86
XIII. Investments in revenue- yielding assets	—	—	—	—	2.9	-77	10.3	2.50	—	—
Total Expenditure	350.5	100	395.2	97.01	378.6	100	412.1	100	387.4	99.51
Surplus	—	—	12.2	2.99	—	—	—	—	1.9	-49
Grand total	350.5	100	407.4	100	378.6	100	412.1	100	389.3	100

NOTES.

1. Since 1926 the extraordinary budget has shown expenditure for the purchase of machine guns. About 4.9 million francs of the defence expenditure represents subsidies granted for military and physical training.

2. The following figures show the number of staff employed in the Central Administration and the public undertakings :

	1920	1926	1927	1928
Confederation and undertakings except the Federal Railways .	35,153	30,668	30,489	30,307

Expenditure on the staff of the Central Administration and undertakings (excluding Federal Railways) amounted in 1926 to 185.4, in 1927 to 193.1, in 1928 (estimates) to 197.4 and in 1929 (estimates) to 202.6 million francs. Up to 1928, officials' salaries and allowances were increased every third year in order to adjust them to the higher level of prices. The expenditure on staff for 1929 is based on the new Staff Regulations and the new classification of officials, which have involved an increase of 4.1 million francs in staff expenditure.

3. The service of pensions for the Administration and public undertakings, excluding railways, is effected through a Staff Pensions Fund which was put into operation in 1921. To this Fund State officials pay a contribution of 5 per cent of their salary, while the Confederation pays an ordinary contribution of 7 per cent and, in addition, an extraordinary contribution representing the interest on the initial deficit of the Fund. This deficit, which, on December 31st, 1925, amounted to 289 million francs, including interest accrued, is due to the fact that the officials and employees paid no contribution before 1921. The contributions paid to the Fund by the Confederation (as in the table above) and the undertakings have been as follows :

	Francs (000,000's)	
	Ordinary contributions	Extraordinary contributions
1921	13.7	—
1922	11.1	—
1923	10.3	—
1924	12.5	1.5
1925	10.4	2.8
1926	10.2	4.2
1927	12.6	8.7
1928	11.-	8.8

4. The subsidies granted by the Confederation to the cantons, forming a considerable part of the ordinary budget expenditure (Administration account) are all appropriated for specific purposes, *i.e.*, social administration, education, agriculture, trade and industry, roads, public health, etc., and are shown in the table above under the corresponding headings.

5. The redemption of the public debt is at present effected according to the following plan drawn up in 1925 :

(a) In the first place, by a Sinking Fund formed from successive appropriations aggregating 275 million francs out of the yield of the war taxes, as follows :

	Francs (000 000's)		Francs (000 000's)
1926	45	1931	25
1927	25	1932	25
1928	25	1933	25
1929	25	1934	20
1930	60		

These amounts are shown in the extraordinary budget.

(b) Simultaneously with this extraordinary redemption, by regular and increasing provision for redemption made annually in the ordinary budget since 1927, corresponding to the saving in interest resulting from the reduction of the public debt. In the ordinary budget for 1927 this item amounted to 2.2, in 1928 to 3.6 and in 1929 to 5 million francs.

In 1934 the last instalment of war taxes will be paid to the Sinking Fund after which there will be no further extraordinary redemption payments, and the annual amount saved on interest will of itself ensure the redemption of the debt by 1965. This item will amount in 1938 to 20 million francs in round figures.

E. Monopolies.

Francs (000,000's).

	1925	1926	1927	1928	1929
	Closed accounts				Estimates
<i>Federal Grain Administration :</i>					
Receipts	218.1	210.8	230.—	214.1	96.—
Expenses	217.7	210.4	226.6	213.7	95.9
Net surplus	-4	-4	-4	-4	-1
<i>Alcohol Monopoly :</i>					
Receipts	14.1	13.6	14.6	14.3	
Expenditure	8.1	6.4	7.5	7.1	
Net surplus	6.—	7.2	7.1	7.2	
<i>Deduct :</i>					
Allocation to reserve and amount carried forward	3.3	3.3	-9	-6	
Final net surplus divided between the cantons and certain municipalities	2.7	3.9	6.2	6.6	

NOTES.

1. The net surplus of the Grain Monopoly is carried forward and included in the receipts for the following year.

2. The abolition of the Grain Monopoly (import) was decided, in principle, by a referendum in the spring of 1929. The cost of whatever special regime is ultimately substituted for this monopoly will be covered by an increase in the statistical duty on foreign trade.

3. The Alcohol Monopoly was originally introduced for social considerations — in order to prevent excessive consumption. The monopoly has reference to import of alcohol, but internal production is also subject to partial restriction. Although it is administered by the Confederation, only the cantons and certain municipalities profit from it.

F. Public Domain and Undertakings.

Francs (000,000's).

	1925	1926	1927 *	1928	1929
	Closed accounts				Estimates
<i>Agricultural experiment and research stations :</i>					
Gross receipts	-2	-2	-2	-2	-2
Working expenses.	1.-	1.-	1.-	1.-	1.1
Balance	— -8	— -8	— -8	— -8	— -9
<i>Experiment stations for fruitgrowing, viticulture and horticulture :</i>					
Gross receipts	-1	-1	-1	-1	-1
Working expenses.	-3	-3	-3	-3	-3
Balance	— -2	— -2	— -2	— -2	— -2
<i>Viticulture experiment station :</i>					
Gross receipts . . . . .	...	...	...	...	...
Working expenses.	-1	-1	-1	-2	-2
Balance	— -1	— -1	— -1	— -2	— -2
<i>Remount farm at Thun :</i>					
Gross receipts	1.8	1.9	1.9	1.8	1.8
Working expenses.	2.-	2.-	2.-	2.-	2.-
Balance	— -2	— -1	— -1	— -2	— -2
<i>Stud farm at Avenches :</i>					
Gross receipts	-2	-2	-1	-1	-1
Working expenses.	-4	-4	-3	-3	-3
Balance	— -2	— -2	— -2	— -2	— -2
<i>Powder service :</i>					
Gross receipts	-4	-4	-4	-4	-5
Working expenses	-3	-3	-3	-3	-4
Balance	+ -1	+ -1	+ -1	+ -1	+ -1
<i>Administration of the Mint :</i>					
Gross receipts	3.2	1.1	-7	4.2	1.-
Working expenses.	1.7	-6	-5	3.2	-7
Balance ¹	+ 1.5	+ -5	+ -2	+ 1.-	+ -3
<i>Post Office :</i>					
Gross receipts	135.7	138.-	146.3	153.2	150.7
Working expenses.	131.1	132.5	140.4	145.9	144.6
Balance	+ 4.6	+ 5.5	+ 5.9	+ 7.3	+ 6.1
<i>Telegraph and telephone service :</i>					
Gross receipts	97.6	101.7	97.6	100.8	103.-
Working expenses.	95.7	99.7	95.-	98.1	100.4
Balance ²	+ 1.9	+ 2.-	+ 2.6	+ 2.7	+ 2.6

¹ The balance is placed in the Coinage Reserve Fund.² Until 1926 the positive balance was used to cover losses on reserves of material. That for 1927 and later years has been entered in the ordinary budget.

NOTES.

1. For five public enterprises of a military nature, namely, an arms factory, two ammunition works, a foundry and workshops, only the total net surplus, after deduction of the net deficits on some of them, appears in the budget.

2. The Post Office was run at a loss from 1913 until 1922, during which time an aggregate deficit of 108 million francs, was incurred.

In the case of the telegraph and telephone services, 1921 was the only year since 1913 for which the accounts closed with a deficit, the amount being 1.9 million francs. The debt of the telegraph and telephone services to the Confederation at December 31st, 1928, amounted to 274.3 million francs, carrying interest at 5 per cent per annum. Up to January 1st, 1926, the buildings of the Post Office and of the telegraph and telephone services were shown as Federal property, but since the date mentioned they have been included in the balance-sheets of the departments in question.

G. Federal Railways.

Francs (000,000's).

	1925	1926	1927	1928	1929
	Closed accounts				Estimates
I. ORDINARY BUDGET :					
A. Working account :					
Receipts	385.9	376.1	395.5	420.2	407.9
Expenditure	276.-	266.2	267.-	268.6	277.6
Net surplus	109.9	109.9	128.5	151.6	130.3
B. Profit and loss account :					
Receipts :					
Net surplus of working account	109.9	109.9	128.5	151.6	130.3
Other receipts	27.9	19.-	21.6	21.7	20.7
Total receipts	137.8	128.9	150.1	173.3	151.-
Expenditure :					
Interest on debt	107.6	108.6	112.2	117.1	115.2
Amortisation	9.3	9.4	12.2	18.6	10.3
Other expenses	19.4	20.5	22.6	30.5	25.4
Total expenditure	136.3	138.5	147.-	166.2	150.9
Balance	+ 1.5	- 9.6	+ 3.1	+ 7.1	+ -1
II. BUDGET FOR CONSTRUCTION :					
Expenditure :					
Installations, etc.	28.-	34.5	28.6	26.4	29.8
Introduction of electric traction	48.7	42.3	40.-	16.9	4.7
Rolling stock, etc.	36.6	38.1	27.8	17.7	18.2
Total expenditure	113.3	114.9	96.4	61.-	52.7
Chargeable to :					
Construction account	94.9	99.2	81.3	47.9	39.6
Working account	18.4	15.7	15.1	13.1	13.1

NOTES.

The balance of the capital account not covered by the working account is covered partially by the Federal subsidy of 10 million francs per annum for the six years 1924-1929 and partially by the proceeds of loans or by credit operations.

The policy of the Federal Railways since 1927 has been directed towards a gradual reduction of the expenditure on purchase of material and new constructions in order to meet it from the resources of the working account, the allocation to amortisation and special funds. But the increasing traffic prevents this programme from being fully carried out for the time being. In this way, the first eight months of the year 1929 showed an increase in the passenger and goods traffic of 10.9 and 10.1 per cent respectively, compared with the corresponding period of 1927.

The Federal Railways have their own pension and relief funds, the technical deficit on which amounted at the end of 1927 to 399 million francs. To cover this deficit, the statutes of the Fund have been amended as from January 1st, 1928, and the contributions payable by the Federal Railways and the persons insured have been increased.

H. Public Debt.

(i) Table showing the situation of the Public Debt in 1913 and since 1923.

Francs (ooo,ooo's).

Date	Debt of the Confederation									
	Domestic debt						Foreign Debt		Total Debt	
	Funded		Floating		Total		Amount	Movement (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
Dec. 31st:										
1913	146.3	...	...	...	146.3	...	...	...	146.3	...
1923	1,713.4	+ 1,567.1	217.6	+ 217.6	1,931.1	+ 1,784.7	340.5	+ 340.5	2,271.5	+ 2,125.2
1924	1,692.1	- 21.4	103.9	- 113.7	1,795.9	- 135.1	508.5	+ 168.1	2,304.4	+ 32.9
1925	1,688.1	- 3.9	168.5	+ 64.6	1,856.6	+ 60.7	398.5	- 110.1	2,255.1	- 49.3
1926	1,681.2	- 6.9	106.5	- 62.1	1,788.1	- 68.6	387.3	- 11.2	2,175.3	- 79.8
1927	1,672.6	- 8.6	124.2	+ 17.7	1,796.8	+ 8.8	387.3	...	2,184.1	+ 8.8
1928	1,616.7	- 55.9	165.4	+ 41.2	1,782.1	- 14.7	370.6	- 16.7	2,152.7	- 31.4

(i) Table showing the situation of the Public Debt in 1913 and since 1923 (continued).

Francs (ooo,ooo's).

Date	Debt of the Federal Railways						Total debt of the Confederation and the Federal Railways	
	Funded		Floating		Total		Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)		
December 31st: 1913	1,494.4	...	69.6	...	1,564.1	...	1,710.3	...
1923	2,283.5	+ 789.1	150.2	+ 80.6	2,433.7	+ 869.7	4,705.2	+ 2,994.9
1924	2,408.4	+ 124.9	76.2	- 74.1	2,484.6	+ 50.9	4,789.1	+ 83.8
1925	2,551.8	+ 143.4	48.4	- 27.8	2,600.2	+ 115.6	4,855.3	+ 66.3
1926	2,585.4	+ 33.6	71.6	+ 23.2	2,657.2	+ 56.8	4,832.3	- 23.1
1927	2,676.1	+ 90.6	53.9	- 17.7	2,729.9	+ 72.9	4,914.1	+ 81.7
1928	2,683.3	+ 7.3	116.7	+ 62.8	2,800.1	+ 70.1	4,952.7	+ 38.7

(ii) Table showing the total Debt of the Confederation and the Federal Railways in 1913 and since 1923, in actual figures and reduced to pre-war price level.

Date	Debt of the Confederation and the Federal Railways		Index number of wholesale prices ¹	Debt of the Confederation and the Federal Railways reduced to pre-war price level	
	Amount: Francs (ooo,ooo's)	Percentage of 1913		Amount: Francs (ooo,ooo's)	Percentage of 1913
December 31st: 1913	1,710.3	100	100 ²	1,710	100
1923	4,705.2	275	183	2,571	150
1924	4,789.1	280	171	2,801	164
1925	4,855.3	284	156	3,112	182
1926	4,832.3	283	147 ³	3,287	192
1927	4,914.1	287	146	3,366	197
1928	4,952.7	290	144	3,439	201

¹ Until December 31st, 1926, "Lorenz" index. For later dates Federal Labour Department index.

² 1914.

³ Federal Labour Department index not available for this date; the average for the year 1926 in that series was 145.

Detailed Table of the Debt of the Confederation (continued).

Francs (000,000's).

	December 31st, 1923	December 31st, 1924	December 31st, 1925	December 31st, 1926	December 31st, 1927	December 31st, 1928
DOMESTIC DEBT (continued).						
<i>Funded Debt (continued) :</i>						
10. 9th mobilisation loan, 5% (1918) . . .	96.5	—	—	—	—	—
11. 6% bonds (5-year) 1920	46.5	46.5	—	—	—	—
12. 6% bonds (4 ½-year) 1921	92.3	92.3	—	—	—	—
13. 5 ½% loan 1922	300.—	300.—	300.—	300.—	300.—	300.—
14. 4% loan 1922	200.—	200.—	200.—	200.—	200.—	200.—
15. 4 ½% bonds (4-year) 1923	151.4	151.4	151.4	151.4	—	—
16. 4 ½% bonds (5-year) 1923	48.6	48.6	48.6	48.6	48.6	—
17. 5% loan 1923	100.—	100.—	100.—	100.—	100.—	100.—
18. 5% loan 1924	—	80.—	80.—	80.—	80.—	80.—
19. 5% loan 1925	—	—	140.—	140.—	140.—	140.—
20. 4 ½% loan 1926	—	—	—	100.—	100.—	100.—
21. 4 ½% loan 1927	—	—	—	—	150.—	150.—
Total funded debt	1,713.4	1,692.—	1,688.1	1,681.2	1,672.6	1,616.7
<i>Floating Debt :</i>						
"Rescriptions"	145.1	20.—	31.—	—	—	—
Administration of Swiss postal service . . .	31.4	33.5	42.1	38.9	39.9	67.1
Insurance fund of Federal officials, employees and workmen	41.1	50.4	58.3	67.2	83.4	98.3
Administration of Federal Railways	—	—	36.9	—	—	—
National insurance fund against accidents, at Lucerne	—	—	—2	—7	—9	—
Total floating debt	217.6	103.9	168.5	106.8	124.2	165.4
Total domestic debt	1,931.—	1,795.9	1,856.6	1,788.—	1,796.8	1,782.1
FOREIGN DEBT.						
5 ½% loan in U.S.A., 1919 (\$21,000,000 at a fixed rate of 5.55) . . .	116.5	116.5	116.5	111.—	111.—	94.3
8% loan in U.S.A., 1920 (\$20,000,000 at a fixed rate of 5.70) . . .	114.—	114.—	114.—	108.3	108.3	108.3
5% loan in U.S.A., 1923 (\$20,000,000 at a fixed rate of 5.50) . . .	110.—	110.—	—	—	—	—
5 ½% loan in U.S.A., 1924 (\$30,000,000 at a fixed rate of 5.60) . . .	—	168.—	168.—	168.—	168.—	168.—
Total foreign debt	340.5	508.5	398.5	387.3	387.3	370.6
Total public debt	2,271.5	2,304.4	2,255.1	2,175.3	2,184.1	2,152.7

NOTES.

As already mentioned, the increase in the Federal debt was due to the large budget deficits caused by the extraordinary expenditure incurred during the war for mobilisation costs and after the war for assistance given to the country's chief industries and for combating unemployment. The loans issued in recent years were raised mainly for conversion purposes.

Thus, in 1926 a 4 ½% conversion loan of 100 million francs was raised to pay off the fifth 4 ½% mobilisation loan of 1916 maturing in 1926. Bonds to the amount of 46.1 million francs were converted and fresh subscriptions received for 53.9 million francs. The new 1926 loan falls due in 1941. In 1927 a 4 ½% loan of 150 million francs, maturing in 1942, was issued for the conversion of the 4 ½% Treasury bonds of 1923 falling due in 1927. Bonds to the amount of 79.8 million francs were converted and new subscriptions received for 70.2 million francs. In 1928 the Federal Treasury was able, without resorting to a fresh loan, to pay off 48.6 million francs worth of 4 ½% Treasury bonds maturing in that year.

The 5 ½% loan of 1919, the 8% of 1920 and the 5 ½% loan of 1924 were raised in the United States to furnish the Grain Administration with the necessary funds for purchasing American grain at a time when the dollar rate was unfavourable. They are redeemable in 1929, 1930-1940 and 1946 respectively. The Confederation has the right, however, to redeem the last named from 1934, subject to two months' notice. The decrease in the amount of the loans raised in the United States, as shown in the table, is due to purchases of bonds by the Confederation. The amount of these loans in Swiss francs is calculated at a rate above par, so that the real values are lower than the nominal amounts shown in the table.

I. Assets and Liabilities.

BALANCE-SHEET OF THE CONFEDERATION.

Francs (000,000's).

	Dec. 31st, 1925	Dec. 31st, 1926	Dec. 31st, 1927	Dec. 31st, 1928		Dec. 31st, 1925	Dec. 31st, 1926	Dec. 31st, 1927	Dec. 31st, 1928
<i>Assets.</i>					<i>Liabilities.</i>				
1. Cash in hand and in banks	38.-	62.6	81.7	112.6	1. Funded debt	2,086.6	2,068.5	2,059.9	1,987.3
2. Shares held by the Confederation	5.2	4.7	4.7	—	2. Floating debt	168.5	106.8	124.2	165.4
3. Securities and investments of special and deposit funds	206.1	196.6	228.2	239.6	3. Special and deposit funds	178.7	204.2	230.6	263.5
4. Capital invested in public undertakings	292.-	348.9	352.5	348.6	4. Bonds and coupons not yet paid	15.7	15.5	18.-	10.3
5. Investment account	340.-	293.5	295.6	292.2	5. Depreciation account	43.9	39.2	42.9	45.2
6. Sundry debtors	188.3	235.3	215.8	200.1	6. Sundry creditors	111.8	173.6	172.-	136.4
7. Non-interest bearing grants and advances	36.7	34.8	34.1	29.9	7. Guarantees (fidelity etc.)	10.6	15.3	3.4	4.2
8. Positive balances	22.-	16.8	24.6	32.2	8. Negative balances	30.1	35.6	37.4	64.8
9. Expenditure to be redeemed	1,566.6	1,521.6	1,494.4	1,465.8	9. Fund to meet debts falling due	12.7	10.4	8.5	6.2
	2,694.9	2,714.8	2,731.6	2,721.-	10. Reserves	36.3	45.7	34.7	37.7
						2,694.9	2,714.8	2,731.6	2,721.-

NOTES.

(a) *Special Funds and Deposits.* — There are 80 special funds and 15 deposit funds. The assets of these funds have amounted to :

Francs (000,000's).

	Funds	Deposits
December 31st : 1925	172.8	5.9
1926	198.3	5.9
1927	224.4	6.2
1928	257.-	6.5

These assets of the special funds and deposits have been invested as follows :

Francs (000,000's).

	1925	1926	1927	1928
Swiss Securities	133.5	134.2	140.3	143.3
Foreign Securities	5.5	3.2	2.8	2.9
Mortgage Securities	7.-	11.4	14.5	17.2
Real Property	2.5	2.7	3.1	3.2
Total	148.5	151.5	160.7	166.6
Balance representing claims on the Federal Treasury	30.2	52.7	69.9	96.9
Total special funds and deposits	178.7	204.2	230.6	263.5

(b) The account "*sundry debtors*" represents loans and advances made by the Confederation to the cantons, towns and communes, to international offices, other States, etc.

J. Finances of the Cantons.

(Figures for the Cantons are taken direct from the Statistical Year-Book of Switzerland.)

Cantonal Administration Accounts.

Francs (000,000's).

	1925	1926	1927	1928
Revenue	520.9	552.8	563.6	603.2
Expenditure	525.5	560.7	561.8	591.3
Balance	- 4.6	- 7.9	+ 1.8	+ 1.9

Gross Revenue of the Cantons from Taxation.

Francs (000,000's).

	1926	1927
<i>Taxation on income and property :</i>		
Taxes on land, property, income and wages	181.5	189.9
Personal tax and house-holders tax	2.1	2.1
Surtaxes and fines	4.9	4.8
Total	188.5	196.8
<i>Taxes on production, use and transactions :</i>		
Death duties and duties on gifts	14.2	16.5
Duties on Transactions	8.8	8.9
Stamp duty	3.9	3.9
Tax on motor-cars, carriages and bicycles	15.2	17.9
Dog-licences	1.4	1.5
Total	43.5	48.7
Miscellaneous duties, fees and taxes	14.7	15.1
Grand total	246.7	260.6

Legal share of the Cantons in Federal Revenue.

Francs (000,000's).

	1925	1926	1927	1928
Half of the military (exemption) tax	5.5	5.6	5.8	5.9
Federal trade tax.	-8	-9	-9	-9
Alcohol monopoly	2.7	3.9	6.2	6.6
Legal share in respect of :				
National Bank	4.2	4.2	4.2	4.2
Stamp duties	8.5	10.4	11.8	17.1
War taxes	4.8	29.9	6.9	4-
Import duty on petrol (1925-1928)	—	—	—	19.8
Compensation for surrender of tolls and road dues (in the Cantons of Uri, Grisons, Ticino and Valais)	-5	-5	2.1	1.1
Total	27-	55.4	37.9	59.6

Cantonal consolidated loans amounted to :

	Francs (000,000's)
1923	1,434.7
1924	1,507.9
1925	1,557.5
1926	1,547.7
1927	1,573.7

Under the terms of the Constitution of 1874, the cantons are independent. Their largest items of expenditure are those for the maintenance of roads, social purposes, public instruction, police, debt service, etc. All direct taxation (except the extraordinary war taxes) is retained by the cantons. They receive subsidies from the Confederation and shares in some Federal taxes.

Other important sources of cantonal revenue are the profits on cantonal undertakings (gas and electricity works, etc.) and shares in private undertakings (banks, local railways, etc.).

The budgets of the cantons are not prepared on a uniform plan. Some progress has been realised, however, in this direction in the last few years. Since 1913 the totals of their administration accounts have shown deficits. But since 1919, when the highest total deficit (70.3 million francs) was reached, it has been decreasing, and the years 1927 and 1928 show total surpluses, the budgets of only eight cantons being in deficit in 1927, and of only two in 1928 (Neuchâtel and Berne).

The improvement in the financial situation of the cantons is due mainly to the participation of the cantons in the proceeds of Federal taxation and duties and also to Federal subsidies.

The greater part of the cantonal debt was incurred for purposes of a productive nature : participation in electrical and railway undertakings, increase in the capital shares in cantonal banks, etc. Since 1905 no loan has been issued in a foreign country. The greater part of the cantonal loans carry interest at nearly $4\frac{3}{4}$ — $4\frac{7}{8}$ per cent while the average interest on the Federal loans at par is about $4\frac{1}{2}$ per cent.

K. Total Yield of Taxation.

Francs (000,000's).

	1925	1926	1927
Federal	280.9	435.2	324.3
Cantonal	227.5	241.8	255.3
Municipal	243.2	242.8	244.8
Total	751.6	919.8	824.4

Taxation per head of the population.

Francs.

	1925	1926	1927
Federal	72.41	112.21	83.57
Cantonal	58.63	62.32	65.78
Municipal	62.67	62.57	63.10
Total	193.71	237.10	212.45

KINGDOM OF YUGOSLAVIA

Notes on the Budget System.

1. Since 1924, the financial year has covered the period from April 1st to March 31st.

Owing to political circumstances, the draft budget for 1923-24 (July 1st to June 30th) was not submitted to the Chamber until nearly the end of December 1923. In order to meet the requirements of that part of 1923-24 which had elapsed, the State was obliged to have recourse to monthly votes on account ("provisional twelfths"). Instead of passing the draft budget for 1923-24, the Chamber granted three additional votes on account for the first three months of 1924, and adopted the draft 1923-24 budget for 1924-25 (April 1st to March 31st).

Again, no budget was voted for the financial year 1925-26; and the Government had recourse once more to monthly votes on account on the basis of the 1924-25 budget.

The budgets for the years 1926-27, 1927-28 and 1928-29 were all voted in time, *i.e.*, on the day before the beginning of the new budget year.

2. The budget of the Kingdom of Yugoslavia includes all State revenue and expenditure: thus, the principle of budget unity laid down in Article 14 of the Law on public accountancy is observed.

Since 1928-29, the budget has been divided into two independent parts — a general administrative State budget and a budget for monopolies and public undertakings. The general administrative State budget includes the net surpluses or deficits of the monopolies and public undertakings. Previously the budgets had been gross throughout, *i.e.*, the gross receipts and expenditure of the monopolies and public undertakings had been included, with some exceptions of minor importance, in the general administrative State budget.

The expenditure of the general budget is divided into expenditure on staff and supplies, and into ordinary and extraordinary expenditure. Extraordinary expenditure includes allowances for the high cost of living, and certain capital outlay. Under another classification, expenditure is divided into general and special. General expenditure is that incurred in connection with the central authorities and institutions of the State; special expenditure is that incurred in connection with the State authorities and institutions in the various provinces.

Receipts are also divided into ordinary and extraordinary and into general and special receipts. Extraordinary receipts are those derived from taxation in respect of previous financial years, from the sale of State property, and certain other sources of an exceptional and provisional nature. General receipts are those derived from the fiscal legislation in force throughout the whole Kingdom, whereas special receipts are those derived under the laws applicable only in certain provinces. The expenditure of the budget of monopolies and public undertakings does not include pensions or service of debt, but includes some small items of capital outlay.

3. In the matter of financial administration centralisation is not yet complete. The application of the budget is centralised in the case of the provinces of Serbia, Montenegro and the Banat, the Director-General of Public Accountancy opening the approved credits at the request of the Ministers concerned. In the other provinces, for special expenditure, the Director-General opens the approved credits at the request of the respective subordinated authorities and institutions with the consent of a representative of the Ministry of Finance.

A decree has been promulgated providing for the unification of the public finance system throughout the whole country. This reorganisation began with the tax-collecting departments and will terminate with the centralisation of the higher departments.

In addition to the services of the central Treasury, the State carries out some of its transactions through the National Bank. The receipts collected by the State authorities and institutions must be paid into the National Bank to the account of the Ministry of Finance, and the Treasury

is notified of all payments so made. At the end of each month the various State authorities and institutions must send a statement of actual receipts and expenditure to the Director-General of Public Accountancy.

Transfers are allowed, within defined limits, with the consent of the competent Minister after the Director-General of Public Accountancy and State Control has been informed.

4. The closed accounts are established on the basis of the collections and payments effected. The accounts remain open for five months after the end of the financial year; an order for payment out of the budget credits may be given up to four months after the end of the financial year and the payment in question may be made up to the end of the fifth month. After this period the budget accounts are closed, and no expenditure may be effected in respect of the budget credits for the previous year.

The balance between receipts and expenditure is calculated irrespective of proceeds of loans.

The manner in which surpluses are utilised and the means by which deficits are covered are determined by a special vote of Parliament in each case.

The information contained in the present survey, prepared in June 1929, has been obtained from the following documents :

- (a) The report of the Minister of Finance on the 1927-28 and 1928-29 budgets.
- (b) Closed accounts for 1924-25.
- (c) State budgets for 1926-27, 1927-28 and 1928-29.
- (d) The *Belgrade Economic Review*.

Note on Price Movement.

Table showing Index Numbers of Wholesale Prices, 1924-1929.

	1913	1923-24 (March 1924)	1924-25	1925-26	1926-27	1927-28	1928-29
Average for the financial year: <i>Privredni pregled</i> index	100	2,040	2,021	1,641	1,519	1,577	
National Bank index				1926 100	1927 (January- March) 98	105	106

A. Summary of Budget Accounts, 1924-25 to 1928-29.

Dinars (000,000's).

	1924-25	1926-27	1927-28	1928-29
	Closed Accounts	Estimates		
Receipts, excluding loans	10,838.4	12,504.-	11,477.6	7,668.9
Expenditure	10,540.3	12,504.-	11,477.6	7,489.6
Balance	+ 298.1	—	—	+ 179.3

NOTE.

The first closed accounts of the Kingdom of Yugoslavia were established for the financial year 1924-25. That year was selected because a fair measure of currency and financial stability had by then been reached. Consequently, the budget for that year could be taken as a basis for subsequent calculations.

Until 1923-24 the budget accounts showed large deficits which increased the floating debt and the State's indebtedness to the National Bank. Part of the floating debt was repaid out of the yield of long-term loans; the budget surplus for 1924-25 was paid into the Treasury as a working capital fund. It is proposed to hand over the surplus for 1928-29 (179.3 million dinars) to the autonomous authorities, to enable the latter to meet the cost of the duties transferred to them by the State.

B. Budget Estimates for the Financial Years 1926-27 to 1928-29 compared with the Closed Accounts for the Financial Year 1924-25.

Dinars (000,000's).

	1924-25	1926-27	1927-28	1928-29
	Closed Accounts	Estimates		
A. GENERAL BUDGET				
<i>Receipts.</i>				
1. Direct taxation	1,377.6	1,848.4	1,706.3	1,673.4
2. Indirect taxation	3,556.1	3,520.1	3,505.7	3,519.8
3. Monopolies	2,363.6	2,424.5	2,296.9	1,906.5
4. Public undertakings	3,439.-	4,582.2	3,852.-	474.3
5. Other receipts	102.4	128.8	116.7	94.9
Total receipts	10,838.7	12,504.-	11,477.6	7,668.9
<i>Expenditure.</i>				
1. Supreme Administration of the State	} 920.7 {	131.4	121.9	119.8
2. Pensions		498.-	604.-	916.4
3. Public debt		571.-	602.1	868.3
4. Ministry of Justice		263.1	311.7	273.6
5. " " Education		770.8	791.6	806.3
6. " " Public Worship		94.1	138.5	111.-
7. " " the Interior		536.7	639.8	562.8
8. " " Public Health		278.6	303.5	189.9
9. " " Foreign Affairs		190.3	173.8	167.6
10. " " Finance		1,318.8	1,073.6	348.4
11. " " War and the Marine		1,957.6	2,413.-	2,428.6
12. " " Public Works		393.5	430.1	295.-
13. " " Communications		2,352.7	3,011.-	70.-
14. " " Post and Telegraph		364.-	428.7	—
15. " " Agriculture and Waterworks		199.7	232.5	137.3
16. " " Forests and Mines		395.4	412.1	—
17. " " Commerce and Industry		65.3	92.8	48.8
18. " " Social Welfare		337.3	461.7	30.2
19. " " Agrarian Reform		89.5	69.1	41.6
20. " " Constitutional Reform		-5	-5	—
21. Reserve funds		11.7	319.6	74.-
Total Expenditure	10,540.3	12,504.-	11,477.6	7,489.6
B. PUBLIC UNDERTAKINGS				
<i>Receipts.</i>				
Ministry of Education				59.3
" " Public Health				31.7
" " Finance :				
Monopolies				2,269.9
Domains and Sugar Refinery				251.3
" " Communications				2,582.6
" " Post and Telegraph				483.8
" " Agriculture and Waterworks				92.3
" " Forests and Mines				465.4
" " Commerce and Industry				30.3
National Bank				30.-
Capital and Funds				4.9
Total receipts				6,301.5

B. Budget Estimates for the Financial Years 1926-27 to 1928-29 compared with the Closed Accounts for the Financial Year 1924-25 (continued).

Dinars (000,000's).

	1924-25	1926-27	1927-28	1928-29
	Closed Accounts	Estimates		
B. PUBLIC UNDERTAKINGS (cont.)				
<i>Expenditure.</i>				
Ministry of Education				38.4
„ „ Public Health				31.7
„ „ Finance :				
Monopolies				512.6
Domains and Sugar Refinery				202.2
„ „ Communications				2,512.5
„ „ Post and Telegraph				374.-
„ „ Agriculture and Waterworks				78.1
„ „ Forests and Mines				331.7
„ „ Commerce and Industry				13.7
Total expenditure				4,094.9

C. Analysis of Receipts.

	1924-25		1926-27		1927-28		1928-29	
	Closed Accounts		Estimates					
	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total
I. Taxes on income and property :								
Land tax	32.6	-.48	45.8	-.57	48.6	-.63	49.2	-.64
House tax	63.3	-.93	70.4	-.88	81.7	1.06	80.8	1.05
General income tax	152.1	2.23	309.-	3.85	248.8	3.23	217.9	2.84
Industrial tax	8.1	-.12	50.9	-.64	55.9	-.73	49.5	-.65
Tax on joint-stock companies	27.3	-.40	53.4	-.67	41.7	-.54	33.4	-.44
Tax on fees (directors', etc.)	1.6	-.02	1.3	-.02	1.3	-.02	1.3	-.02
Taxes on salaries and wages	—	—	58.1	-.72	83.8	1.09	135.-	1.76
Military tax	-.2	(-.003)	-.1	(-.001)	1.-	-.01	1.5	-.02
Capitation tax	4.-	-.06	5.2	-.06	8.-	-.10	7.2	-.09
Tax on property	7.1	-.10	—	—	—	—	—	—
Supplementary tax for main- tenance of disabled soldiers	86.2	1.26	140.-	1.75	137.6	1.78	130.-	-.09
Supplementary tax on direct tax- ation	829.9	12.17	690.2	8.61	677.9	8.79	647.6	8.43
Direct taxes from previous years	165.1	2.42	200.-	2.49	100.-	1.30	100.-	1.30
Total	1,377.5	20.19	1,624.4	20.26	1,486.3	19.28	1,453.4	18.93
II. Taxes on production, use and transac- tions :								
Customs duties :								
Import duties	123.5	1.81	143.-	1.79	153.-	1.99	145.-	1.89
Export duties	215.5	3.16	2.-	-.02	1.5	-.02	2.-	-.03
Customs taxes	3.1	-.04	5.-	-.06	4.1	-.05	3.2	-.04
Difference on exchange	1,045.2	15.32	1,500.-	18.71	1,530.-	19.85	1,501.4	19.55
Total	1,387.3	20.33	1,650.-	20.58	1,688.6	21.91	1,651.6	21.51
Excise duties : (Sugar, coffee, beer, wine, spirits, liqueurs, brandy, rum, extracts, essences, elec- tricity, gas, mechanical lighters, alcohol, acetic acid, benzine, other petroleum products, tar, charcoal, paraffin, etc.)								
Tax on turnover	676.7	9.92	751.-	9.37	755.1	9.80	813.-	10.59
Stamp duties	210.6	3.09	220.-	2.74	220.-	2.85	220.-	2.86
Transport tax	992.6	14.54	890.-	11.10	836.-	10.85	833.5	10.86
	289.-	4.23	229.-	2.86	226.-	2.93	221.7	2.89
Total	3,556.2	52.11	3,740.-	46.65	3,725.7	48.34	3,730.2	48.71

C. Analysis of Receipts (continued).

	1924-25		1926-27		1927-28		1928-29	
	Closed Accounts		Estimates					
	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total
III. Net yield of fiscal monopolies :								
Tobacco	812.6	11.91	1,183.-	14.76	1,203.6	15.62	1,296.8	16.89
Salt	187.1	2.74	261.5	3.26	154.4	2.-	180.6	2.35
Petroleum	148.8	2.18	116.6	1.46	139.1	1.81	151.9	1.98
Matches	138.7	2.03	123.6	1.54	124.1	1.61	139.9	1.83
Cigarette-paper	101.6	1.49	100.2	1.25	106.5	1.38	116.5	1.52
Saccharine	-3	-.01	—	—	—	—	-2	(-.003)
Explosives	11.6	-1.17	27.-	-3.3	30.-	-3.9	30.-	-3.9
Total	1,400.7	20.53	1,811.9	22.60	1,757.7	22.81	1,915.9	24.96
Total I, II and III	6,334.4	92.83	7,176.3	89.51	6,969.7	90.43	7,109.1	92.60
IV. Fees, contributions and other administrative receipts								
	150.2	2.20	144.4	1.80	127.1	1.65	107.3	1.40
V. Net surplus from public domain and undertakings :								
Forests	139.7	2.05	108.7	1.36	86.8	1.13	92.7	1.21
Domains (Belje and Topolovatz).	—	—	10.4	-.13	20.4	-.26	42.4	-.55
Sericulture	—	—	4.4	-.05	2.6	-.03	3.5	-.05
Mines	26.5	-.39	110.1	1.37	11.2	-.15	40.-	-.52
Railways	—	—	314.9	3.93	333.7	4.33	56.3	-.73
Inland navigation	—	—	—	—	4.3	-.06	2.3	-.03
Postal, telegraph and telephone services	82.6	1.21	60.8	-.76	59.4	-.77	107.4	1.40
Post Office Savings Bank	20.-	-.29	10.5	-.13	10.7	-.14	27.5	-.36
Mortgage Bank	11.4	-.17	11.-	-.14	13.8	-.18	15.-	-.19
Liquidation Bank	—	—	—	—	3.5	-.04	1.6	-.02
Sugar Refinery	—	—	—	—	—	—	6.7	-.09
Printing Office	3.4	-.05	23.1	-.29	19.8	-.26	20.4	-.26
Publication of school books	—	—	—	—	—	—	1.4	-.02
Lottery	—	—	4.7	-.06	6.6	-.08	10.-	-.13
Total	283.6	4.16	658.6	8.22	572.8	7.43	427.2	5.56
VI. Receipts from Bank of Issue								
	33.-	-.48	30.-	-.37	30.-	-.39	30.-	-.39
VII. Dividends on Government shares in corporations, companies, etc.								
	3.3	-.05	3.3	-.04	3.3	-.04	—	—
VIII. Interest on advances granted by the State								
	18.8	-.27	4.6	-.06	4.4	-.06	4.-	-.05
IX. Receipts from realisation of State assets								
	-6	-.01	-.2	(-.002)	-3	(-.004)	—	—
Total receipts	6,823.9	100	8,017.4	100	7,707.6	100	7,677.6	100

NOTES.

During the first few years after its foundation, the Kingdom of Yugoslavia possessed no unified fiscal system and the different fiscal laws which were in force in the various provinces have only gradually been unified. This diversity of fiscal systems was the reason for the distinction drawn in the budget between special and general receipts. The general receipts are as follows :

- (a) Customs duties ;
- (b) Taxes introduced after the war throughout the whole country : the tax for the maintenance of disabled soldiers and sailors, the tax on business turnover and certain other new taxes ;
- (c) Various taxes (most of the excise duties, etc.) and supplementary taxes in force in Old Serbia applied throughout the Kingdom.

Direct taxes are as a rule regarded as special receipts.

The unification of fiscal legislation began with extension of the Customs duties in force in Old Serbia to the whole country in 1919. Since then these duties have undergone various alterations. Later, the Law of November 9th, 1909, concerning excise duties which had been in force in Old Serbia was applied by the Finance Law of 1920-21 throughout the Kingdom. Accordingly, since 1920-21, a single rate has been applied in all parts of the Kingdom on the following articles : sugar, coffee, chicory, rice, oil, beer, superior wines, liqueurs, brandy, rum, candles, electric lighting, gas for lighting purposes, calcium carbide, patent lighters, acetic acid, mineral waters and similar products and yeast for beer. The Finance Law of 1921-22 abolished the excise duties on oil, yeast for beer and mineral waters, and established duties on benzine and alcohol. (The latter had up till then been a monopoly product in Serbia and Montenegro.) In 1927-28 the excise duties on chicory, rice, candles and calcium carbide were abolished. The rates of the duties on sugar, coffee, superior wines and benzine were raised in 1922 ; those on alcohol were raised in 1925, but were reduced again in 1927-28.

From the fiscal point of view the most important of the excise duties is that on sugar, the yield of which amounted in 1925 to 50 %, in 1926 to 56 % and in 1927 to 59 % of the total excise duties.

A tax on turnover was introduced throughout the Kingdom in 1921.

The duties on spirits and ordinary wines have not yet been unified for the whole of the country but since 1923 all production for domestic use has been exempted from excise duty. In all the provinces except Old Serbia, where spirits and ordinary wines have always been free of duty, duties on spirits manufactured for commercial purposes are maintained.

By the Law of February 8th, 1928, on direct taxes, a further important step was taken towards unification.

The new system of direct taxation includes the following :

1. Tax on income derived from land ;
2. Tax on income derived from buildings ;
3. Tax on income derived from industry, trade and the exercise of a profession ;
4. Tax on income derived from capital ;
5. Tax on profits of enterprises obliged to publish their accounts ;
6. Tax on salaries and wages.

The last-named of these taxes has been applicable since April 1st, 1928 ; all the others as from January 1st, 1929.

Taxes are assessed according to two scales : a proportional basic scale and a supplementary progressive scale. The only exceptions are the tax on income derived from capital, to which only a single proportional basic scale is applied, and the tax on salaries and wages, to which a single progressive scale is applied.

D. Analysis of Expenditure.

	1924-25		1926-27		1927-28		1928-29	
	Closed Accounts		Estimates					
	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total	Amount : dinars (000,000's)	Per- centage of total
I. National Defence :								
(a) Army	1,789.9	26.23	2,160.6	26.95	2,014.4	26.14	2,076.6	27.05
(b) Navy	120.1	1.76	151.-	1.88	220.-	2.85	231.-	3.01
(c) Frontier troops	47.6	-.70	101.4	1.27	114.6	1.49	121.-	1.58
Total	1,957.6	28.69	2,413.-	30.10	2,349.-	30.48	2,428.6	31.64
II. Foreign Affairs	190.3	2.79	173.8	2.17	161.4	2.09	167.6	2.18
III. Justice	263.1	3.86	311.7	3.89	292.8	3.80	273.6	3.56
IV. Supreme Organs of Government and General Administration :								
(a) Supreme Organs	97.1	1.42	131.8	1.64	122.2	1.59	119.8	1.56
(b) General Administration	536.7	7.87	639.9	7.98	602.4	7.82	562.8	7.33
Total	633.8	9.29	771.7	9.62	724.6	9.41	682.6	8.89
V. Public Health :								
(a) Hospitals	149.3	2.19	166.1	2.07	148.4	1.93	61.6	-.80
(b) Other expenditure	119.-	1.74	120.8	1.51	107.1	1.39	128.3	1.67
Total	268.3	3.93	286.9	3.58	255.5	3.32	189.9	2.47

D. Analysis of Expenditure (continued).

	1924-25		1926-27		1927-28		1928-29	
	Closed Accounts		Estimates					
	Amount: dinars (000,000's)	Per- centage of total	Amount: dinars (000,000's)	Per- centage of total	Amount: dinars (000,000's)	Per- centage of total	Amount: dinars (000,000's)	Per- centage of total
VI. Social Administration :	57.7	-85	61.7	-77	41.9	-54	30.2	-39
VII. Economic Administration :								
(a) Agriculture	174.3	2.55	206.2	2.57	214.7	2.79	131.8	1.72
(b) Agrarian Reform	89.5	1.31	69.1	-86	50.7	-66	41.7	-54
(c) Industry and Commerce	36.8	-54	59.8	-75	55.4	-72	48.8	-64
(d) Navigation	57.7	-85	87.2	1.09	95.5	1.24	70.-	-91
(e) Public Works	393.5	5.77	430.1	5.36	368.1	4.77	295.-	3.84
(f) Stud farm (deficit)	7.2	-10	2.2	-03	8.1	-10	4.7	-06
(g) Motor service (deficit)	7.3	-11	1.1	-01	—	—	—	—
(h) Railways (deficit)	80.4	1.18	—	—	—	—	—	—
(i) Sericulture (deficit)	7.4	-11	—	—	—	—	—	—
Total	854.1	12.52	855.7	10.67	792.5	10.28	592.-	7.71
VIII. Education, Science and Art :								
(a) Theatres (deficit)	24.8	-36	27.-	-34	24.-	-31	18.5	-24
(b) Other expenditure	710.4	10.41	727.7	9.07	803.3	10.42	787.8	10.26
Total	735.2	10.77	754.7	9.41	827.3	10.73	806.3	10.50
IX. Church	94.1	1.37	138.5	1.73	139.4	1.81	111.-	1.45
X. Financial Administration	356.2	5.22	461.-	5.75	414.1	5.37	357.9	4.66
XI. Pensions :								
(a) Civil service	563.3	8.25	498.-	6.21	604.-	7.84	636.3	8.29
(b) Military service	279.6	4.10	400.-	4.99	322.-	4.17	280.-	3.65
(c) War pensions								
Total	842.9	12.35	898.-	11.20	926.-	12.01	916.3	11.94
XII. Public Debt Service	260.8	3.82	571.-	7.12	602.1	7.81	868.3	11.31
XIII. Reserve Funds	11.7	-17	319.7	3.99	181.-	2.35	74.-	-96
Total expenditure	6,525.8	95.63	8,017.4	100	7,707.6	100	7,498.3	97.66
Surplus	298.1	4.37	—	—	—	—	179.3	2.34
Grand total	6,823.9	100	8,017.4	100	7,707.6	100	7,677.6	100

NOTES.

I. The Government's policy in recent years has been to transfer certain State activities to the local authorities (departments, districts and municipalities) only leaving in the State budget expenditure on account of such general functions as concern the whole country. In 1928-29 the following transfers classified by Ministries were effected :

- (a) Ministry of Public Health : certain hospitals and convalescent homes and thermal and other health resorts ;
- (b) Ministry of Public Works : maintenance and repair of certain roads totalling 4,813 km.
- (c) Ministry of Commerce and Industry : primary handicraft schools and carpet and lace workshops in Sarajevo ;
- (d) Ministry of Social Welfare : certain child welfare institutions ;
- (e) Ministry of Agriculture and waterworks : a considerable number of waterworks ; selection stations ; the organisation of agricultural training-courses, of exhibitions and excursions ; the purchase of selected live-stock and implements ; the upkeep of experimental farms ; several domains and a number of elementary agricultural schools ; drainage ; nursery plantations, etc.

The expenditure connected with the various State activities is, therefore, tending to diminish with the exception of that on :

- (a) National defence ;
- (b) Foreign affairs;
- (c) The charges connected with the service of the public debt ;
- (d) Civil and military pensions except war pensions.

The increase in these is due to the introduction of a new pension law. As the number of persons entitled to the new pensions increases and the number of those entitled to pensions under the old law is decreasing, expenditure under this head will grow for some time.

A new decree, the effect of which will be felt in the 1929-30 budget, regulates the pensions of officials' widows and children. A compulsory system has been instituted for insuring the families of all officials. It is expected that a deduction of 6 per cent from officials' fixed salaries will be not only sufficient to pay pensions to the families but will largely help to constitute a capital fund, the interest on which will, a few years hence, be sufficient to pay for the pensions.

2. The relationship between the expenditure on staff and the expenditure on supplies is as follows :

	1927-28	1928-29
	Dinars (000,000's)	
Expenditure on staff	4,105.6	3,685.8
Expenditure on supplies.	3,602.—	3,813.3
Total	<u>7,707.6</u>	<u>7,499.1</u>

The expenditure on supplies for 1928-29 includes extraordinary expenditure amounting to 874.6 million dinars devoted for the most part to constructional work.

E. Fiscal Monopolies.

Dinars (000,000's).

	1924-25	1926-27	1927-28	1928-29
	Closed Accounts	Estimates		
<i>Tobacco :</i>				
Gross receipts	1,608.9	1,637.—	1,610.5	1,693.4
Working expenses	796.3	454.—	406.9	396.6
Net receipts	812.6	1,183.—	1,203.6	1,296.8
<i>Salt :</i>				
Gross receipts	302.1	366.6	255.—	266.8
Working expenses	115.—	105.1	100.6	86.2
Net receipts	187.1	261.5	154.4	180.6
<i>Petroleum (tax) :</i>				
Gross receipts	156.2	122.3	140.—	152.—
Expenditure	7.4	5.7	—9	—1
Net receipts	148.8	116.6	139.1	151.9
<i>Matches (tax) :</i>				
Gross receipts	154.—	142.8	135.2	140.—
Expenditure	15.3	19.2	11.1	—1
Net receipts	138.7	123.6	124.1	139.9
<i>Cigarette-paper :</i>				
Gross receipts	130.2	128.7	126.2	136.6
Working expenses	28.6	28.5	19.7	20.1
Net receipts	101.6	100.2	106.5	116.5
<i>Saccharine :</i>				
Gross receipts	—3	—1	—1	—3
Working expenses	—	—1	—1	—1
Net receipts	—3	—	—	—2
<i>Explosives :</i>				
Net receipts	11.6	27.—	30.—	30.—

NOTES.

As has been stated in the notes on the budget system, the expenditure on monopolies includes some small items for capital outlay but does not include pensions or debt service.

Monopolies. — After the Kingdom became united, the monopolies, except the alcohol monopoly, existing in Old Serbia were applied throughout the whole country. Alcohol was subjected to excise duties. Moreover, the saccharine monopoly which existed in Bosnia and Herzegovina was extended to the whole territory by the Finance Law of 1926-27. The monopoly receipts form a security for some of the foreign loans and, in order to improve this security, the monopolies have been converted into an independent organisation known as the "Autonomous Administration of State Monopolies". This institution is administered by a Board of Directors consisting of twelve members, two of whom represent foreign creditors, namely, a representative of the holders of Serbian pre-war debentures, and a representative of Blair and Company for the 1922 Foreign Gold Loan. The surpluses from the monopolies are devoted primarily to the service of the following foreign loans :

1. 4 % Converted Loan, 1895,
2. 5 % Monopolies Loan, 1902,
3. 4 1/2 % Railway Construction Loan, 1906,
4. 4 1/2 % Loan, 1909.
5. 5 % War Loan, 1913.
6. 8 % Foreign Gold Loan, 1922 (first block),
7. 7 % Foreign Gold Loan, 1927 (second block).

The funds required for the service of these loans are paid by the Monopolies Administration to the National Bank. The remainder is paid into the Treasury.

Since 1928-29 certain steps have been taken to stimulate the sale of monopoly goods. The Monopolies Administration no longer engages in direct trading, the wholesale trade in monopoly products being entrusted to various contractors.

F. Public Undertakings.

Dinars (000,000's).

	1924-25	1926-27	1927-28	1928-29
	Closed Accounts	Estimates		
<i>Printing Offices (Belgrade, Cetinje, Sarajevo) :</i>				
Gross receipts	31.5	48.-	44.9	45.4
Working expenses	28.1	24.9	25.1	25.-
Balance	+ 3.4	+ 23.1	+ 19.8	+ 20.4
<i>Publication of School Books (Zagreb, Ljubljana) :</i>				
Gross receipts . . . . .	...	...	...	6.4
Working expenses . . . . .	...	...	...	5.-
Balance . . . . .	...	...	...	+ 1.4
<i>Theatres (Belgrade, Zagreb, Ljubljana) :</i>				
Gross receipts	7.5	12.-	6.-	...
Working expenses	32.3	39.-	30.-	18.5
Balance	- 24.8	- 27.-	- 24.-	- 18.5
<i>Hospitals :</i>				
Gross receipts	10.3	16.6	16.4	28.8
Working expenses	159.6	182.7	164.8	90.4
Balance	- 149.3	- 166.1	- 148.4	- 61.6
<i>Domains (Belje and Topolovatz) :</i>				
Gross receipts . . . . .	...	...	...	182.5
Working expenses . . . . .	...	...	...	140.1
Balance . . . . .	...	+ 10.4	+ 20.4	+ 42.4
<i>Sugar refinery (Tchankaritz) :</i>				
Gross receipts . . . . .	...	...	...	68.7
Working expenses . . . . .	...	...	...	62.-
Balance . . . . .	...	...	...	+ 6.7

F. Public Undertakings (continued).

Dinars (000,000's).

	1924-25	1926-27	1927-28	1928-29
	Closed Accounts	Estimates		
<i>Railways :</i>				
Gross receipts	2,204.5	3,234.2	2,687.2	2,443.2
Working expenses	2,284.9	2,919.3	2,353.5	2,386.9
Balance	- 80.4	+ 314.9	+ 333.7	+ 56.3
<i>Motor-car Service (Montenegro) :</i>				
Gross receipts	2.8	3.2	3.2	2.8
Working expenses	10.1	4.3	3.2	2.8
Balance	- 7.3	- 1.1	...	...
<i>Inland Navigation :</i>				
Gross receipts . . . . .	...	...	130.7	125.1
Working expenses . . . . .	...	...	126.4	122.8
Balance . . . . .	...	...	+ 4.3	+ 2.3
<i>Postal, Telegraph and Telephone Services :</i>				
Gross receipts	436.4	472.2	462.-	473.1
Working expenses	353.8	411.4	402.6	365.7
Balance	+ 82.6	+ 60.8	+ 59.4	+ 107.4
<i>Post Office Savings Bank :</i>				
Gross receipts	30.2	27.8	25.-	41.7
Working expenses	10.2	17.3	14.3	14.2
Balance	+ 20.-	+ 10.5	+ 10.7	+ 27.5
<i>Lottery :</i>				
Gross receipts	18.1	15.-	24.-	56.-
Working expenses	18.1	10.3	17.4	46.-
Balance . . . . .	...	+ 4.7	+ 6.6	+ 10.-
<i>Stud Farm :</i>				
Gross receipts	- 1	6.5	5.-	4.5
Working expenses	7.3	8.7	13.1	9.2
Balance	- 7.2	- 2.2	- 8.1	- 4.7
Subsidy granted by the State . . . . .	...	...	...	5.5
Net balance	- 7.2	- 2.2	- 8.1	+ -.8
<i>Forests :</i>				
Gross receipts	201.6	215.4	165.6	174.4
Working expenses	61.9	106.7	78.8	81.7
Balance	+ 139.7	+ 108.7	+ 86.8	+ 92.7
<i>Mines :</i>				
Gross receipts	360.-	415.5	285.8	290.9
Working expenses	333.5	305.4	274.6	250.9
Balance	+ 26.5	+ 110.1	+ 11.2	+ 40.-
<i>Mortgage Bank :</i>				
Gross receipts	16.6	20.8	24.-	27.3
Working expenses	5.2	9.8	10.2	12.3
Balance	+ 11.4	+ 11.-	+ 13.8	+ 15.-

F. Public Undertakings (concluded).

Dinars (ooo,ooo's).

	1924-25	1926-27	1927-28	1928-29
	Closed Accounts	Estimates		
<i>Liquidation Bank :</i>				
Gross receipts . . . . .	...	...	...	3.-
Working expenses . . . . .	...	...	...	1.4
Balance . . . . .	...	...	+ 3.5	+ 1.6
<i>Sericulture :</i>				
Gross receipts	15.9	35.-	26.2	31.8
Working expenses	23.3	30.6	23.6	28.3
Balance	- 7.4	+ 4.4	+ 2.6	+ 3.5

NOTE.

As stated in the notes on the budget system, the following items are not included in the working expenses of the public undertakings: payment of the loan annuities, included in the general budget under the item "Service of the Public Debt"; officials' and workmen's pensions. On the other hand, some small items of capital outlay are included.

POSITION OF THE PUBLIC DEBT AS ON JULY 1ST, 1928.

1. Debt of old Serbia and Montenegro.	Gold dinars (ooo,ooo's)
1881 2% Lottery Loan	13.2
1888 Lottery Loan (tobacco lottery)	8.3
1895 4% Converted Loan	314.9
1902 5% Loan	40.9
1906 4 1/2% Loan for railway construction and armaments	67.1
1909 4 1/2% Loan for railway construction and completion of armaments	123.9
1913 5% Loan for the liquidation of war expenditure and urgent war needs	213.8
1909 5% Montenegrin Loan issued in London	-.2
1913 6% Montenegrin Loan	9.6
Total	791.9
2. War Debt.	(In millions)
War debt to the U. S. A.	\$62.2
War debt to Great Britain	£32.5
Relief debt to Great Britain.	£2.9
3. Share of the former Austro-Hungarian Monarchy debt.	
(a) Non-secured debt :	
4% Austrian Gold Rente	10.- gold florins
1914 4 1/2% Austrian Treasury Bonds	4.9 gold crowns
4.2% A.-H. Unified Rente, silver and paper	77.3 paper crowns
4% A.-H. Converted Rente, silver and paper	198.9 " "
4% Austrian Rente in paper crowns	47.5 " "
3 1/2% Invested Austrian Rente	2.4 " "
4.36% Insurance Companies' Loan	2.3 " "
4% Hungarian Gold Rente	89.5 gold florins
4 1/2% " Rente, 1913	21.2 gold crowns
4 1/2% " Rente, 1914	69.9 " "
4% " Rente, 1910	39.3 " "

POSITION OF THE PUBLIC DEBT AS ON JULY 1ST, 1928 (continued).

3. <i>Share of the former Austro-Hungarian Monarchy debt</i> (cont.)		(In millions)
(a) Non-secured debt (continued) :		
4 %	Hungarian Rente in paper crowns	381.2 paper crowns
4 %	» Loan for the payment of land charges.	22.5 " "
4 ½ %	» Loan for beverage-duties	6.- " "
(b) Secured debt :		
3 %	debentures of the A.-H. State Railways Privileged Company (S. T. E. G.)	19.1 French francs
	Annuities payable to the A.-H. State Railways Privileged Company (S. T. E. G.), Vienna, from July 1st, 1919, until July 1st, 1965	8.- " "
4 %	debentures of the Ljubljana-Kamnik local railways loan	1.5 paper crowns
4 %	debentures, first issue, of the Crown Prince Rudolf railway-system loan	13.2 " "
4 %	debentures, second issue, ditto	5.5 German marks
4 %	debentures, third issue, ditto	9.6 paper crowns
	Total of No. 3	99.5 gold florins 135.3 gold crowns 762.4 paper crowns 27.1 French francs 5.5 German marks
4. <i>Debt of the districts of the former Austro-Hungarian Monarchy now forming part of the Kingdom of Yugoslavia.</i>		
	Bosnia-Herzegovina	172.1 paper crowns
	Croatia-Slavonia	21.5 florins
	Slovenia	21.2 paper crowns
	Dalmatia	5.8 " "
	South Styria and South-Eastern Carinthia	16.7 " "
5. <i>Post-war debt.</i>		
(a) Foreign debt :		
	1922 National foreign loan, of a nominal value of 100 million dollars :	
	First block, 8 % debentures, Series A, 1922	\$15.2
	Second block, 7 % debentures, Series B, 1927	\$30.-
7 %	Bonds for the re-purchase of the Eastern Railways.	105.- French francs
5 %	Loan of 300 million French francs, 1923	242.3 " "
(b) Domestic debt :		
7 %	investment loan, 1921	495.- dinars
4 %	debentures on the loan for the financial settlement of agrarian relations in Bosnia-Herzegovina, 1921.	124.4 " "
2 ½ %	debentures of the State Lottery Rente for the payment of war damage	4,292.1 " "
	Debt to the National Bank (situation on December 31st, 1928) :	
	Conversion of Crown notes Account	1,062.7
	Working capital and treasury bond accounts	2,966.4

NOTES.

1. As the whole of Serbian territory was occupied during the war, the expenses of the Serbian Government and the maintenance and provisioning of the Serbian army on the Salonika front were met by means of loans from the allies, France and England, and later the United States of America. At the end of the war other loans were granted to Serbia for the relief of her population and the restoration of her devastated areas. Of the war debts to France, Great Britain and the United States, only the French debt has not yet been settled.

The war debt to the United States was settled under the Agreement of May 3rd, 1926. It has been fixed at \$62.8 million, redeemable in 62 years, from 1926 to 1987, by annual payments, the total amounting to \$95.2 million.

The annuities have been fixed as follows :

	\$ (000's)	
1926-1930 annually	200	(no interest payable)
1931-1937 increasing by \$25,000 annually from	225 to 375	{ " " }
1938-1940 increasing from	475 to 562	{ including 1/8% interest }
1941-1954 " "	816 to 1,085	{ " 1/2% " }
1955-1957 " "	1,340 to 1,359	{ " 1% " }
1958-1960 " "	1,829 to 1,841	{ " 2% " }
1961-1987 annually	2,490	{ " 3 1/2% " }

The war debt to Great Britain was settled under the Agreement of August 9th, 1927. The amount on January 1st, 1927, was fixed at £25.6 million. The debt is redeemable in 62 years by half-yearly payments, the total amounting to £32.8 million.

The annuities have been fixed as follows :

	£
1927	150,000
1928	200,000
1929	250,000
1930 to 1935	300,000
1936 to 1939	350,000
1940 to 1941	400,000
1942 to 1988	600,000

An agreement concluded on the same date settled the relief debts to Great Britain and other countries (Australia, Denmark, France, Netherlands, Norway, Sweden and Switzerland). This debt represents loans for the reconstruction of the country after the war, and the cost of transporting soldiers and civilians, which had been borne by the States named. The debt to Great Britain was fixed at £2.1 million, payable up to 1941 in half-yearly instalments, including interest at 5%, the total of which amounts to £3.1 million. The annuities rise from £100,000 to £150,000 during 1927 to 1931 and will be approximately £240,000 per annum for the years 1932 to 1941. The relief debt to the other States amounted to 1.5 million dinars and was repaid at the time of the signature of the agreement of August 8th, 1927.

2. The allocation of the debt of the former Austro-Hungarian Monarchy between the various Succession States has been made by the Reparation Commission (Article 203 of the Treaty of St. Germain and Article 186 of the Treaty of Trianon). The Kingdom of Yugoslavia has become responsible for two separate portions : (a) the debentures in the possession of foreign holders, being foreign debt ; (b) the debentures in the possession of Yugoslav nationals, being domestic debt.

The foreign debt amounts to 369.4 million gold francs, 27.1 million French francs and 52.2 million Austrian crowns. Of the total of 369.4 million gold francs only a part — 75.2 million gold francs, representing the 4 1/2% Austrian Treasury Bonds and the 1914 4 1/2% Hungarian Rente — had to be redeemed within a stated time ; this has, however, not yet been fixed. The other part has no term and on it only interest is payable. The sum of 27.1 million French francs consists of two parts : (a) 7.9 million French francs, to be paid direct to the Privileged Company of Austro-Hungarian State Railways (S. T. E. G. = Staatseisenbahngesellschaft) ; (b) 3% S. T. E. G. debentures. For this part, the currency of payment has not yet been definitely fixed. Under the Prague Agreement, the service of these debentures must, until 1935, be paid on the basis of 27 per cent of the gold value.

Under the Protocol of Innsbruck, the Succession States are allowed, until the end of 1930, to pay reduced interest — 32 per cent on the gold Rentes, and 27 per cent on the other Rentes.

The sum of 52.2 million Austrian crowns must, according to the provisions of the Treaties of Peace, be converted into dinars on the basis of 4 crowns = 1 dinar.

The domestic debt constituted by the portion of the former Austro-Hungarian debt taken over has not yet been adjusted.

3. The provinces of the former Austro-Hungarian Monarchy which are at present either entirely or in part within the Kingdom of Yugoslavia (Bosnia-Herzegovina, Croatia-Slavonia, Slovenia, Dalmatia, Carinthia and Styria) had contracted loans which they were repaying out of their own revenue. This debt of the autonomous provinces together with a proportional part of that of Styria and Carinthia totals 262.3 million Austrian crowns. The question of its service has not yet been settled, and it remains undecided whether it should continue to be a charge on the provinces concerned or whether the State should take it over.

4. Under a law of July 22nd, 1922, the issue of a foreign gold loan, 1922, of a nominal amount of 100 million dollars was authorised, of which 70 million dollars were intended for the construction of the Belgrade-Adriatic railway line and 30 million dollars for the financial needs of the State. Two blocks

have already been issued : the first, " Series A ", of 15.2 million dollars, was issued in 1922 by Blair and Company at $86\frac{3}{4}$ bearing 8 per cent interest ; the second, " Series B " of \$30 million, was issued in 1927 by Blair and Company and the Chase Security Corporation at 86, bearing 7 per cent interest. Sums of \$250,000 from the first block and \$15 million from the second block were earmarked for the construction of the railway line. The debt is redeemable in or before 1962, but the redemption does not begin until 1932. The service is guaranteed by the net receipts of the monopolies and Customs, and by the gross receipts of the railways and of the new line to be constructed from Belgrade to the Adriatic.

5. The compensation for the expropriation of private railways was fixed in 1923 in two agreements. Private companies received Treasury bonds from the State to the value of 149.9 million French francs at $7\frac{1}{2}$ per cent, redeemable in ten years.

6. The 5% loan of three hundred million French francs of 1923 was granted by the French Government to enable the Kingdom of Yugoslavia to make purchases in France. It is repayable in five equal annuities, to begin five years after the realisation of each block of one hundred million French francs.

7. The 1921 7% investment loan of a nominal value of five hundred million dinars was the first domestic loan floated by the Kingdom of Yugoslavia. It was used for the reconstruction of railways, bridges, roads and tunnels that had fallen into disrepair. The loan was floated by a large syndicate of bankers in the country ; it is repayable in fifty years.

8. The other two items of domestic debt represent debentures given as compensation to certain persons : (a) the 4% debentures given to persons residing in Bosnia-Herzegovina, whose land was taken over under the agrarian reform scheme ; and (b) the $2\frac{1}{2}$ % debentures given as compensation for war damage. Both debts are redeemable in fifty years by drawings ; there are also prize drawings in connection with the $2\frac{1}{2}$ % debentures.

9. The part of the debt of the Ottoman Empire transferred to the Kingdom of Yugoslavia in respect of territories which became part of the Kingdom after the Balkan war, and the fraction of the Bulgarian debt similarly taken over after the Balkan war and the late war have not yet been adjusted.

10. The State debt to the National Bank originates principally from the conversion of notes of the former Austro-Hungarian Bank which were in circulation in the territories which became a part of the Kingdom of Yugoslavia. The conversion was effected on the basis of one dinar = four crowns. For this purpose the National Bank opened an "account for the conversion of crown notes" which represents a State debt to the National Bank amounting at the end of 1928 to 1,062.7 million dinars. Against this debt the State received a share in the liquidation of the metallic reserve of the former Austro-Hungarian Bank, amounting to thirty-five million gold crowns.

Under the Law of July 23rd, 1921, credits of one thousand million dinars, as a working capital fund for the budget, and of two thousand million dinars for the repayment of treasury bonds, were opened for the State at the National Bank. This State debt to the National Bank amounted at the end of 1928 to 2,966.4 million dinars.

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