

LEAGUE OF NATIONS

MEMORANDUM

ON

PUBLIC FINANCE

1922

GENEVA, JULY 1923

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PREFACE.

The present volume on Public Finance 1922 is a continuation of the work begun in connection with the International Financial Conference held at Brussels in September 1920. That Conference emphasised the advisability of giving the greatest publicity possible to the situation of the public finances of each State, and recommended that the League of Nations should prepare statements for periodical publication reviewing the public finances of as many States as possible. This recommendation was adopted by the Council of the League of Nations after consideration by the Provisional Economic and Financial Committee.

A first volume, entitled *Memorandum on Public Finance 1921*, containing summaries of the financial position of 26 countries, was published in April 1922.

It has been thought important to present without delay the later information already collected, which may be of special interest in view of the questions engaging the attention of the world at the present time.

In the present volume, therefore, the position of 14 countries, mostly European, is reviewed. In addition, the situation with reference to German reparations obligations and reparations payments, prepared from the statements published by the Reparations Commission, is set out in a special chapter. A more complete volume, containing reviews of a number of additional countries, together with a general introduction, will be published before the end of the year.

It may be remarked that, in the present volume, the notes on the budget system have been revised and considerably enlarged, the movement of the public debts, and charges on account thereof, have been examined and compared with price movements, and the assets of each State have been shown whenever possible.

The official sources from which the information for the present volume has been obtained are indicated at the opening of the review of each country.

GENEVA, July 5th, 1923.

BELGIUM.

Notes on the Budget System.

1. The budget year coincides with the calendar year.

In July, each year, the Finance Minister sends out a circular letter to all departments of the Government reminding them to forward to him estimates of expenditure for the coming year. The budget proposal is then prepared in the Ministry of Finance and has to be submitted to Parliament before the end of the year (for 1923 it was submitted in October 1922). The budget is not voted until after the beginning of the budget year. The expenditure for the intervening period is authorised by a "Law for provisional credits" (*loi des crédits provisoires*). The credits are provided for a definite number of months (*douzièmes provisoires*) and are inscribed in the budget when voted.

The revenue budget is at present submitted at the same time as the expenditure budget. The Finance Minister declared in his message to the Chambers in February 1922 that the Government had adopted the principle of submitting all the laws by which the separate parts of the budget are authorised and the estimates at the same time, but considered that for practical reasons the various laws ought to be voted separately. In order to expedite the voting of the budget, a reform was effected in 1922 granting limited powers of financial initiative to the Senate, the budgets of certain departments being submitted to it at the same time as to the Chamber.

2. The general budget is divided into the following subdivisions:

- (i) Ordinary Budget, comprising ordinary, exceptional and compensatory revenue and ordinary and exceptional expenditure;
- (ii) Extraordinary Budget, comprising extraordinary revenue (receipts from sale of property), and extraordinary expenditure on account of:
 - (a) Expenditure for capital purposes;
 - (b) Consequences of the war (which include, *inter alia*, the bonus on account of high cost of living);
- (iii) Recoverable Expenditure Budget, comprising reparations, cost of army of occupation, and Control Commissions;
- (iv) The Budget of Public Undertakings — Railways, Marine, Postal and Telegraph Services:
 - (a) Working Account;
 - (b) Extraordinary Account (including cost-of-living bonus);
- (v) Food Supply Organisation Budget.

The term "compensatory receipts" (*recettes compensatoires*) is applied to receipts transferred to the ordinary budget from other budgets. The compensatory receipts in the estimates for 1923 result from:

(a) The transference from the budget of public undertakings of the amount of the debt service on debt chargeable to those undertakings (164.7 million frs.); (b) the transference from the recoverable expenditure budget of the costs of the army of occupation (102.9 million frs.) and of the charges inscribed in the ordinary budget on account of debt incurred to cover reparation expenditure in execution of the Peace Treaty (457 million frs.). This system of compensatory receipts and consequent double entries artificially augments both the expenditure and the revenue side of the budget but has no effect, of course, on the deficit.

Public undertakings are, to a certain extent, worked as one concern, having joint receipts and expenses. Up to 1922 these joint items were not divided between the various undertakings, but in the estimates for 1923 they have been divided in detail in order to show the financial results of each undertaking individually. The service of the debt of each undertaking is charged thereto among the working expenses, and the sums involved are transferred to the ordinary budget as compensatory receipts. Capital expenditure is specially accounted for.

3. The accounting is based on a system of accrued assets and liabilities. Services rendered before the end of a given budget year, and rights acquired by the State within the year, are accounted for in the budget of the year. It is not necessary that payments to or by the State should be actually made within that period; it is sufficient that the rights or liabilities should legally originate from that year. It is not even necessary that the rights or liabilities should have been embodied in so-called "ordonnances" before the end of the period; the "ordonnances" may be issued during the whole of the year subsequent to the budget year.

Outstanding "ordonnances" are accounted for in so-called "closed budgets" at any time during four years from the end of the year subsequent to the budget year. The actual expenditure during a given year — for example, 1922 — may thus be accounted for in one of three ways:

- (i) in the budget of 1922;
- (ii) in the budget of 1921 which is still open; or
- (iii) in the closed budgets of 1920, 1919, 1918 or 1917.

As regards revenue the actual receipts are accounted for:

- (a) in the budget of the current year; or
- (b) in the budget of the preceding year not closed.

The closed accounts for 1913 were, owing to the war, not ready before the autumn of 1921. Closed accounts have not as yet been published for latter years.

4. Surplus or deficit is not carried from one year to another, but constitutes an increase or decrease in the Treasury balance.

5. The Belgian Administration keeps an account at the Central Bank, which acts as fiscal agent for the State. The Public Debt includes any net balances advanced by the Bank. The charges for pensions are included with the debt service proper in the budget.

6. According to a law of July 19th, 1922, the State grants certain contributions to a "Municipal Fund", and these contributions are accounted for on the expenditure side in the budget. For 1923 such contributions are estimated to amount to 122,650,000 frs.

There are several taxes the yield of which is divided in varying proportions between the State, the provinces and the municipalities. The State budget for 1922 showed only the portion allotted to the State, but from 1923 the total yield of these common taxes is accounted for in the State budget, and the net portion to which the provinces and municipalities are entitled is shown as expenditure, the State reserving for itself 5% as the cost of collection. The Finance Minister gives the following reasons for this innovation:

- (a) The new system makes it possible to follow the progress of the yield of the various income taxes;
- (b) it gives a better idea of the efforts of the Belgian taxpayer to the nationals of certain countries where the local taxes are not of the same importance as in Belgium;
- (c) it shows more clearly the extent to which Belgium has had recourse to direct in comparison with indirect taxation, especially as in Belgium the local taxation is preponderantly direct.

The following review has been based mainly on:

- (a) The reply by the Belgian Government to the Questionnaire, dated March 23rd, 1923;
- (b) Budget estimates of receipts and expenditure for the financial years 1922 and 1923, the latter submitted to Parliament in October 1922;
- (c) Budget voted for 1922, published in the *Moniteur Belge*;
- (d) Reports by the Finance Commissions of the Senate and of the Chamber on the budgets of ways and means and of the various departments;
- (e) The Statistical Yearbook of Belgium and the Belgian Congo, 1915-1919, published in 1922.

A. Summary of Budget Accounts.

Frs. (ooo,ooo's omitted).

Year	Accounts	Receipts	Expenditure	Deficit
1920	Budget and Supplementary votes	3,767	10,943	— 7,176
1921		5,419	10,567	— 5,148
1922		7,063	8,435	— 1,372
1923		5,942	8,337	— 2,395
	Estimates submitted to Parliament			

Note. — The receipts include estimates of Reparation payments from Germany, amounting to 706 million frs. for 1921, to 3,047.9 million frs. for 1922 and to 1,639.9 million frs. for 1923.

It should be noticed that, owing to the system of double entry in the case of the "compensatory receipts," as they are called, the revenue and expenditure have been artificially increased by 807.2 million frs. in 1922 and by 724.5 million frs. in 1923 (see Note 2 on the Budget System).

Owing to various changes in the accounting system, the figures for 1923 are not strictly comparable with those for the previous years.

B. Budget Estimates for the financial year 1923 compared with the Estimates for 1922, the latter being rearranged according to the system adopted for the Estimates for 1923.

Frs. (000,000's omitted).

	1922 Voted Estimates	1923 Estimates submitted to Parliament
<i>Ordinary Budget:</i>		
Revenue	2,757.4	2,940.4
Expenditure	2,942.1	2,945.5
Balance	- 184.7	- 5.1
<i>Extraordinary Budget:</i>		
Revenue	2.6	4.3
Expenditure	745.9	623.5
Balance	- 743.3	- 619.2
<i>Budget of Recoverable Expenditure:</i>		
Revenue	3,045.9	1,639.9
Expenditure	3,069.3	3,069.3
Balance	- 23.4	- 1,429.4
<i>Budget of Railways, Mercantile Marine, Postal and Telegraph Services:</i>		
Receipts	1,181.2	1,341.-
Working Expenses	1,353.1	1,390.3
Balance	- 171.9	- 49.3
<i>Extraordinary Expenses</i>	244.3	293.7
<i>Food Supply Budget:</i>		
Receipts	75.6	16.5
Expenses	79.9	14.7
Balance	- 4.3	+ 1.8
Total Revenue	7,062.7	5,942.1
Total Expenditure	8,434.6	8,337.-
Total Balance	- 1,371.9	- 2,394.9

The figures for 1922 include the supplementary estimates voted by the law of July 30th, 1922. It is possible that further supplementary credits will be necessary.

It should be noted that, in the beginning of 1923, the Government submitted a new proposal for fiscal reform, but any changes in the figures which may result from this proposal, if adopted, have not yet become available.

In 1921 the Budget deficit was covered by:

- (a) an 8% loan of \$ 30,000,000 issued in U. S. A.;
- (b) a 4% lottery loan issued by the Federation of Co-operative Societies for repairing war damage and guaranteed by the State (issued in Belgium);
- (c) a 6% Consolidation loan (issued in Belgium);
- (d) Treasury Bonds and Treasury Bills issued in Belgium and abroad.

C. Analysis of Revenue.

Note. — In order to secure full comparability between the figures for the respective financial years, the budgets for 1921 and 1922 have been re-calculated according to the system adopted for the 1923 budget.

	Budget voted by Parliament for the financial year 1921, including supplementary votes		Latest budget estimates for the financial year 1922, including supplementary estimates		Latest budget estimates for the financial year 1923		Difference (+ or -) between Col. (d) and Col. (f)
	Amount: Francs (000's omitted)	Percentage of Total Revenue	Amount: Francs (000's omitted)	Percentage of Total Revenue	Amount: Francs (000's omitted)	Percentage of Total Revenue	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<i>Direct Taxation:</i>		%		%		%	
Income tax including super-tax ¹	648,000 ²	20.5	648,000 ²	11.1	650,000	14.2	+ 2,000
Excess profits duty	280,000 ²	8.9	50,000 ²	.9	—	—	— 50,000
Death duty	100,000	3.2	120,000	2.1	90,000	2.1	— 30,000
Personal tax on servants and horses	2,000	.1	2,000	—	2,000	—	—
Tax on movable property	—	—	20,000	.4	20,000	.4	—
Mining royalties	30	—	30	—	30	—	—
Total Direct Taxation	1,030,030	32.7	840,030	14.5	762,030	16.6	— 78,000
<i>Indirect Taxation and Taxes on Transactions:</i>							
Import duties	204,800 ^{3,4}	6.5	263,200 ^{3,4}	4.5	384,000	8.4	+ 120,800
Excise duty on:							
Tobacco	79,000	2.5	79,000	1.4	60,000	1.3	— 19,000
Beer	18,000 ³	.6	20,000 ³	.4	25,000	.6	+ 5,000
Wines and beverages obtained from fermented fruit juices	25,170 ³	.8	30,110 ³	.5	45,180	1.1	+ 15,070
Spirits	73,000 ^{3,4}	2.3	83,430 ^{3,4}	1.4	96,000	2.1	+ 12,570
Sugar	20,000 ³	.7	25,000 ³	.4	28,000	.6	+ 3,000
Vinegar and acetic acid	130 ³	—	140 ³	—	130	—	— 10
Glucose and other non-crystallised sweetening agents	1,500	—	1,000	—	1,200	—	+ 200
Margarine	1,000	—	1,000	—	1,000	—	—
Total Excise Duties	217,800	6.9	239,680	4.1	256,510	5.6	+ 16,830
Tax on automobiles and other motor vehicles	2,500	.1	2,500	—	5,000	.1	+ 2,500
Entertainment tax	25,000 ²	.8	25,000 ²	.4	30,000	.7	+ 5,000
Tax on games and betting	—	—	5,000	.1	5,000	.1	—
Stamp duties	50,000	1.6	60,000	1.1	70,000	1.5	+ 10,000
Registration fees	150,000	4.7	211,000	3.7	220,000	4.8	+ 9,000
Fees and mortgages	2,450	.1	4,800	.1	5,500	.1	+ 700
Tax on telegraphic communications	—	—	200,000	3.5	250,000	5.4	+ 50,000
Miscellaneous indirect taxes	1,700	—	9,510	.2	8,502	.2	— 1,008
Total Indirect Taxation and Taxes on Transactions	654,250	20.7	1,020,690	17.6	1,234,512	26.9	+ 213,822
<i>Net surplus from Public Undertakings:</i>							
Railways	} (Deficit)	—	} (Deficit)	—	4,726	.1	+ 4,726
Food supply service		—		—	1,812	—	+ 1,812
Total net surplus from Public Undertakings	—	—	—	—	6,538	.1	+ 6,538

¹ The income tax includes the schedular tax on land. Commercial companies are subject to income tax only.

² Including the portion payable to provinces and municipalities.

³ Including the portion payable to municipal funds.

⁴ Including the portion payable to special funds of municipalities.

C. Analysis of Revenue (continued).

	Budget voted by Parliament for the financial year 1921, including supplementary votes		Latest budget estimates for the financial year 1922, including supplementary estimates		Latest budget estimates for the financial year 1923		Difference (+ or -) between Col. (d) and Col. (f)
	Amount: Francs (ooo's omitted)	Percentage of Total Revenue	Amount: Francs (ooo's omitted)	Percentage of Total Revenue	Amount: Francs (ooo's omitted)	Percentage of Total Revenue	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<i>Sale of Government property</i>	59,050	1.9	2,600	—	7,050	.2	+ 4,450
<i>Miscellaneous revenue</i>	702,965	22.3	894,841	15.4	941,091	20.5	+ 46,250
TOTAL NET REVENUE, excluding reparation payments	2,446,295	77.6	2,758,161	47.5	2,951,221	64.3	+ 193,060
<i>Reparation payments</i>	706,002	22.4	3,047,870	52.5	1,639,860	35.7	- 1,408,010
TOTAL NET REVENUE, including reparation payments	3,152,297	100.—	5,806,031	100.—	4,591,081	100.—	- 1,214,950
<i>Deduct: "Compensatory receipts" (see Note, p. 5)</i>	- 540,000	—	- 710,240	—	- 724,511	—	+ 14,271
TOTAL EFFECTIVE REVENUE	2,612,297	—	5,095,791	—	3,866,570	—	- 1,229,221
Deficit	5,045,742	—	1,252,498	—	2,272,622	—	+ 1,020,124

NOTES.

I. The receipts inscribed in the ordinary budget are classified in three sections:

	Frs. (ooo,ooo's omitted)
Ordinary receipts	2,208.1
Exceptional receipts	7.8
Compensatory receipts	724.5
	<u>2,940.4</u>

The sum of 264 million francs from the ordinary receipts represents the portion of the provinces and municipalities.

2. The following table shows the estimates of reparation receipts for 1922 and 1923:

	Voted estimates for 1922	Estimates for 1923	Difference
German deliveries in kind	312.5	255.—	— 57.5
German cash payments	2,575.3	1,245.—	— 1,330.3
Repayment by Germany of the cost of the Army of Occupation	112.2	102.9	— 9.3
Various receipts	46.1	37.—	— 9.1
Total	3,046.1	1,639.9	- 1,406.2

The high figure for reparation payments for 1922 is due to the Belgian priority according to the arrangement concluded in Paris on March 11th, 1922, between the delegates of the interested Powers, whereby a lump sum of 102 million frs., representing the cost of the Army of Occupation during the period May 1st, 1922, to April 30th, 1923, was granted to Belgium. The cost of the Belgian staff of the Inter-Allied Military Control Commission in Germany is estimated at 850,000 frs.

The Government has announced that great savings are to be effected in order to meet as far as possible the deficit occasioned by the non-payment of reparations during 1923.

3. In the beginning of March 1923, the Prime Minister introduced a bill for increasing taxation, by which he hopes to increase revenue by 300 million frs. It is also expected that existing taxes will exceed the estimated yield. During the first three months of 1923, customs, excise and registration duties have yielded 397 million frs. compared with an estimate of 322 million frs. for that period, and of 305 million frs. during the corresponding period of 1922. The direct taxes collected are also above the estimates.

Since January 1st, 1923, and up to the end of May, the following additional taxation has been voted:

Increase in:	Estimated proceeds. Francs
duties on sugar and tobacco	50,000,000
the tax on automobiles	10,000,000
the rates of tax on personal property .	50,000,000
stamp duties and succession duties, as well as a new duty on invoices	40,000,000
certain rates of super-tax	<u>50,000,000</u>
	<u>200,000,000</u>

D. Analysis of Expenditure.

Francs (000's omitted).

	Budget voted by Parliament for the financial year 1921, including supplementary votes		Latest budget estimates for the financial year 1922, including supplementary estimates		Latest budget estimates for the financial year 1923		Difference (+ or -) between Col. (d) and Col. (f)
	Amount: Francs (000's omitted)	Percentage of Total Expenditure	Amount: Francs (000's omitted)	Percentage of Total Expenditure	Amount: Francs (000's omitted)	Percentage of Total Expenditure	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		%		%		%	
<i>Defence</i>	633,932	7.7	577,651	8.2	586,228	8.5	+ 8,577
<i>Pensions</i>	551,549	6.7	418,413	5.9	390,950	5.7	- 27,463
<i>Reconstruction</i>	3,664,506	44.7	3,099,719	43.9	3,036,651	44.2	- 63,068
<i>Unemployment</i>	112,119	1.4	62,055	.9	22,413	.3	- 39,642
<i>Education</i>	334,259	4.1	356,433	5-	351,812	5.1	- 4,621
<i>Interest on Public Debt</i>	721,769	8.8	923,727	13.1	951,169	13.9	+ 27,442
<i>Net deficit on Public Undertakings:</i>							
<i>Railways</i>	151,800	1.8	66,296	.9	(surplus)	—	- 66,296
<i>Shipping</i>	32,770	.4	39,751	.6	34,344	.5	- 5,407
<i>Postal service</i>	29,900	.4	35,019	.5	16,643	.2	- 18,376
<i>Telegraph and telephone services</i>	26,737	.3	31,131	.4	3,023	.1	- 28,108
<i>Food supply service</i>	49,592	.6	4,319	.1	(surplus)	—	- 4,319
Total net deficit on Public Undertakings	290,799	3.5	176,516	2.5	54,010	.8	- 122,506
<i>Capital expenditure</i>	686,370	8.4	555,443	7.9	602,031	8.8	+ 46,588
<i>Miscellaneous expenditure</i>	1,202,736	14.7	888,572	12.6	868,439	12.7	- 20,133
TOTAL NET EXPENDITURE	8,198,039	100.-	7,058,529	100.-	6,863,703	100.-	- 194,826
<i>Deduct: Expenditure counted twice, corresponding to "Compensatory receipts" (see Note, p. 5)</i>	540,000	—	710,240	—	724,511	—	+ 14,271
TOTAL EFFECTIVE EXPENDITURE	7,658,039	—	6,348,289	—	6,139,192	—	- 209,097

NOTES.

1. The real increase in the expenditure of the ordinary budget amounts to 17 million frs., and as the debt service has increased by 49 million frs., savings amounting to 32 million frs. have been made on items other than the debt service.

The extraordinary budget shows the following figures compared with those for 1923:

Frs. (000,000's omitted).

	1922	1923	Difference (+ or -)
Capital expenditure.	428.5	433.9	+ 5.4
Consequences of the war	424.5	189.7	- 234.8
	853.-	623.6	- 229.4

Since the estimates for 1923 were originally submitted in October 1922, the Government has taken steps to effect considerable further savings in all departments.

2. In the budget submitted in October 1922, the Finance Minister estimated the war damage to private property at a total of 16 to 18 milliard frs., of which repairs to the value of about 6 milliards had been effected, leaving the reparations still to be carried out at 10 to 12 milliards. The war damage to public property still to be repaired has been estimated at about 2 milliard frs.

These figures are still very uncertain as the courts have not yet passed judgment on more than a portion of the claims made by the owners of private property damaged in the war.

E. Public Undertakings.

Francs (000's omitted).

	Budget voted by Parliament for the financial year 1921, including supple- mentary votes.	Latest budget estimates for the financial year 1922, including supplementary estimates.	Latest budget estimates for the year 1923.
<i>Railways:</i>			
Gross receipts	941,400	1,001,400	1,124,897
Working expenses	1,093,200	1,067,696	1,120,171
Balance	- 151,800	- 66,296	+ 4,726
<i>Shipping:</i>			
Gross receipts	19,730	17,080	19,528
Working expenses	52,500	56,831	53,872
Balance	- 32,770	- 39,751	- 34,344
<i>Postal Service:</i>			
Gross receipts	100,000	100,000	116,490
Working expenses	129,900	135,019	133,133
Balance	- 29,900	- 35,019	- 16,643
<i>Telegraph and Telephone Services:</i>			
Gross receipts	54,363	62,000	80,089
Working expenses	81,100	93,131	83,112
Balance	- 26,737	- 31,131	- 3,023
<i>Food Supply Service:</i>			
Gross receipts	1,150,400	75,550	16,532
Working expenses	1,199,992	79,869	14,720
Balance	- 49,592	- 4,319	+ 1,812

F. Public Debt.

(i). Table showing the Public Debt in 1913, 1918 and since 1920.

Francs (ooo,ooo's omitted).

Date	Period	Domestic Debt						Foreign Debt *		TOTAL DEBT	
		Funded		Floating		Total		Amount	Movement (+ or -)	Amount	Movement (+ or -)
		Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
December 31 st , 1913	...	4,092.3	...	337.9	...	4,430.2	...	196.4	...	4,626.6	...
" " 1918	5 years	3,838.1	- 254.2	5,792.5	+ 5,454.6	9,630.6	+ 5,200.4	319.9	+ 123.5	9,950.5	+ 5,323.9
" " 1920	2 years	8,700.9	+ 4,862.8	14,224.5	+ 8,432.7	22,925.4	+ 13,294.8	6,750.6	+ 6,430.7	29,676.0	+ 19,726.5
" " 1921	12 months	11,117.4	+ 2,416.5	16,769.6	+ 2,545.1	27,887.7	+ 4,961.6	6,223.4	- 527.2	34,110.4	+ 4,434.4
October " 1922	10 months	13,454.5	+ 2,337.1	16,980.4	+ 210.8	30,434.9	+ 2,547.9	6,572.8	+ 349.4	37,007.7	+ 2,897.3

* The foreign debt is calculated at the rates of exchange current on the dates to which the various statements refer. The variations since 1920 are mainly due to changes in the quotations of the foreign exchanges. If calculated at par rates of exchange, the foreign debt and total debt would amount to 2,699.2 and 33,124.1 million francs, respectively, on October 31st, 1922.

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(ii) Table showing the amount of the Public Debt in 1913, 1918 and since 1920, 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: Francs (ooo,ooo's omitted)	Index number		Amount: Francs (ooo,ooo's omitted)	Index number
December 31st, 1913 . . .	4,626.6	% 100.—	% 100 ¹	4,626.6	% 100.—
„ „ 1918	9,950.5	215.1	²	—	—
„ „ 1920	29,676.—	641.4	²	—	—
„ „ 1921	34,110.4	737.3	369	9,244.—	199.8
October 31st, 1922 . . .	37,007.7	799.9	385	9,612.4	207.8

¹ April 1914.² Not calculated.

(iii) Table showing the amount of charges for Debt Service for the financial years 1913, 1922 and 1923, 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 omitted)	Index number		Amount: Francs (ooo,ooo's omitted)	Index number
1913	Closed Accounts	190.—	% 100.—	% 100 ¹	190.—	% 100.—
1922	Estimates	1,492.—	785.3	407	366.6	192.9
1923		1,581.—	832.1	480 ²	329.4	173.4

¹ April 1914.² April 1923.

Note. — The difference between the amount of the charges for debt service in the table above and the amount shown in the table on p. 11 is explained by the fact that the latter figure does not include the appropriations for interest and amortisation voted in the budget of recoverable expenditure. For particulars regarding the debt service, see Note, on p. 18.

The following table gives particulars regarding the Public Debt:

Frs. (000,000's omitted).

	December 31st, 1920	December 31st, 1921	October 31st, 1922
DOMESTIC DEBT:			
<i>Funded Debt:</i>			
2 1/2% Debt	220.-	220.-	220.-
3% Debt (1st, 2nd and 3rd series and Military Service Loan)	3,565.3	3,533.4	3,505.7
5% National Restoration Loan	1,615.5	1,633.6	1,670.-
5% Premium Loan	2,346.-	2,338.9	2,419.2
6% Consolidation Loan	—	1,445.5	1,955.1
4% Lottery Loan	—	1,000.-	999.9
5% Lottery Loan	—	—	1,000.-
Capital value of Annuities payable by the State	954.1	946.-	914.9
10-year Treasury Bonds	—	—	769.7
Total Funded Debt	8,700.9	11,117.4	13,454.5
<i>Floating Debt:</i>			
Treasury Bonds and Treasury Bills	2,148.5	6,324.5	6,522.5
Treasury Bonds issued for monetary restoration	3,040.3	4.4 ¹	—
5% Inter-provincial Bonds issued for payment of war contributions	2,347.8	2,347.8	1,867.8
5% Bonds issued for compensation for war damage	1,187.9	2,175.-	2,627.4
Advance by the National Bank on account of the withdrawal of German marks	5,500.-	5,500.-	5,500.-
Private Credit Balances on the Postal Order Account	—	417.9	462.7
Total Floating Debt	14,224.5	16,769.6	16,980.4
Total Domestic Debt	22,925.4	27,887.-	30,434.9
FOREIGN DEBT:²			
<i>Funded Debt:</i>			
3% Sterling Loan	539.5	519.-	596.-
7 1/2% Loan issued in U. S. A.	798.8	628.8	616.4
8% Loan issued in U. S. A.	—	378.3	371.8
French National Defence Obligations	53.6	59.-	60.6
Total Funded Foreign Debt	1,391.9	1,585.1	1,644.8
<i>Floating Debt:</i>			
Treasury Bills payable in:			
Sterling	602.8	637.5	780.8
U. S. A. Dollars	1,088.7	830.-	764.2
Canadian Dollars	26.-	24.1	27.3
Total Treasury Bills	1,717.5	1,491.6	1,572.3

¹ Bonds which fell due on December 1st, 1921, but had not been presented for payment by December 31st.

² Foreign Debt has been converted at rates of exchange current on the dates of the respective statements.

BELGIUM.

Particulars regarding the Public Debt (*continued*).

Frs. (ooo,ooo's omitted).

	December 31st, 1920	December 31st, 1921	October 31st, 1922
Advances by the Allied Powers after the Armistice:			
France	264.5	291.3	292.8
United Kingdom	285.6	276.5	345.-
United States	2,803.1	2,298.7	2,357.3
Total Advances by Allied Powers	3,353.2	2,866.5	2,995.1
Cost of internment of Belgian troops in Holland	288.-	280.2	360.6
Total Floating Foreign Debt	5,358.7	4,638.3	4,928.-
Total Foreign Debt	6,750.6	6,223.4	6,572.8
TOTAL PUBLIC DEBT	29,676.-	34,110.4	37,007.7

NOTES.

1. The funded domestic debt includes all liabilities of more than 5 years' currency; the floating debt all liabilities maturing within the next five years.

2. The following table shows the amount of foreign debt, in domestic currency and in currencies in which it is payable, on December 31st, 1920, and on October 31st, 1922.

	Foreign Debt			
	In currency in which payable		In Belgian currency on October 31st, 1922	
	On December 31st, 1920	On October 31st, 1922	at par rate of exchange	at rates of exchange on Oct. 31st, 1922
Frs. (ooo,ooo's omitted).				
CONSOLIDATED DEBT:				
3% Loan	£9,478,080	£8,668,700	218.6	596.-
7 1/2% Loan U. S. A.	\$50,000,000	\$46,000,000	238.3	616.4
8% Loan U. S. A.	—	\$27,750,000	143.7	371.9
French National Defence Obligations	Fr. frs. 56,254,000	Fr. frs. 56,254,000	56.3	60.6
Total Consolidated Debt			656.9	1,644.9
FLOATING DEBT:				
British Credits for national reconstruction	£9,000,000	£9,000,000	227.-	618.8
Payment for Armstrong locomotives	*	£1,380,000	34.8	94.9
Purchase of sluice-gates for the Scheldt	*	£46,905	1.2	3.2
Canada : purchase of horses and mules	£930,480	£930,480	23.5	64.-
Total in £	£10,589,236	£11,357,385	286.5	780.9
U. S. A. \$:				
Purchase of American war stocks		\$27,588,581	142.9	369.7
6% Treasury Bills issued in U. S. A.	*	\$18,600,000	96.3	249.2
Purchase of American locomotives		\$8,559,445	44.3	114.7
Purchase of frozen meat		\$2,284,151	11.8	30.6
Total U. S. A. \$	\$68,148,486	\$57,032,177	295.3	764.2
Canadian \$:				
Canada : export credits	C. \$1,875,000	C. \$2,028,095	10.5	27.3
Advances from Allies after the Armistice:				
France	Fr. frs. 277,577,028	Fr. frs. 277,577,028	277.6	292.8
U. K.	£5,017,295	£5,017,295	126.5	344.9
U. S. A.	\$175,471,013	\$175,471,013	908.9	2,351.3
Total advances			1,313.-	2,989.-
Cost of internment of Belgian troops in Holland	Fl. 57,021,100	Fl. 60,153,238	126.9	360.6
Total Floating Debt			2,032.2	4,922.-
GRAND TOTAL			2,689.1	6,566.9

* Details not available.

BELGIUM

Rates of exchange used for conversion of foreign debt on preceding page:

	Belgian francs.	
	Par rates	Rates on October 31st, 1922
100 French francs =	100.-	107.65
£ 1 =	25.22	68.75
U.S.A. \$ 1 =	5.18	13.40
Canadian \$ 1 =	5.18	13.4375
100 Dutch florins =	211.-	599.50

3. Debt Service. — In the budget for 1923 the debt service is borne in part by the ordinary budget and the remainder by the Budget of Recoverable Expenditure. In the latter budget are inscribed the charges for loans raised on account of reconstruction which, in accordance with the Peace Treaty, is to be paid for by Germany. The total debt service amounts to 1,734 million francs, of which, however, 153 million francs represent cost of pensions and similar charges, debt service proper amounting to 1,581 million francs. Of the latter sum, 1,107 and 474 million francs are accounted for on the ordinary and the Recoverable Expenditure budgets, respectively.

164.7 million francs represent charges against public undertakings for invested capital.

The advance made by the National Bank on account of the withdrawal of marks, originally amounting to 5,800 million francs, and reduced on December 31st, 1921, to 5,500 million francs, does not bear interest (special convention of October 24th, 1919).

The credit balance on the Postal Order Account is not productive of interest.

On the advances granted by Allied Governments after the Armistice, amounting to nearly 3 milliards of francs, payment of interest has not yet begun. The advances granted by the Allies during the war are to be paid by Germany in accordance with Article 232, § 3, of the Treaty of Versailles, and are, therefore, not included in the Belgian Debt. In 1920 these advances were stated to consist of the following items:

From France	Frs. 1,993.3 millions
From United Kingdom	£78.4 millions
From U. S. A.	\$171.8 millions

According to the London Plan of May 1921 for the settlement of Reparations, German bonds take the place of these debts.

By means of the proceeds of the 6 % Consolidation Loan of 1921, Treasury bills and bonds amounting to 850 million francs were paid off.

Dates of Maturity.

The following table shows the amounts maturing before January 1st, 1926. The statement refers to the position as on December 31st, 1921.

<i>Domestic Debt:</i>	Francs.
Funded	242,500,000
Floating	14,887,300,000
Total	15,129,800,000
<i>Foreign Debt:</i>	
Funded	335,000,000
Floating	1,738,000,000
Total	2,073,000,000
Grand Total	17,202,800,000

The Foreign Debt has been converted according to the rates of exchange on December 31st, 1921.

DENMARK.

Notes on the Budget System.

1. The financial year covers the period from April 1st to March 31st. The estimates have to be laid on the table of the Folketing at the beginning of each session, that is, in October for the financial year beginning on the 1st of the following April. The budget is voted in March, immediately before the beginning of the financial year. The Government generally submits supplementary estimates for the current year in January and these are usually voted in March or April. During the war the supplementary budgets materially changed the first estimates; but steps have since been taken to make the estimates as comprehensive as possible.

2. The Danish budget is divided into the two following parts:

- (a) Current revenue and current expenditure;
- (b) Revenue from realisation of State capital and from increase of public debt, and expenditure for increase of State capital and redemption of debt (§ 26 of the budget).

The first part comprises, on the revenue side, all real revenue from taxes, public undertakings, etc., and certain receipts from sale of State property, and, on the expenditure side, all expenditure other than that for capital purposes and redemption of debt. Revenue from State capital in the second group represents sums in repayment of outstanding claims against municipalities, etc., and expenditure for increase of State capital is, as a rule, limited to investments in public undertakings which normally yield a surplus and to interest-bearing loans granted to municipalities, associations, etc. The current expenditure is divided into ordinary and extraordinary, the last-named category comprising, in addition to exceptional expenditure, expenditure for construction of buildings (schools, etc.), which do not directly yield a surplus but represent capital outlay. Thus the capital expenditure of the State is really larger than the amount accounted for as indicated in 2 (b) above (§ 26 of the budget).

The Danish budget includes only net surplus or net deficit from public domain and public undertakings. It should be noted that these undertakings are always accounted for on the revenue side and that, therefore, if there is a deficit, that deficit is directly deducted from the revenue. In calculating working expenses for public undertakings, a certain amount representing the depreciation of assets, which is actually used for capital purposes, is included. No interest is charged to public undertakings.

The Danish budget is a net budget, that is, receipts collected by the various branches of the administration, *e.g.*, proceeds from sales of horses by the Military Department, are not accounted for on the revenue side in the budget but directly deducted from the expenditure (compare the appropriations in aid in the budget system of the United Kingdom).

3. The accounts for a given year do not comprise actual cash receipts and cash payments during that year only, but are kept on the basis of accrued assets and liabilities. When the accounts are closed, the assessed but still outstanding taxes are included in the revenue, and expenditure incurred but not yet effected included in the expenditure. Owing to this method it is impossible to forecast the result of a financial year before the accounts are finally made up. The closed accounts for a given year ending March 31st are usually published in the following October.

4. The surplus or deficit is calculated separately for each part of the budget. The difference between the revenue and expenditure of the first part shows whether the real expenditure (*i.e.*, for other than capital purposes) has been more or less than real revenue (from taxes, etc.). In the second part the difference shows whether the proceeds of loans and other capital transactions have been more or less than expenditure for capital purposes. The balances of surplus and deficit are carried to the "State Fund." When such transactions as were included as accrued assets or liabilities in the closed accounts of the preceding year are completed, they are accounted for in this fund. The fund will thus carry a certain amount of current revenue and current expenditure. It also provides the Administration with working capital. Even when the fund shows a large surplus, this surplus is used for permanent purposes and is not utilized, except to a small extent, to cover deficits in the budget. When loans are issued but the proceeds not immediately used, the surplus is carried to the fund. In the published debt statements no deduction of such available balances is made. On the other hand, the State Fund gets advances from the National Bank, which are not technically considered as constituting a part of the National Debt.

5. The Danish State keeps its main account at the National Bank, but it also keeps accounts at various other banks.

6. The State gives certain grants to the municipalities. These are of two kinds: (*a*) A grant of 1½ million kroner yearly for general purposes, which is so distributed that the financially weakest municipalities receive proportionately the largest contributions; (*b*) Grants for special purposes (schools, old age pensions, etc.); these grants, which are considerable, are regarded in the State budget not exactly as grants in aid but as State expenditure for the purposes in question.

The following review is based mainly on:

1. The reply to the questionnaire, dated May 23rd, 1923.
2. The closed accounts for the financial year 1920-21.
3. The closed accounts for the financial year 1921-22.
4. Original estimates for the financial year 1922-23 voted by Parliament, and supplementary estimates submitted to Parliament.
5. Original estimates for the financial year 1923-24 submitted to Parliament.

A. Summary Table of Budget Accounts.

Kroner (000,000's omitted)

Year	Accounts	Receipts	Expenditure	Surplus (+) or deficit (-)	Receipts less loans	Expenditure less amortisation	Real surplus (+) or deficit (-)	
1920-21	Closed Accounts {	Current acc. . . .	498.7	555.2	- 56.5	498.7	555.2	- 56.5
		Capital acc. . . .	155.6	205.3	- 49.7	5.6	201.1	- 195.5
	Total	654.3	760.5	- 106.2	504.3	756.3	- 252.-	
1921-22	Closed Accounts {	Current acc. . . .	409.3	499.4	- 90.1	409.3	499.4	- 90.1
		Capital acc. . . .	168.6	135.5	+ 33.1	37.-	131.3	- 94.3
	Total	577.9	634.9	- 57.-	446.3	630.7	- 184.4	
1922-23	Estimates (original + supplem.) {	Current acc. . . .	407.7	427.-	- 19.3	407.7	427.-	- 19.3
		Capital acc. . . .	21.9	128.9	- 107.-	21.9	118.-	- 96.1
	Total	429.6	555.9	- 126.3	429.6	545.-	- 115.4	
1923-24	Estimates (original) {	Current acc. . . .	399.9	362.2	+ 37.7	399.9	362.2	+ 37.7
		Capital acc. . . .	7.3	42.9	- 35.6	7.3	31.9	- 24.6
	Total	407.2	405.1	+ 2.1	407.2	394.1	+ 13.1	

The budget accounts include all revenue and expenditure except for two educational institutions: the "Kommunitelet" and the "Sorø Akademi," which have independent budgets. The expenditure of the two institutions has been estimated at 427,000 and 703,000 kr., respectively, for the financial year 1923-24.

The real deficit for the financial year 1920-21, amounting to 252 million kr., was covered to the extent of 106.2 million kr. by available Treasury balances, while the net increase in the public debt during the financial year was 148.4 million kr. (face value).

The real deficit for the financial year 1921-22, amounting to 184.4 million kr., was covered by available Treasury balances to the extent of 57 million kr., and the net increase in the public debt amounted to 127.7 million kr. (face value).

In a speech in the Folketing on April 20th, 1923, the Finance Minister drew attention to the fact that the closed accounts for the financial year 1921-22 showed a result which was 67 million kr. more favourable than was originally estimated, and he anticipated that the closed accounts for the financial year 1922-23 would also show an improvement, although not to the same extent as in the preceding year; for the year 1923-24 the accounts would probably balance. The budget as voted by Parliament shows a more favourable result than the estimates submitted to Parliament. To provide for the supplementary estimates, which will be submitted in the beginning of 1924, a reduction has been made in the salaries of State employees and an increase in the duty on certain luxury articles.

To cover capital expenditure special provision was made in a law of March 28th, 1923, by which the Finance Minister was authorised to issue domestic loans up to a total amount not exceeding 30 million kr. The loans must be repaid within 40 years by equal annual instalments. Not more than 10 million kr. is to be issued during each of the financial years 1922-23, 1923-24 and 1924-25. The first issue has already taken place, but it was not open to public subscription, the whole loan being taken up by Danish savings banks and insurance companies. The bonds, which were issued at 92%, bear interest at 4½%. (The law prescribes that the interest shall not exceed 5%.)

B. Analysis of Revenue.

	Budget voted by Parlia- ment 1921-1922 Kroner (ooo's omitted)	Closed Accounts 1921-1922		Latest Estimates 1922-1923		Estimates 1923-1924		Difference (+ or -) between Col. (e) and Col. (g) Kroner (ooo's omitted)
		Amount. Kroner (ooo's omitted)	Perce- ntage of Total %	Amount. Kroner (ooo's omitted)	Perce- ntage of Total %	Amount. Kroner (ooo's omitted)	Perce- ntage of Total %	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Direct Taxation:								
Income tax, including Corporation tax.	229,000	191,314	42.9	125,000	29.1	113,000	27.8	- 12,000
Land tax	10,010	11,527	2.6	10,433	2.4	10,233	2.5	- 200
Death duties	10,000	10,729	2.4	10,000	2.4	12,500	3.1	+ 2,500
Capital levy	—	31,011	6.9	5,188	1.2	—	—	- 5,188
Capital tax.	51,000	51,961	11.7	30,000	7.-	45,000	11.-	+ 15,000
Total Direct Taxation.	300,010	296,542	66.5	180,621	42.1	180,733	44.-	+ 112
Indirect Taxation and Taxes on Transactions:								
Import duties	60,090	55,823	12.5	68,350	15.9	61,300	15.1	- 7,050
Excise duty on:								
Tobacco	29,000	17,910	4.-	16,010	3.7	17,000	4.2	+ 990
Beer.	26,200	26,613	6.-	23,000	5.3	24,000	5.9	+ 1,000
Wines	4,700	4,133	.9	2,175	.5	250	—	- 1,925
Spirits	40,100	33,201	7.5	29,200	6.8	29,000	7.1	- 200
Sugar	7,100	6,274	1.4	5,500	1.3	6,000	1.5	+ 500
Food and beverages used in restaurants	—	—	—	13,340	3.1	6,660	1.6	- 6,680
Chocolate and confectionery	—	—	—	5,000	1.2	4,000	1.-	- 1,000
Total Excise duty and taxes on consumption of food and beverages, etc.	107,100	88,131	19.8	94,225	21.9	86,910	21.3	- 7,315
Stamp duties.	30,100	22,522	5.-	25,001	5.8	22,500	5.5	- 2,501
Other indirect taxes	8,200	10,509	2.4	5,000	1.2	5,353	1.3	+ 353
Total Indirect Taxes and Taxes on Transactions	205,490	176,985	39.7	192,576	44.8	176,063	43.2	- 16,513
Net Surplus from Public Domain	2,097	762	.2	577	.1	1,772	.4	+ 1,195
Net Balance of Public Undertakings:								
Railways.	786	(def.) 62,437	14.-	491	.1	4,882	1.2	+ 4,391
Postal Service	(def.) 566	" 6,959	1.5	1,917	.5	1,361	.4	- 556
Telegraph and Telephone services	3,096	" 640	.1	860	.2	1,261	.3	+ 401
Harbours	(def.) 645	" 416	.1	(def.) 436	.1	(def.) 532	.1	- 96
State Laboratory	" 72	" 69	—	" 69	—	" 62	—	+ 7
Official Journal	136	180	—	121	—	128	—	+ 7
Weights and measures	(def.) 20	1	—	15	—	3	—	- 12
Powder Factory	—	3	—	—	—	—	—	—
Military Cloth Factory	191	153	—	148	—	121	—	- 27
Pawnbroking	75	8	—	71	—	57	—	- 14
Currency.	2,382	2,739	.6	1,098	.3	1,716	.4	+ 618
Total Net Balance of Public Undertakings	5,363	(def.) 67,437	15.1	4,216	1.-	8,935	2.2	+ 4,719
Sale of Government Property	3,117	5,319	1.2	16,606	3.9	7,249	1.8	- 9,357
Miscellaneous Revenue	27,392	33,456	7.5	34,879	8.1	32,400	8.-	- 2,479
TOTAL REVENUE	543,469	445,627	100.-	429,475	100.-	407,152	100.-	- 22,323
Loan Receipts	—	132,268	—	112	—	—	—	—
GRAND TOTAL OF REVENUE AND LOAN RECEIPTS.	—	577,895	—	429,587	—	—	—	—

NOTES.

1. The great decrease in the estimates of the yield of the income tax is mainly due to the fall in incomes owing to the trade depression, but to a certain extent also to a reduction in the rates on income from corporations (the corporation tax being a part of the income tax).

2. The taxes on the consumption of food, etc., in restaurants and on sales of chocolate and confectionery were introduced in 1922. Restaurants are subject to a tax of 10 % of the value of the food and beverages consumed and sales of chocolate and confectionery are subject to a tax of 25 %.

3. The special capital tax was established in 1919. It only concerns property which has been freed from entail. The law gives every owner of entailed estate the right to release from the entail provided: (a) that he pays to the State a duty, normally of 25 % of the total value of the estate, and (b) that he submits to expropriation of one-third of the released land on receiving due compensation.

The yield of the tax goes to a fund which provides the means of paying the compensation. The land thus expropriated has to be used for the creation of small holdings.

C. Analysis of Expenditure.

	Budget voted by Parliament, 1921-1922. Kroner (000's omitted)	Closed Accounts 1921-1922		Latest Estimates 1922-1923		Estimates 1923-1924		Difference (+ or -) between Col. (e) and Col. (g). Kroner (000's omitted)
		Amount. Kroner (000's omitted)	Percent- age of Total %	Amount. Kroner (000's omitted)	Percent- age of Total %	Amount. Kroner (000's omitted)	Percent- age of Total %	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<i>Defence</i>	68,476	65,697	10.4	63,705	11.7	49,137	12.5	— 14,568
<i>Pensions</i>	38,714	48,711	7.7	47,641	8.7	44,262	11.2	— 3,379
<i>Subsidies</i>	—	13,052	2.1	12,839	2.4	—	—	— 12,839
<i>Unemployment</i>	8,793	52,946	8.4	27,746	5.1	21,376	5.4	— 6,370
<i>Education</i>	54,060	66,405	10.6	61,207	11.2	55,637	14.1	— 5,570
<i>Interest on Public Debt</i>	39,902	50,620	8.—	53,820	9.9	53,340	13.6	— 480
<i>Capital Expenditure</i>	46,662	131,305	20.8	117,996	21.6	31,936	8.1	— 86,060
<i>Miscellaneous Expenditure</i>	137,458	201,951	32.—	159,994	29.4	138,395	35.1	— 21,599
TOTAL EXPENDITURE	394,065	630,687	100.—	544,948	100.—	394,083	100.—	— 150,865

NOTE.

The expenditure shown as capital expenditure corresponds to § 26 in the Danish budget (see Note 2 on the Budget System), less sums set off for amortisation. In this way it has not been possible to take into account the current expenditure which comes under the heading of construction.

D. Public Domain.

Kroner (000's omitted)

	Budget voted by Parliament for the financial year 1921-1922	Closed Accounts for the financial year 1921-1922	Latest Budget Estimates for the financial year 1922-1923	Budget Estimates for the financial year 1923-1924
Gross receipts	6,934	6,187	5,565	5,778
Working expenses	4,837	5,425	4,988	4,006
Balance	+ 2,097	+ 762	+ 577	+ 1,772

E. Public Undertakings.

Kroner (ooo's omitted)

	Budget voted by Parliament for the financial year 1921-1922	Closed Accounts for the financial year 1921-1922	Latest Budget Estimates for the financial year 1922-1923	Budget Estimates for the financial year 1923-1924
<i>State Railways:</i>				
Gross receipts	227,440	170,752	150,478	152,620
Working expenses	226,654	233,189	149,987	147,738
Balance	+ 786	- 62,437	+ 491	+ 4,882
<i>Postal Service:</i>				
Gross receipts	66,682	57,049	56,782	56,211
Working expenses	67,248	64,008	54,865	54,850
Balance	- 566	- 6,959	+ 1,917	+ 1,361
<i>Telegraph and Telephone Services:</i>				
Gross receipts	19,813	14,700	15,483	15,553
Working expenses	16,717	15,340	14,623	14,292
Balance	+ 3,096	- 640	+ 860	+ 1,261
<i>State Harbours:</i>				
Gross receipts	1,722	1,628	1,752	1,645
Working expenses	2,367	2,044	2,188	2,177
Balance	- 645	- 416	- 436	- 532
<i>State Laboratory:</i>				
Gross receipts	93	92	94	93
Working expenses	165	161	163	155
Balance	- 72	- 69	- 69	- 62
<i>Official Journal:</i>				
Gross receipts	287	371	312	309
Working expenses	151	191	191	181
Balance	+ 136	+ 180	+ 121	+ 128

E. Public Undertakings (continued).

Kroner (000's omitted)

	Budget voted by Parliament for the financial year 1921-1922	Closed Accounts for the financial year 1921-1922	Latest Budget Estimates for the financial year 1922-1923	Budget Estimates for the financial year 1923-1924
<i>Weights and Measures:</i>				
Gross receipts	111	131	164	131
Working expenses	131	130	149	128
Balance	— 20	+ 1	+ 15	+ 3
<i>Powder Factory:</i>				
Gross receipts	510	713	637	503
Working expenses	510	710	637	503
Balance . . . . .	...	+ 3	...	...
<i>Military Cloth Factory:</i>				
Gross receipts	2,756	2,542	2,553	1,695
Working expenses	2,565	2,389	2,405	1,574
Balance	+ 191	+ 153	+ 148	+ 121
<i>Pawnbroking:</i>				
Gross receipts	356	314	365	331
Working expenses	281	306	294	274
Balance	+ 75	+ 8	+ 71	+ 57
<i>Currency:</i>				
Gross receipts	3,255	3,279	1,373	2,086
Working expenses	873	540	275	370
Balance	+ 2,382	+ 2,739	+ 1,098	+ 1,716

F. Assets of the State.

The following table gives particulars of the assets of the State as on March 31st, 1920, 1921 and 1922, compared with the public debt on corresponding dates:

Kroner (000,000's omitted)

	March 31st, 1920	March 31st, 1921	March 31st, 1922
Cash balances	312.1	128.5	139.9
Reserves	9.6	9.7	10.2
Shares in and loans to private railways	36.2	40.—	43.7
Loans to small holdings, small factories, etc.	9.5	9.4	9.4
Other claims	19.8	28.1	46.5
Working fund of the Mortgage Bank	20.—	20.—	20.—
State Loan Fund	48.8	50.5	52.7
Land Fund	—	2.9	35.1
Other funds	15.1	26.—	27.7
Total of stocks and bonds, etc.	471.1	315.1	385.2
State railways	394.3	548.8	525.8
Post Office	16.7	27.—	28.4
Telegraph and Telephone Office	26.2	37.7	44.3
State ports	25.3	32.2	36.—
Other public undertakings	16.7	14.7	13.7
Public domain	28.3	43.2	43.2
Total of public domain and public undertakings	501.5	703.6	691.4
Royal and administration buildings	77.3	76.3	120.9
State hospitals	36.4	37.7	42.5
Prisons	7.—	8.7	9.—
University	19.1	19.6	19.8
Schools for higher education	8.9	11.6	13.8
Customs houses	11.1	16.3	17.—
Civil buildings under Ministry of Marine	7.7	19.4	19.5
Other civil buildings	65.9	110.1	120.4
Buildings, etc., under Ministry of War	140.7	144.8	138.4
Military buildings, etc., under Ministry of Marine	53.8	96.9	95.5
Total of non-profit-yielding buildings	427.9	541.4	596.8
University capital	10.—	9.9	10.3
Sorø Academy capital	16.6	16.2	18.—
Grand total of State Assets	1,427.1	1,586.2	1,701.7
Total Public Debt	926.3	1,074.7	1,202.4
Difference	+ 500.8	+ 511.5	+ 499.3

G. Public Debt.

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

Kroner (000,000's omitted)

Date	Domestic Debt		Foreign Debt		Total Debt	
	Funded ¹		Amount	Movement (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)				
March 31st, 1914.	88.4	—	272.5	—	360.9	—
" " 1919.	523.2	+ 434.8	257.3	— 15.2	780.5	+ 419.6
" " 1920.	671.9	+ 148.7	254.4	— 2.9	926.3	+ 145.8
" " 1921.	669.9	— 2.-	404.8	+ 150.4	1,074.7	+ 148.4
" " 1922.	667.8	— 2.1	534.6	+ 129.8	1,202.4	+ 127.7
" " 1923.	670.- ²	+ 2.2	531.5 ²	— 3.1	1,201.5 ²	— .9

¹ See Note 1, page 28.² Approximate.

(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		Finanstidende Index Number of wholesale prices %	Public Debt reduced to pre-war price level	
	Amount. Kroner (000,000's omitted)	Index Number %		Amount. Kroner. (000,000's omitted)	Index Number %
	March 31st, 1914	360.9		100	100 ¹	360.9	100
" " 1919	780.5	216	316 ²	247.-	68
" " 1920	926.3	257	383 ³	241.9	67
" " 1921	1,074.7	298	270	398.-	110
" " 1922	1,202.4	333	178	675.5	187
" " 1923	1,201.5	333	200	600.8	166

¹ End of 1913.² Mean of December 1918 and December 1919.³ End of June 1920.

(iii) Table showing the Amount of Interest on the Public Debt for the Financial Year 1913-1914 and since 1919, in Actual Figures and reduced to Pre-War Price Level.

Financial Year	Accounts	Interest on Public Debt		Finanstidende Index Number of wholesale prices %	Interest on Public Debt reduced to pre-war price level	
		Amount. Kroner (000,000's omitted)	Index Number %		Amount. Kroner (000,000's omitted)	Index Number %
		1913-14	Closed Accounts		12.4	100	100^{1}	12.4	100
1919-20	36.3	293		316 ²	11.5	93
1920-21	39.3	317		383 ³	10.3	83
1921-22	Estimates	50.6	408	270	18.7	151
1922-23		53.8	434	178	30.2	244
1923-24		53.3	430	200	26.7	215

¹ End of 1913.² Mean of December 1918 and December 1919.³ End of June 1920.

The following table gives particulars regarding the public debt as on March 31st, 1920, 1921 and 1922:

Kroner (000,000's omitted)

	March 31st, 1920	March 31st, 1921	March 31st, 1922
A. DOMESTIC DEBT:			
5% loan of 1918, repayable at the end of 10 years . . .	60.-	60.-	60.-
5% " 1917, " " 15 " . . .	60.-	60.-	60.-
5% " 1916, " " 10 " . . .	25.-	25.-	25.-
5% " 1916, " " 15 " . . .	50.-	50.-	50.-
5% " 1915, " " 10 " . . .	60.-	60.-	60.-
5% " 1919, amortizable (reincorporation loan) . . .	145.-	145.-	145.-
5% " 1919, "	120.-	120.-	120.-
4% " 1914 "	52.5	51.-	49.5
4% " 1912 "	7.6	7.4	7.1
5% " 1918, permanent (fund of Iceland at the University of Copenhagen)	1.-	1.-	1.-
5% loan of 1919, permanent (Rask-Ørsted fund) . . .	5.-	5.-	5.-
3 1/2% loan of 1906, permanent (fund of the Mortgage Bank)	20.-	20.-	20.-
3 1/2% loan of 1894, permanent (Railway loan) . . .	1.3	1.1	.9
3 1/2% loan of 1886, permanent	57.5	57.5	57.5
Other domestic debt	1.3	1.2	1.2
Interest due but not yet paid	5.7	5.7	5.7
Total domestic debt	671.9	669.9	667.9
B. FOREIGN DEBT:			
8% loan of 1920, amortizable in U. S. A.	—	150.-	150.-
6% " 1921, " "	—	—	131.6
4% " 1912, amortizable ¹	65.-	63.8	62.5
3 1/2% " 1900, " "	8.2	8.-	7.8
3 1/2% " 1901, permanent ¹	30.7	30.7	30.7
3 1/2% " 1909, " "	40.3	40.3	40.3
3% " 1894, " "	66.3	66.3	66.3
3% " 1897, amortizable ¹	42.-	40.5	39.-
Interest due but not yet paid	1.8	5.2	6.3
Total foreign debt	254.4	404.8	534.5
Total Public Debt	926.3	1,074.7	1,202.4

¹ These loans were raised chiefly in France and the United Kingdom.

NOTES.

1. All the domestic debt at present consists of long-term bonded loans. In 1919 and 1920 the Ministry of Finance overdraw on its current account with the central bank (the National Banken). These overdrafts, in accordance with Danish practice, were not included in the statements of the national debt, and this practice has been followed in compiling the table above. The overdrafts amounted:

On March 31st, 1919, to 84.2 million kroner, and

On March 31st, 1920, to 72.4 million kroner.

On March 31st, 1921 and 1922, there were no longer any overdrafts of the kind.

The Ministry of Finance no longer issues Treasury bills, the above-mentioned overdrafts being the only form of floating debt to which the Danish Treasury has recourse. No special authorisation by Parliament is necessary for the overdrafts.

2. The foreign debt has been converted at par rates of exchange, except as regards the 8% loan of 1920 in U.S.A., which has been converted at 6 kr. = \$1, and the 6% loan of 1921, which has been converted at 4.37 kr. = \$1 (par: 3.73 kr. = \$1).

The foreign debt consists of bonds issued in foreign currencies. It has not been possible to calculate exactly how many of these bonds, originally issued abroad, have been repurchased by Denmark. It has, however, been officially estimated that on December 31st, 1922, the total State liabilities due to foreigners amounted to about 480 million kr. The foreign debt on March 31st, 1922 and 1923, was 534.6 and 531.5 million kr., respectively.

3. The domestic 5% loan of 1915, amounting to 60 million kr., will fall due on August 1st, 1925.

H. State and Local Government.

The following table shows the current receipts (*i.e.*, all receipts except proceeds of loans and realisation of capital) of the State and the Local Governments for the fiscal years 1913-14, 1919-20 and 1920-21:

Kroner (000's omitted)

	Copenhagen and Suburbs	Towns	Rural communities	Provinces	Total of Local Governments	State	Grand Total of State and Local Governments
1913-14	38,671	24,510	28,666	9,562	101,409	123,875	225,284
1919-20	132,815	71,305	71,697	25,190	301,007	601,506	902,513
1920-21	155,977	84,429	87,423	38,336	366,165	500,410	866,575

The revenue per head of population was as follows:

	Kroner per head of population		
	Local Governments	State	Total
1913-14	35.7	43.5	79.2
1919-20	98.5	196.9	295.4
1920-21	118.4	161.9	280.3

It should be borne in mind that the State receipts are given in the way in which they are accounted for in the State budgets. This is of particular importance with regard to public undertakings, which are always accounted for on the revenue side, even in the case of a deficit, the amount of which is directly deducted from the revenue (see Notes on the Budget System). This explains the difference between the revenue figures in the table above and the recalculated figures in the earlier part of this review.

The following table shows the main items of State and Local Government current receipts, 1920-21:

Kroner (ooo's omitted)

	Local Governments	State	Total
Receipts from public undertakings, etc.	28,185	— 53,271	— 25,086
Taxes on real property	87,081	13,115	100,196
Personal taxes	234,980	301,694	536,674
Other taxes (customs, etc.)	8,960	228,294	237,254
Miscellaneous current receipts	6,959	10,578	17,537
Total	366,165	500,410	866,575

The following table shows all expenditure of the State and Local Governments, including capital expenditure except amortization of public debt:

Kroner (ooo's omitted)

	Copenhagen and suburbs	Towns	Rural communities	Provinces	Total of Local Governments	State	Grand Total of State and Local Governments
1913-14	45,613	30,990	30,976	10,801	118,380	121,859	240,239
1919-20	180,681	118,448	89,086	33,319	421,534	606,017	1,027,551
1920-21	199,636	131,255	110,795	43,190	484,876	757,968	1,242,844

Owing to the fact that the expenditure table includes capital expenditure, whereas the revenue table given above does not include proceeds of the realisation of assets, it is not possible to calculate the real surplus and deficit of the State and the Local Governments. In this connection it should be noted that the surplus for the State is shown in the tables given on page 21. The Local Governments have, as a rule, shown a deficit in the two years 1920-21 and 1921-22. But the laws regulating the finances of Local Governments stipulate that long-term loans can only be contracted for the formation or acquisition of assets and that short-term loans shall, as a rule, be repaid within a period not exceeding five years.

The expenditure per head of population has been as follows:

	Kroner, per head of population		
	Local Governments	State	Total
1913-14	41.6	42.9	84.5
1919-20	138.—	198.4	336.4
1920-21	156.8	245.2	402.—

The following table shows the main items of expenditure in the fiscal year 1920-21:

Kroner (ooo's omitted)

	Local Governments	State	Total
General administration	17,843	37,149	54,992
Poor relief	30,936	230	31,166
Old-age pensions	36,176	21,621	57,797
Expenditure for reducing prices, etc.	— 3,384	128,642	125,258
Education, science and art	69,880	61,974	131,854
Health	54,744	26,316	81,060
Justice, Police, etc.	24,031	19,574	43,605
Communications (roads, ports, etc.)	45,771	3,634	49,405
National defence	178	66,435	66,613
Interest on public debt	39,949	39,487	79,436
Miscellaneous items	168,752	352,906	521,658
Total	484,876	757,968	1,242,844

In "Miscellaneous items" are included large amounts of capital expenditure on items not specifically named in the table, especially on public undertakings.

The assets and debt of the State and Local Governments are shown in the following table; the figures in all cases refer to the end of the fiscal years in question:

Kroner (ooo's omitted)

	Copenhagen and suburbs	Towns	Rural communities	Provinces	Total of Local Governments	State	Grand Total of State and Local Governments
A. ASSETS							
1913-14	269,163	156,213	87,547	31,124	544,047	846,694	1,390,741
1919-20	505,367	297,319	150,126	51,146	1,003,958	1,427,145	2,431,103
1920-21	578,712	345,068	172,485	60,245	1,156,510	1,586,202	2,742,712
B. DEBT							
1913-14	226,194	104,100	44,481	20,456	395,231	360,880	756,111
1919-20	473,223	231,647	105,669	43,455	853,994	926,260	1,780,254
1920-21	549,706	279,083	123,604	49,485	1,001,878	1,074,658	2,076,536

The assets and debt per head of population are shown in the following table:

	Kroner, per head of population					
	Assets			Debt		
	Local Governments	State	Total	Local Governments	State	Total
1913-14 . . .	191.3	297.7	489.-	139.-	126.9	265.9
1919-20 . . .	328.6	467.2	795.8	279.5	303.2	582.7
1920-21 . . .	374.-	513.-	887.-	324.-	347.6	671.6

The following table gives an analysis of the assets as at the end of the fiscal year 1920:

Kroner (ooo's omitted)

	Local Governments	State	Total
Stocks and shares	417,904	332,434	750,338
Public undertakings, etc.	425,137	707,929	1,133,066
Other constructions and buildings	313,469	545,839	859,308
Total	1,156,510	1,586,202	2,742,712

The item "Public undertakings, etc." comprises, for the State: railways, postal and telegraph equipment, ports, etc., and for the Local Governments: water-works, gas-works, electrical works, tramways, etc. In the item "Other constructions and buildings" are included all the buildings necessary for the performance of public functions (schools, administration, prisons, hospitals, etc.).

FINLAND.

Notes on the Budget System.

1. The financial year coincides with the calendar year.

The estimates are submitted by the Diet in the autumn and are generally voted at the beginning of the financial year.

2. The budget consists of two parts, ordinary and extraordinary. The extraordinary budget comprises not only expenditure for construction and other capital purposes, but also exceptional expenditure due to the transitory conditions after the war and the revolution. In the budget for 1923, the capital expenditure forms by far the greatest part of the total extraordinary appropriations.

There are no special budgets. Gross receipts and gross expenses of Public Domain, State fiscal monopolies and State undertakings are included in the budget.

3. The closed accounts are based on the system of carrying to the accounts of a given year such revenue and expenditure as have been assigned to that year by the budget authorisations' irrespective of whether the actual receipts or payments are effected within the year. If the closed accounts of a given year are credited with less revenue than the receipts actually forthcoming, the surplus is carried to the closed accounts of the next year as "Revenue not budgeted for."

4. Receipts from loans are included in the revenue in order to make the accounts balance. It should, however, be noted, in this connection, that during the past two years large sums for redemption and writing off worthless assets have been included under expenditure and, therefore, the loan authorisations have not led to an increase in the public debt.

A surplus balance in the budget is not automatically employed for debt redemption, but goes to augment the Treasury balances. Accordingly the budget often includes under revenue an item entitled "Balances from preceding years."

5. The principal banking account of the Government is kept by the Bank of Finland, but there are accounts kept at private banks also. The Bank of Finland is guaranteed and supervised, not by the Government, but by the Diet. At the present time, the Government does not enjoy any priority with respect to credit. State bonds are in an even less favourable position than commercial bills, as the latter can be included in the supplementary cover for notes, but not the former.

6. The Finnish Government pays a large proportion of the expenditure for schools, hospitals and other purposes which in other countries is generally paid by local authorities. The contributions to local governments are, therefore, insignificant in amount, and are in fact more than counterbalanced by contributions from certain towns to the State towards expenditure for police, etc

The following review has been based mainly on:

- (a) The reply from the Finnish Government to the Questionnaire on Public Finance, dated March 5th, 1923;
- (b) "*Relation om Statsverkets Tillstand, år 1921*" (Closed Accounts, 1921), published January 1923.
- (c) Budget estimates for 1923.
- (d) Articles on State finances in the Monthly Bulletin of the State Bank of Finland, particularly the number for January 1923.

The following notes refer to the position at the beginning of 1923:

A. Summary of Budget Estimates 1913 and 1920-1923.

Finnish marks (000,000's omitted).

Financial Year	Accounts	Receipts			Expenditure	Difference between column (e) and col. (f)
		Total ¹	Proceeds of Loans.	Total excluding proceeds of loans.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
1913	Closed accounts.	114.8	...	114.8	114.8	...
1920		1,950.1	118.3	1,831.8	2,089.5	— 257.7
1921		2,887.2	237.5	2,649.7	2,698.1	— 48.4
1922	Estimates ¹	2,306.8	138.—	2,168.8	2,474.3	— 305.5
1923		2,466.2	...	2,466.2	2,633.6	— 167.4

¹ Including supplementary votes.

² Excluding balances from preceding years.

In 1920, the public debt increased by 100.1 million F.mks. The difference between the increase and the deficit shown in the table is explained in part by the normal amortisation of the debt, included in the expenditure, and also by the fact that the Treasury had at its disposal balances from the preceding year amounting to 139.4 million F.mks.

In 1921, the public debt was reduced by 2.2 million F.mks. The expenditure, however, contained large appropriations for writing off worthless assets. If these were excluded from the expenditure, the balance of the year would show a surplus amounting to as much as 199.3 million F.mks. Only a small part of that surplus was used to diminish the debt; the greater part went to increase the Treasury's cash balances.

In 1922, the public debt was reduced by 55.8 million F.mks. The heavy deficit shown in the table above has been converted into a surplus owing to the fact that the receipts have brought in about 450 million marks more than was anticipated, and the increase in expenditure has been relatively small.

**B. Budget Estimates for the financial year 1923 compared with
the Estimates for the financial year 1922
and the Closed Accounts for the financial year 1921.**

Finnish marks (000,000's omitted).

REVENUE	Closed Accounts 1921	Estimates 1922	Estimates 1923
<i>Ordinary budget.</i>			
1. Revenue from public domain and other Government property	636.5	611.3	737.2
2. Direct taxes	537.6	464.-	463.4
3. Indirect taxes	677.8	688.-	879.1
4. Miscellaneous taxes	108.3	156.4	118.2
5. Revenue from public undertakings	114.6	96.8	112.6
6. Other revenue	208.3	111.-	137.5
Total ordinary budget	2,283.1	2,127.5	2,448.-
<i>Extraordinary budget.</i>			
1. Sale of land	5.6	2.1	...
2. Other revenue	52.8	18.2	18.2
3. Profits from the Bank of Finland	41.-	21.-	...
4. Loans	237.5	138.-	...
Total extraordinary budget	336.9	179.3	18.2
Revenue not budgeted for	267.2	—	...
Balances from preceding years	—	7.9	167.4
Grand total	2,887.2	2,314.7	2,633.6
Difference between Revenue and Expenditure	+ 189.1	— 159.6	...

**B. Budget Estimates for the financial year 1923 compared with
the Estimates for the financial year 1922
and the Closed Accounts for the financial year 1921 (continued).**

Finnish marks (100,000's omitted).

EXPENDITURE	Closed Accounts 1921	Estimates 1922	Estimates 1923
<i>Ordinary budget.</i>			
1. The President of the Republic	1.1	1.3	1.5
2. Parliament	6.2	5.6	6.5
3. Council of State	7.8	8.4	15.9
4. Institutes subordinate to the Chancellery of the Council of State.	7.—	6.4	7.2
5. Representatives of Finland abroad	22.8	21.4	22.—
6. Judicature	53.9	53.6	74.7
7. Civil Service	81.3	94.6	151.9
8. Institutes subordinate to the Ministry of Finance .	25.6	24.4	44.1
9. Defence	284.1	300.7	313.5
10. Education	162.—	198.2	270.6
11. Institutes subordinate to the Ministry of Agriculture	115.8	125.4	164.3
12. Communications and public works	513.5	524.7	598.1
13. Institutes subordinate to the Ministry of Commerce and Industry	25.4	28.9	42.1
14. Institutes subordinate to the Ministry of Social Affairs	44.5	47.4	69.3
15. Miscellaneous public expenditure	289.2	314.7	136.5
16. Pensions	33.4	37.7	37.8
17. Public debt	237.8	237.8	244.6
Transfers from one fund to another	40.2	5.—	—
Total ordinary budget	1,951.6	2,036.2	2,200.6
<i>Extraordinary budget.</i>			
1. Institutes subordinate to the Chancellery of the Council of State . . . . .	.3	.4	—
2. Representatives abroad	4.—	1.—	.3
3. Judicature	1.—	1.5	1.1
4. Civil Service	44.3	68.—	45.—
5. Institutes subordinate to the Ministry of Finance .	283.5	70.8	.8
6. Defence	70.9	59.2	64.1
7. Education	5.6	4.8	7.4
8. Institutes subordinate to the Ministry of Agriculture	78.2	40.9	28.—
9. Communications and public works	196.6	149.9	228.2
10. Institutes subordinate to the Ministry of Commerce and Industry	25.—	14.7	23.9
11. Institutes subordinate to the Ministry of Social Affairs	24.9	26.7	15.7
12. Pensions . . . . .	.1	—	—
13. Miscellaneous public expenditure	—	.2	3.5
Transfers from one fund to another	—	—	15.—
Expenditure not budgeted for	12.1	—	—
Total extraordinary expenditure	746.5	438.1	433.—
Grand total	2,698.1	2,474.3	2,633.6

C. Analysis of Revenue.

	Estimates 1921 F.mks. (000's omitted)	Closed Accounts 1921		Estimates 1922		Estimates 1923		Difference (+ or -) between Col. (e) and Col. (g) F.mks. (000's omitted)
		Amount F.mks. (000's omitted)	% of total revenue	Amount F.mks. (000's omitted)	% of total revenue	Amount F.mks. (000's omitted)	% of total revenue	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<i>Direct taxation:</i>								
a. Income tax, including Capital tax . . .	321,500	504,253	25.-	436,000	28.4	434,000	24.5	- 2,000
b. Capitation tax	8,600	8,704	.4	9,500	.6	9,480	.5	- 20
c. Land tax	24,113	29,643	1.5	32,755	2.1	33,255	1.9	+ 500
d. Death duties	4,000	10,761	.5	3,000	.2	2,000	.1	- 1,000
e. Corporation tax	645	713	—	700	.1	710	—	+ 10
Total direct taxation	358,858	554,074	27.4	481,955	31.4	479,445	27.-	- 2,510
<i>Indirect Taxation and Taxes on Transactions:</i>								
a. Import duties	555,000	513,048	25.4	531,000	34.6	720,000	40.6	+ 189,000
b. Export duties	30,000	35,752	1.8	20,000	1.3	23,000	1.3	+ 3,000
c. Excise duty on:								
1. Tobacco	170,000	126,737	6.3	120,000	7.8	120,000	6.7	—
2. Matches	—	—	—	15,000	1.-	14,000	.8	- 1,000
Total excise duty	170,000	126,737	6.3	135,000	8.8	134,000	7.5	- 1,000
d. Stamp duties	135,000	101,769	5.-	150,000	9.8	110,000	6.2	- 40,000
e. Other indirect taxes	62,025	91,281	4.5	12,025	.8	7,050	.4	- 4,975
Total indirect taxation and taxes on transactions	952,025	868,587	43.-	848,025	55.3	994,050	56.-	+ 146,025
<i>Net surplus from State Fiscal Monopoly:</i>								
Manufacture of alcohol and yeast	14,495	17,563	.9	15,173	1.-	17,729	1.-	+ 2,556
<i>Net surplus from Public Domain</i>								
.	96,189	68,110	3.4	58,598	3.8	75,876	4.3	+ 17,278
<i>Net surplus from public undertakings:</i>								
a. Railways	23,094	45,275	2.3	20,071	1.3	95,779	5.4	+ 75,708
b. Postal service	—	2,137	.1	—	—	—	—	—
c. Telegraph service	4,338	3,956	.2	1,628	.1	—	—	- 1,628
d. Canals	—	2,922	.1	1,275	.1	1,870	.1	+ 595
Total net surplus from public undertakings	27,432	54,290	2.7	22,974	1.5	97,649	5.5	+ 74,675
<i>Sale of Government property</i>								
.	21,495	26,241	1.3	—	—	2,000	.1	+ 2,000
<i>Other revenue</i>								
.	144,895	430,454	21.3	107,745	7.-	107,858	6.1	+ 113
TOTAL REVENUE	1,615,389	2,019,319	100.-	1,534,470	100.-	1,774,607	100.-	+ 240,137

NOTES.

1. The greater part of the revenue from direct taxation is derived from the graduated income and property tax, which begins at a rate of 1/3 % on an income of 3,000 F.mks. and rises to 20 % on incomes of more than 1,000,000 F.mks. The property tax begins with a tax of 0.1 % on property valued at 20,000 F.mks. and rises to 6 % on property valued at more than 20 million F.mks.

2. The increase in the estimated yield of the Customs duties is largely due to the fact that certain duties have been increased in order to protect home production. The most important of these duties are those affecting cereals and products of cereals, also sugar, and iron and steel (bars). On the other hand, the duty on raw tobacco has been reduced; but that is of small pecuniary importance compared with the increases in the other duties.

Export duties are to be distinguished from export charges, so called, which are of a temporary character and were of some importance when Finnish currency was undervalued in the years following the war. These charges are at present insignificant and in 1923 are to be levied only on unsawn timber; the revenue therefrom for that year is estimated at only 5 million F.mks.

D. Analysis of Expenditure.

	Estimates 1921 F.mks. (000's omitted)	Closed Accounts 1921		Estimates 1922		Estimates 1923		Difference (+ or -) between Col. (e) and Col. (g) F.mks. (000's omitted)
		Amount F.mks. (000's omitted)	% of total expenditure	Amount F.mks. (000's omitted)	% of total expenditure	Amount F.mks. (000's omitted)	% of total expenditure	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<i>Defence</i>	367,810	355,021	17.3	359,884	19.8	377,625	19.7	+ 17,741
<i>Pensions</i>	36,873	29,691	1.5	30,110	1.7	34,440	1.8	+ 4,330
<i>Education</i>	168,979	187,070	9.1	225,022	12.4	275,500	14.4	+ 50,478
<i>Interest on public debt, including loss on exchange</i>	142,541	193,775	9.5	196,418	10.8	200,597	10.4	+ 4,179
<i>Deficit on public undertakings:</i>								
<i>Postal service</i>	1,000	—	—	7,883	.4	6,587	.4	— 1,296
<i>Telegraph service</i>	—	—	—	—	—	660	—	+ 660
<i>Canals</i>	157	—	—	—	—	—	—	—
<i>Total deficit on public undertakings</i>	1,157	—	—	7,883	.4	7,247	.4	— 636
<i>Capital expenditure</i>	206,496	221,513	10.8	156,820	8.6	248,102	12.9	+ 91,282
<i>Miscellaneous expenditure</i>	1,094,918	1,059,636	51.8	842,066	46.3	773,970	40.4	— 68,096
TOTAL EXPENDITURE	2,018,774	2,046,706	100.—	1,818,203	100.—	1,917,481	100.—	+ 99,278

NOTES.

1. In 1922, the Finnish State initiated several schemes involving capital expenditure, notably that for the improvement of communications. Important grants were included in the supplementary votes for 1922. For 1923, the Diet has granted 100 million F. mks. for construction of new railways, 50 million F. mks. for increasing the rolling stock and 45.5 millions for new construction on the existing railway lines. There are, in addition, grants for the great electric power plant at the Imatra rapids, on which 22 million F. mks. are to be expended in 1923.

2. There has been an increase in salaries of officials which for the lower grades almost corresponds to the increase in the cost of living as shown by the index number and for the higher grades is about 70 % of pre-war real salaries. In order to counter-balance the consequent increase in expenditure, the Government has begun to reduce the number of officials and energetically to enforce economy in the management of Government expenditure.

3. The contributions to municipalities amounted in 1921 to 2.4 million F. mks.

E. State Fiscal Monopoly.

Finnish marks (ooo's omitted).

	Estimates passed by the Riksdag for the financial year 1921	Closed accounts for the financial year 1921	Latest budget estimates for the financial year 1922	Latest budget estimates for the financial year 1923
<i>Manufacture of Alcohol and Yeast:</i>				
Gross receipts	50,000	48,426	47,000	69,100
Working expenses	35,505	30,863	31,827	51,371
Net receipts	14,495	17,563	15,173	17,729

The Government has undertaken the manufacture of alcohol and yeast, on account of the Prohibition Act, in order to meet the demand for alcohol for medical and technical purposes.

F. Public Domain.

Finnish marks (ooo's omitted).

	Estimates passed by the Riksdag for the financial year 1921	Closed accounts for the financial year 1921	Latest budget estimates for the financial year 1922	Latest budget estimates for the financial year 1923
Gross receipts	185,678	162,725	158,323	195,027
Working expenses	89,489	94,615	99,725	119,151
Net receipts	96,189	68,110	58,598	75,876

G. State Undertakings.

Finnish marks (ooo's omitted).

	Estimates passed by the Riksdag for the financial year 1921	Closed accounts for the financial year 1921	Latest budget estimates for the financial year 1922	Latest budget estimates for the financial year 1923
<i>Railways:</i>				
Gross receipts	443,000	461,472	443,600	526,500
Working expenses	419,906	416,197	423,529	430,721
Balance	+ 23,094	+ 45,275	+ 20,071	+ 95,779
<i>Postal service:</i>				
Gross receipts	68,000	72,404	59,000	66,000
Working expenses	69,000	70,267	66,883	72,587
Balance	- 1,000	+ 2,137	- 7,883	- 6,587
<i>Telegraph service:</i>				
Gross receipts	16,000	17,632	16,120	18,000
Working expenses	11,662	13,676	14,492	18,660
Balance	+ 4,338	+ 3,956	+ 1,628	- 660
<i>Canals:</i>				
Gross receipts	6,700	7,660	7,000	8,200
Working expenses	6,857	4,738	5,725	6,330
Balance	- 157	+ 2,922	+ 1,275	+ 1,870

In addition to the figures given in the table for working expenses, there are heavy extraordinary appropriations for 1923 to be devoted to construction and extension of practically all State undertakings.

H. Public Debt.

I. Table showing the public debt in 1913 and since 1919.

Finnish marks (000,000's omitted).

Date	Domestic debt						Foreign debt (a)		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 -)				
Dec. 31st, 1913	*	...	*	...	*	...	*	...	172.9	...
" " 1919	*	...	*	...	*	...	*	...	1,836.1	+ 1,663.2
" " 1920	906.6	...	589.-	...	1,495.6	...	440.5	...	1,936.1	+ 100.-
" " 1921	955.9	+49.3	286.3	-302.7	1,242.2	-253.4	691.6	+251.1	1,933.8	- 2.3
" " 1922	956.-	+ .1	95.-	-191.3	1,051.-	-191.2	826.9	+135.3	1,877.9	- 55.9

* Details not available.

(a) Foreign loans are quoted in domestic currency converted at the rates prevailing at the dates of raising the loans; those of earlier date than 1914 have accordingly been converted at par.

II. Table showing the total of the public debt in 1913 and since 1919 in actual figures and reduced to pre-war price level.

Date	Public debt		Index number of Cost of living	Public debt reduced to pre-war price level	
	Amount F.mks. (000,000's omitted)	Index number		Amount F.mks. (000,000's omitted)	Index number
December 31st, 1913	172.9	100	100 ¹	172.9	100
" " 1919	1,836.1	1,062	2	...	...
" " 1920	1,936.1	1,120	1,136 ³	170.4	99
" " 1921	1,933.8	1,118	1,172	165.-	95
" " 1922	1,877.9	1,086	1,158	162.2	94

¹ July 1914.² Not calculated.³ January 1921.

III. Table showing the amount of Debt Service — interest and amortisation on public debt — for the financial year 1913 and since 1921, in actual figures and reduced to pre-war price level.

Financial year ending	Accounts	Debt Service on public debt				Index number of Cost of living	Total Debt service reduced to pre-war price level	
		Interest	Amor-tisation	Total	Index number		Amount F.mks. (000,000's omitted)	Index number
		F.mks. (000,000's omitted)						
December 31st, 1913	Closed accounts Estimates	1	1	8.-	100	100 ²	8.-	100
" " 1921		193.8	21.1	214.9	2,686	1,172	183.4	2,293
" " 1922		196.4	21.8	218.2	2,728	1,158	188.4	2,355
" " 1923		200.6	24.5	225.1	2,814	1,116 ³	201.7	2,521

¹ Details not available.² July 1914.³ April 1923.

The following table gives details of the Public Debt as on December 31st, 1921 and 1922:

Finnish marks (000,000's omitted).

	December 31st, 1921	December 31st, 1922	Difference (+ or -)
DOMESTIC DEBT:			
<i>Funded debt:</i>			
5 1/2% loan of 1918	118.8	118.2	— .6
Two 5 1/2% liberty loans of 1918	296.9	295.2	— 1.7
Two 5 1/2% loans of 1919 for the purchase of Tornator, Ltd., and alcohol factory at Hyvinge	57.1	56.8	— .3
Premium loan of 1919	75.—	75.—	— .0
5 1/2% war indemnity loan of 1920	58.1	58.4	+ .3
6% loan of 1919 on behalf of the Bank of Finland	350.—	350.—	— .0
5 1/2% loan of 1922 for the purchase of Taivalkoski rapids	—	2.3	+ 2.3
Total funded debt	955.9	955.9	— .0
<i>Floating debt:</i>			
5% promissory notes . . . . .	.1	—	— .1
Loans from Post Office Savings Bank	73.9	95.1	+ 21.2
Advances from Bank of Finland	212.3	—	— 212.3
Total Floating debt	286.3	95.1	— 191.2
Total Domestic debt	1,242.2	1,051.—	— 191.2
FOREIGN DEBT:			
3 1/2% loan of 1889	28.5	27.9	— .6
3 1/2% " " 1895	13.6	13.3	— .3
3% " " 1898	43.8	43.1	— .7
3 1/2% " " 1901	20.7	20.4	— .3
3 1/2% " " 1903	8.5	8.4	— .1
4 1/2% " " 1909	42.—	41.7	— .3
6% " " 1919 for the purchase of the majority of the shares in W. Gutzeit & Co., Ltd.	114.6	98.2	— 16.4
6 1/2% loan of 1920	13.8	13.8	— .0
6 1/2% " " 1921	250.—	250.—	— .0
7% " " 1922	—	143.—	+ 143.—
5% " from U. S. Grain Corporation	156.1	167.1	+ 11.—
Total Foreign Debt	691.6	826.9	+ 135.3
TOTAL DEBT	1,933.8	1,877.9	— 55.9

Funded debt consists of bonds which are paid off by instalments according to the plans for amortisation.

Floating debt is to be repaid on demand.

The following table shows the Finnish Debt as on January 31st, 1923, in Finnish currency and in U.S.A. dollars. Loans raised in Finland in Finnish currency have been converted into dollars at the average monthly rate of exchange.

Loans negotiated abroad, which were raised in various currencies, have been grouped according to the proportion of currencies shown by the coupons paid and then reduced to dollars at the respective average monthly rates.

January 31st, 1923		In Finnish currency: (000,000's omitted)	In U.S.A. dollars: (000,000's omitted)
Domestic debt:			
Funded		956.—	23.7
Floating		85.2	2.1
Foreign debt		826.9	51.9
Total Debt		1,868.1	77.7
Per head of population		F.mks. 549.4	U.S.A. 22.9

NOTES.

1. Domestic debt. — During 1922, the internal funded debt remained almost unchanged. The floating debt decreased by 191.3 million F. mks. owing to the repayment of all advances received from the Bank of Finland.

The Bank of Finland in its balance sheet still accounts for short-term Treasury bills to the amount of 71.7 million F. mks. This amount, however, was never borrowed by the State from the Bank, but represents an amount which the Government has undertaken to pay to the Bank of Finland as compensation for Russian Treasury bills written off before the end of 1921. These Treasury bills are not included in the Public Debt.

It should be noticed in this connection that at the end of 1922 the Bank of Finland showed among its assets Finnish State Bonds in Finnish currency to the amount of 511.4 million F. mks. At the same date the balance of current accounts due to the Government amounted to 239.3 million F. mks.

2. The Foreign Debt increased on account of the loan raised in the Scandinavian countries during the autumn, and at the end of the year 1922 it was 124.3 million F. mks. greater than at the beginning.

The 1922 loan was issued mainly in order to provide money for the improvement of communications. The loan was raised and is to be repaid in Finnish currency. It was issued by a consortium of Scandinavian banks because it was offered for subscription chiefly to foreigners holding Finnish marks on *conti lori* accounts in Finnish banks. The bonds carry interest at 7% and were sold at 98 1/2%. They are free of all Finnish taxes, present and future.

3. The following table gives particulars regarding the foreign debt:

Country to which due:		In currency in which payable		In Finnish currency	Rates of exchange used
		Original amount	At the end of 1922	At the end of 1922	
Germany	G. marks ¹	32.9	22.6	27.8	1.234 F. Mk. = 1 G. Mk.
France	Fr. francs	108.—	85.2	85.2	1 F.Mk. = 1 franc
United Kingdom	£	1.8	1.7	41.7	25.15 F.Mk. = £ 1.—
Norway	Nor. Kr.	68.2	40.9	98.2	2.4 F.Mk. = 1 N. kr.
"	"	43.8	43.8	125.—	2.857 F.Mk. = 1 N. kr.
Denmark	D. kr.	4.—	4.—	13.8	3.45 F.Mk. = 1 D. kr.
"	"	5.—	5.—	15.—	3.0313 F. Mk. = 1 D. kr.
Sweden	Sw. kr.	33.—	33.—	110.—	3.3333 F. Mk. = 1 S. kr.
U.S.A.	\$	5.—	5.7	143.—	—
	Total			167.1	29.45 F. Mk. = \$1.
				826.8	

¹ Partly repaid in florins and francs.

In addition to the amounts shown in the table the State is responsible for \$3,864,900.45 borrowed by the Grain Office of the State from the United States Grain Corporation.

The total amount of the Finnish Debt to the U.S. Grain Corporation thus amounted to a little over \$9 million at the beginning of 1923, carrying interest at the rate of 5%. With regard to this debt a preliminary agreement was reached during the month of March 1923, between the World War Foreign Debt Commission and the Government of Finland. The terms, with insignificant differences, were the same as those agreed upon with the United Kingdom.

"The rate of interest on the unpaid amount up to December 15th, 1922, is reduced from 5% to 4 1/4%. The portion of the loan in excess of \$9 million is payable at once by the Finnish Government, while the rest is to be funded as a long-term loan. The rate of interest during the first ten years, reckoned from December 15th, 1922, is to be 3% and thereafter, until the debt is repaid, 3 1/2%. Interest is payable half-yearly. The debt is to be amortised within 62 years in accordance with an agreed scheme of amortisation, but the debtor is entitled to repay a larger portion of the debt than is provided for in the scheme of amortisation. Should Finland so wish, only half the interest need be paid during the first five years, the other half being added to the capital. The debt may also be amortised by means of United States obligations issued after April 16th, 1917, and coupons on them at the par of exchange."

4. Date of maturity. — The following amounts fall due before January 1st, 1926:

In currency in which payable		In domestic currency
		F.mks.
G. Marks.	1,648,000	2,033,632
Frs.	4,315,500	4,315,500
£	43,720	1,099,558
N. kr.	20,462,500	49,110,000
D. kr.	1,000,000	3,450,000
		22,681,700
	Total:	82,690,390

It is not possible to state the total value of the assets of the Finnish State. The cash reserves of the Treasury, which may be deducted from the Public Debt, amounted on December 31st, 1922, to:

	F.mks.
On current accounts in the Bank of Finland	239,310,000
" in private banks	118,493,000
"Foreign" correspondents	106,467,000
	<u>464,270,000</u>

Of the total amount of Public Debt as on December 31st, 1922, 415,883,000 F.mks were chargeable to the State railways and 157,370,000 F.mks. to other State undertakings.

FRANCE.

Notes on the Budget System.

1. The financial year coincides with the calendar year.

At the beginning of each year the Minister of Finance, in a circular letter, requests the various Ministries to forward their respective budget estimates for the coming financial year as soon as possible. When these estimates are received, the budget is prepared by the Minister of Finance in collaboration with the other Ministers. The estimates for 1922 were presented to the Chamber of Deputies on July 8th, 1921. The budget is first voted by the Chamber of Deputies and then sent to the Senate. The final vote is generally taken in December, but if the estimates have not been passed by the beginning of the financial year, the intervening period is provided for by means of authorisations for a number of months, called "douzièmes provisoires."

The general budget for 1922 was voted in December 1921, and published in the Official Journal on January 1st, 1922. The budget of recoverable expenditure was not voted until the end of March, and the first three months were consequently provided for by means of provisional authorisations.

The general budget for 1923 was finally voted in July 1923. On the proposal of the Government, it was decided that this budget should remain in force for 1924 also, with the reservation that the Government should be bound to ask Parliament, before the end of 1923, for authorisation to collect taxes and other revenue in 1924, and that any modifications in the credits opened by the budget should be regulated by special amendment acts (*lois rectificatives*).

2. The budget for 1922 made some advance towards the realisation of the unity of the budget. During the war a number of special accounts and special services of the Treasury were instituted. In 1921 the following accounts were still open:

(a) The ordinary budget, (b) the extraordinary budget, (c) the special budget for Alsace-Lorraine, (d) the budget of recoverable expenditure, (e) special Treasury accounts and (f) special Treasury services.

For the year 1922 the ordinary and extraordinary and Alsace-Lorraine budgets were combined in a general budget, and a number of the special accounts were abolished. The organisation for the supply of foodstuffs was dissolved on August 15th, 1921, and most of the other organisations which have continued to function since the war are in process of liquidation.

Gross receipts and working expenses of State fiscal monopolies are included in the budget. The same applies to public domain.

Public undertakings are accounted for in a variety of ways:

Gross figures are included in the budget for Civil Air Service and Electrical Works, which are regarded as revenue-producing branches of the administration.

The same was the case with the postal and telegraph services up to the end of 1922, but in the budget for 1923 these services have been transferred to the appended budgets (*budgets annexes*).

A number of public undertakings, of which the most important are the State railways, the Alsace-Lorraine railways, the Mint and the State Printing Office, and, from 1923, the postal and telegraph services, are accounted for in appended budgets. Only net balances of surplus or deficit are carried to the main budget, the former as revenue and the latter as expenditure. There has been a departure from this method in recent years, as the deficits on State railways and the Alsace-Lorraine railways have been accounted for in special Treasury accounts and not in the main budget. The public undertakings accounted for in appended budgets generally receive subsidies from the general budget to provide for capital expenditure.

Owing to the transference of funds from one account to another, it is not possible to arrive at total revenue and expenditure by merely combining the various accounts.

3. Besides expenditure which is effected before the end of a given budget year, some other items may, under certain conditions, be included in the accounts of that year. The conditions are:

- (a) That the transaction from which the expenditure arises began before the end of the budget year (December 31st).
- (b) That official approval of the expenditure (e.g., by the issue of a warrant) has been granted before a certain date (varying for different departments, but generally March 31st).
- (c) That payments have been effected before certain further dates (generally April 30th).

Given the fulfilment of these three conditions, the expenditure is included in the accounts of the year just ended. If condition (a) fails to be fulfilled, the authorisation granted in the Finance Law is annulled. If either (b) or (c) fails to be fulfilled, the authorisation is carried to the accounts of the current year. Thus, during the first months of any year two accounts are open: the accounts of the past year and the accounts of the current year. When an item of expenditure is carried to the current year in the way just described, it is not entered under the current expenditure for that year, but under a separate heading, "Expenditure on closed budgets."

A similar system is adopted with reference to revenue.

Closed accounts have not been published for any year later than 1914. 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 1915-1920. With regard to the accounts from January 1st, 1921, however, the normal rules are to be again 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 revenue and expenditure in the Official Journal.

4. The general budget for 1923 does not include in revenue any proceeds of loan operations. The budget of recoverable expenditure is mainly covered by loans in anticipation of reparation payments.

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 treasurer-paymasters-general 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 following review has been based on:

- (a) The reply to the questionnaire concerning the application of the Brussels Conference resolutions, dated June 1923.
- (b) The General Budget Estimates for 1923, presented to the Chamber of Deputies on March 31st, 1922.
- (c) The Reports on the General Budget for 1923 by M. Maurice Bokanowski, *Rapporteur* of the Finance Commission of the Chamber of Deputies.
- (d) The Reports on the General Budget for 1923 by M. Henry Berenger, *Rapporteur* of the Finance Commission of the Senate.
- (e) The Estimates of the Special Budget of Recoverable Expenditure for 1923, presented to the Chamber of Deputies on July 8th, 1922.
- (f) Information in the official publication of the Ministry of Finance, *Bulletin de Statistique et de législation comparée*, 1922 and 1923.
- (g) The Official Journal (*Journal Officiel*), which publishes monthly tables regarding the yield of taxation and State expenditure.

For more detailed information see the review of the financial position of France in the League of Nations publication "The Recommendations of the Brussels Financial Conference and their Application," Volume IV, published in August 1923.

A. Summary of Budget Accounts.

Francs (000,000's omitted).

Year	Revenue (excluding all proceeds of loans)	Expenditure				Difference
		General Budget	Budget of Recoverable Expenditure (b)	Debit balances of special Trea- sury services	Total	
1913	4,907	5,066	—	6	5,072	— 165
1920	19,821	29,136	22,279	5,092	56,507	— 36,686
1921	21,217	27,980	21,423	2,714	52,117	— 30,900
1922	22,381	26,436	23,084	500	50,020	— 27,639
1923	23,971 (a)	23,402 (a)	(c)	(c)	(c)	—

(a) The postal and telegraph services are excluded from the general budget in 1923.

(b) Including loans raised by the *Crédit National*.

(c) Not available.

The 1913 figures are taken from the closed accounts. For the other years, except 1923, the figures have been based on the available accounts of revenue actually collected during each year, and appropriations voted by the Assembly.

The figures for 1923 are those contained in the final budget voted by Parliament on July 1st, 1923.

The following table shows the loan receipts for the years 1913 and 1920-1922.

Francs (000,000's omitted).

Receipts from	1913	1920	1921	1922
Domestic loans	91	34,499	23,103	9,582
Foreign loans	—	3,578	1,452	—
Advances by the Bank of France	—	865	—	—
Loans by the <i>Crédit National</i>	—	3,880	1,871	7,822
Payments to war victims in annuity certificates and bonds.	—	—	4,694	2,632
<i>Total loan receipts</i>	91	42,822	31,120	20,036
<i>Repayments</i>	—	5,136	5,066	2,088
<i>Net loan receipts</i>	91	37,686	26,054	17,948

B.

(i) The general budget for 1923, as proposed by the Government in April 1923, was as follows:

Revenue	19,285 million francs
Expenditure	<u>23,180</u> " "
Balance	— 3,895 " "

The Government regarded the deficit as corresponding to the interest due on debt incurred for reparation purposes, and maintained that the "French budget proper" balanced.

The Chamber, however, voted the following budget:

Revenue	20,282 million francs
Expenditure	<u>23,971</u> " "
Balance	— 3,689 " "

The Finance Commission of the Senate further proposed the following budget:

Revenue	23,052	million francs
Expenditure	22,155	" "
Balance	+ 897	" "

The changes effected by the Finance Commission of the Senate resulted from the following modifications:

(a) Estimates of expenditure were greatly reduced, the decreases amounting altogether to 1,816.4 million francs. The Finance Commission of the Senate has insisted upon steps being taken so to improve the accounting methods that the expenditure undertaken may be strictly controlled.

(b) The Finance Commission of the Senate considered it possible to estimate the revenue at higher amounts than those contained in the budget voted by the Chamber, in view of the large sums by which revenue collected in taxation exceeded estimates during the first four months of 1923. On this basis the Senate estimated that revenue from taxation for a full year would exceed estimates by 2,200 million francs. The total increase in the revenue was consequently estimated at 2,769.7 million francs.

The Finance Commission of the Senate also considered the question of transferring part of the debt service from the general budget to the budget of recoverable expenditure. No such transference was made, but that part of the debt service which corresponds to loans incurred for reparation purposes has been shown apart from the rest of the debt service.

The following table shows the budget voted by the Senate and the budget finally approved by both Houses of Parliament:

	Budget voted by the Senate	Budget passed by Parliament
	Fr. (000,000's omitted)	
Revenue	23,038	23,038(a)
Expenditure	22,271	23,402
Balance	+ 767	- 364

(a) Excluding proceeds of loans amounting to 400 million fr.

It will be seen that the total authorised expenditure is 222 million francs higher than was proposed in the original Government estimates. The estimate of revenue, on the other hand, has been increased by not less than 3,753 million francs without imposing new taxation.

In the budget originally passed by the Chamber, the necessary borrowings were estimated at about 3,700 million francs. In the final budget they have been reduced to 400 million francs approximately.

The following table shows (ii) the budget of recoverable expenditure for 1923, as submitted by the Government to the Chamber of Deputies:

<i>Expenditure:</i>		Francs (000,000's omitted)
Ministry of	Finance	5,978.1
"	Justice	2.1
"	War	33.3
"	the Navy . . . . .	.2
"	Education and Art	189.5
"	Labour	2.7
"	the Colonies	1.4
"	Agriculture	12.5
"	Public Works	613.3
"	the Liberated Regions	6,080.1
"	Pensions, etc.	382.1
"	Health	18.-
	Total expenditure	<u>13,313.3</u>

<i>Receipts:</i>	Francs (000,000's omitted)
1. Payments in execution of the Peace Treaty	—
2. Exploitation of Saar Mines	60.—
3. "Recettes d'ordre"	3,424.6
4. Various receipts	84.1
5. Loan receipts	9,800.—
Total receipts	<u>13,368.7</u>

The "recettes d'ordre" arise from sales of surplus war stocks, etc., in connection with the service for the liberated regions.

Complete details of (iii) the appended budgets have not been available. Any deficits on these budgets are covered by allocations from the general budget.

C. Analysis of Revenue.

The voted budget for 1923 not yet (July 1923) being available in its final form, it has only been possible to give a summary table of the revenue in 1921 and 1922. The actual revenue for 1923 has been inserted for the sake of comparison.

Frs. (000,000's omitted)

	1913 Actual Receipts	1921 Preliminary results	1922 Estimates	1922 Preliminary results
<i>I. Permanent resources:</i>				
Direct contributions and assimilated taxes	634	1,872	2,507	*
Registration fees	834	2,705	2,953	2,960
Stamp duties	241	565	528	615
Tax on exchange operations	10	19	34	26
Tax on income from movable property	138	926	737	1,018
Luxury tax and business turnover tax	—	1,911	3,058	2,301
Customs duties	756	1,197	2,466	1,611
Indirect contributions (including customs duties on colonial grain, substitutes for coffee, salt, oil, petrol and benzol)	720	2,919	2,927	2,838
Excise and customs duties on sugar and saccharine	191	365	543	564
Receipts from fiscal monopolies	611	1,711	1,802	1,778
Receipts from postal, telegraph and telephone services and various undertakings	424	1,071	1,108	1,142
Receipts from Public Domain	62	113	183	165
Various receipts	286	1,173	985	936
Total	4,907	16,547	19,831	*
<i>2. Exceptional resources:</i>				
Extraordinary duty on war profits	—	3,169	3,050	*
Sale of surplus war stocks	—	1,501	500	*
Total	—	4,670	3,550	*
Receipts in the special budget	—	326	1,310	*
Total Revenue	4,907	21,543	24,691	*

* Not available.

NOTES:

1. The general income tax was established by a law of July 15th, 1914, and was put into force on January 1st, 1916. There have been lengthy discussions in both the Chamber and the Senate regarding the steps to be taken to prevent tax evasion.

The extraordinary duty on war profits was introduced in 1916 and the business turnover tax in 1920. During 1921, 1922 and 1923 the rates of a great number of taxes have been increased.

2. For 1923 postal, telegraph and telephone services have been excluded from the general budget and transferred to the "appended budgets".

3. The payments received from Germany up to December 31st, 1922, amounted to:

Cash payments	144	million	gold	marks
Paper marks requisitioned	343	"	"	"
Deliveries in kind	1,293	"	"	"
Total	1,780	"	"	"

To be deducted:

Advances for coal deliveries under the Spa Agreement	239	"	"	"
---	-----	---	---	---

Net total 1,541 million gold marks.

The total cost of the Army of Occupation up to December 31st, 1922, amounted to 1,602 million gold marks.

D. Analysis of Expenditure.

The following table shows the expenditure for 1913, 1921 and 1922:

Frs. (000,000's omitted).

	1913 Closed Accounts	1921 Estimates	1922 Estimates
Public debt	1,355	11,636	13,191
Defence services	1,807	6,312	4,910
Civil services	1,904	9,938	7,035
General budget	5,066	27,886	25,136
Recoverable expenditure	—	21,423	23,084
Debit balances of the Treasury	—	2,714	500
Grand Total	5,066	52,023	48,720

NOTES:

1. The debt service for 1921 and 1922 is in point of fact greater than is indicated in the table, as a part of the debt service is included in recoverable expenditure.

2. The budget for 1922 provided for the dismissal of 42,000 State employees and the budget for 1923 for the dismissal of a still greater number.

3. The following table shows the sums expended on account of reconstruction, pensions, etc. All the expenditure on the items indicated is recoverable under the terms of the Peace Treaty.

Fr. (000,000's omitted)

	1914	1915	1916	1917	1918	1919	1920	1921	1922	Total
<i>Damage to persons:</i>										
Military allocations, immediate help, etc.	394	1,818	2,185	2,627	3,189	3,405	681	—	—	14,299
War prisoners and civil victims	4	33	156	327	478	9	7	5	20	1,039
Pensions and various expenses on behalf of disabled persons	303	440	556	741	1,042	1,283	3,872	4,388	3,285	15,910
Wards under the guardianship of the State	—	—	—	10	22	90	112	110	87	431
Total	701	2,291	2,897	3,705	4,731	4,787	4,672	4,503	3,392	31,679
<i>Damage to property:</i>										
<i>(a) Private property:</i>										
Payments in capital of indemnities:										
Treasury	—	3	6	11	27	4,899	6,494	4,528	1,996	17,964
<i>Crédit National</i>	—	—	—	—	—	—	2,636	6,901	6,929	16,466
Annuities	—	—	—	—	—	—	—	3,769	2,637	6,406
<i>Rentes</i>	—	—	—	—	—	—	—	20	445	465
Payment of interest on indemnities (<i>Crédit National</i>)	—	—	—	—	—	—	23	245	880	1,148
Other expenditure* (works, purchases, etc.)	—	—	34	91	59	2,790	2,705	949	506	7,134
<i>(b) Other property:</i>										
Railways	—	—	—	—	57	377	706	821	221	2,182
Public services	—	2	2	12	141	344	520	536	329	1,886
Total	—	5	42	114	284	8,410	13,084	17,769	13,943	53,651
Total damage	701	2,296	2,939	3,819	5,015	13,197	17,756	22,272	17,335	85,330
Interest	—	—	—	—	—	—	—	—	—	12,410
Grand total of recoverable expenditure	—	—	—	—	—	—	—	—	—	97,740

As German payments and deliveries have only been sufficient to cover the costs of the Army of Occupation, reparation charges proper have been borne in full by France.

E. Public Debt.

(i) Table showing the amount of the Public Debt in 1914 and since 1918.

Francs (000,000's omitted).

Date	Period	Domestic Debt						Foreign Debt *		TOTAL DEBT	
		Funded		Floating		Total		Amount	Movement (+ or -)	Amount	Movement (+ or -)
		Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
July 31st, 1914 . . .	—	32,579	—	1,609	—	34,188	—	—	—	34,188	—
December 31st, 1918.	4 years 5 months	67,739	+ 35,160	49,135	+ 47,526	116,874	+ 82,686	30,598	+ 30,598	147,472	+ 113,284
September 30th, 1920.	1 year 9 months	121,306	+ 53,567	81,257	+ 32,122	202,563	+ 85,689	83,273	+ 52,675	285,836	+ 138,364
May 31st, 1921 . . .	8 months	136,072	+ 14,766	86,132	+ 4,875	222,204	+ 19,641	75,164	— 8,109	297,368	+ 11,532
March 31st, 1922 . .	10 months	155,059	+ 18,987	87,050	+ 918	242,109	+ 19,905	74,876	— 288	316,985	+ 19,617
August 31st, 1922 . .	5 months	159,818	+ 4,759	93,634	+ 6,584	253,452	+ 11,343	83,152	+ 8,276	336,604	+ 19,619

* Converted at the rates of exchange current on the dates to which the statements refer.

FRANCE

(ii) Table showing the Public Debt in 1914 and since 1918, in actual figures and reduced to pre-war price level.

Francs (000,000's omitted).

Date	Public Debt		Official index number of wholesale prices %	Public Debt reduced to pre-war price level	
	Amount. Francs (000,000's omitted)	Index number %		Amount. Francs (000,000's omitted)	Index number %
July 31st, 1914	34,188	100	100 (a)	34,188	100
December 31st, 1918	147,472	431	339 (b)	43,502	127
September 30th, 1920	285,836	836	527	54,238	159
May 31st, 1921	297,368	870	330	90,112	264
March 31st, 1922	316,985	927	308	102,917	301
August 31st, 1922	336,604	985	332	101,387	297

(a) 1913.

(b) Average for the year 1918.

(iii) Table showing the charges for interest on Public Debt in the financial years 1913 and 1922, in actual figures and reduced to pre-war price level.

Financial year	Accounts	Interest on Public Debt (a)		Official index number of wholesale prices %	Interest on Public Debt reduced to pre-war price level	
		Amount. Francs (000,000's omitted)	Index number %		Amount. Francs (000,000's omitted)	Index number %
1913	Closed Accounts	1,029	100	100 (c)	1,029	100
1922	Estimates	12,187 (b)	1,184	327 (d)	3,727	362

(a) Including annuities.

(b) The total charges due on the Public Debt amount to 14,929 million frs. (see note 1, p. 55), but no interest is at present being paid on the greater part of the foreign obligations. 10,766 million frs. of the interest shown in the table is charged to the general budget and 1,421 million to the budget of recoverable expenditure.

(c) 1913.

(d) Average for the year 1922.

The following table shows the Public Debt in detail as on December 31st, 1920, 1921 and 1922 and April 30th, 1923.

Francs (100,000's omitted).

	December 31st, 1920	December 31st, 1921	December 31st, 1922	April 30th, 1923
DOMESTIC DEBT:				
<i>Funded Debt:</i>				
<i>(a) Permanent debt and long-term debt:</i>				
3 % Rentes	19,742.1	19,742.1	19,740.4	19,740.4
Amortisable 3 % Rentes	2,989.7	2,939.9	2,890.1	2,890.1
Amortisable 3 1/8 % Rentes	20.5	18.4	14.7	14.3
5 % Rentes of 1915 and 1916	20,516.5	20,472.7	19,452.7	19,452.7
4 % Rentes of 1917	10,006.2	9,981.7	9,071.-	9,071.-
4 % Rentes of 1918	23,738.-	23,738.-	21,065.-	21,065.-
Amortisable 5 % Rentes of 1920	13,476.6	13,247.1	11,554.4	11,554.4
6 % Rentes of 1920	28,088.9	27,606.5	26,873.-	26,873.-
Capital value of annuities payable by the State	5,296.2	7,591.7	7,708.-	7,708.-
Railway obligations	1,311.7	1,300.8	1,289.3	1,289.3
<i>Crédit National</i> bonds and obligations	7,989.7	10,984.5	18,978.-	21,978.-
Capital value of annuities granted to war victims (Law of July 30th, 1920)	—	3,768.5	6,405.7	6,755.-
<i>(b) Short-term debt:</i>				
National defence obligations of:				
Ten years' currency	214.9	284.8	290.-	290.-
Six years' currency	116.6	328.9	410.1	410.1
Five years' currency	91.5	104.9	43.-	15.8
Six-year obligations to war victims	—	925.-	925.-	925.-
Ten-year obligations for war damage (Law of February 28th, 1923)	—	—	—	10.-
Obligations to banks in Alsace-Lorraine	—	—	270.-	270.-
Two-year Treasury bonds	—	5,665.3	5,665.3	3,054.7
Three- and five-year Treasury bonds	—	—	8,232.1	8,232.1
Three- six- and ten-year Treasury bonds	—	—	—	10,082.6
Total Funded Debt	133,599.1	148,700.8	160,877.8	171,681.5
<i>Floating Debt:</i>				
Ordinary Treasury bills	1,961.4	1,942.4	1,996.6	2,364.7
National Defence bonds	48,938.2	58,420.3	59,055.3	53,229.3
Advances by the Bank of France	26,600.-	24,600.-	23,600.-	22,500.-
General Treasurer's Accounts	301.6	299.7	331.7	365.3
Deposits of various private persons and institutions	928.4	618.4	676.2	492.-
Miscellaneous (a)	2,863.3	2,702.3	3,546.8	3,869.4
Total Floating Debt	81,592.9	88,583.1	89,206.6	82,820.7
Total Domestic Debt (Carried forward)	215,192.-	237,283.9	250,084.4	254,502.2

(a) Including deposits in the form of security for the issue of token money (notes of the French Chambers of Commerce, notes of the Saar Mines Administration, and notes of the Bank of Syria) and also, of even more importance, the compulsory deposits by local administrations (departments, municipalities, etc.).

Details of the Public Debt. (cont.)

Francs (ooo,ooo's omitted)

	December 31st, 1920	December 31st, 1921	December 31st, 1922	April 30th, 1923
Domestic Debt (<i>Brought forward</i>)	215,192.-	237,283.9	250,084.4	254,502.2
FOREIGN DEBT (at par rate of exchange):				
(a) <i>Political Debt:</i>				
Advances by the Treasury of the U.S.A. (excluding accrued interest)	15,464.-	15,284.9	15,195.-	15,195.-
Advances by the British Treasury (including accrued interest).	13,728.-	14,279.2	14,801.-	14,993.9
Total Political Debt.	29,192.-	29,564.1	29,996.-	30,188.9
(b) <i>Commercial Debt:</i>				
1. <i>United States:</i>				
Loan of the City of Paris	259.-	—	—	—
Loan of \$100 million in 1920	518.-	489.5	473.3	466.4
Loan of \$100 million in 1921	—	490.8	466.1	449.7
Loan of the cities of Lyons, Bor- deaux and Marseilles	233.1	210.2	210.2	210.2
Obligations remitted to the U.S.A. Government as payment for war stocks	2,110.-	2,110.-	2,110.-	2,110.-
Bonds issued in U.S.A.	236.5	—	—	—
2. <i>United Kingdom:</i>				
Treasury Bonds remitted to the Bank of England	1,639.3	1,639.3	1,387.1	1,387.1
Bank credits	291.3	89.6	—	—
Bonds issued in London	31.3	—	—	—
3. <i>Japan:</i>				
Loan in Japan	258.-	258.-	258.-	258.-
Treasury bonds issued in Japan	85.5	85.5	51.6	51.6
4. <i>Sweden:</i> Bank credits	69.5	—	—	—
5. <i>Norway:</i> Bank credits.	45.-	—	—	—
6. <i>Spain:</i> Bank credits	554.-	411.3	204.6	119.1
7. <i>Switzerland:</i> Bank credits	121.8	15.7	—	—
8. <i>Argentina:</i> Bank credits.	119.9	96.2	92.4	92.3
9. <i>Netherlands:</i> Bank credits	114.6	114.6	114.6	114.6
10. <i>Uruguay:</i> Bank credits	80.4	80.4	80.4	80.4
Total Commercial Debt	6,767.2	6,091.1	5,448.3	5,339.4
Total Foreign Debt	35,959.2	35,655.2	35,444.3	35,528.3
TOTAL PUBLIC DEBT.	251,151.2	272,939.1	285,528.7	290,050.5

NOTES.

1. The following table shows the annual charges on account of outstanding debt as on May 31st, 1921, and March 31st, 1922.

Frs. (000,000's omitted)

	Amount of Debt		Debt Service	
	May 31st, 1921	March 31st, 1922	May 31st, 1921	March 31st, 1922
<i>Domestic Debt:</i>				
Funded Debt:				
Ministry of Finance	128,575.3	147,417.4	5,922.3	7,097.1
Other Ministries	7,496.5	7,640.9	368.2	382.2
Floating Debt:				
Interest-bearing debt.	84,727.8	86,555.3	3,477.-	3,583.7
Non-interest bearing debt.	1,403.8	495.-		
Total Domestic Debt.	222,203.4	242,108.6	9,767.5	11,063.-
<i>Foreign Debt:</i>				
Funded debt	44,603.6	41,438.4	2,309.6	2,293.4
Floating debt	30,560.6	33,437.9	1,858.5	1,572.6
Total Foreign Debt	75,164.2	74,876.3	4,168.1	3,866.-
Total Public Debt	297,367.6	316,984.9	13,935.6	14,929.-

These are calculated charges. The actual charges are lower owing to the fact that no interest is at present being paid on the greater part of the Foreign Debt.

Of the total debt at the beginning of 1923, 98 milliard frs. represented debt incurred for reparation purposes (indemnification for damage, reconstruction, pensions). This amount has been provided for as follows:

Frs. (000,000's omitted).

Six-year obligations	930
Loans of <i>Crédit National</i>	17,614
Annuities and loans raised for war victims	6,406
Securities remitted as payments to war victims	465
Foreign loans raised	1,100
	<u>26,515</u>
Charge on the general resources of the Treasury	72,000
	<u>98,000</u>
Grand total (about)	98,000

The debt service on the 26,515 million frs. is accounted for in the budget of recoverable expenditure. With regard to the remaining 72,000 million frs., it has been proposed to transfer the debt service of these loans also to the budget of recoverable expenditure. In the budget for 1923 adopted by the Senate, the service of this part of the debt was excluded from the heading "public debt" and transferred to the Ministry of Finance. It is still a charge on the general budget but not accounted for in the same chapter as the service of the main public debt.

2. Four State loans were issued during the war and two others have been issued since the Armistice. All these loans are free from taxation, present and future. The effective rate of interest on the four war loans (all of which are *Rentes*) varies between 5.68 % (in 1918) and 5.83 % (in 1917). In the spring of 1920 the Government issued a 5 % amortisable loan at an issue price of 100 %. The loan is, however, repayable at 150 %, and the resulting effective rate of interest 5.75 %. The subscriptions amounted to 15,940 million frs., of which 7,035 million frs. were subscribed in cash and the remainder in old securities, mostly National Defence bonds.

In October 1920 the Government floated a 6 % loan (*Rente*) issued at par. The subscriptions amounted to 28,089 million frs., of which 11,278 million frs. were subscribed in cash and the remainder in various securities.

The average rate of interest on all loans, pre-war and others, is 4.60 %.

France has not issued any consolidated loans since 1920. The great reduction in the "*Rentes*" during 1922 is due partly to operations relating to previous fiscal years (*Rentes* used for payment of the extraordinary tax on war profits, *Rentes* repurchased on the Stock Exchange and *Rentes* received as payment for the 6 % loan in 1920).

3. The *Crédit National* was established by the law of October 10th, 1919, in order to facilitate the reparation of war damage. It is charged with the task of paying on behalf of the State, in full or in part, indemnities for war damage. It obtains the means for these payments by issuing bonds the service of which is borne by the State. Several such loans have been issued, bearing interest at 5 % or 6 %.

In 1920 the Government began to issue annuities to war-victims, instead of making cash payments. It is estimated that new annuities with a capital value of about 4,000 million frs. will have to be granted on this account during 1923.

4. A decree of February 25th, 1923, announced the issue of three-, six- or ten-year Treasury Bonds, carrying interest at the rate of 6 % and issued at 99 %. The bonds are repayable on demand by the holder at par on December 8th, 1925, at 103 % on December 8th, 1928, or at 108 % on December 8th, 1932. The Treasury, however, has the right to repay the bonds in 1927 or later, the holder then being entitled to a part of the premium proportionate to the time elapsed.

5. By a convention of November 11th, 1911, between the Minister of Finance and the Governor of the Bank of France, the Bank undertook to grant to the State, in case of general mobilisation, extraordinary advances up to a maximum of 2,900 million frs., the Bank receiving as cover 3-months Treasury bonds, to be renewed if required, bearing interest at 1 % until the end of hostilities. By later conventions the amount of advances was increased to 27 milliard frs. By a convention of December 31st, 1920, the French Treasury became responsible for repayment to the Bank of at least 2 milliard frs. each year from January 1st, 1921, onward; 2 milliard frs. were repaid in 1921, but for 1922 the amount has been reduced to 1 milliard frs.

3 % is paid on the Treasury bonds handed over to the Bank as cover, but the Bank receives interest at $\frac{1}{3}$ % only on the first 21 milliard frs. and $\frac{2}{8}$ % on the next three milliards, the difference being devoted to amortisation. Any percentage paid on advances exceeding 24 milliards is used exclusively for amortisation.

All advances made during the war by the Bank of Algeria were finally repaid in 1920.

6. The National Defence bonds are of various types. By a decree of February 14th, 1923, the rates of interest were increased by $\frac{1}{2}$ % making the following total rates :

Bonds of one year's currency	5 %
Bonds of 6 months' "	4.5 %
Bonds of 4 months' "	4 %
Bonds of 1 month's "	3 %

The interest is paid in advance, which makes the effective rates somewhat higher.

The same decree fixed the discount on Treasury bills at corresponding rates (3 % for one-month bills up to 5 % for one-year bills).

7. The following table gives particulars regarding the Foreign Debt on January 31st, 1923.

Due to :	Amount in currency in which payable (000,000's omitted)	Amount in domestic currency Francs (000,000's omitted)		Rates of exchange current on January 31st, 1923
		At par rate of exchange	At rates of exchange current on Jan. 31st, 1923	
<i>U.S.A.:</i>				
Advances by the Treasury of the U.S.A. (excluding accrued interest)	\$2,933.4	15,195.-	49,545.1	16.89 frs. = \$ 1
Debt on account of purchases of surplus war stocks	\$407.3	2,110.-	6,880.1	
Total U. S. A. Government	\$3,340.7	17,305.-	56,425.2	
Loan of 1920	\$91.4	473.3	1,543.2	
Loan of 1921	\$90.-	466.1	1,519.8	
Loan of Lyons, Bordeaux and Marseilles	\$40.6	210.2	685.5	
Total debt in dollars	\$3,562.7	18,454.6	60,173.7	
<i>United Kingdom:</i>				
Treasury bills remitted to the British Treasury including accrued interest	£ 586.9	14,801.-	46,087.3	78.53 frs. = £ 1
Treasury bills remitted to the Bank of England	£ 55.-	1,387.1	4,319.2	
Total debt in £'s	£ 641.9	16,188.1	50,406.5	
<i>Spain:</i>				
Bank Credits	Pesetas 204.6	204.6	532.-	2.60 frs. = 1 peseta
<i>Japan:</i>				
Loan	Yen 100.-	258.-	730.-	7.30 frs. = 1 yen
Bonds issued	Yen 20.-	51.6	146.-	
Total debt in yen	Yen 120.-	309.6	876.-	
<i>Argentine:</i>				
Bank credits	Gold pesos 18.5	92.4	240.1	12.98 frs. = 1 gold peso
<i>Netherlands:</i>				
Bank credits	Florins 55.-	114.6	365.8	6.65 frs. = 1 florin
<i>Uruguay:</i>				
Bank credits	Urug. \$ 15.-	80.4	206.3	13.75 frs. = U. \$ 1
Total Foreign Debt	—	35,444.3	112,800.4	—

The foreign debt is usually divided into two distinct sections: (a) the *political debt* comprising the advances by the Treasuries of the United States and the United Kingdom, together amounting to about 30 milliard gold francs, and (b) the *commercial debt*, comprising the remaining items of the foreign debt amounting to about 5 1/2 milliard gold francs.

The final terms of the debt to the United States Government, on account of advances during the war or purchases of surplus war stocks, have not yet been determined, but preliminary negotiations between the U.S.A. Debt Funding Commission and a representative of the French Government took place in the summer of 1922.

Miscellaneous—continued.					EXTRAORDINARY AND DEBT.			
Other items (to be specified in detail in as many columns as may be necessary).					Total expenditure.	Investments.		Payments to Sinking Fund.
Census.	Miscellaneous charges.	Total.	Total col. 1 to 46.	In securities (other than for Sinking Funds).		In Savings Bank.		
46	46(a)	46(b)	47	48	49	50	51	
Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	
117 0 0	.....	1,164 0 0	1,307 0 0	83,554 0 0	.....	.....	500 0 0
39 0 0	.....	166 0 0	290 0 0	8,443 0 0	.....	.....	.....
67 0 0	.....	69 0 0	183 0 0	16,853 0 0	.....	.....	.....
.....	.....	55 0 0	55 0 0	4,772 0 0	.....	.....	.....
29 0 0	.....	43 0 0	45 0 0	3,331 0 0	.....	.....	.....
263 0 0	.....	1,477 0 0	1,629 0 0	1,10,698 0 0	.....	.....	600 0 0
.....	326 0 0	326 0 0	326 0 0	11,421 0 0	.....	21,735 0 0	.....
.....	372 0 0	352 0 0	352 0 0	9,184 0 0	.....	.....	.....
.....	295 0 0	304 0 0	304 0 0	11,696 0 0	.....	.....	.....
.....	183 0 0	378 0 0	373 0 0	13,867 0 0	1,300 0 0	.....	.....
.....	59 0 0	58 0 0	58 0 0	12,028 0 0	.....	.....	.....
.....	25 0 0	77 0 0	77 0 0	8,767 0 0	.....	.....	.....
.....	193 0 0	193 0 0	193 0 0	10,211 0 0	.....	.....	.....
.....	16,683 0 0	16,793 0 0	16,793 0 0	70,676 0 0	.....	60,000 0 0	.....
.....	1,367 0 0	2,245 0 0	6,014 0 0	61,854 0 0	.....	9,000 0 0	.....
.....	119 0 0	195 0 0	195 0 0	8,213 0 0	.....	.....	.....
.....	114 0 0	245 0 0	245 0 0	9,201 0 0	.....	.....	.....
.....	19,617 0 0	21,141 0 0	25,810 0 0	2,17,001 0 0	1,300 0 0	80,735 0 0	.....
303 0 0	1,852 0 0	2,485 0 0	6,742 0 0	68,279 0 0	.....	.....	.....
20 0 0	37 0 0	144 0 0	144 0 0	4,692 0 0	.....	.....	.....
.....	82 0 0	83 0 0	83 0 0	2,895 0 0	.....	.....	.....
67 0 0	60 0 0	127 0 0	127 0 0	16,402 0 0	.....	.....	.....
163 0 0	248 0 0	1,061 0 0	1,061 0 0	19,285 0 0	.....	.....	.....
25 0 0	80 0 0	137 0 0	137 0 0	7,301 0 0	.....	.....	.....
13 0 0	941 0 0	960 0 0	960 0 0	8,441 0 0	.....	.....	.....
621 0 0	3,117 0 0	4,907 0 0	9,294 0 0	1,27,345 0 0	.....	.....	.....
834 0 0	1,925 0 0	4,290 0 0	4,290 0 0	95,787 0 0	.....	.....	.....
25 0 0	1,230 0 0	1,827 0 0	1,827 0 0	32,612 0 0	.....	.....	.....
103 0 0	190 0 0	403 0 0	403 0 0	29,034 0 0	.....	12,000 0 0	.....
39 0 0	332 0 0	508 0 0	703 0 0	6,887 0 0	.....	.....	.....
14 0 0	68 0 0	285 0 0	343 0 0	10,125 0 0	.....	.....	.....
15 0 0	446 0 0	574 0 0	574 0 0	11,343 0 0	.....	.....	.....
590 0 0	4,106 0 0	7,887 0 0	7,945 0 0	1,86,637 0 0	.....	12,000 0 0	.....
.....	1,212 0 0	2,691 0 0	6,163 0 0	3,33,293 0 0	.....	31,525 0 0	.....
.....	161 0 0	261 0 0	261 0 0	6,732 0 0	.....	.....	.....
.....	354 0 0	475 0 0	475 0 0	22,697 0 0	.....	.....	.....
.....	97 0 0	116 0 0	116 0 0	23,779 0 0	.....	.....	.....
.....	33 0 0	148 0 0	148 0 0	4,969 0 0	.....	.....	.....
.....	15 0 0	51 0 0	51 0 0	5,731 0 0	.....	.....	.....
.....	64 0 0	333 0 0	333 0 0	9,396 0 0	.....	.....	.....
.....	52 0 0	2,668 0 0	2,746 0 0	17,669 0 0	.....	.....	.....
.....	41 0 0	88 0 0	88 0 0	4,050 0 0	.....	.....	.....
.....	70 0 0	199 0 0	199 0 0	6,420 0 0	.....	.....	.....
.....	50 0 0	136 0 0	136 0 0	21,883 0 0	.....	.....	.....
.....	119 0 0	180 0 0	750 0 0	80,403 0 0	3,220 0 0	.....	.....
.....	2,239 0 0	7,206 0 0	11,464 0 0	4,69,855 0 0	3,220 0 0	31,625 0 0	.....
.....	353 0 0	1,226 0 0	3,461 0 0	42,063 0 0	.....	.....	.....
.....	393 0 0	416 0 0	416 0 0	18,760 0 0	.....	.....	.....
.....	126 0 0	169 0 0	169 0 0	3,493 0 0	.....	.....	.....
.....	143 0 0	140 0 0	140 0 0	12,770 0 0	.....	.....	.....
.....	320 0 0	329 0 0	329 0 0	5,618 0 0	.....	.....	.....
.....	170 0 0	205 0 0	205 0 0	7,429 0 0	.....	.....	.....
.....	32 0 0	32 0 0	32 0 0	4,107 0 0	.....	.....	.....
.....	497 0 0	497 0 0	497 0 0	9,115 0 0	.....	.....	.....
.....	167 0 0	202 0 0	202 0 0	6,344 0 0	.....	.....	.....
.....	683 0 0	683 0 0	683 0 0	19,985 0 0	.....	.....	.....
.....	893 0 0	393 0 0	393 0 0	7,119 0 0	.....	.....	.....
.....	893 0 0	163 0 0	163 0 0	6,100 0 0	.....	.....	.....
.....	3,293 0 0	4,692 0 0	5,715 0 0	1,38,794 0 0	.....	.....	.....
.....	11,091 0 0	13,165 0 0	20,717 0 0	2,18,861 0 0	.....	.....	.....
.....	1,544 0 0	1,902 0 0	1,902 0 0	63,908 0 0	.....	.....	.....
.....	248 0 0	321 0 0	321 0 0	9,487 0 0	.....	.....	.....
.....	10,123 0 0	10,213 0 0	10,213 0 0	1,85,641 0 0	35,000 0 0	.....	.....
.....	68 0 0	68 0 0	68 0 0	5,592 0 0	.....	.....	.....
.....	32,371 0 0	34,981 0 0	42,220 0 0	4,84,289 0 0	35,000 0 0	.....	.....
1,453 0 0	04,760 0 0	81,890 0 0	1,08,237 0 0	37,00,929 0 0	39,625 0 0	1,24,200 0 0	800 0 0	

EXTRAORDINARY AND DEBT—continued.										BALANCE.			Grand total.	REMA.
Repayment of loans.	Advances.		Deposits.	Total.	Total disbursement.	Deposits.	Actual balance.		Total.					
	Permanent.	Other.					Rs.	a. p.						
52	53	54	55	56	57	58	59	60	61	62				
Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.				
13,950 0 0	500 0 0	5,159 0 0	7,372 0 0	27,190 0 0	1,11,034 0 0	31,820 0 0	23,643 0 0	65,460 0 0	1,76,593 0 0					
390 0 0	*****	600 0 0	115 0 0	1,515 0 0	2,993 0 0	*****	195 0 0	195 0 0	10,156 0 0					
412 0 0	*****	270 0 0	514 0 0	1,226 0 0	19,079 0 0	119 0 0	3,151 0 0	3,250 0 0	21,370 0 0					
45 0 0	*****	*****	*****	46 0 0	4,797 0 0	*****	553 0 0	583 0 0	5,129 0 0					
*****	*****	*****	*****	*****	3,341 0 0	*****	1,312 0 0	1,312 0 0	4,693 0 0					
15,317 0 0	500 0 0	5,923 0 0	8,091 0 0	30,266 0 0	1,17,201 0 0	31,845 0 0	38,694 0 0	70,639 0 0	2,17,943 0 0					
*****	50 0 0	*****	*****	50 0 0	11,474 0 0	*****	4,059 0 0	4,059 0 0	15,533 0 0					
*****	*****	*****	*****	21,785 0 0	20,919 0 0	*****	2,371 0 0	2,371 0 0	33,230 0 0					
*****	*****	120 0 0	*****	120 0 0	11,556 0 0	*****	5,153 0 0	5,153 0 0	16,834 0 0					
*****	*****	*****	460 0 0	1,700 0 0	15,547 0 0	*****	6,816 0 0	6,816 0 0	22,493 0 0					
*****	*****	*****	63 0 0	63 0 0	12,941 0 0	*****	13,917 0 0	13,917 0 0	20,093 0 0					
*****	*****	*****	*****	*****	8,797 0 0	*****	3,159 0 0	3,159 0 0	11,945 0 0					
*****	*****	*****	*****	*****	10,211 0 0	*****	1,254 0 0	1,254 0 0	11,475 0 0					
5,597 0 0	605 0 0	10 0 0	1,097 0 0	50,515 0 0	1,21,191 0 0	*****	27,570 0 0	27,579 0 0	1,49,770 0 0					
*****	*****	*****	*****	15,604 0 0	67,548 0 0	*****	9,749 0 0	9,749 0 0	77,297 0 0					
*****	*****	*****	*****	*****	3,213 0 0	*****	805 0 0	805 0 0	9,979 0 0					
*****	*****	*****	*****	*****	9,391 0 0	*****	8,710 0 0	8,710 0 0	13,907 0 0					
5,507 0 0	515 0 0	120 0 0	1,570 0 0	59,817 0 0	3,06,903 0 0	*****	83,727 0 0	83,727 0 0	3,90,435 0 0					
6,569 0 0	*****	1,032 0 0	7,601 0 0	7,601 0 0	75,850 0 0	*****	55,014 0 0	55,014 0 0	1,31,824 0 0					
*****	*****	*****	520 0 0	520 0 0	5,112 0 0	*****	253 0 0	253 0 0	3,376 0 0					
*****	*****	*****	*****	*****	2,895 0 0	*****	13,594 0 0	13,594 0 0	17,526 0 0					
*****	*****	115 0 0	433 0 0	548 0 0	16,369 0 0	10,775 0 0	1 0 0	19,778 0 0	35,311 0 0					
*****	*****	*****	*****	*****	19,235 0 0	*****	5,075 0 0	5,075 0 0	29,611 0 0					
*****	*****	50 0 0	50 0 0	50 0 0	8,491 0 0	550 0 0	3,102 0 0	3,102 0 0	11,533 0 0					
6,569 0 0	*****	115 0 0	3,035 0 0	8,719 0 0	1,39,064 0 0	17,325 0 0	36,685 0 0	1,03,910 0 0	2,39,979 0 0					
*****	225 0 0	1,546 0 0	1,660 0 0	1,660 0 0	87,443 0 0	*****	2,26,496 0 0	2,26,496 0 0	3,23,999 0 0					
*****	5 0 0	*****	523 0 0	523 0 0	33,759 0 0	374 0 0	9,039 0 0	9,039 0 0	43,935 0 0					
*****	*****	*****	153 0 0	153 0 0	41,917 0 0	*****	12,161 0 0	12,161 0 0	35,862 0 0					
*****	*****	*****	*****	*****	6,587 0 0	*****	675 0 0	675 0 0	7,562 0 0					
382 0 0	30 0 0	242 0 0	382 0 0	382 0 0	10,507 0 0	1,832 0 0	192 0 0	2,024 0 0	12,531 0 0					
*****	*****	*****	309 0 0	309 0 0	12,151 0 0	*****	20,069 0 0	20,069 0 0	32,220 0 0					
385 0 0	204 0 0	1,783 0 0	897 0 0	15,327 0 0	2,01,964 0 0	2,400 0 0	2,69,659 0 0	2,70,995 0 0	4,72,959 0 0					
*****	1,000 0 0	*****	29,029 0 0	61,654 0 0	3,91,817 0 0	28,055 0 0	36,193 0 0	1,11,278 0 0	5,06,095 0 0					
*****	100 0 0	*****	*****	100 0 0	6,83 0 0	*****	2,570 0 0	2,570 0 0	8,402 0 0					
*****	100 0 0	*****	*****	100 0 0	22,797 0 0	*****	7,411 0 0	7,411 0 0	30,208 0 0					
*****	75 0 0	*****	144 0 0	219 0 0	21,779 0 0	*****	10,770 0 0	10,770 0 0	35,549 0 0					
4,000 0 0	*****	200 0 0	513 0 0	710 0 0	5,188 0 0	*****	3,813 0 0	3,813 0 0	8,901 0 0					
439 0 0	120 0 0	7 0 0	5 0 0	4,012 0 0	10,109 0 0	5,000 0 0	7,521 0 0	13,521 0 0	22,630 0 0					
*****	*****	20 0 0	10 0 0	690 0 0	9,743 0 0	*****	2,534 0 0	2,534 0 0	12,077 0 0					
*****	75 0 0	5 0 0	32 0 0	50 0 0	13,223 0 0	140 0 0	12,756 0 0	12,926 0 0	31,154 0 0					
*****	*****	*****	*****	*****	4,100 0 0	*****	819 0 0	819 0 0	4,919 0 0					
*****	*****	*****	*****	*****	8,453 0 0	3 0 0	23,174 0 0	23,170 0 0	31,638 0 0					
*****	*****	*****	*****	*****	7,119 0 0	*****	1,613 0 0	1,613 0 0	22,520 0 0					
*****	*****	*****	*****	*****	34,123 0 0	*****	16,134 0 0	16,134 0 0	50,266 0 0					
4,480 0 0	1,500 0 0	232 0 0	30,247 0 0	71,269 0 0	5,61,154 0 0	30,227 0 0	1,74,938 0 0	3,05,165 0 0	7,66,310 0 0					
16,294 0 0	*****	13,814 0 0	30,198 0 0	73,191 0 0	14,993 0 0	110 0 0	7,323 0 0	7,433 0 0	80,534 0 0					
1,200 0 0	*****	2 0 0	1,262 0 0	1,262 0 0	3,998 0 0	*****	1,856 0 0	1,856 0 0	16,819 0 0					
627 0 0	*****	15 0 0	16 0 0	16 0 0	3,308 0 0	*****	3,081 0 0	3,081 0 0	7,169 0 0					
*****	*****	*****	622 0 0	622 0 0	13,392 0 0	64 0 0	135 0 0	189 0 0	13,591 0 0					
*****	*****	*****	*****	*****	5,613 0 0	*****	425 0 0	425 0 0	6,033 0 0					
*****	*****	*****	33 0 0	33 0 0	4,237 0 0	*****	850 0 0	850 0 0	8,339 0 0					
*****	*****	*****	*****	*****	9,115 0 0	2,878 0 0	298 0 0	459 0 0	12,555 0 0					
*****	*****	*****	*****	*****	6,344 0 0	*****	1,913 0 0	1,913 0 0	12,255 0 0					
*****	*****	172 0 0	172 0 0	172 0 0	20,157 0 0	*****	3,170 0 0	3,170 0 0	11,037 0 0					
*****	*****	*****	*****	*****	7,119 0 0	*****	12,679 0 0	12,679 0 0	32,822 0 0					
*****	*****	*****	*****	*****	9,203 0 0	*****	5,422 0 0	5,422 0 0	12,571 0 0					
18,031 0 0	103 0 0	14,159 0 0	2 0 0	32,283 0 0	1,71,679 0 0	3,033 0 0	2,043 0 0	2,043 0 0	8,216 0 0					
35,100 0 0	*****	2,693 0 0	9,117 0 0	47,240 0 0	2,06,101 0 0	25,100 0 0	3,423 0 0	33,535 0 0	2,39,676 0 0					
*****	*****	*****	*****	*****	3,998 0 0	*****	41,728 0 0	41,728 0 0	1,07,723 0 0					
*****	*****	65 0 0	229 0 0	36,005 0 0	9,947 0 0	674 0 0	177 0 0	659 0 0	1,07,555 0 0					
*****	*****	*****	*****	65 0 0	2,21,546 0 0	*****	13,025 0 0	13,025 0 0	2,31,571 0 0					
35,100 0 0	85 0 0	3,378 0 0	9,807 0 0	33,210 0 0	5,87,479 0 0	31,814 0 0	1,014 0 0	1,014 0 0	6,891 0 0					
63,435 0 0	2,983 0 0	25,770 0 0	52,419 0 0	3,50,923 0 0	20,91,853 0 0	1,16,760 0 0	7,57,103 0 0	8,73,872 0 0	20,05,729 0 0					

In 1920 France contracted, in the United States, a loan of \$100 million bearing interest at 8 %, repayable in 25 years, and in 1921 another loan of \$100 million, bearing interest at 7 $\frac{1}{2}$ %, repayable in 20 years.

The loan on behalf of the cities of Lyons, Bordeaux and Marseilles, issued in 1919, bears interest at 6 %.

The debt to the British Treasury on account of advances during the war amounted, on January 31st, 1923, to a total of £586.9 million. The last-named debt was incurred in the form of one-year Treasury bills which are renewed at each maturity. The rate of interest is the same as the discount rate of the Bank of England. Interest due but not paid is being capitalised by the remittance of new bills. The amount shown in the table thus includes the interest due since the date of the issue. The original amount received by the French Treasury was £445,750,000.

By an agreement signed at Calais on August 25th, 1916, France received advances amounting to £150 million against a security of £50 million in gold. The British Government is bound to repay an equal amount of gold when the debt has been reimbursed. Meanwhile the British Government has disposed of the gold to obtain funds in U.S.A.

By a convention of April 25th, 1916, the Bank of England granted credits of £60 million to the Bank of France. The credit is represented by bills discounted by the Bank of England at 1 % above the official rate. The credit was increased later on to £72 million, but has since been reduced to £55 million. According to the original contract this liability was to be repaid between September 1922 and August 1923, but this stipulation has been modified by an agreement between the two banks signed in April 1922, according to which the repayments are to be spread over a period of seven years.

F. Loans to Foreign Governments.

The following claims on Foreign Governments are on account of advances in cash, transfers of securities or book-credits and cessions of material.

Note: All the claims are in French francs.

Frs. (000,000's omitted)		
Russia:		
Old Regime	5,784.—(a)	(a) Including 1,128 million francs for discount, when the bills were discounted by the Bank of France.
Various Governments	500.—	
	6,284.—	
Belgium	3,772.—	(b) Including book-credits of 243 million frs.
Kingdom of the Serbs, Croats and Slovenes	1,747.—(b)	
Roumania	1,154.—	(c) Including book-credits of 330 million frs.
Greece	824.—(c)	
Poland	928.—	(d) Not including the 800 million frs., approximately, representing transfers which are to be set off against the value of Italian transfers.
Czechoslovakia	542.—	
Italy	49.—(d)	
Estonia	16.5	
Latvia	11.—	
Lithuania	3.5	
Hungary	1.—	
Austria	35.5	
Portugal	8.—	
Finland	1.5	
Total	15,377.—	

It should be noted that the total includes a sum exceeding 1,600 million frs. covered by budget appropriations. The remainder has been accounted for in the special accounts of the Treasury.

In the spring of 1923 a loan of 400 million frs. was granted to Poland and a loan of 100 million frs. to Roumania.

GERMANY.

Notes on the Budget System.

1. The budget year covers the period from April 1st to March 31st. If the estimates have not been passed by the Reichstag before the beginning of the financial year, the intervening period is provided for by special authorisations. The estimates for the financial year 1923-24 were submitted in January and passed in June 1923. During the financial year April 1st, 1922, to March 31st, 1923, twelve supplementary budgets increasing the original estimates were submitted to the Reichstag.

2. The estimates for 1923-24 are divided into three separate budgets:

- (i) General administration of the State,
- (ii) Public undertakings,
- (iii) Execution of the Peace Treaty.

Each of these budgets is subdivided into ordinary and extraordinary revenue and expenditure. The ordinary expenditure comprises:

- (a) Expenditure for profit-earning purposes.
- (b) Unavoidable expenditure arising out of the consequences of the war.
- (c) Expenditure for the execution of the Peace Treaty which will only continue for a limited number of years in contradistinction to those charges that will last until reparation payment is completed.

The budgets of public undertakings are linked up with the budget of the General Administration in the following way:—

- (a) Any surplus from public undertakings is carried as revenue to the general budget.
- (b) The contributions from the postal and telegraph administration and the railways towards payment of interest on public debt are carried as revenue to the general budget.
- (c) Any deficit on public undertakings is charged to the general budget.

The deficit to be covered by loans on the budget for the execution of the Peace Treaty is also carried as expenditure to the general budget.

All cash receipts and all cash expenditure, without exception, are included in the budget.

The expenditure for capital purposes is shown as extraordinary expenditure.

3. The German accounting system carries to a given year the revenue and expenditure which have been assigned to that year by the budget authorisations, irrespective of whether the actual payments and recoveries are effected within the year. Monthly returns of the yield from the various taxes are published, in which it is generally indicated how much of the yield pertains to the year for which the accounts are still open.

4. Proceeds of loans are shown as extraordinary revenue in the closed accounts. A deficit is never carried from one year to another.

5. The Reichsbank acts as fiscal agent for the State.

6. The new constitution of 1919 made important changes in the financial relations between the Reich and the *Länder* (the old States). The Reich acquired full financial hegemony and is now entitled to impose taxes without restriction. Instead of contributions from the individual States to the Reich, as before 1919, the Reich now has the power to permit the *Länder* to share in the yield from certain taxes and gives various grants in aid to the *Länder* and the municipalities.

The following review has been based mainly on:

- (a) The Budget estimates (Reichshaushaltsplan) for the financial year 1923-24, submitted to the Reichstag in January 1923, and the budget for 1923-24, voted on June 4th, 1923.
- (b) Various memoranda submitted by the Finance Minister to the Reichstag in February and March 1923.
- (c) Parliamentary debates on the budget.
- (d) Financial articles in the review *Wirtschaft und Statistik*, issued by the German Statistical Department.
- (e) The Statistical Yearbook of Germany, 1921-22.

A. Summary Table of Budget Accounts.

Marks (000,000's omitted).

Year	Accounts	Revenue	Expenditure ³	Difference to be covered by loans
1920-21	Closed Accounts	76,174.9	199,613.6	— 123,438.7
1921-22	" "	102,602.2	263,296.3	— 160,694.1
1922-23	Cash Statement	1,301,001.4 ¹	7,630,208.2	— 6,329,206.8
1923-24	Budget voted	6,521,137.8 ²	18,949,383.—	— 12,428,245.2

¹ Including proceeds of forced loan, amounting to 12,750.3 million marks.

² Including proceeds of forced loan, estimated at 500,000 million marks.

³ Only the net deficit on public undertakings (Postal and Railway Services) is included. The gross receipts of these undertakings are not included in the revenue.

Note. — The cash statement for 1922-23 accounts for the cash paid into and out of the Central Exchequer before the end of the year. The revenue table on pages 62-63 shows somewhat higher figures, as it comprises also the amounts in transit to the Exchequer on March 31st, 1923. The figures shown for 1922-23 can only be regarded as giving a very rough idea of the development of the accounts.

B. Budget for 1923-24 voted in June 1923.

Marks (000,000's omitted).

GENERAL ADMINISTRATION.

Ordinary Budget.

<i>Revenue:</i>		<i>Expenditure:</i>	
Taxes on property and trans- actions	1,617,900	Recurrent expenditure:	
Customs and Excise duties	3,439,026	Interest on public debt	2,026,017
Other taxes	150,000	Defence	29,936
Various receipts	433,989	Miscellaneous expenditure ¹	7,629,315
		Other expenditure	550,157
		Total recurrent expenditure	10,235,425
		Non-recurrent expenditure	522,399
Total ordinary revenue	5,640,915	Total ordinary expenditure	10,757,824

¹ The details of this item are not specified in the budget.

B. Budget for 1923-1924 voted in June 1923 (continued).

Marks (000,000's omitted).

<i>Revenue:</i>	<i>Extraordinary Budget.</i>	<i>Expenditure:</i>	
Various receipts	380,223	Deficit on Postal and Telegraph services and Railways	3,521,877
Proceeds of loans	7,311,336	Execution of the Peace Treaty	2,232,006
Proceeds of forced loan	500,000	Increase in salaries, etc.	340,000
		Indemnification of damage caused by the occupation of the Ruhr district and Rhineland	1,500,000
		Loans to <i>Länder</i>	200,000
		Construction of trading steamers on account of special obligations	146,000
		Miscellaneous	251,676
	<hr/>		
Total extraordinary revenue	8,191,559	Total extraordinary expenditure	8,191,559
	<hr/>		
Total revenue (including proceeds of the forced loan, but excluding proceeds of other loans)	6,521,138	Total expenditure	18,949,383

SERVANTS OF INDIA SOCIETY'S
BRANCH LIBRARY
BOMBAY

C. Public Undertakings.

Marks (000,000's omitted).

<i>Post Office:</i>		<i>National Printing Office:</i>	
Ordinary receipts	764,609	Receipts	49,791
Permanent expenses	1,952,831	Permanent expenses	48,860
Non-recurrent expenditure	15,154	Non-recurrent expenses	918
	<hr/>		
Total	1,967,985	Total expenditure	49,778
	<hr/>		
Balance (deficit)	— 1,203,376		
Extraordinary expenditure	321,615		
Total payments from the Treasury to the Post Office	1,524,991	Balance (surplus)	+ 13

D. Railway Administration.

Marks (000,000's omitted).

Ordinary revenue	9,910,893
Permanent expenses	9,910,893
	<hr/>
Balance . . . . .	...

Extraordinary expenditure of the Railway Administration to be covered by loans (allocation from the budget of the General Administration) amounts to 1,996,886 million marks.

The total payments from the Treasury to the public undertakings thus amount to 3,521,877 million marks.

E. Analysis of Revenue.

The following analysis shows the main sources of Government revenue:

Marks (000,000's omitted).

	Closed Accounts 1920-21	Closed Accounts 1921-22	Cash receipts 1922-23
I. Direct taxation:			
Income tax	12,000	29,716	533,341
Corporation tax	900	1,565	6,206
Tax on income derived from capital	942	1,492	2,688
Emergency tax (<i>Reichsnotopfer</i>)	9,908	831	4,836
Capital tax (<i>Vermögenssteuer</i>)	—	—	14
Property tax	100	100	195
Succession duties	284	628	2,176
Duty on increment in capital values	2	3	1
Temporary War contributions (<i>Kriegsabgaben</i>)	10,192	6,967	2,158
Total direct taxation	34,328	41,302	551,615
2. Indirect taxation:			
Customs duties	2,163	5,952	94,964
Export duties	1,179	2,539	187,435
Excise duty on:			
Coal	4,998	7,014	237,948
Tobacco	1,916	4,134	65,248
Beer	158	343	909
Wine	639	870	11,260
Sparkling wines	96	120	94
Mineral waters	36	29	37
Vinegar	7	9	323
Sugar	119	149	451
Salt	76	63	102
Matches	62	66	147
Lighting materials	16	23	69
Playing-cards	9	13	16
Total excise duties	8,195	12,833	316,604
Statistical fees	1	2	1,359
Business turnover tax	5,049	11,474	228,537
Tax on acquisition of real estate	578	654	2,330
Taxes on capital transactions	—	—	63,856
Tax on motor vehicles	—	—	504
Insurance tax	—	—	2,842
Tax on betting at races and on lotteries	—	—	1,395
Stamp duty on bills of exchange	24	50	4,040
Stamp duty on consignment certificates	110	108	110
Tax on:			
Passenger traffic	644	943	7,395
Goods traffic	660	1,300	47,212
Stamp duties	1,725	4,763	19,337
Total indirect taxation	20,328	40,618	977,920

E. Analysis of Revenue (continued).

Marks (000,000's omitted).

	Closed Accounts 1920-21	Closed Accounts 1921-22	Cash receipts 1922-23
3. <i>State fiscal monopolies:</i>			
Spirits	860	2,428	15,511
Sugar substitutes	—	—	282
Total State fiscal monopolies	860	2,428	15,793
TOTAL TAXATION UNDER 1, 2 and 3	55,516	84,348	1,545,328
Various ordinary receipts	58,704	90,760	Not yet
Various extraordinary receipts	17,470	11,841	available
Total receipts excluding forced loan	131,690	186,949	—
Forced loan receipts	—	—	15,854

NOTES.

1. Measures have been taken to add a gold surcharge to a number of taxes in order to cope with the constantly depreciating value of the currency. In June the Customs gold surcharge was raised to 2,146,900 per cent. The Reichstag has sanctioned increasing the quarterly advance payments of income tax 25-fold, and of the company income tax 35-fold. The new rates are to come into force as regards the quarterly payments due in November 1923 and February 1924. Many excise duties have not yet been adapted to the new system of guaranteeing automatic increases.

2. The yield of taxation for the first two months of the financial year 1923-24 amounted to:

Taxes on property and transactions:

	Marks (000,000's omitted)
Permanent taxes	1,555,038
Temporary taxes	415
Total	1,555,453
Customs and Excise duties	641,794
Miscellaneous taxes	79,617
Grand total	2,276,864

3. The *Länder* and municipalities are entitled to a share of the yield of certain State taxes. By a law of June 1923, the share of the municipalities from the income tax was increased from two-thirds to three-quarters, and their share of the sales tax from 5 to 15%.

F. Public Debt.

I. Table showing the amount of the Public Debt in 1914 and since 1919.

Marks (000,000's omitted).

Date	Funded Debt						Floating Debt ³		TOTAL DEBT	
	Government Debt proper ¹		Railway Debt ²		Total Funded Debt		Amount	Movement (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
March 31st, 1914 . .	4,918	—	—	—	4,918	—	240	—	5,158	—
„ „ 1919 . .	92,396	+ 87,478	—	—	92,396	+ 87,478	64,056	+ 63,816	156,452	+ 151,294
„ „ 1920 . .	91,100	— 1,296	15,200	+ 15,200	106,300	+ 13,904	114,000	+ 49,944	220,300	+ 63,848
„ „ 1921 . .	82,200	— 8,900	15,100	— 100	97,300	— 9,000	184,400	+ 70,400	281,700	+ 61,400
„ „ 1922 . .	65,800	— 16,400	14,800	— 300	80,600	— 16,700	281,500	+ 97,100	362,100	+ 80,400
September 30th, 1922	61,200	— 4,600	14,500	— 300	75,700	— 4,900	528,700	+ 247,200	604,400	+ 242,300
June 20th, 1923 . . .	56,400	— 4,800	14,000 (approx.)	— 500	70,400	— 5,300	16,984,200	+ 16,455,500	17,054,600	+ 16,450,200

¹ Including long-term Treasury bonds.

² Debt taken over in connection with the transference of railways from the *Länder* to the Empire.

³ Including Imperial cash certificates (*Reichskassenscheine*), which amounted to 240 million marks before the war, and to 360 million marks in post-war years.

II. Table showing the total Public Debt in 1914 and since 1919, in actual figures and reduced to pre-war price level.

Date	Public Debt		Official Index number of wholesale prices %	Public Debt reduced to pre-war price level	
	Amount: Marks (100,000's omitted)	Index number %		Amount: Marks (100,000's omitted)	Index number %
March 31st, 1914	5,158	100	100 ¹	5,158	100
" " 1919	156,452	3,033	415 ²	37,699	730
" " 1920	220,300	4,271	1,486 ²	14,825	287
" " 1921	281,700	5,461	1,911 ²	14,740	285
" " 1922	362,100	7,020	5,433	6,665	129
September 30th, 1922 . .	604,400	11,718	28,698	2,106	41
June 20th, 1923	17,054,600	341,304	521,158 ³	3,227	62

¹ 1913. ² Average for the year. ³ April 1923.

The following table gives particulars of the Public Debt:

Marks (100,000's omitted).

	September 30th, 1921	September 30th, 1922
<i>Funded debt:</i>		
5 % debt	57,291.5	46,153.8
4 % debt	1,125.2	1,152.-
3 1/4 % debt	1,957.8	1,973.6
3 % debt	1,622.-	1,675.-
5 % Treasury certificates	827.7	149.6
4 1/2 % Treasury certificates	7,082.-	6,528.9
Savings premium loan 1919	3,589.-	3,522.2
Total Funded debt	73,495.2	61,155.1
<i>Floating debt:</i>		
Treasury bills discounted	210,408.5	450,898.2
Other liabilities arising out of Treasury bills issued	18,300.-	45,745.5
Treasury bills as security . . . . .			31,726.7
Reichskassenscheine	360.-	360.-
Total Floating debt	229,068.5	528,730.4
Total Funded and Floating Debt	302,563.7	589,885.5

To this debt must be added the liabilities taken over by the Empire in connection with the transference of the ownership of the railways from the *Länder* to the Empire.

Marks (000,000's omitted).

	Originally	On Sept. 30th, 1921	On Sept. 30th, 1922
<i>Funded debt taken over from:</i>			
Prussia	10,501.3	} Details not available	9,881.6
Bavaria	2,412.6		2,403.1
Saxony	992.-		968.5
Baden	666.1		644.4
Hesse	538.5		537.1
Mecklenburg	114.9	112.8	
	15,225.4	15,100.- about	14,547.5
Total debt of the Empire	—	317,700.- about	604,433.-

NOTES.

1. The interest charges for the financial year 1923-24 were estimated in February 1923 to be as follows:

	Marks (000,000's omitted)
(a) For the debt as on September 30th, 1922:	
Funded debt	2,473.1
Treasury certificates	286.7
Treasury bills discounted	81,250.-
Other liabilities in connection with Treasury bills.	1,000.-
Railway debt taken over from the Provinces	505.1
Total	85,514.9
(b) For new credits to cover the deficits estimated at 500 milliard marks	40,502.3
Total interest charges	126,017.2

Owing to the rapid increase in the floating debt in the beginning of 1923, the estimates of the interest charges for new credits are altogether too low.

2. The decrease in the amount of bonds outstanding is partly due to repayment of maturing debt and partly to the fact that war-bonds are accepted in payment of certain taxes: the War levy (*Kriegsabgabe*), the levy on increase in capital (*Vermögenszuwachssteuer*) and the Emergency levy (*Reichsmotopfer*). At the same time there have been some new subscriptions to the inscribed stock, owing to which the 4, 3½ and 3% loans show slight increases.

The savings premium loan issued in 1919 was considered a failure, as it did not yield more than 3,628.9 million marks.

3. "Other liabilities arising out of Treasury bills issued" originate from the indemnification of owners of property liquidated in connection with the ceded provinces, colonies, reparation substitution, etc. The Treasury bills given as security carry no interest.

The *Reichskassenscheine* represent State currency carrying no interest.

4. When the railways of Prussia, Bavaria, Saxony, Baden, Hesse and Mecklenburg were taken over by the State, it was stipulated in the agreements that the State should take over the responsibility for:

- (a) the debt incurred by those *Länder* for the construction of the railways; and
- (b) the debt incurred by the various Railway Administrations to cover deficits during the war.

The Railway loans were regulated by an Act of July 29th, 1922.

5. An act of July 20th, 1922, imposed a *forced loan* to be subscribed in paper marks. The loan is to bear no interest until October 31st, 1925; from that date up to October 31st, 1930, the interest is to be at the rate of 4 % per annum, and from November 1st, 1930, at the rate of 5 % per annum. The yield of the forced loan was originally estimated at 70 milliard marks. A new estimate of December 22nd, 1922, increased the estimate to 146 milliard marks, of which 46 milliards were accounted for as revenue in the budget for 1922-23 and 100 milliard marks in the budget voted for 1923-24. According to the Exchequer statements of April 1923, only 12,854 million marks were received by March 31st, 1923.

6. In March 1923, the German Government issued a 6 % gold loan of \$50 million, with subscriptions receivable in U.S. dollars, £'s sterling, Swiss francs, gulden, Scandinavian crowns, Argentine pesos, pesetas or yen. The public subscriptions amounted to \$13,138.6 million, to be brought up to \$25,000 million by the bankers, who guaranteed the subscription of half the total.

7. The official review *Wirtschaft und Statistik* calculates the gold value of the debt, excluding the railway debt, on the basis of the wholesale price index number, as follows:

December 31st, 1920	17,757.8 million gold marks.
December 31st, 1921	9,656.4 million gold marks.
December 31st, 1922	1,459.8 million gold marks.

Reparation Obligations and Reparation Payments by Germany.

The Reparation Commission publishes at regular intervals a summary of the accounts between Germany and the Allies. The second statement of this series, entitled: "Statement of Germany's Obligations under the heading of Reparations, etc., at December 31st, 1922," was issued in May 1923.

A. The *German obligations* according to the Peace Treaty and subsequent agreements have been determined as follows:

I. THE REPARATIONS DEBT PROPER.

On April 28th, 1921, the Commission notified the German Government of its finding that the total damage for which Germany was responsible amounted to 132 milliard gold marks; on May 5th, 1921, the Commission presented the Schedule of Payments prescribing the time and manner for securing and discharging the entire obligation of Germany for reparations under Articles 231, 232 and 233 of the Treaty, the total obligation of Germany at this date being 132 milliard gold marks, less "(a) the amount already paid on account of reparations, (b) sums which may from time to time be credited to Germany in respect of State properties in ceded territory, etc., and (c) any sums received from other enemy or ex-enemy Powers in respect of which the Commission may decide that credit should be given to Germany, plus the amount of the Belgian debt to the Allies, the amount of these deductions and additions to be determined later by the Commission."

The following table shows the capital debt on December 31st, 1922:

<i>Amounts debited:</i>	<i>Gold marks.</i>
Amount of reparation obligations fixed	132,000,000,000
Allies' loan to Belgium	5,624,000,000
Total	137,624,000,000
 <i>Amounts credited:</i>	
(a) Cessions of property in:	
Poland	1,775,848,000
Saar Basin Territory	400,000,000
Danzig	309,545,000
Kiaochow	59,000,000
Other regions	9,512,000
	2,553,905,000
(b) <i>Further items to be credited:</i>	
(1) Property in Upper Silesia ceded to Poland	*
(2) Property ceded to Memel (if any)	*
(3) Other credits under Art. 243	*
(4) Sums received from other ex-enemy Powers	*
Balance of Debt	135,070,095,000
 <i>Amortisation up to December 31st, 1922:</i>	
Amount of "A" Bonds due to be amortised as at May 1st, 1922 (special arrangement)	120,000,000
Debt outstanding on December 31st, 1922	134,950,095,000

* Not yet determined.

This debt is represented by:

<i>German Treasury bonds:</i>	Gold marks
Series "A"	11,830,000,000
Series "B"	38,000,000,000
Series "C"	82,000,000,000
Balance of debt not covered by bonds	3,070,095,000
Total	<u>134,950,095,000</u>

II. COAL ADVANCES.

By an arrangement entered into at Spa in July 1920, certain advances were made to Germany by Great Britain, France, Italy and Belgium, in order to enable Germany to increase her deliveries of coal under the Treaty. These advances were repayable out of subsequent deliveries in kind and were entitled to priority over the payment of reparations proper.

The coal advances amounted in value on December 31st, 1922, to 396,216,000 gold marks. All of this has been repaid.

III. COST OF ARMIES OF OCCUPATION AND OF COMMISSION OF CONTROL.

The claims on account of costs of the Armies of Occupation are entitled to priority over the payment of reparations proper. Commissions of Control are, under a decision of the Reparation Commission, assimilated to Armies of Occupation for the purpose of the charges against Germany.

The following table shows the total cost of Armies of Occupation from the Armistice to December 31st, 1922.

Army of :	Gross cost. Gold marks	Paper marks receipts converted into gold marks	Net cost. Gold marks.
Great Britain	1,048,029,663	105,194,422	942,835,241
France	1,604,424,828	343,423,239	1,261,001,589
Italy	10,383,167	—	10,383,167
Japan	269,000	—	269,000
Belgium	257,191,294	23,513,986	233,677,308
Total	2,920,297,952	472,131,647	2,448,166,305
<i>Net cost of U.S.A. Army of Occupation (provisional figure)</i>			1,072,192,990
Total			3,520,359,295
The above figures include costs of Commissions up to April 30th, 1921, but not the costs after that date, provisionally estimated at			4,900,000
Total			<u>3,525,259,295</u>

The total sum debited on account of Coal advances and Armies of Occupation (including Control Commissions) amounts to 3,917,474,000 gold marks and the corresponding sums credited to Germany to 2,945,730,000 gold marks, leaving a deficit of 971,744,000 gold marks.

The Financial Inter-Allied Arrangement of Paris, March 11th, 1922, contains the following decision regarding the costs of Armies of Occupation :

GERMAN REPARATIONS

"1. The payments to be made by Germany on account of the costs of the Armies of Occupation of Belgium, Great Britain and France, exclusive of the cost under Articles 8 to 12 of the Arrangement of June 28th, 1919, shall, as from May 1st, 1922, be fixed at the following annual amounts :

Belgian francs	102,000,000
Pounds sterling	2,000,000
French francs	460,000,000

"2. The above figures are fixed on the basis of the following effective strengths:

Belgian Army	19,300
British Army	15,000
French Army	90,400

"They have been calculated on the basis of a total amount of 220,000,000 gold marks. Out of this amount a sum of 10,950,000 gold marks has in the first place been allocated in respect of the British Army, representing a special allowance of 2 gold marks per man per day, to cover its higher cost. The remainder, or 209,050,000 gold marks, has been divided in proportion to the number of effectives in question. The conversion of the sums in gold marks so arrived at into national currencies has been made at the mean rates of exchange for December, 1921."

IV. SCHEDULE OF PAYMENTS, MAY 1st, 1921, TO DECEMBER 31st, 1922.

	Gold marks.
Instalments due May 31st, 1921, to December 31st, 1922	4,431,337,000
Deliveries and cash payments	2,259,668,000
Balance due	<u>2,171,669,000</u>

B. ANALYSIS OF ALL CREDITS TO GERMANY, NOVEMBER 11th, 1918, TO DECEMBER 31st, 1922.

(a) *Gold and foreign currencies:*

	Gold marks.
(i) Direct payments (including Treasury bills: 254,031,000 gold marks) ¹	1,702,821,701
(ii) Receipts from other sources:	
Payment by Denmark re Schleswig-Holstein cession	65,000,000
Destroyed war-material sold	44,996,567
Sundry items	4,748,880
Total gold and foreign currencies	<u>1,817,567,148</u>

¹ The Treasury bills recorded in the foregoing table as cash payments by Germany originate from a decision taken by the Reparation Commission on August 31st, 1922, in the following terms:

"The Commission agrees to accept in payment of the cash instalments falling due 15th August and 15th September and, unless in the meantime other arrangements are made, of the further cash instalments falling due between 15th October and 31st December, 1922, German Government six-months Treasury Bills payable in gold and guaranteed in such manner as may be agreed between the German Government and the Government of Belgium (to which Power the payments have been assigned) or in default of such agreement by the deposit of gold in a foreign bank approved by Belgium."

"The Belgian and German Governments having agreed as to the manner in which the Bills should be guaranteed, they were handed over on 15th August, 15th September, 16th October, 15th November and 15th December, 1922, and were considered by the Commission as cash, both for the purpose of the account with Germany and of the accounts between the Allies."

The German Government has duly paid the bills when they matured.

(b) *Deliveries in kind:*

(Partially provisional figures.)		Gold marks.
Proceeds of Reparation Recovery Act		163,160,182
Ships		707,460,081
Inland Water Craft and Installations		20,547,060
Inland Water Craft (Danube and Elbe) to Czechoslovakia		8,044,705
Livestock		158,045,745
		831,409
Miscellaneous Deliveries		157,998,339
Deliveries in virtue of the Gillet-Ruppel Agreement		2,369,823
Deliveries in virtue of the Bemelmans-Cuntze Agreement		5,016,971
Miscellaneous Deliveries		35,133,312
Reconstruction Material		29,771,647
Coal, Coke and Lignite		859,195,401
Coal: Provisional Credit		33,139,310
Benzol, Sulphate of Ammonia and other bye-products of coal		29,533,445
Dyestuffs		53,773,974
Pharmaceutical Products		13,550,944
Louvain Library		1,758,585
Abandoned War Material		317,804,000
Rolling-Stock		826,782,006
Motor Lorries		17,508,580
Fixed Railway Material		2,483,954
Agricultural Material		20,630,055
Submarine Cables		49,000,000
Miscellaneous		569,709
	<i>Total delivered to Powers:</i>	<u>3,514,109,327</u>
Deduction for amount applied in part satisfaction of Belgium's claim for restitution		23,250,000
	Balance	<u>3,490,859,327</u>

SALES BY THE COMMISSION.

Coal, Coke and Lignite to Luxemburg	57,185,177
Dyestuffs	7,909,437
Total deliveries sold by the Commission	<u>65,094,614</u>
<i>Grand total deliveries in kind</i>	<u>3,555,953,941</u>

(c) *State Properties in Ceded Territories:*

(Partially provisional figures — none available for Upper Silesian plebiscite area ceded to Poland.)

(Exclusive of Schleswig-Holstein cession shown in B (a) (ii) above)	2,553,905,488
Total credits on all accounts	<u>7,927,426,577</u>

Note. — Requisitions of paper marks not included.

GERMAN REPARATIONS

Gold marks.

In addition to this total amount of 7,927,426,577

Germany has made further payments, such as:

- (a) Payments in paper marks requisitioned by the Armies of Occupation (including the U.S.A. Army) (approx.) 625,498,000
- (b) The value of other requisitions and services required under the Rhineland Agreement of June 23th, 1920, by the Armies of Occupation and paid directly by the German Government. (amount not available)
- (c) Payments to the Allied Clearing Offices on account of private debts (appr.) 620,000,000

The figures, as may be seen from the table, do not include any estimate of the value of the Government properties in the portion of Upper Silesia ceded to Poland, in respect of which a further credit will be given eventually to Germany.

C. DISTRIBUTION OF RECEIPTS BY THE REPARATION COMMISSION TO DECEMBER 31ST, 1922.

Gold marks (ooo's omitted).

POWERS	RECEIPTS				REPAYMENT OF		Net Receipts
	Cash	Deliveries in Kind	Ceded Property	Total	Coal Advances to Germany	Costs of Armies of Occupation ¹ and Commissions of Control ²	
Great Britain	637,925	512,061	538	1,150,534	93,871	942,836	113,817
France	143,649	1,345,112	302,042	1,790,803	238,771	1,261,001	291,031
Italy	411	242,383	—	242,794	29,054	10,383	203,357
Belgium	1,075,691	643,670	635	1,719,996	30,520	233,677	1,455,799
Japan	—	8,978	59,000	67,978	—	269	67,709
Serbia	359	150,326	—	150,685	—	—	150,685
Greece	—	11,023	—	11,023	—	—	11,023
Poland	—	14,705	—	14,705	—	—	14,705
Roumania	—	10,144	—	10,144	—	—	10,144
Czechoslovakia	—	14,893	6,297	21,190	—	—	21,190
Portugal	—	4,415	—	4,415	—	—	4,415
Total	1,858,035	2,957,710	368,512	5,184,257	392,216	2,448,166	2,343,875
<i>Suspense Accounts.</i>							
Submarine Cables			49,000				
Ceded Property and Portion of German Public Debt:							
Poland			1,775,848			Cash	1,878,515
Danzig			309,545			Deliveries in Kind	3,495,006
Proportion of Estimated Valuation of Saar Mines			100,000			Ceded Property	2,553,905
Proportion of Estimated Value of Ships			391,519			Miscellaneous Receipts	13,000
Miscellaneous			92,631				
Cash on hand and accounts receivable			37,626				
Grand Total				2,756,169			
				7,940,426			

¹ Nothing included in this settlement of U.S. Army Costs: 1,072,193,000 gold marks at October 31st, 1922.

² In the absence of definite information, no account has been taken of an amount of 4,900,000 gold marks relative to Costs of Commissions of Control.

GREECE.

The following review has been based on:

1. Information forwarded by the Greek Minister of Finance in connection with the request for the assistance of the League of Nations in negotiating a loan for Greek refugees from Asia Minor.

2. Statements during the spring of 1922 by the Minister of Finance on the fiscal policy of Greece.

The review refers to the situation as in May 1923.

A. Summary of Budget Accounts:

Drachmai (000,000's omitted).

Year	Accounts	Real Revenue			Expenditure			Deficit
		Ordinary ^(a)	Extra-ordinary	Total	Ordinary	Extraordinary and amortization	Total	
1920-21	} Closed Accounts	633.8	89.2	723.-	680.6	1,006.4	1,687.-	— 964.-
1921-22		828.5	122.4	950.9	1,035.8	1,671.-	2,706.8	— 1,755.9
1922-23	Revised Estimates	1,472.1	116.4	1,588.5	2,033.-	2,829.6	4,862.6	— 3,274.1
1923-24	Estimates	3,057.2	565.4	3,622.6	2,968.2	3,591.8	6,560.-	— 2,937.4

^(a) Including receipts from sale of land.

The deficits for the three financial years 1920-21, 1921-22 and 1922-23 thus amount to a total of 5,994 million dr. This deficit has been met as follows:

Credit operations during 1920-21.

	Drachmai (000,000's omitted)
(a) Part of the 1,000 million dr. loan contracted with the National Bank	600.-
(b) The 300 million dr. lottery loan of 1920.	285.3
(c) Loan (National Bank) for indemnification of cigarette workers	12.-
(d) Provisional loan (National Bank)	75.-
(e) Proceeds of loans previously issued	25.6
Total	997.9

Credit operations during 1921-22.

	Drachmai (ooo,ooo's omitted)
(a) National Bank Loan	550.-
(b) " " "	550.-
(c) " " "	125.-
(d) " " Exchange Loan	40.-
(e) Expropriation Loan	10.4
Total	<u>1,275.4</u>

For these two years the deficits amount to 2,719.9 million dr. and the loan receipts to 2,273.3 million dr. There remains thus an uncovered deficit of 446.6 million dr. representing arrears chargeable to succeeding financial years.

Credit operations during 1922-23.

	Drachmai (ooo,ooo's omitted)
(a) Forced Loan	1,550.9
(b) National Bank Loan	600.-
(c) " " "	500.-
(d) Exchange Loan "	50.-
(e) Other loans	10.-
Total	<u>2,710.9</u>

The budget deficit has been estimated at 3,274.1 million dr., of which loan receipts covered 2,710.9 million dr., leaving arrears to the amount of 563.2 million dr. The last-mentioned figure must be regarded as a minimum. The accounts for 1922-23 not yet having been closed, it is not possible to ascertain exactly the total amount outstanding. But the arrears for the years 1920-21, 1921-22 and 1922-23, as the figures show, amount to an aggregate sum of at least 1,009.8 million dr.

The estimated deficit for 1923-24 amounts to 2,937.4 million dr. which, together with the arrears from the three preceding years, gives a total deficit to be covered by loans of 3,947.2 million dr., or in round figures nearly 4 milliard drachmai.

The budgetary position is naturally dependent to a very great extent upon the fluctuations of the exchanges and on the changes in the price level. The following table shows the average monthly exchange quotations from January 1922 to May 1923 and index numbers of the cost of living during the same period.

	Quotations of £ sterling	Quotations of U.S.A. \$	Index number of cost of living, compiled by the Bank of Athens
	Par: £ 1 = 25.22 dr.	Par: \$ 1 = 5.18 dr.	July to Dec. 1914 = 100
Average 1921	70.91	17.16	*
1922:			
January	97.—	22.96	417.1
February	97.—	22.23	}
March	98.76	22.48	
April	100.30	22.37	*
May	105.—	23.38	}
June	127.83	26.06	
July	140.—	33.96	559.4
August	140.—	32.40	*
September	142.42	39.06	*
October (a)	231.24	41.19	}
November	331.58	60.76	
December	386.87	79.11	993.4 1,034.2
1923:			
January	384.12	81.69	}
February	413.40	84.30	
March	426.58	91.30	1,149.5
April	399.78	85.53	1,339.5
May	288.84	62.54	1,357.8
June 7th	170.—	38.18	1,257.—

* Not calculated.

(a) It should be noticed that the exchange quotations up to September 1922 are the official quotations of the established Exchange Consortium.

B. Budget Estimates for 1923-24.

The following table shows estimated receipts (except loan receipts) for 1923-24 compared with the revised estimates for 1922-23.

	1922-23 Revised estimates		1923-24 Estimates		Difference (+ or -) Dr. (000,000's omitted)
	Amount: Dr. (000,000's omitted)	Percentage of Total	Amount: Dr. (000,000's omitted)	Percentage of Total	
EFFECTIVE REVENUE:		%		%	
<i>Ordinary revenue:</i>					
Direct taxes	311.8	19.6	502.9	13.9	+ 191.1
Indirect taxes	725.6	45.7	1,858.9	51.3	+ 1,133.3
Monopolies	151.2	9.5	265.9	7.3	+ 114.7
Stamp duties	65.5	4.1	120.1	3.3	+ 54.6
Fees	30.1	1.9	81.2	2.2	+ 51.1
Public works	82.3	5.2	123.-	3.4	+ 40.7
Public domain	32.2	2.-	81.6	2.3	+ 49.4
Miscellaneous receipts	3.9	.3	6.7	.2	+ 2.8
Recoveries	17.5	1.1	13.2	.4	- 4.3
Special receipts from Thrace	49.-	3.1	1.-	-	- 48.-
Total ordinary receipts	1,469.1	92.5	3,054.5	84.3	+ 1,585.4
<i>Extraordinary revenue</i>	116.4	7.3	565.4	15.6	+ 449.-
<i>Capital receipts (sale of land)</i>	3.-	.2	2.7	.1	- .3
Total Revenue	1,588.5	100	3,622.6	100	+ 2,034.1
FORCED LOAN	1,550.9	-	-	-	-

NOTES.

1. In the autumn of 1922 the Government began to increase taxation both by raising the rates of taxes already existing and by introducing new taxes. The increases in the rates were mainly necessary simply to counterbalance the continuous inflation.

2. In March the Government imposed a tax (or levy) on capital. The tax was a one-time levy at a progressive rate, on all personal property and real estate owned in Greece on December 31st, 1922, old style. Foreigners were subject to the tax as regards their property in Greece if they had been resident in Greece for more than one year before January 1st, 1923, old style. Moreover Greek property abroad was subject to the tax if acquired since August 1st, 1913. The tax decree provides a thorough and rather complicated system for assessing the property and levying and collecting the tax. The tax was levied at a progressive rate ranging from 2 to 20 % with a non-taxable minimum of 50,000 dr. The capital of limited liability companies was taxed at a flat rate of 6%, the shareholders deducting from their total property the value of the shares held by them. The tax is payable in 10 half-yearly instalments, interest at 4 % being charged for the second and the remaining instalments from the expiration of the period during which declaration of the taxable property must be made. A discount of 20 % is allowed for immediate payment of the whole tax.

The yield has been estimated at 2,000 million dr. Simultaneously with the imposition of the tax the Government contracted a loan with the National Bank of Greece amounting to 750 million dr. secured by the yield of the tax.

3. A decree of January 14th, 1923, new style, imposed the levy known as the *obligatory cession of gold*. According to the decree, gold representing bank deposits and claims in actual gold is to be ceded to the State. The debtors have to pay to the State in gold the capital and interest of all obligations concerned, whether they have or have not matured. The State reimburses the debtor by the payment of a corresponding sum in banknotes, thus reserving for itself the premium on gold, while the creditors will only be entitled to payment in paper drachmai. Obligations in foreign currencies are not subject to this measure. Several modifications have been made in the original decree. As regards banks and other credit institutions, the State has entered into special individual agreements determining certain lump sums as the amounts of the cessions to be made.

4. The Customs duties are payable either in 'gold' (£'s sterling) or in paper drachmai to be converted at a rate fixed by a commission specially appointed for that purpose, on the basis of the state of foreign exchanges.

In January the ratio was fixed at 1:15, and it was changed in May to 1:12. There are also some new supplementary duties on imports, but the heavy increase does not apply to all kinds of commodities.

Further new duties have been imposed on the export of a number of commodities, these duties to be levied in paper drachmai.

By a decree of April 20th, 1923, a new system of exchange control and export regulations was introduced. An export duty, payable in £'s sterling, by cheque on London or in English banknotes, was imposed on the principal articles of export. The minimum rate of duty payable is 3%, and the maximum 30% according to the article exported.

C. Analysis of Expenditure.

	Budget estimates for 1923-1924 Dr. (000,000's omitted)			Percentage of Total
	Ordinary Expenditure	Extraordinary Expenditure	Total Expenditure	
<i>Ministry of Finance:</i>				%
General charges:				
Public Debt	1,165.2	414.3	1,579.5	24.1
Various liabilities	80.7	13.-	93.7	1.4
Constitutional charges	5.6	—	5.6	.1
Council of Ministers . . . . .	.3	—	.3	—
Reserve Fund and other general obligations	204.7	—	204.7	3.1
Administrative charges:				
Cost of financial services	50.4	36.6	87.	1.3
Cost of collection of revenue	157.4	.7	158.1	2.4
Expenses from preceding years	—	1.7	1.7	.1
Reparation of public buildings	1.-	—	1.-	—
Total Ministry of Finance	1,665.3	466.3	2,131.6	32.5
<i>Ministry of Foreign Affairs</i>	52.1	7.5	59.6	.9
<i>Ministry of Justice</i>	44.8	11.7	56.5	.9
" " <i>the Interior</i>	123.4	96.9	220.3	3.4
" " <i>Roads and Communications</i>	228.2	89.7	317.9	4.8
" " <i>Education and Religion</i>	103.7	83.1	186.8	2.8
" " <i>National Economy</i>	34.-	10.6	44.6	.7
" " <i>Agriculture</i>	42.2	448.-	490.2	7.5
" " <i>Social Welfare</i>	52.6	309.-	361.6	5.5
" " <i>Food Supply</i>	—	3.-	3.-	—
" " <i>War</i>	510.2	1,428.3	1,938.5	41.-
" " <i>Marine</i>	111.6	637.8	749.4	—
Total expenditure	2,968.1	3,591.9	6,560.-	100.-

NOTES.

1. The ordinary budget for 1923-24 shows an increase of about 900 million dr. as compared with the budget for the preceding year. The main increases are as follows:

400 million dr. for Public Debt (on account of the exchange).
 400 " " " refugees.
 120 " " " increases in salaries of officials.
 100 " " " on account of increases in prices of stationery
 and other material.

On the other hand, some items have been reduced.

The extraordinary budget for 1923-24 shows an increase of about 750 million dr. as compared with the preceding year, most of which is on account of the increase in prices.

The expenditure has been calculated on the assumption that the Peace Treaty with Turkey will be signed within a short time.

2. The unpaid arrears from preceding years amounted at the beginning of the financial year 1923-24 to about 1,010 million dr. Consequently, with the addition of a deficit of about 3,000 million dr. for 1923-24, the total current deficit to be covered by loans amounts to about 4,000 million dr.

D. Public Debt.

Drachmai (000,000's omitted)

	Gold debt	Debt in drachmai	Total
September 1st, 1912	840.1	331.4	1,171.5
July 31st, 1921	1,641.6	3,474.9	5,116.5
July 31st, 1922	1,727.2	5,375.4	7,102.6
December 31st, 1922	1,631.1	6,281.2	7,912.3

NOTE.

The Foreign Debt has been calculated at par rate of exchange. On December 31st, 1922, the gold debt amounted to 23,126.7 million dr., at the exchange rate of 400 dr. = £1, and the *total debt* to 29,407.9 million dr.

Particulars of the Public Debt as on July 31st, 1921 and 1922, and on December 31st, 1922.

Drachmai (000,000's omitted)

	July 31st, 1921	July 31st, 1922	December 31st, 1922
I. Loan of 1833 guaranteed by France, Great Britain and Russia	46.7	45.8	44.9
II. Old loans in gold:			
5% Loan of 1881 (120 million dr.)	80.3	78.7	
5% " " 1884 (170 million dr.)	69.9	68.5	
4% " " 1887 (Monopolies):	107.2	105.5	*
4% " " 1889 (Rentes)	120.5	118.-	
5% " " (Piræus-Larissa Railway)	46.-	45.-	
5% " " 1893 (Funding)	7.5	7.3	
<i>Total old loans in gold</i>	431.4	423.-	422.6
III. New loans in gold:			
2 1/2% Loan of 1898 (guaranteed by the Powers)	99.8	95.5	
4% " " 1902 (Greek Railways)	55.-	54.9	
5% " " 1907 (National Defence)	16.9	16.7	
4% " " 1910 (110 million dr.)	101.9	100.7	
5% " " 1914 (500 million dr.)	323.4	321.1	
6% " " 1915 (15 million dr.)	11.-	10.1	
6% " " 1915 (40 million dr.)	40.-	40.-	*
6% " " 1917 (10 million dr.)	10.-	10.-	
6% " " 1917 (5 million dr.)	5.-	5.-	
5 1/2% " (Provisional Government) . . . . .	.5	—	
3% " " 1893 (Salonica-Constantinople Rail- way Junction)	144.7	144.2	
6% Loan of 1921 (Drafts on Paris)	12.3	40.-	
6% " " 1922 (Drafts on Paris)	—	50.-	
<i>Total new loans in gold</i>	820.5	888.2	879.2
IV. Foreign Advances.			
1. France:			
5 1/4% 1914	20.-	20.-	
In cheques	5.-	5.-	
Provisional Government of Salonica, loan	5.-	5.-	
<i>Total France</i>	30.-	30.-	
2. Great Britain:			
Drafts	12.5	12.5	
In cheques	5.-	5.-	
Provisional Government of Salonica, loan	5.-	5.-	
Amount utilised from the British portion of the advance of 750 million dr.	169.2	186.5	
<i>Total Great Britain</i>	191.7	209.-	*
3. United States:			
Amount utilised of the U. S. A. portion of the advance of 750 million dr.	75.-	75.-	
4. Canada:			
Amount utilised of an advance of C. \$ 20 million (C. \$ 7,341,762.97)	26.8	36.7	
5. Drafts in virtue of law No. 294 of 1914:			
To St. Nazaire dockyards	11.4	11.5	
To A. Schneider & Co.	8.-	8.-	
<i>Total Foreign Advances.</i>	342.9	370.2	363.9

* Details not available.

Particulars of the Public Debt as on July 31st, 1921 and 1922, and on December 31st, 1922 (continued).

Drachmai (000,000's omitted)

	July 31st, 1921	July 31st, 1922	December 31st, 1922
V. Old loans in banknotes:			
Patriotic interest-free loan of 1885 (30 million dr.)	1.5	1.5	
5% Loan of 1898 (unified)	73.2	73.-	
5% " " 1900 (Pyrgos-Meligala Railway)	11.-	11.-	
1% " " 1906 (<i>Les privilégiés</i>)	14.8	14.6	
5% " " 1907-09 (Agriculture in Thessalia)	2.2	2.1	
5.75% Loan (Tripolitza Tribunals)	.2	.2	*
5% Loan (Customs-houses at Patras)	.4	.3	
6% " (For completion of Customs-houses at Patras)	.2	.2	
6% Loan (Patras tribunals)	.6	.6	
6.5% Loan (National Defence)	5.-	5.-	
<i>Total old loans in banknotes</i>	109.1	108.5	108.-
VI. New loans in banknotes			
6% Loan of 1917 (100,000,000 dr. requisition)	93.-	79.3	
6% " " 1918 (75,000,000 dr.)	72.8	49.8	
6% " " 1919 (Expropriation for agricultural purposes)	12.8	15.5	
6% Loan of 1919 (Expropriation for afforestation)	—	.1	
5% " " 1920 (300,000,000 dr. lottery loan)	298.8	297.5	
Provisional loan of 1,000 million dr.	1,000.-	1,000.-	*
6% Loan of 1921 (National Bank)	75.-	75.-	
Loan of 550 million dr. (National Bank)	550.-	550.-	
" " 12 " " " " "	12.-	12.-	
" " 125 " " " " "	75.-	125.-	
" " 550 " " " " "	—	550.-	
5% Forced Loan of 1922	—	1,300.1	
<i>Total new loans in banknotes</i>	2,189.4	4,054.3	4,901.4
VII. Floating Debt:			
"Cours forcé"	49.-	46.-	
Old Treasury bonds bearing interest	.3	.3	*
National Defence Bonds	297.8	364.4	
<i>Total floating debt</i>	347.1	410.7	390.3
VIII. Banknotes issued on the security of foreign credits not utilised:			
French Government credits	380.-	354.2	
British " "	190.8	191.8	
U. S. A. " "	175.-	172.3	*
German " "	73.6	73.6	
Russian " "	10.-	10.-	
<i>Total banknotes issued on security of foreign credits not utilised</i>	829.4	801.9	801.9
Total debt	5,116.5	7,102.6	7,912.2

* Details not available.

Table showing the so-called gold debt, *i.e.*, debt payable in foreign currencies, as on December 31st, 1922:

In currency in which due	In domestic currency		Rates of conversion * used in column (c)
	At par rate of exchange	At rates of exchange indicated in column (d)	
(a)	(b)	(c)	(d)
	dr.	dr.	dr.
U.S.A. \$ 22,341,763	111,708,815	1,899,049,855	\$ 1 = 85
£ 49,032,390	1,225,809,754	19,612,956,000	£ 1 = 400
French francs 293,574,270	293,574,270	1,614,658,485	Fr. 1 = 5.5
Total	1,631,092,839	23,126,664,340	—

* Rates current in March and April, 1923.

It should be noted that interest on several loans expressed in French francs and repayable in that currency is to be paid either in French francs or £'s sterling, as the creditor demands; owing to the present state of the exchanges, payments of interest are being asked for in £'s sterling.

If the paper debt be added to the gold debt of 23,126.7 million dr., the total debt will amount to 29,407.9 million dr. which, calculated in U.S.A. \$, makes \$346 million, or \$67 per head of the population.

NOTES:

I. Control by the International Financial Commission.

Through the intervention of France, Great Britain, Italy, Germany, Austro-Hungary and Russia consequent on the war with Turkey in 1897-98, the finances of Greece were partially placed under the control of an International Financial Commission. (In accordance with the Peace Treaties of Versailles, 1919, and St-Germain, 1920, Germany and Austro-Hungary had to resign their seats on the Commission). When the Commission was established, the external gold loans outstanding at that time (amounting to 551.7 million frs.) were placed under its control. A new loan of 170 million dr., the proceeds of which were assigned to the payment of the war indemnity to Turkey and the restoration of the financial position of Greece, was also placed under the control of the Commission.

Certain sources of revenue were specially assigned to the Commission for the service of the controlled debt. The Commission does not itself collect the assigned receipts; their collection and administration is entrusted to a private Company — La Société de Régie des Revenus affectés au Service de la Dette publique hellénique. The Greek Government cannot modify the laws regulating the assigned receipts without the consent of the International Commission. The amounts collected by the Société de Régie are handed over each week to a control fund or, by order of the International Commission, to the National Bank of Greece to be kept in a special account for the Commission. The Greek Government cannot issue any loan without the consent of the Commission. In case of disagreement between the International Commission and the Greek Government, arbitration is provided for, and in case of need the President of the Swiss Federation may be asked to appoint one of the arbitrators. No appeal can be made against the decision of the arbitrators. In a case of disagreement between the International Commission and the Société de Régie, a settlement must be attempted by means of negotiations between the Commission and the Greek Government. If no agreement can be reached by that method, the case goes to arbitration. The International Commission cannot, in any case, be brought before the Greek Tribunals.

The receipts at present assigned to the International Financial Commission are as follows:

1. Monopolies of Old Greece: salt, petrol, matches, playing cards, cigarette paper and Naxos emery.
2. The tobacco duties in Old Greece.
3. The stamp duties of Old Greece.
4. Customs duties of Piræus, Salonica, Patras, Volo, Cavalla, Corfu and Láurium.

The following table shows the yield of the assigned sources of revenue during 1918, 1921 and 1922 and the estimated yield for 1923.

Drachmai

	1918	1921	1922	Estimates 1923
Salt	5,406,000	8,358,000	12,096,000	21,558,000
Petrol	796,000	21,359,000	34,455,000	85,915,000
Matches	1,152,000	10,029,000	16,562,000	27,479,000
Playing cards	315,000	2,033,000	2,680,000	9,655,000
Cigarette paper	4,077,000	6,521,000	8,188,000	14,400,000
Tobacco	15,735,000	49,153,000	85,373,000	360,000,000
Stamp duties	15,093,000	24,743,000	28,846,000	45,000,000
Emery	1,631,000	2,624,000	4,049,000	10,000,000
Total	44,205,000	124,820,000	192,249,000	574,007,000
Piræus Customs	31,186,000	72,599,000	147,489,000	250,000,000
Salonica Customs	10,392,000	37,796,000	81,366,000	100,000,000
Other Customs	4,357,000	17,847,000	41,437,000	85,000,000
Total	45,935,000	128,242,000	270,292,000	435,000,000
Grand total	90,140,000	253,062,000	462,541,000	1,009,007,000

The debt service of loans under the control of the International Financial Commission is secured as a first claim on these receipts. Any surplus remaining is transferred to the Greek Government. The Government has, however, pledged any such surplus to secure a number of loans which are not under the control of the Commission. The following loans, on the other hand, are under the control of the Commission:

*Gold Debt.**Debt Service.*

	£	French frs.
(a) The loan of 1833,	12,000	600,000
(b) 5 % Loan of 1881	586,794	4,967,277
5 % " " 1884		
4 % " " 1887		
4 % " " 1889		
5 % " " 1890		
5 % " " 1893		
(c) 2 1/2 % " " 1898	818,562	5,720,272
4 % " " 1902		
5 % " " 1914		
(d) 3 % Loan, Salonica-Constantinople Railway Junction		4,995,001

Paper Debt.

Loan without interest, 1885	drachmai 6,565,000
5 % Loan of 1898	
5 % " " 1900	

There are, in addition, the charges for the collection of the revenue and the costs of the International Financial Commission. The total charges amount to:

£	1,432,256
French francs	16,291,050
Drachmai	6,573,000

On the surplus to be transferred to the Greek Government a great number of loans have been secured, certain of which are payable in foreign currencies. The following sums are necessary as debt service on these loans:

	£	208,458
French frs.	3,027,610	
Canadian \$	436,043	
Drachmai	90,528,187	

The total debt service of all loans secured on the assigned revenues amounts to 97,101,187 dr. and £ 2,022,327 at the rates of conversion of £ 1 = 70 French frs. = C. \$ 4.70.

2. In 1918 the British, French and United States Governments granted credits together amounting to 750 million drachmai, of which Great Britain and France each granted 300 million dr. and the United States of America 250 millions. These credits were to serve as cover for the issue of new notes by the National Bank of Greece, the Greek Government borrowing the money direct from the Bank, which was covered by the right to draw on advances. Owing to the healthy state of the exchanges, the bank only utilised the credits to a relatively small extent. No drafts were made on Paris; of the English portion only 169.2 million dr., and of the United States credits only 75 million dr., were utilised.

After the election in 1921, France, Great Britain and the United States refused to sanction any further utilisation of the advances. The Secretary of the Treasury of the United States, in a report to Congress dated November 28th, 1921, declared that it was not contemplated that any further cash advances would be made by the United States on account of Greece.

The position of the Greek Government in relation to the National Bank of Greece and the Powers which granted the advances is at present as follows:

To the extent to which the National Bank has drawn upon the advances, it has been reimbursed, and the Greek Government has become directly indebted to the Powers. But to the extent to which advances have not been drawn upon, the Bank has acquired a claim on the Government, which must be regarded as responsible to the Bank. This obligation of the Government is included in the public debt.

The banknotes issued on the basis of credits granted by foreign Powers, but not utilised, amount to 801.9 million drachmai.

3. In March 1922, a law was passed imposing a forced loan, carrying interest at 6 $\frac{1}{2}$ %. The loan was levied on holders of notes of the National Bank of Greece, who had to contribute to the loan an amount equal to half the value of the notes they held. The loan is reported to have yielded 1,550.9 million dr.

4. With the exception of the forced loan of 1922, almost all borrowing by the State has been effected through the National Bank, the State debt to which consists of (a) the old debt dating from 1895, (b) liability on account of notes issued on the security of foreign advances not drawn upon, and (c) direct advances to the State. The total debt due by the State to the National Bank exceeds 5,000 million dr.

ITALY.

Notes on the Budget System.

1. The budget year covers the period July 1st to June 30th.

The various Ministers present their estimates for the next financial year to the Ministry of the Treasury before the end of September, and the budget must be submitted to Parliament in the second half of November.

If the budget is not voted before the beginning of the financial year, the intervening period is provided for by means of a provisional budget law.

2. The Italian system is based on the idea of preserving the unity of the budget. Separate accounts are prepared, however, for various independent undertakings, the most important of which is the Railway Administration; but any contributions to those accounts to cover deficits or to meet capital expenditure are registered in the general budget. During the war *pro tempore* special accounts were opened; but in consequence of later votes revenue and expenditure in these accounts were carried to the general budget. For the financial year 1922-23 the general budget has again been presented in the form of a single balance sheet which summarises the whole financial situation for that year.

The general budget is divided into the following categories:

- I. Effective revenue and expenditure.
- II. Construction of railways.
- III. Movement of funds.
- IV. The "*Giro*" category.

The first three categories together are called "Real revenue and expenditure" in contradistinction to the "*Giro*" category, which registers the estimated value of the use of buildings and other State property by the Administration. The intention is to show even those "veiled" charges which actually fall upon the community but do not take the form of cash transactions. The same figure, of course, appears on the credit and debt side of the account. The valuations in the "*Giro*" category are in most cases based upon pre-war prices, and they do not, therefore, correspond to present values.

Category II, Construction of railways, registers the capital expenditure on railways.

The category "Movement of funds" registers receipts from capital sources and expenditure for capital purposes other than construction of railways, namely:

Receipts from:

1. Sale of State property;
2. Repayment of outstanding credits;
3. Loans raised for capital purposes;
4. Exemption of Church property from payment of certain dues.

Expenditure for:

1. Acquisition of property;
2. Redemption of debt;
3. Granting of credits;
4. Charges in connection with exemption of Church property from payment of certain dues.

All the transactions of the second and third categories represent merely transference of values, and do not affect the net assets of the State.

It should be observed that, in the categories "Construction of railways" and "Movement of funds," proceeds of loans raised for capital purposes are regarded as revenue, and that, therefore, the total revenue includes proceeds of loans.

The remaining receipts and expenditure are registered in Category I, Effective revenue and expenditure, which is subdivided into ordinary and extraordinary revenue and expenditure.

Except for those undertakings which are carried on as separate concerns, as is the case with railways, the budget is a gross budget. Gross receipts from State fiscal monopolies, postal, telegraph and telephone services and other undertakings are recorded as revenue, and working expenses are shown on the expenditure side. By a decree of October 2nd, 1919, the Postal and Telegraph Administration was charged with the duty of drawing up "economic accounts" for the Postal and the Electric (Telegraph and Telephone) Services separately and a joint economic account for the whole administration, in order to render it possible to calculate exactly the cost of single services. In these economic accounts the cost-value of all services rendered free by the Postal and Telegraph Administration to other departments is accounted for as receipts, and, in consequence, the balance in the economic accounts appears better than in the budget accounts.

3. The accounting system is based on the principle of carrying to a given year all taxes which are assessed and entered in the lists before the end of that year, even though the actual collection does not take place until later. Thus, instalments not paid during a given year will not appear as items of revenue for a subsequent year in which they are paid, but will be recorded as due to the budget of the previous year. In the same way the expenditure for a given year includes all expenses embodied in warrants issued before the end of the year. In this way there exists a cash service of outstanding items of revenue and expenditure in addition to the items shown in the budget. There is, consequently, an appreciable difference between the budget, or authorisation accounts (*conto di competenza*) and the arrears accounts (*conto dei residui*). The authorisation accounts include revenue which is nominally due to be received and expenditure which should be made. This is the case even when it is improbable that the expenditure will be effected, though an obligation exists, for example, the interest theoretically payable on the foreign debt.

4. The balance is shown for the budget as a whole and for each category separately. The balance of Category I is called the effective balance, and represents the difference between the current (ordinary and extraordinary) revenue and expenditure. On the "Giro" category "revenue" and "expenditure" must, of course, balance. The balance of the whole budget is, therefore, the same as the balance of the first three categories, and is known as the real balance. But a part of the revenue in Categories II and III consists of proceeds of loans, and these loan receipts should be deducted in order to arrive at the true balance to be provided for by loans.

The Treasury publishes cash accounts for past years showing receipts from loans, receipts from taxes and total disbursements. No cash account estimates are published, and it is not possible to calculate directly from the authorisation estimates and the arrears accounts the actual payments to be made by the Treasury during a coming financial year or the revenue which is to come in.

5. The State has accounts with the three Banks of issue, which act as bankers for the State, but not to the same extent as, for instance, in the United Kingdom. The State has the right to certain obligatory advances from the central banks (485 million lire) at the rate of $1\frac{1}{2}$ % per annum. Further advances were granted during the war at a very low rate of interest ($\frac{1}{4}$ %). The State has, in addition, a share in the profits of the banks, and also receipts from a stamp duty imposed on notes issued.

6. By a decree of April 5th, 1923, the finances of local administrations have been reorganised, particularly in order to readjust local charges to State taxation and to prevent unevenness in taxation. The municipalities and provinces levy surtaxes on the State taxes, and the municipalities also impose direct and indirect taxes of their own.

The following review has been based mainly on:

(a) The revised budget estimates submitted to the Chamber of Deputies by the Finance Minister, on May 28th, 1923.

(b) The speech on the financial work of the Fascist Government by the Finance Minister, Alberto de Stefani, in the Scala Theatre, Milan, on May 13th, 1923, together with the annexes to that speech printed separately under the title: "*Documenti sulla condizione finanziaria ed economica dell' Italia.*"

A. Summary of Budget Estimates.

The following table shows the *effective* revenue and expenditure for the financial year 1913-14 and since 1919-20.

Lire (000,000's omitted)

Year	Accounts	Effective Revenue	Effective expenditure	Difference
1913-14	} Closed Accounts }	2,523.7	2,687.6	— 163.9
1919-20		15,207.5	23,093.4	— 7,885.9
1920-21		18,820.1	36,229.1	— 17,409.—
1921-22	} Estimates }	19,678.6	35,458.7	— 15,780.1
1922-23		17,060.6	21,513.9	— 4,453.3
1923-24		15,565.5	18,181.6	— 2,616.1

The following table shows the expenditure on railway construction and capital accounts for the financial years 1921-22, 1922-23 and 1923-24.

Lire (000,000's omitted)

Year	Accounts	Railway Construction Account	Capital Account	Total
1921-22	. . . . Closed Accounts	393.—	1,744.8	2,137.8
1922-23	. . . . Estimates	380.2	1,761.4	2,141.6
1923-24	. . . . " . . . .	300.—	2,878.9	3,178.9

Only a minor part of the receipts on capital account are derived from sources other than loan operations. It should be borne in mind, however, that a part of the expenditure on capital account consists of repayment of debt.

In the two preceding tables are shown the authorisation accounts (*conto di competenza*, see Notes on the Budget System). The following table shows cash receipts and cash expenditure since the financial year 1919-20.

Lire (000,000's omitted)

	1919-20	1920-21	1921-22	1922-23, based on results for ten months
<i>Effective revenue:</i>				
Taxes	6,992	9,700	12,244	12,216
Miscellaneous ordinary revenue	719	706	1,074	3,168
Miscellaneous extraordinary revenue	938	875	915	
Total effective revenue	8,649	11,281	14,233	15,384
<i>Total payments</i>	20,515	23,946	20,428	18,635
Cash deficit	11,866	12,665	6,195	3,251
Covered by receipts from the following loan operations:				
(i) Patrimonial debt:				
Bonds of long currency	1,605	1,737	1,852	3,913
Sixth national loan	6,914	54	5	5
Foreign loans	1,301	610	746	668
(ii) Other debt incurred	2,346	9,433	4,375	— 600
Total loan receipts	12,166	11,834	6,978	3,986
Difference between total loan receipts and cash deficit	+ 300	— 831	+ 783	+ 735

The changes in the face value of the public debt during the corresponding period amounted to:

July 31st, 1919, to June 30th, 1920, increase of	15,343	million lire.
„ 31st, 1920, „ 30th, 1921, „	12,456	„ „
„ 31st, 1921, „ 30th, 1922, „	7,040	„ „
„ 31st, 1922, to March 31st, 1923, „	2,717	„ „
Total increase . . .	<u>37,556</u>	million lire.

The difference between the cash loan receipts and the increase in the face value of the public debt is mainly due to the fact that loans are issued below par.

B. Budget Estimates for the Financial Year 1923-1924 compared with latest Estimates for 1922-23 and Preliminary Results for 1921-22.

Lire (000,000's omitted)

	1921-22 Preliminary results	1922-23 Estimates	1923-24 Estimates
<i>Category I. Effective revenue and expenditure:</i>			
Ordinary revenue	15,727.6	14,155.-	14,332.5
Extraordinary revenue	3,951.-	2,905.6	1,233.-
Total effective revenue	19,678.6	17,060.6	15,565.5
Ordinary expenditure	13,488.5	12,516.3	12,368.8
Extraordinary expenditure	21,970.2	8,997.6	5,812.8
Total effective expenditure	35,458.7	21,513.9	18,181.6
Balance.	-15,780.1	- 4,453.3	- 2,616.1
<i>Category II. Railway construction</i>			
Receipts (from loans)	393.-	362.4	300.-
Expenditure	393.-	380.2	300.-
Balance. . . . .	...	- 17.8	...
<i>Category III. Movement of funds:</i>			
Receipts (mainly from loans)	4,856.3	1,680.-	4,307.4
Expenditure	1,744.8	1,761.4	2,878.9
Balance.	+ 3,111.5	- 81.4	+ 1,428.5
Total Revenue	24,927.9	19,103.-	20,172.9
Total Expenditure	37,596.5	23,655.5	21,360.5
	-12,668.6	- 4,552.5	- 1,187.6

The total revenue for the financial year 1923-24 — estimated at 20,173 million lire — includes 4,260 million lire representing receipts from loans. If this amount were added to the deficit, as shown in the table above, there would be a difference of 5,448 million lire between expenditure and receipts from sources other than loans. It should, however, be noted that the expenditure side of the account contains the two following items of a special character:

	Lire (000,000's omitted)
(i) Interest on foreign loans	1,153
(ii) Payments in 3½% bonds to persons entitled to reparation for war damage	1,500
	<u>2,653</u>

Interest payments on the foreign debt have not yet begun, and the registration of the appropriations for that purpose has been, up to the present, merely an accounting operation. The bonds issued for reparations are to be redeemed within 25 years.

The extraordinary revenue contains an estimate of 1,000 million lire, the same amount as in the preceding years, as reparation payments from Germany.

On June 30th, 1922, the arrears accounts showed the following final figures:

	Lire (000,000's omitted)
Active items (recoveries to be realised)	8,788
Passive items (disbursements to be effected)	<u>14,397</u>
Difference	<u>— 5,609</u>

Of the active items, not less than 5,690 million lire represent authorisations to borrow and may, therefore, be deducted. The real active items consequently amount to a total of 3,098 million lire. Of the passive items, about 2,000 million lire represent pensions and other items concerning personnel, which were actually paid out of the Treasury before June 30th, 1922, but were not accounted for in time to be included in the cash accounts for 1921-22. The outstanding passive items will, therefore, be reduced to about 12,400 million lire. The net balance thus amounts to 9,300 million lire.

NOTE. — The following analytical tables show the revenue and expenditure according to the method adopted in framing the Italian budget.

C. Analysis of Revenue.

	1921-1922 Preliminary results		1922-1923 Voted Estimates (see Note 1.)		1923-1924 Estimates	
	Amount: Lire (000,000's omitted)	Percent- age of total	Amount: Lire (000,000's omitted)	Percent- age of total	Amount: Lire (000,000's omitted)	Percent- age of total
		%		%		%
1. <i>Public Domain</i>	24.1	.1	17.3	.1	16.9	.1
2. <i>Direct Taxation:</i>						
Tax on income from land	118.—	.6	120.—	.8	122.—	.8
Tax on income from manufactures	175.4	.9	160.—	1.—	179.—	1.1
Tax on income from movable property	1,505.4	7.6	973.6	6.2	1,834.—	11.8
War centime contribution	158.7	.8	100.—	.6	160.—	1.—
Super-tax on income	211.6	1.1	150.—	.9	150.—	1.—
Tax on war profits	1,241.6	6.3	700.—	4.4	300.—	1.9
Extraordinary capital tax	613.6	3.1	500.—	3.2	600.—	3.9
Tax on capital increment due to the war	485.4	2.5	200.—	1.3	100.—	.6
2, 5 or 15% tax on dividends, interest and premium on bearer securities issued by companies and other bodies	51.8	.3	40.—	.3	50.—	.3
Other direct taxes	55.9	.3	50.5	.3	25.—	.2
Total Direct Taxation	4,617.4	23.5	2,994.1	19.—	3,520.—	22.6
3. <i>Taxes on Transactions in Property:</i>						
Death duties	247.2	1.3	200.—	1.3	245.—	1.6
Registration duties	573.5	2.9	400.—	2.5	650.—	4.2
Stamp duties on civil, commercial and judi- cial acts	349.5	1.8	300.—	1.9	350.—	2.2
Duty on notes of the banks of issue	246.8	1.3	300.—	1.9	80.—	.5
Stamp duties on transactions (Turnover tax) Various taxes	207.4	1.—	200.—	1.3	450.—	2.9
	491.6	2.5	563.4	3.6	478.9	3.1
Total Taxes on Transactions in Property	2,116.—	10.8	1,963.4	12.5	2,253.9	14.5
4. <i>Special Contribution on Behalf of Soldiers and War-Widows</i>	306.5	1.6	454.—	2.9	392.3	2.5
5. <i>Indirect Taxes on Consumption:</i>						
Excise duty on:						
Spirits	324.8	1.7	300.—	1.9	378.—	2.4
Beer	(a)	—	54.—	.3	68.—	.4
Home-produced sugar	435.4	2.2	400.—	2.5	600.—	3.9
Coffee	74.3	.4	120.—	.8	200.—	1.3
Wine	354.—	1.8	500.—	3.2	500.—	3.2
Customs duties	619.8	3.1	575.—	3.7	528.—	3.4
Tax on sale of imported oil	69.9	.3	65.—	.4	75.—	.5
Miscellaneous taxes on consumption	236.7(b)	1.2	177.8	1.1	126.7	.8
Total Indirect Taxes on Consumption	2,114.9	10.7	2,191.8	13.9	2,475.7	15.9
6. <i>Monopolies (gross):</i>						
Tobacco	2,668.—	13.6	2,701.2	17.1	2,831.—	18.2
Salt	148.1	.8	171.—	1.1	171.—	1.1
Matches	179.2	.9	170.—	1.1	93.—	.6
Playing-cards	8.1	—	8.5	—	—	—
Quinine	—	—	17.3	.1	23.4	.1
Total Monopolies	3,003.4	15.3	3,068.—	19.4	3,118.4	20.—

(a) Details not available. (b) Including excise duty on beer.

C. Analysis of Revenue (continued).

	1921-1922 Preliminary results		1922-1923 Voted Estimates (see Note 1).		1923-1924 Estimates	
	Amount: Lire (000,000's omitted)	Percent- age of total	Amount: Lire (000,000's omitted)	Percent- age of total	Amount: Lire (000,000's omitted)	Percent- age of total
		%		%		%
7. State Lottery (gross)	326.8	1.6	325.-	2.1	325.-	2.1
8. Commercial Monopolies	295.8	1.5	—	—	—	—
9. Taxes on certain means of Communication	80.2	.4	139.-	.9	139.-	.9
10. Receipts from Postal, Telegraph and Telephone Services	632.4	3.2	550.-	3.5	696.1	4.5
11. Receipts from minor public works	6,161.2	31.3	77.1	.5	102.9	.7
12. German reparation payments			1,000.-	6.3	1,000.-	6.4
13. Miscellaneous receipts			2,983.9	18.9	1,525.3	9.8
TOTAL EFFECTIVE REVENUE	19,678.6	100.-	15,763.6	100.-	15,565.5	100.-
Add:						
Receipts from sources other than loans, on the Budget of Movement of Funds	—	—	49.7	—	48.2	—
GRAND TOTAL	—	—	15,813.3	—	15,613.7	—

NOTES.

1. The estimates for 1922-23 in the analytical table of revenue are those voted by Parliament in June 1922. The revised estimates, which were published in the annexe to the Finance Minister's speech of May 13th, 1923, are not sufficiently detailed for the purpose of the analytical table, but the most important revaluations are set out below.

Lire (000,000's omitted)

	Estimates voted by Parliament	Yield during 10 months July 1922- April 1923	New estimates of May 1923
Direct taxation	2,994	3,379	4,000
Taxes on transactions	1,963	1,791	2,000
Indirect taxation	2,192	2,285	2,500
Monopolies	3,068	2,562	3,000
Lottery	325	322	380
Special contribution for disabled soldiers and war widows	454	—	370
Postal, telegraph and telephone services	550	—	650
Miscellaneous taxes	4,217	—	4,161
Total effective Revenue	15,763	—	17,061

2. The budget for 1923-24 has introduced a series of changes in fiscal legislation. The direct taxation has been greatly simplified. Instead of thirteen schedules of income tax there remain only three — on land, factories and movable property — which are separately assessed and afterwards co-ordinated in a super-tax on the total income. The stamp duties have also been reorganised to a great extent.

3. Great efforts have been made by the Fascist Government to suppress tax evasion. The Finance Minister announced in his speech of May 13th, 1923, that 50,000 evaders have been added to the list of 600,000 taxpayers subject to income tax, and that the new tax on salaries has brought in 1,415,000 new taxpayers among the labouring classes and the peasantry. By January 1st, 1925, property duties will be entirely reassessed.

4. The Treasury returns for April show a surplus of revenue over expenditure amounting to 72.5 million lire.

D. Analysis of Expenditure.

	1921-1922		1922-1923		1923-1924	
	Preliminary results		Estimates of May, 1923		Estimates	
	Amount: Lire (000,000's omitted)	% of total	Amount: Lire (000,000's omitted)	% of total	Amount: Lire (000,000's omitted)	% of total
Ministry of Finance	11,547.1	30.7	10,951.5	46.3	11,631.8	54.5
" " the Treasury	10,077.3	26.8	1,927.5	8.2		
" " Justice and Religion	222.—	.6	324.5	1.4	306.7	1.4
" " Foreign Affairs	118.2	.3	104.4	.4	67.4	.3
" " the Colonies	281.6	.7	287.—	1.2	254.7	1.2
" " Education	964.5	2.6	936.—	4.—	860.4	4.—
" " the Interior	1,001.3	2.7	784.5	3.3	476.4	2.2
" " Public Works	1,191.4	3.2	1,097.3	4.6	671.3	3.1
" " Postal and Telegraph Services	1,138.—	3.—	1,160.2	4.9	848.1	4.—
" " War	4,949.1	13.2	2,349.—	9.9	1,897.6	8.9
" " Shipping	2,978.2	7.9	1,388.4	5.9	1,044.4	4.9
" " Agriculture	121.5	.3	102.6	.4	84.1	.4
" " Industry and Trade	122.8	.3	93.4	.4		
" " Labour	151.—	.4	7.5	—	38.7	.2
" " the Liberated Regions	594.7	1.6	—	—	—	—
Total effective Expenditure.	35,458.7	94.3	21,513.8	90.9	18,181.6	85.1
Railway construction	393.—	1.1	380.2	1.6	300.—	1.4
Movement of Funds	1,744.8	4.6	1,761.4	7.5	2,878.9	13.5
Total expenditure	37,596.5	100.—	23,655.4	100.—	21,360.5	100.—

These totals include working expenses of postal, telegraph and telephone services and other public works, and also sums appropriated for amortisation.

NOTES.

1. The following table shows certain items of expenditure:

Lire (000,000's omitted)

	1921-22 Preliminary results	1922-23 Estimates	1923-24 Estimates
Army and Navy	7,928.3	3,727.4	2,941.9
Interest on public debt	4,839.1	5,276.6	5,507.-
Ordinary and extraordinary pensions (<i>debito vitalizio</i>)	*	40.4	56.5
War pensions and assistance to soldiers	*	1,684.2	1,399.9
Reconstruction expenses	*	1,520.-	1,880.-

* Not available.

The defence expenditure for 1923-24 has been reduced by 338 million lire in the estimates of May 1923, compared with the estimates for the same year submitted in November 1922.

The charge for interest on the public debt includes the appropriation relating to the foreign debt, although no interest is at present being paid on the debts to the United Kingdom and the United States of America.

The Finance Minister announced in May 1923 that about 200 million lire less than was originally estimated would be required for the financial year 1922-1923.

By a decree of May 10th, 1923, the Government decided upon the policy to be followed with regard to the payment for war damages. Payments are to be made in 3 1/4 % obligations redeemable in the course of 25 years and supported by a bank consortium in order to facilitate their mobilisation. Of the expenditure for reconstruction included in the table above, 1,500 million lire represent payments in such obligations. The debt service on this new debt amounts to 76 million lire per annum. The remaining 380 million lire represent the cost of the civil and railway administration in the new provinces.

2. Net savings of 221 million lire have been effected on public works in comparison with the estimates of November 1922.

The new estimates submitted in May 1923 represent total savings of at least one and a half milliard lire, if no allowance is made for the increase in payments for reconstruction purposes.

E. State Fiscal Monopolies.

Lire (000,000's omitted)

	1922-1923	1923-1924
(a) <i>Industrial concerns.</i>		
<i>Gross receipts:</i>		
Tobacco	2,701.2	2,831.-
Salt	171.-	171.-
Matches	170.-	93.-
Playing-cards	8.5	—
Quinine.	17.3	23.4
Total (gross receipts)	3,068.-	3,118.4
<i>Working expenses:</i>		
General expenses	18.8	20.8
Tobacco	597.4	580.4
Salt	62.9	72.-
Tobacco and Salt (jointly)	6.5	8.-
Matches	65.6	.8
Playing-cards	1.4	—
Quinine	17.3	22.6
Total (working expenses)	769.9	704.6
Total net surplus	2,298.1	2,413.8
(b) <i>State Lottery.</i>		
Gross receipts	325.-	325.-
Working expenses	160.6	160.2
Net receipts	164.4	164.8

In the financial year 1921-22 all commercial monopolies were abolished. The monopoly of playing-cards was abolished in 1922. By a decree of March 11th, 1923, the monopoly of matches was abolished and an excise duty on matches was substituted for it.

F. Public Undertakings.

Postal, Telegraph and Telephone Services.

Lire (000,000's omitted).

	1922-1923 Estimates	1923-1924 Estimates
Gross receipts	550.2	696.1
Ordinary expenditure	633.2	642.-
Extraordinary expenditure	270.9	206.-
Amortisation	1.2	5.2
"Partite de Giro"	1.2	1.2
Total expenditure	906.5	854.4
Balance	— 356.3	— 158.3

The expenditure for 1923-1924 includes:

	Lire (ooo,ooo's omitted)
Amortisation, amounting to	5.1
Other capital expenditure, amounting to	77.3
Total	<u>82.4</u>

If this amount be deducted from the balance, the true deficit for 1923-24 becomes 75.9 million lire. The Government has begun to consider the question of transferring the Telegraph and Telephone Services to private enterprises. The closed "economic" accounts (see Notes on the Budget System) for 1921-22 show the following figures:

	Lire (ooo,ooo's omitted)
Postal Service Receipts	546.8
Electric " "	274.6
<i>Total Receipts</i>	<u>821.4</u>
Postal Service Expenditure	694.9
Electric " "	308.7
<i>Total Expenditure</i>	<u>1,003.6</u>
<i>Balance</i>	<u>-182.2</u>

G. State Railway Administration.

The following table shows the results of the closed accounts for 1919-20, 1920-21 and 1921-22.

Lire (ooo,ooo's omitted)

Year	Receipts	Expenses	Deficit
1919-20	2,007.1	2,866.8	— 859.7
1920-21	3,021.3	4,066.8	— 1,045.5
1921-22	3,035.6	4,093.6	— 1,058.-

The deficit for 1922-23 has been estimated at over 600 million lire.

The deficit for the financial year 1923-24 was estimated in November 1922 at 654 million lire. In his speech of May 13th, 1923, the Finance Minister stated that this estimated deficit had been reduced to 374 million lire by means of an increase of 100 million lire in revenue and a decrease of 180 million lire in expenditure. It has been estimated still more recently that the deficit will be reduced to 110 million lire in 1924-25 and that it will disappear entirely during the following year.

H. Public Debt.

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

Lire (000,000's omitted)

Date	Domestic Debt						Foreign Debt (c)		Total Debt	
	Funded (a)		Floating (b)		Total		Amount	Movement (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
June 30th, 1914 .	14,840	—	926	—	15,766	—	none	—	15,766	—
" " 1919 .	34,416	+ 19,576	25,797	+ 24,871	60,213	+ 44,447	19,206	+ 19,206	79,419	+ 63,653
" " 1920 .	52,308	+ 17,892	22,188	— 3,609	74,496	+ 14,283	20,266	+ 1,060	94,762	+ 15,343
" " 1921 .	54,972	+ 2,664	31,388	+ 9,200	86,360	+ 11,864	20,858	+ 592	107,218	+ 12,456
" " 1922 .	56,600	+ 1,628	36,043	+ 4,655	92,643	+ 6,283	21,615	+ 757	114,258	+ 7,040
March 31st, 1923 .	59,181	+ 2,581	35,713	— 330	94,894	+ 2,251	22,081	+ 466	116,975	+ 2,717

(a) The funded debt includes Treasury bonds of 7, 5 and 3 years' currency.

(b) The floating debt includes Treasury bonds current for one year or less, State notes in circulation, bank-notes issued on Treasury account and the debt to the Deposit and Loan Institution.

(c) The foreign debt has been converted at par rate of exchange.

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

	Public Debt		"Bachi" Index number of wholesale prices	Public Debt reduced, to pre-war price level	
	Amount: Lire (000,000's omitted)	Index number		Amount: Lire (000,000's omitted)	Index number
June 30th, 1914	15,766	% 100.—	% 100.—(a)	15,766	% 100.—
" " 1919	79,419	503.7	364.4 (b)	21,794	138.2
" " 1920	94,762	601.1	624.4 (c)	15,176	96.3
" " 1921	107,218	680.1	508.9	21,069	133.6
" " 1922	114,258	724.7	537.4	21,261	134.9
March 31st, 1923	116,975	741.9	580.1 (d)	20,164	127.9

(a) Year 1913. (b) Year 1919, old series. (c) Year 1920, revised series. (d) May 1923.

(iii) Table showing the amount of interest on Public Debt for the financial year 1913-1914 and since 1919, in actual figures and reduced to pre-war price level.

Financial year	Accounts	Interest on Public Debt		"Bachi" Index number of wholesale prices	Interest on Public Debt reduced to pre-war price level	
		Amount: Lire (000,000's omitted)	Index number		Amount: Lire (000,000's omitted)	Index number
1913-1914	Closed Accounts	530.8	% 100.—	% 100.—(a)	530.8	% 100.—
1919-1920		3,974.—	748.7	624.4 (b)	636.5	119.9
1920-1921		4,105.4	773.4	508.9	806.7	152.—
1921-1922		4,839.1	911.7	537.4	900.5	169.6
1922-1923	Estimates	5,276.6	994.1	580.1 (c)	909.6	171.4
1923-1924		5,507.—	1,037.5	580.1 (c)	949.3	178.8

(a) Year 1913. (b) Year 1920, revised series. (c) May 1923.

The following table gives particulars regarding the Public Debt as on June 30th, 1921 and 1922, and on March 31st, 1923.

Lire (000,000's omitted)

	June 30th, 1921	June 30th, 1922	March 31st, 1923
Domestic Debt			
Funded debt:			
Consolidated debt	44,382	44,448	44,467
Redeemable debt	4,971	4,920	4,887
Treasury bonds of more than 3 years' currency	5,619	7,232	9,827
Total funded debt	54,972	56,600	59,181
Floating Debt:			
Treasury bills	19,777	25,312	25,021
Advances in notes in circulation by banks of issue	8,722	8,049	8,030
State notes issued	2,267	2,267	2,242
Balance of the Deposit and Loan Institute (Cassa Depositi e Prestiti) and current accounts of the Treasury	622	415	420
Total floating debt	31,388	36,043	35,713
Total Domestic Debt	86,360	92,643	94,894
Foreign Debt, at par rate of exchange, due to:			
United Kingdom	12,310	Details not available.	
U.S.A.	8,450		
Brazil	54		
Canada	31		
Sweden	7		
Netherlands	6		
Total Foreign Debt	20,858	21,615	22,081
TOTAL PUBLIC DEBT	107,218	114,258	116,975

The following table gives particulars regarding the Foreign Debt as on June 30th, 1921.

(000,000's omitted)

Due to:	In currency in which payable	In domestic currency at par rate of exchange	In domestic currency at rates current on June 30th, 1921	Rates of Conversion used in preceding column.
United Kingdom	£488.1	Lire 12,309.6	Lire 37,461.7	76.75 lire = £ 1
U. S. A.	\$1,621.3	8,398.5	33,223.4	
Brazil	\$10.-	51.7	204.9	1 lira = \$0.0488
Canada	\$10.3	53.6	211.1	
Sweden	C.\$6.-	31.1	109.7	\$100=C. \$112 1/8 1 lira = \$0.0488
Netherlands	Sw. Kr. 5.1 Florins 3.-	7.1 6.3	22.8 20.2	
		20,857.9	71,253.8	1 lira = .224 Kr. 1 lira = .1485 fl.

NOTES.

1. The charges for interest on the Public Debt for 1922-23 and 1923-24 are estimated as follows:

	Lire (000,000's omitted)	
	1922-23	1923-24
On perpetual debt	2,082.5	2,085.9
On redeemable debt	134.2	154.2
On ordinary Treasury bills	1,500.-	1,175.-
On long-term Treasury bonds . . . . .	.3	.2
On foreign debt	1,090.-	1,152.7
On 3, 5 and 7 years' Treasury bonds	380.-	850.-
On current Treasury accounts	44.-	44.-
On debt to banks of issue	21.4	21.4
On railway credit certificates	24.2	23.6
Total	5,276.6	5,507.-

Interest on the advances from the United Kingdom and the United States have been voted in the budgets for all the post-war years but only very small payments or none have been made on that account.

2. Of the Funded debt on March 31st, 1923, 13,312 million lire represented pre-war debt. In his speech on May 13th, 1923, the Finance Minister stated that it was the intention of the Government to convert as much as possible of the ordinary Treasury bills into Treasury bonds of at least 3 years' currency. This intention is reflected in the table in Note 1 showing the interest charges.

3. The State notes issued consist of small notes (5, 10 and 25 lire); these notes, which amounted to a total of about 500 million lire before the war, were increased on several occasions during the war until they reached a total of about 2,300 million lire and they have since remained more or less at that level.

The advances made in notes in circulation by the banks of issue consist of several different categories:

- (i) 485 million lire represent obligatory advances under the terms of the law establishing the banks of issue. These notes must be covered by metallic reserves up to one-third of their value. The advances carry interest at the rate of $1\frac{1}{2}$ % per annum.
- (ii) 4,850 million lire represent extraordinary advances during the war. These notes are not covered by a metallic reserve and the Treasury only pays interest to the banks at a minimum rate (a quarter per cent per annum) to cover the expenses incurred in printing the notes.
- (iii) A further milliard lire of notes, representing a category of advances essentially similar to the group just mentioned, was issued in 1919 in order to carry out the withdrawal of an equal amount in Treasury bonds which had been taken by the banks of issue.
- (iv) 800 million lire represent extraordinary advances for the exchange of Austro-Hungarian notes circulating in the liberated territories.
- (v) Various issues for special purposes (granting contributions to savings banks, etc.).

4. In his speech on May 13th, 1923, the Finance Minister made the following statement with regard to the foreign debt and the question of reparations:

"The settlement of Italy's international debt will constitute, when reached, a new factor in the stabilisation of economic relations with foreign countries and consequently of the internal economic life. For the first time the Italian Government succeeded, during the conference in London, in linking the problem of German reparations with that of inter-Allied indebtedness. These two problems now appear more and more to be interdependent. It is obvious that Italy can only lighten the burden of Germany in the proportion in which her burden is, in turn, lightened by her creditors. Italy expects from a general European settlement the settlement of her debt to Great Britain. With regard to the United States, Italy declares emphatically that she intends to honour her obligations; she only asks that the powerful American Republic will grant her facilities proportionate to those granted to Great Britain, taking into account the great difference between the economic and financial positions of the two countries and bearing in mind the important contribution made by Italy towards the common victory."

I. Local Taxation.

The following table shows the estimated yield of provincial and municipal taxation in 1922.

Lire (000,000's omitted)

	Municipal Taxes	Provincial Taxes	Total	Percentage of Total
				%
Surtax on income from land	563.6	354.7	918.3	30.8
Surtax on income from manufactures	273.6	170.6	444.2	14.9
Surtax on income from movable property	79.2	82.9	162.1	5.4
Family and hearth tax	164.8	—	164.8	5.5
Tax on public premises (<i>esercizio</i>)	110.3	—	110.3	3.7
Tax on rental values and number of rooms	17.6	—	17.6	.6
Tax on cattle	107.2	—	107.2	3.6
Other direct taxes	58.5	—	58.5	2.-
Total direct taxes	1,374.8	608.2	1,983.-	66.5
Excise duties	1,000.-	—	1,000.-	33.5
Total Taxation	2,374.8	608.2	2,983.-	100.-

LUXEMBURG.

Notes on the Budget System.

1. The financial year coincides with the calendar year. The estimates are submitted to the Chamber of Deputies in the autumn and are generally voted during the first three months of the financial year.

2. The revenue and expenditure are accounted for in a General Budget. In 1922 the Government submitted a budget divided into ordinary and extraordinary sections, but owing to the objections raised by the State Council this distinction has been suppressed in the budget for 1923.

The Luxemburg budget is a gross budget, gross receipts and working expenses of the Public Undertakings being included in revenue and expenditure respectively.

3. The closed accounts not only comprise the cash receipts and cash payments during the year but also all receipts and payments which are legally proper to the year and which are received or paid out before the end of September of the following year.

4. Receipts from certain authorised borrowings are included in the revenue, but not floating debt, receipts from the postal cheque account or from the savings bank. Owing to this method of accounting there may thus appear to be a deficit in the closed accounts corresponding to the amount of the borrowings which are not accounted for as receipts in the closed accounts. That deficit is carried as expenditure to the following financial year. The expenditure accounts of a given financial year accordingly consist of two distinct parts:

- (a) The expenditure proper to that financial year, and
- (b) The deficit from the preceding year.

If, as was the case in 1920 when the amount of the loan issued was great, the receipts exceed the expenditure (including the deficit from the preceding year), the surplus is carried to the next financial year.

On both the revenue and the expenditure side of the accounts it is, therefore, important to distinguish between the items proper to the financial year and the balances carried from the preceding year.

5. The Banque Internationale in Luxemburg acts as banker for the State in accordance with a convention of December 5th, 1916. This Bank is a private and independent establishment under the control of a Government commissioner and is allowed to issue notes up to a maximum of 50 million francs.

The following review has been based mainly on :

- (a) The reply to the questionnaire by the Government of the Grand-Duchy, dated March 31st, 1923.
- (b) Proposed law concerning the budget of State revenue and expenditure for the financial year 1923, giving an exposé of the situation as on October 1st, 1922.
- (c) Modifications introduced in the course of the examination of the Finance Law (the voted budget) dated March 30th, 1923.

A. Summary of Budget Accounts.

The following table shows the receipts and the ordinary expenditure proper to each financial year (see Notes on the Budget System):

Francs (000,000's omitted).

Year	Accounts	Receipts	Proceeds of loans, included in the receipts.	Receipts excluding proceeds of loans.	Expenditure	Difference
1913	Closed accounts	20.6	1.5	19.1	20.7	— 1.6
1920	Provisional results	169.—	93.3	75.7	134.4	— 58.7
1921	Revised estimate	72.4	.5	71.9	106.4	— 34.5
1922	Revised estimate	71.6	7.6	64.—	110.8	— 46.8
1923	Voted budget	158.8	84.7	74.1	139.8	— 65.7

The main loans issued to cover the budget deficits have been the loan of 1919, amounting to 93 million frs. (accounted for in the budget of 1920), and the loan of 1922, amounting to 75 million frs. (accounted for in the budget of 1923).

B. Budget Estimates for the financial years 1922 and 1923.

Francs (000,000's omitted).

	1922		1923	
	Voted Budget	Revised estimate	Budget submitted	Voted Budget
<i>Revenue:</i>				
1. Direct taxes and excise duties	18.3	21.3	23.5	23.5
2. Customs duties	8.6	19.1	15.—	15.—
3. Registration duties and public domain	9.3	11.1	21.7	21.7
4. Postal and Telegraph Services	7.8	7.4	7.6	7.7
5. Various receipts:				
Proceeds of loans	7.6	7.6	84.7	84.7
Other receipts	5.1	5.1	5.5	6.2
Total various receipts	12.7	12.7	90.2	90.9
Total Revenue	56.7	71.6	158.—	158.8
Total revenue excluding proceeds of loans.	49.1	64.—	73.3	74.1
Expenditure	110.8	110.8	132.9	139.8
Difference between revenue (excluding loans) and expenditure	61.7	46.8	59.6	65.7

The revised estimates, which were made in October 1922, show an increase in real revenue of 14.9 million frs.

If the uncovered deficit from one financial year is carried to the next year, the results for the years 1922 and 1923 are as shown in the following table:

Francs (000,000's omitted).

	1922	1923
Deficit from preceding year	32.-	71.- (approximate)
Expenditure during the year	110.8	139.8
Total Deficit and Expenditure	142.8	210.8
Revenue during the year, including proceeds of loans	71.6	158.8
Deficit to be carried to the next year	71.2	52.-

With regard to the deficit for 1923, the Minister of Finance announces that there are certain active balances to the credit of the State by which the deficit will be considerably reduced.

The main items of the available assets are:

- (a) 10.- million frs. export duties in arrears.
- (b) 6.4 " " repayment by the railways of advances to their personnel.
- (c) 4.75 " " advances made to Germany on account of reparation of war damage
- (d) 5.- " " surplus from the business turnover tax.

C. Analysis of Revenue.

	Estimates 1921. Francs (ooo's omitted)	Preliminary results 1921		Budget voted by Parliament for 1922		Budget estimates submitted to Par- liament for 1923		Difference (+ or -) between Col. (e) and Col. (g). Francs (ooo's omitted)
		Amount: Francs (ooo's omitted)	% of Total Reve- nue	Amount: Francs (ooo's omitted)	% of Total Reve- nue	Amount: Francs (ooo's omitted)	% of Total Reve- nue	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<i>Direct taxation :</i>			%		%		%	
a. General income tax, including surtax	27,000	15,980	25.9	14,000	37.7	19,000	30.8	+ 5,000
b. Death duty	800	734	1.2	600	1.6	750	1.2	+ 150
c. Corporation tax	1,375	2,309	3.8	2,000	5.4	2,000	3.2	—
d. Tax on motor vehicles	500	270	.4	1,000	2.7	900	1.5	— 100
e. Tax on music halls	1,000	1,080	1.8	900	2.4	1,000	1.6	+ 100
f. Duty on output of mines	80	62	.1	60	.2	65	.1	+ 5
Total direct taxation	30,755	20,435	33.2	18,560	50.-	23,715	38.4	+ 5,155
<i>Indirect taxation and taxes on transactions :</i>								
a. Customs duties	7,321	13,801	22.4	6,500	17.5	15,000	24.3	+ 8,500
b. Excise duty on:								
1. Tobacco	1,400	1,392	2.2	1,400	3.8	(included in a)	—	400
2. Beer	790	1,030	1.7	800	2.2	" "	—	800
3. Wine	54	71	.1	55	.1	" "	—	55
4. Spirits	400	2,724	4.4	1,500	4.-	2,500	4.-	+ 1,000
5. Lighting and heating materials	225	260	.4	225	.6	(included in a)	—	225
6. Miscellaneous articles	401	345	.6	400	1.1	" "	—	400
Total excise duties	3,180	5,822	9.4	4,380	11.8	2,500	4.-	— 1,880
c. Stamp duties	4,260	6,261	10.2	4,250	11.5	6,400	10.4	+ 2,150
d. Business turnover tax	—	—	—	—	—	10,000	16.2	+ 10,000
e. Miscellaneous indirect taxes	91	222	.4	120	.3	120	.2	—
Total indirect taxation and taxes on transactions	14,852	26,106	42.4	15,250	41.1	34,020	55.1	+ 18,770
<i>Public Domain :</i>								
Royalties from mining concessions	1,616	1,612	2.6	1,612	4.3	1,612	2.6	—
<i>Sale of Government property</i>	232	674	1.1	254	.7	274	.4	+ 20
<i>Miscellaneous revenue</i>	3,798	12,773	20.7	1,455	3.9	2,133	3.5	+ 676
TOTAL REVENUE	51,253	61,600	100.-	37,131	100.-	61,754	100.-	+ 24,623

NOTES.

1. It should be observed that the figures in these tables do not exactly agree with the figures already given, for the following reasons:

- (a) For the year 1921, this table shows provisional results and the preceding table the revised estimates;
 (b) for the year 1922, this table gives the voted budget and the preceding table the revised estimates;
 (c) for the year 1923, this table shows the estimates submitted to Parliament and the preceding table the voted budget.

In the cases of (a) and (c) the differences are slight, but in (b) it is considerable, as the Minister of Finance expects to realise 14.9 million frs. more than was originally anticipated, especially from an increase in direct contributions (3 million frs.) and customs duties (10.5 million frs.).

2. Luxemburg has entered into a Customs Union with Belgium, and the portion of the duties allotted to each is calculated as follows: 10% is deducted from the gross receipts for cost of collection, and from the remainder about 7/30 is received by Belgium. Certain excise duties are included in the Customs duties.

D. Analysis of Expenditure.

	Estimates 1921 Francs (000's omitted)	Preliminary results, 1921		Budget voted by Parliament for 1922		Budget Estimates submitted to Par- liament for 1923		Difference (+ or -) between Col. (e) and Col. (g) Francs (000's omitted)
		Amount: Francs (000's omitted)	% of Total Expen- diture	Amount: Francs (000's omitted)	% of Total Expen- diture	Amount: Francs (000's omitted)	% of Total Expen- diture	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<i>Defence:</i>			%		%		%	
Police force and volunteer corps	2,259	2,197	2.4	2,974	3-	2,830	2.3	- 144
Pensions	3,064	3,233	3.5	4,064	4.1	5,811	4.8	+ 1,747
Reconstruction	1,250	132	.1	1,120	1.1	550	.5	- 570
Subsidies	6,889	4,164	4.5	3,411	3.5	29,727*	24.5	+ 26,316
Unemployment	1,228	1,260	1.4	236	.2	119	.1	- 117
Education	6,641	5,885	6.4	10,059	10.2	9,774	8-	- 285
Debt Service	8,681	5,541	6.1	8,638	8.7	20,780	17.1	+ 12,142
<i>Deficit on Public Undertakings:</i>								
Postal, Telegraph and Telephone Services	1,065	998	1.1	139	.1	-	-	- 139
Mondorf Spa	396	292	.3	181	.2	160	.1	- 21
Total Deficit on Public Undertakings	1,461	1,290	1.4	320	.3	160	.1	- 160
<i>Capital Expenditure</i>	9,876	4,723	5.2	15,111	15.3	8,192	6.7	- 6,919
<i>Other Expenditure</i>	61,801	63,261	69-	52,977	53.6	43,597	35.9	- 9,380
TOTAL EXPENDITURE	103,150	91,686	100-	98,010	100-	121,540	100-	+ 22,630

* See note 3 on page 106.

E. Public Undertakings.

Francs (000's omitted).

	Estimates 1921	Preliminary results, 1921	Budget voted by Parliament for 1922	Budget estimates submitted to Parliament for 1923
<i>Postal, Telegraph and Telephone services:</i>				
Gross receipts	6,975	6,981	7,800	7,650
Working expenses	8,040	7,979	7,939	7,650
Balance	- 1,065	- 998	- 139	...
<i>Mondorf Spa:</i>				
Gross receipts	80	133	100	100
Working expenses	476	425	281	260
Balance	- 396	- 292	- 181	- 160

NOTES.

1. See note 1 on page 104, the reservations indicated in which apply also to the expenditure table.

2. In 1913 the number of State officials was 3,959; in 1922 it amounted to 4,215. The increase is mainly due to increases in the departments of education, postal administration and hospitals. There has been a slight decrease in the number employed for public works.

3. The item 29,727 thousand francs shown under the heading "Subsidies," includes a sum of 20,900 thousand francs, repaid to the Netherlands since the budget was submitted, for purchases of foodstuffs during the war. This credit has thus the character of debt amortisation.

4. The following grants have been voted to the Municipalities:

1921	13,524,040 francs
1922	16,865,664 "
1923	15,249,340 "

5. With regard to the defence expenditure, it is to be observed that the Grand-Duchy of Luxemburg has no army, but maintains a body of police solely for the preservation of internal security and the maintenance of civil order. The budget, accordingly, contains no credit for armaments, in the strict sense of the word.

F. Public Debt.

I. Table showing the Public Debt in 1913, 1921 and 1922.

Francs (000,000's omitted)

Date	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	10.-	...	15.1	...	25.1	...	...	...	25.1	...
" " 1921	125.8	+115.8	334.7	+319.6	460.5	+435.4	20.9	+ 20.9	481.4	+456.3
" " 1922	199.9	+ 74.1	115.2	-219.5	315.1	-145.4	175.-	+154.1	490.3	+ 8.9

II. Table showing the total of the Public Debt in 1913, 1921 and 1922, in actual figures and reduced to pre-war price level.

Date	Public debt			Public debt reduced to pre-war price level		
	Amount: Francs (000,000's omitted)	Index number	Index number of Cost of living*	Amount: Francs (000,000's omitted)	Index number	
			%			%
December 31st, 1913	25.1	100.-	100†	25.1	100.-	
" " 1921	481.4	1,917.9	398	121.-	482.1	
" " 1922	490.3	1,953.4	399	122.9	489.6	

* Comparison with wholesale price index numbers for Belgium and France shows that the index number of the cost of living, the only one available for Luxemburg, fairly well reflects the general movement of wholesale prices.

† June 1914.

III. Table showing the amount of the Debt Service in 1913 and since 1919, in actual figures and reduced to pre-war price level.

Financial year	Accounts	Debt Service		Index number of Cost of living	Debt Service reduced to pre-war price level	
		Amount: Francs (ooo's omitted)	Index number		Amount: Francs (ooo's omitted)	Index number
1913	Closed Accounts	1,547	%	%	1,547.-	%
1919		2,727	100	100 ^(a)	—	100
1920	Preliminary results	7,522	176.3	176.3	—	—
1921		7,522	486.2	388 ^(c)	1,938.7	125.3
1922	Estimates	5,885	380.4	398	1,478.6	95.6
1923		8,638	558.4	399	2,164.9	139.9
		20,780	1,343.2	423 ^(d)	4,912.5	317.6

(a) June 1914.

(b) Not calculated.

(c) June 1921.

(d) March.

NOTES.

1. The funded debt consists of long-term loans. The floating debt comprises: (a) the monetary debt (fiduciary circulation), (b) Treasury bonds, (c) the balance of the postal cheque account which carries no interest, (d) the loans from the savings bank. In addition to these categories of debt, the Grand-Duchy has a secondary responsibility for the Treasury bonds issued for the purpose of advancing to Germany the amounts under the Convention of Spa, 1921. About one-third has been repaid, so that the present amount is 37.2 million francs.

2. A portion of the floating debt, amounting to 5.5 million francs at the end of 1921 and to 5.4 million at the end of 1922, has been specially issued for the exploitation of the railways, according to the Laws of June 26th, 1897, and of June 28th, 1911.

3. In 1922, a 6% loan of 75 million francs, nominally, was issued at the price of 99.75%. Old issues, as well as Treasury bonds, were to a great extent accepted in payment.

While awaiting subscriptions to this loan, the State has issued Treasury bonds to meet the need of current money.

4. Of the funded internal debt, 3,689,100 francs fall due before January 1st, 1926.

NETHERLANDS.

Notes on the Budget System.

1. The financial year coincides with the calendar year.

In the second half of September the Government estimates for the coming financial year are presented to the Chambers, and are generally voted during the first part of the budget year.

2. At present, expenditure and revenue are recorded:

- (a) In the General Budget, to which the budgets for public undertakings are appended.
- (b) In the Loan Fund of 1914, which is charged with interest and amortisation of so-called "Crisis Loans".
- (c) Simply in the Treasury Cash Account, "'s *Rijks Kas*" (loans to foreign Governments, advances to Colonies, etc.).

The estimates of the General Budget laid before the Chambers are divided into ordinary and extraordinary revenue and expenditure. The distinction between the groups is based not only on strictly financial but also on historical reasons; the main principle is, however, that the term "extraordinary expenditure" shall be restricted to expenditure for capital purposes, and that extraordinary revenue shall consist of receipts from realisation of State capital.

The term 'expenditure for capital purposes' in this connection is almost exclusively limited to such expenditure as may be expected to bring in a direct return to the Treasury. It consists chiefly of interest-bearing advances, for instance, to municipalities. As a result, expenditure which increases the assets of the State but is not immediately productive, such as expenditure for construction of roads and waterways, loans free of interest, etc., comes under the heading of 'ordinary expenditure.' This rule is, however, not without exceptions; for example, in the estimates for 1923 certain appropriations for military constructions have been included in the extraordinary expenditure. Apart from the slight exceptions indicated, practically no change has been made since 1914 as regards the distinction between ordinary and extraordinary revenue and expenditure.

A special way of accounting has, however, been introduced with regard to receipts and expenses specially due to the conditions created by the war, which are accounted for as "crisis receipts" or "crisis expenses." That part of these "crisis expenses" which has not been covered by the corresponding receipts has been met by so-called "crisis loans," which have been charged to the Loan Fund.

The Loan Fund referred to was created in 1914, apart from the General Budget, in order to meet the expenses for interest and amortisation of the "crisis loans," and of them alone. The revenue in this fund consists mainly of additional percentages on taxes already existing, such as the land tax, the personal tax, the income tax, the tax on dividends and directors' fees, the property tax, the duties on sugar, wine and spirits, and the stamp duty. Originally the various defence duties were regarded as "crisis revenue," of which they constituted the greatest part, but since May 1st, 1920, they also have been assigned to the Loan Fund. For the budgets of 1922 and 1923, it has been enacted that any surplus available on the Loan Fund, after interest and amortisation have been duly paid, shall be transferred to the General Budget as ordinary revenue.

Loans to foreign Governments and advances to Colonies, even in those cases when the State is the direct lender, have not been charged to the General Budget but to the State Cash Account. They have been met so far by short-term borrowings (see Note 5 below). In the same way certain advances have also been granted to a few domestic bodies. In all these cases the State Cash Account holds direct claims against the countries, Colonies, etc., that have borrowed.

The budgets for the various Colonies are voted separately from the Dutch Budget. It should, however, be noticed that the Colonies are under obligation to furnish certain contributions to the General Budget, for example, for naval construction, for a part of the debt service, etc. During the recent years the State has granted considerable advances to the Colonies.

Since 1913 the Budget has been gradually developing into a net budget as far as public undertakings are concerned. At present the Mint, the Artillery Workshops, the Post, Telegraph and Telephone Services, the State Printing Office and the State Fishing Port are treated as independent concerns, the expenses of these undertakings being directly charged against the receipts. At the beginning of 1922, the Forestry Department was also transformed into an independent public undertaking. It should be observed that these undertakings are credited with the value of services rendered to other Government departments. On the other hand, they are debited with:

- a. Interest on the capital invested in the undertaking;
- b. Contributions to the Pension Fund;
- c. Insurance premiums;
- d. Restitution of capital invested, and sometimes even contributions to a reserve fund.

The Post, Telegraph and Telephone Services are also debited with a sum in payment for exemption from costs of railway carriage. All these sums are carried as revenue to the General Budget, before the balances of the Public Undertakings are calculated. The surplus or deficit, as the case may be, is then accounted in the General Budget. The Public Undertakings are thus specially charged with interest on capital invested, but the sums set off for that purpose pass through the General Budget.

The State Railways are run by two companies: the Company for the Exploitation of State Railways and the Dutch Railway Company. The State owns shares in these companies.

The State receives the greater part of the profits of the Nederlandsche Bank. After payment of a certain sum into the reserve fund and of bonuses to directors and employees, the bank receives one-eighth of the remaining profits and the State seven-eighths. The share of the State in the profits would lapse were it to accord to any other bank besides the Nederlandsche Bank the right to issue notes or if the State itself were to issue paper money.

Public Domain and the State Mines are not treated as independent concerns, but as Government departments, the gross receipts and gross working expenses being included to a great extent in the General Budget. With regard to the State Mines, a difference is made between ordinary receipts and expenses, which give the annual results of the exploitation, and extraordinary receipts and expenditure which show the movement of capital.

Refunds on account of taxes overpaid are deducted directly from the yield, so that only net figures are shown.

3. The Closed Accounts are based on the system of carrying to the accounts of a given year such revenue and expenditure as have been assigned to that year by the Budget authorisations, irrespective of whether the actual receipts or payments are effected within the year.

Owing to the special conditions arising from the war, the final closing of the accounts for recent years has been retarded. The accounts for 1918 were closed on March 31st, 1921, but provisional figures were published at a much earlier date.

4. Proceeds of loans are not included in the revenue side of the Budget. A deficit is provided for by authorisation to raise a loan.

A surplus or deficit on the General Budget is never carried from one year's budget to the next. An exception to this rule obtains, however, with regard to the Loan Fund, a surplus on which may be carried as revenue to the next year's account.

5. The Treasury has its own paymasters' offices with cash in hand. Payments are also effected by transferences in the Deposit accounts. The State has its main account at the Bank of the Netherlands, which, in accordance with Art. 14 of the Bank Law, acts as cashier to the State.

The State Cash Account shows, on the credit side, cash in the hands of paymasters and any surplus balance at the Bank of the Netherlands; on the debit side, the whole of the floating debt is shown. The floating debt consists of the various kinds of Treasury Bills, of which a part is placed directly with the Bank of the Netherlands, the balance on the Postal Deposit Account, on which the State pays 4½% interest, the advances from the Bank of the Netherlands, granted free of interest according to law, and the Silver Bonds that have been issued since August 1914 to supply the lack of silver coinage.

Besides the credit items already mentioned, certain other assets are set off against these liabilities, namely:

- a. The advances to the Colonies;
- b. Credits granted to Germany, France, Italy and Austria;
- c. Advances to foreign States for internment and other measures during the war;
- d. Advances to certain domestic corporations.

The last-named items have not been passed through the Budget but have been paid directly from the State Cash Account. The difference between the total floating debt and the total of these items, then, represents the extent to which floating debt has been raised in order to meet deficits on the General Budget.

What is called the real national debt of the Netherlands comprises only the consolidated debt. As mentioned above, the interest on the "Crisis Loans" is charged to the "Loan Fund of 1914." The interest on loans raised for the purpose of "normal" services, either ordinary or extraordinary, is charged to the General Budget. The interest on the floating debt is also charged to this Budget.

6. The Dutch Government grants certain contributions to Provinces and Municipalities (for details, see p. 121). On the other hand, the State receives certain contributions from the Provinces in cases when the State and one or several Provinces collaborate. The State further receives interest on the advances granted to the Municipalities for various purposes (in recent years mainly for construction of dwelling-houses).

The following review is based mainly on:

1. The reply of the Government of the Netherlands to the Questionnaire, dated February 1st, 1923.
2. The Budget estimates submitted to the Staten-Generaal in September 1922, particularly the "*Nota betreffende den Toestand van 's Lands Financiën*," dated September 19th, 1922.
3. "*Statistik der Rijksinkomsten over het jaar 1920*," dated July 31st, 1922.
4. "*Jahrcijfers voor het Koninkrijk der Nederlanden, Rijk in Europa, 1921*" (Statistical Yearbook) published in January 1923.

A. Summary of Budget Accounts, 1920-1923.

The prevailing budget system differentiates between: (a) the General Budget and (b) the Loan Fund of 1914, which is charged with interest and amortisation of so-called "Crisis Loans," i.e., loans raised to meet crisis expenditure during and after the war.

Revenue and Expenditure of the General Fund.

Florins (000,000's omitted)

Year	Accounts	Revenue	Expenditure (including amortisation)	Difference
1920	Preliminary Results	801.7	910.9	— 109.2
1921		692.8	992.3	— 299.5
1922	Revised estimates	644.8	1,135.4	— 490.6
1923	Estimates	591.4	815.4	— 224.—

Revenue and Expenditure of the Loan Fund of 1914.*

Florins (000,000's omitted).

Year	Accounts	Revenue	Expenditure (including amortisation)	Difference
1920	Preliminary Results	108.—	76.7	+ 31.3
1921		127.2	105.6	+ 21.6
1922	Estimates	108.5	83.5	+ 25.—
1923		92.9	83.8	+ 9.1

* This table excludes:

1. from the revenue: surplus carried from one year to another;
2. from the expenditure: surplus paid into the General Fund.

The following table shows the deficits on the General Fund for 1920-1922 reduced by:

- (a) the surplus balances from the Loan Fund;
- (b) the amortisation on the General Fund and the Loan Fund.

Florins (000,000's omitted).

Year	Deficits on General Fund	Surplus balances on Loan Fund.	Amortisation in General Fund expenditure	Amortisation in Loan Fund expenditure	Net deficits (b) — (c + d + e)
(a)	(b)	(c)	(d)	(e)	(f)
1920	109.2	31.3	24.4	19.5	— 34.—
1921	299.5	21.6	23.3	38.9	— 215.7
1922	490.6	25.—	23.—	27.4	— 415.2
Total 1920-22	899.3	77.9	70.7	85.8	— 664.9

It should be noted that a sum of 178 million florins has been accounted for as expenditure in the budget of 1922, although the payment was actually made in 1919. This amount is composed of losses sustained by the Food Supply Administration during and after the war. If this be deducted, the real deficit to be covered by borrowings is reduced to 486.9 million florins.

The net increase in the public debt from December 31st, 1919, to November 30th, 1922, after deduction of advances to Colonies and cash in the hands of Treasurers, amounted to 433.9 million florins. The difference is mainly due to the fact that a part of the expenditure accounted for in the budget of 1922 will actually be paid during the year 1923, as the budget accounts for 1922 will not be finally closed before the end of 1923.

B. Budget Estimates for the financial year 1923 compared with the Revised Estimates for 1922 and the Preliminary Results for 1921.

General Budget.

Florins (000,000's omitted)

	1921 Preliminary Results	1922 Revised Estimates	1923 Estimates
Ordinary Services:			
Revenue	591.6	591.4	567.7
Expenditure	626.5	646.5	615.3
Balance	— 34.9	— 55.1	— 47.6
Extraordinary Services:			
Revenue	96.5	15.7	23.7
Expenditure	78.8	216.6	194.3
Balance	+ 17.7	— 200.9	— 170.6
Crisis Services:			
Revenue	4.6	37.7	...
Expenditure	286.9	272.3	5.8
Balance	— 282.3	— 234.6	— 5.8
Total Revenue	692.7	644.8	591.4
Total Expenditure	992.2	1,135.4	815.4
Balance	— 299.5	— 490.6	— 224.—
<i>Deduct surplus from Loan Fund.</i>	21.6	25.—	9.1
Balance	— 277.9	— 465.6	— 214.9

The extraordinary expenditure is almost exclusively for capital purposes *sensu stricto*, i.e., outlay which will bring in a return to the Treasury, such as interest-bearing advances, etc. The crisis expenditure consists of expenditure arising from the war and is, as a rule, unproductive. The fact that the crisis expenditure for 1922 is still so high is to be attributed to the reason that the budget of 1922 included the losses incurred by those administrations which, during the war and in the succeeding years down to 1920, granted subsidies for food supplies and which only ceased to operate after 1921. For 1923 the estimated crisis expenditure amounts only to 5.8 million florins.

C. Analysis of Revenue in the General Budget and the Loan Fund.

	Estimates 1921 *	Preliminary Results, 1921		Revised Estimates, 1922		Estimates, 1923		Difference (+ or -) between Col. (7) and Col. (5) Florins (000's omitted)
	Florins, (000's omitted)	Amount: Florins (000's omitted)	Per- centage of Total Revenue	Amount: Florins (000's omitted)	Per- centage of Total Revenue	Amount: Florins (000's omitted)	Per- centage of Total Revenue	
(1)	(2)	(3)	(4) %	(5)	(6) %	(7)	(8) %	(9)
1. Direct taxation:								
a. Income tax	74,000	157,073	19.2	113,000	15.2	92,500	13.5	- 20,500
b. Excess Profits duty	<i>memorie</i> 74,847	74,847	9.1	<i>memorie</i>	—	<i>memorie</i>	—	...
c. Land tax	17,250	20,838	2.6	21,086	2.8	21,932	3.2	+ 846
d. Death duties	30,000	32,252	3.9	50,000	6.7	42,000	6.2	- 8,000
e. Tax on dividends and directors' fees	13,500	40,468	4.9	19,950	2.7	15,960	2.3	- 3,990
f. Capital tax	12,500	16,340	2.0	15,000	2.0	13,793	2.0	- 1,207
g. Personal tax	19,780	27,244	3.3	25,220	3.4	28,822	4.2	+ 3,602
h. Defence taxes I and II	—	48,520	5.9	45,100	6.1	40,590	5.9	- 4,510
Total direct taxation	167,030	417,582	50.9	289,356	38.9	255,597	37.3	- 33,759
2. Indirect taxation and taxes on trans- actions:								
a. Import duties	42,000	37,130	4.5	39,000	5.2	40,000	5.9	+ 1,000
b. Excise duty on:								
i. Beer	3,000	4,416	.5	3,500	.5	4,000	.6	+ 500
ii. Wine	2,000	2,408	.3	2,160	.3	2,510	.4	+ 350
iii. Spirits	47,500	67,102	8.2	64,350	8.6	66,000	9.7	+ 1,650
iv. Tobacco	—	—	—	18,000	2.4	20,000	2.9	+ 2,000
v. Sugar	37,000	45,071	5.5	43,200	5.8	48,000	7.0	+ 4,800
vi. Salt	2,500	1,462	.2	1,600	.2	1,400	.2	- 200
vii. Slaughtered meat	14,500	11,251	1.3	12,500	1.7	9,000	1.3	- 3,500
viii. Playing-cards	200	75	—	100	—	80	—	- 20
Total excise duty	106,700	131,785	16.1	145,410	19.5	150,990	22.1	+ 5,530
c. Stamp duties	24,000	19,348	2.4	21,350	2.9	20,350	3.0	- 1,000
d. Registration fees	50,000	31,125	3.8	40,000	5.4	20,000	2.9	- 20,000
e. Tax on gold and silver plate	999	905	.1	901	.1	901	.1	...
f. Statistical duty	5,000	3,689	.4	3,600	.5	3,600	.5	...
Total indirect taxation and taxes on transactions	228,699	223,982	27.3	250,261	33.6	235,841	34.5	- 14,420
3. Public domain	3,263	3,167	.4	3,687	.5	2,442	.4	- 1,245
4. State mines (gross revenue)	66,050	44,192	5.4	43,901	5.9	42,362	6.2	- 1,539
5. Net surplus from public undertakings:								
National printing office	9	89	—	22	—	23	—	+ 1
Mint	54	567	.1	249	—	—	—	249
Artillery workshops	—	43	—	—	—	—	—	...
Total net surplus from public under- takings	63	699	.1	271	—	23	—	248
6. Sale of Government property	775	5,408	.7	913	.1	1,337	.2	+ 424
7. Sale of property acquired on account of mobilisation	—	6,500	.8	<i>memorie</i>	—	<i>memorie</i>	—	...
8. Part of profits from Bank of the Nether- lands	9,480	16,468	2.0	15,000	2.0	14,500	2.1	500
9. Part of profits from railways	4,249	4,249	.5	4,249	.6	4,249	.6	...
10. Interest on capital advances to Colonies, etc.	20,151	27,102	3.3	34,556	4.6	48,109	7.0	+ 13,553
11. Repayments of capital advances to Colonies, etc.	2,500	6,772	.8	4,925	.7	4,491	.7	434
12. Miscellaneous revenue	51,910	63,819	7.8	97,098	13.1	75,335	11.0	- 21,763
TOTAL REVENUE	552,170	819,940	100.0	744,217	100.0	684,286	100.0	- 59,931

* General Budget only.

NOTES.

1. It will be seen from the table that most of the taxes, direct and indirect, show an estimated reduction for 1923 as compared with the estimates for 1922. A few items, however, show increases, as, for instance, the excise duty on sugar, wine, spirits, beer and tobacco and the customs duties.

Revenue from sources other than taxes shows an increase of more than 18 million florins. This is due in the first place to the fact that the Government proposes to levy a certain percentage on the salaries of officials (both civil and military) as contributions towards their pensions. The percentages to be levied are $5\frac{1}{2}\%$ of salaries (up to a maximum of 3,000 florins) for pensions to widows and orphans and $3\frac{1}{2}\%$ of salaries for pensions to the officials themselves. These deductions from gross salaries are accounted for as revenue in the budget. The estimated result of this measure amounts to nearly 16 million florins.

It should be mentioned also that interest payments on account of advances granted to Colonies and Municipalities show higher figures than in the previous year. This is especially due to the interest on advances granted to the Municipalities under the House Construction Act.

Any surplus there may be on the Loan Fund will also be carried as revenue to the General Budget. This surplus has been estimated at about 10 million florins.

2. The following table shows the direct taxation * of the State, Provinces and Municipalities for 1913, 1919 and 1920.

Year	State		Provinces		Municipalities		Total	
	Amount: Florins (000's omitted)	Per head of population Florins	Amount: Florins (000's omitted)	Per head of population Florins	Amount: Florins (000's omitted)	Per head of population Florins	Amount: Florins (000's omitted)	Per head of population Florins
1913	55,892	9.10	5,261	-85	47,740	7.77	108,893	17.72
1919	413,000	61.16	13,503	2.—	145,901	21.61	572,404	84.77
1920	496,289	72.76	21,896	3.21	225,987	33.14	744,172	109.11

* Excluding death duties.

D. Analysis of Expenditure in the General Budget and the Loan Fund.

	Estimates 1921: Florins (000's omitted)	Preliminary Results 1921		Revised Estimates 1922		Estimates 1923		Difference (+ or -) between Col. (g) and Col. (e) Florins (000's omitted)
		Amount: Florins (000's omitted)	Percent- age of Total Expen- diture	Amount: Florins (000's omitted)	Percent- age of Total Expen- diture	Amount: Florins (000's omitted)	Percent- age of Total Expen- diture	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
			%		%		%	
1. <i>Defence</i>	106,759	106,193	9.7	108,130	8.7	92,207	10.2	- 15,923
2. <i>Pensions</i>	21,408	22,447	2.-	23,092	1.9	26,869	3.-	+ 3,777
3. <i>Subsidies</i>	26,740	26,952	2.5	32,846	2.6	33,835	3.8	+ 989
4. <i>Unemployment</i>	14,818	17,890	1.6	15,917	1.3	6,998	.8	- 8,919
5. <i>Education</i>	131,409	141,089	12.9	150,061	12.1	153,034	17.-	+ 2,973
6. <i>Interest on public debt</i>	55,880	65,258	5.9	71,669	5.8	88,015	9.8	+ 16,346
7. <i>Deficit on public undertakings:</i>								
a. <i>Postal Service</i>	13,219	8,354	.8	2,819	.2	—	—	- 2,319
b. <i>State Fishing Port</i>	180	279	—	201	—	—	—	- 201
c. <i>State Forestry</i>	—	—	—	1,196	.1	1,200	.1	+ 4
d. <i>Mint</i>	—	—	—	—	—	259	—	+ 259
Total deficit on public undertakings	13,399	8,633	.8	4,216	.3	1,459	.1	- 2,757
8. <i>Capital expenditure</i>	184,581	286,940	26.1	216,576	17.4	183,999	20.5	- 32,577
9. <i>Miscellaneous expenditure</i>	258,584	299,185	27.3	494,315	39.7	209,453	23.3	- 294,861
Total Expenditure of the General Budget	813,578	974,587	88.8	1,116,822	89.8	795,869	88.5	- 320,953
<i>Add: Amortisation</i>	17,708	17,702	1.6	18,573	1.5	19,494	2.2	+ 921
Grand Total of the General Budget	831,286	992,289	90.4	1,135,395	91.3	815,363	90.7	- 320,032
<i>Add: Loan Fund Expenditure</i>	*	105,590	9.6	108,500	8.7	83,798	9.3	- 24,702
Total of General Budget and Loan Fund	*	1,097,879	100.-	1,243,895	100.-	899,161	100.-	- 344,734

* Not available.

NOTES.

1. The decrease in the estimates of expenditure for the ordinary services for 1923 in comparison with the estimates for 1922 amounts to 17 % after deduction of all fixed charges. The Government has announced that further steps to effect savings will be taken in the course of the current year and that by means of these steps the greater part of the estimated deficit on the ordinary services will disappear.

2. It should be remembered that 178 million florins of the expenditure in 1922 represented merely the technical accounting operation in order to show in the budget the deficit on the Food Supply Organisation. The actual expenditure had already been made before 1920. There is a further item of 33.6 million florins under the heading "Cover for deficit on the coal supply," which does not constitute any real expenditure in 1922, but simply charges the budget of that year with the deficits already incurred during previous years.

3. Since 1921 no further subsidies on bread or other food-stuffs, coal or other materials have been granted.

E. Public Undertakings.

Florins (000's omitted).

	Estimates, 1921	Preliminary results, 1921	Revised estimates, 1922	Estimates, 1923
<i>Postal, Telegraph and Telephone Services:</i>				
Gross revenue	76,824	75,671	93,114	91,573
Working expenses	90,043	84,025	95,933	91,573
Balance	— 13,219	— 8,354	— 2,819	...
<i>National Printing Office:</i>				
Gross revenue	1,928	1,646	1,874	1,652
Working expenses	1,919	1,557	1,852	1,629
Balance	+ 9	+ 89	+ 22	+ 23
<i>State Fishing Port:</i>				
Gross revenue	631	556	856	...
Working expenses	811	835	1,057	...
Balance	— 180	— 279	— 201	...
<i>Mint:</i>				
Gross revenue	707	1,231	979	136
Working expenses	653	764	730	395
Balance	+ 54	+ 467	+ 249	— 259
<i>Artillery Workshops:</i>				
Gross revenue	11,962	8,635	13,017	6,785
Working expenses	11,962	8,592	13,017	6,785
Balance . . . . .	...	+ 43	...	...
<i>State Forestry:</i>				
Gross revenue . . . . .	...	...	252	250
Working expenses . . . . .	...	...	1,448	1,450
Balance . . . . .	...	...	— 1,196	— 1,200

F. Public Debt.

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

Florins (000,000's omitted)

Date	Domestic Debt						Foreign Debt		Total Gross Debt	
	Funded.		Floating		Total		Amount	Move- ment (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
January 1, 1914	1,148.4	...	13.2 (a)	...	1,161.6	...	none	...	1,161.6	...
» 1919	1,850.6	+ 702.2	686.8	+ 673.6	2,537.4	+ 1,375.8	..	...	2,537.4	+ 1,375.8
» 1920	2,182.9	+ 332.3	574.9	- 111.9	2,757.8	+ 220.4	..	...	2,757.8	+ 220.4
» 1921	2,569.1	+ 386.2	506.2	- 68.7	3,075.3	+ 317.5	..	...	3,075.3	+ 317.5
» 1922	2,502.1	- 67.-	858.7	+ 352.5	3,360.8	+ 285.5	..	...	3,360.8	+ 285.5
» 1923	2,595.2	+ 93.1	814.7 (b)	- 44.-	3,409.9	+ 49.1	150.- (c)	+ 150.-	3,559.9	+ 199.1

NETHERLANDS

(a) January 3, 1914.

(b) December 27, 1922.

(c) This amount was issued abroad and constitutes the only foreign debt.

(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		Official index number of wholesale prices	Public Debt reduced to pre-war price level	
	Amount Fl. (ooo,ooo's omitted)	Index number		Amount Fl. (ooo,ooo's omitted)	Index number
January 1st, 1914	1,161.6	%	%	1,161.6	%
.. 1919	2,537.4	218.4	297.4 (b)	853.2	73.5
.. 1920	2,757.8	237.4	284.2 (c)	970.4	83.5
.. 1921	3,075.3	264.7	213.2 (c)	1,442.4	124.2
.. 1922	3,360.8	289.3	160.5 (c)	2,094.—	180.3
.. 1923	3,559.9	306.5	158.8 (c)	2,241.8	193.—

(a) 1913.

(b) Average for the year 1919.

(c) Average for the month, revised series.

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

Fiscal year	Accounts	Interest on Public Debt		Official index number of wholesale prices	Interest on Public Debt reduced to pre-war price level	
		Amount Fl. (ooo's omitted)	Index number		Amount Fl. (ooo's omitted)	Index number
1914	Closed Accounts	32,101	%	%	32,101	%
1919		101,211	315.3	297.4 (b)	34,032	106.—
1920	Preliminary Results	110,032	342.8	284.2 (c)	38,716	120.6
1921		124,747	388.6	213.2 (c)	58,512	182.3
1922	Estimates	130,169	405.5	160.5 (c)	81,102	252.6
1923		145,625	453.6	158.8 (c)	91,703	285.7

(a) 1913.

(b) Average for the year 1919.

(c) Average for the month, revised series.

The following table gives details of the Public Debt as on January 1st, 1921, 1922 and 1923.

Florins (000,000's omitted)

	January 1st., 1921	January 1st., 1922	January 1st., 1923
I Consolidated debt:			
2½ % loans	564.—	560.4	556.8
3 % loans	464.9	455.9	446.8
3½ % loans	45.4	44.3	43.2
4 % loans	124.—	123.7	123.3
4½ % loans	614.—	604.7	599.—
5 % loans	756.8	713.1	676.1
6 % loans of 1922	—	—	300.—*
Total consolidated debt	3,569.1	2,502.1	2,745.2
II. Floating debt:			
1. Treasury bills	28.—	266.9	207.2
2. Treasury promissory notes	402.7	514.8	475.—
3. Advance, free of interest, from the Bank of the Netherlands	13.5	13.3	14.8
4. Balance on Postal Deposit Account	10.9	31.7	85.8
5. Silver bonds	51.1	32.—	31.9
Total floating debt	506.2	858.7	814.7
Total gross debt	3,075.3	3,360.8	3,559.9
Deduct:			
Advances to Colonies	264.7	327.6	335.9
Cash in the hands of paymasters	8.—	6.8	6.4
Advances to Municipalities in respect of income tax levied by the Government for the Municipalities	—	74.5	92.1
Total	272.7	408.9	434.4
Total net debt	2,802.6	2,951.9	3,125.5

* See Note 1.

NOTES.

1. *Foreign Debt.* Of the 6 % loan issued in 1922 (authorised by Law of February 17th, 1922) one half, or 150 million florins, was issued in the Netherlands and the other half on foreign markets. The latter portion is the only loan issued abroad by the Government of the Netherlands. It is interesting to note that a large proportion of this issue in U.S.A. had already been repurchased by the Netherlands during the autumn of 1922 and the spring of 1923.

2. The balance on the Postal Deposit Account carries interest at 4½ %. The Bank of the Netherlands is bound by law to grant advances to the State free of interest up to a maximum of 15 million florins. This obligation on the part of the bank ceases, should the State itself issue paper money or should the excess of metal cover of the bank fall below 10 million florins.

If the State needs larger advances from the bank, these are granted against Treasury promissory notes. On December 4th., 1922, the bank held such notes to the amount of 38 million florins.

The silver bonds have been issued to supply the lack of small coins, and naturally carry no interest.

3. *Dates of maturity.* The amounts falling due before January 1st, 1926, are:

Consolidated debt:

(a) Loan of 1895	83.9 million florins
(b) Loan of 1898	34.7 " "
(c) Loan of 1899	3.6 " "
(d) Loan of 1905	19.1 " "
(e) Loan of 1911	13.- " "
(f) Loan of 1913	32.2 " "
(g) Crisis Loans	
1914-22	130.8 " "
Total	<u>317.3 million florins.</u>

(h) The whole of the *floating debt*, except any advances up to 15 million florins granted by the Bank of the Netherlands.

When submitting the budget, the Finance Minister announced that he was reckoning upon a great reduction of the floating debt during 1923. The Government of the Netherlands intends to issue consolidated loans for the funding of the floating debt. Further, the Colonies are expected to make considerable repayments of the advances granted to them, and the sums repaid will be utilized for consolidation of the floating debt. In January 1923, the Government of the Netherlands issued, on behalf of the Dutch East Indies, a loan of 350 million florins, of which the greater part was issued abroad.

Claims to be set off against the Public Debt.

The "*Nota betreffende den Toestand van 's Lands Financiën*" enumerates the following claims to be set off against the floating debt:

	Florins (000,000's omitted)
	September 4th, 1922
Advances granted to Colonies	279.9
Advances to municipalities in respect of income tax levied by the Government for the municipalities	86.9
Advances to the " <i>Rijkskleednigvoorziening</i> " (Organisation for the supply of clothing)	11.6
Credits granted to Germany and France	51.8
Advances to foreign Governments on account of internment, etc., during the war	75.-
Total	<u>505.2</u>

The loans granted to foreign Governments amounted on November 30th, 1922, to:

France	53.3 million florins
Germany	38.9 " "
Poland	15.5 " "
Austria	16.6 " "
Total	<u>124.3 million florins.</u>

The Government of the Netherlands, in connection with the League of Nations scheme for the reconstruction of Austria, has postponed payment of interest and principal of the Austrian credits for a period of twenty years. These credits, accordingly, are no longer included among the claims to be set off against the floating debt, as shown in the table above.

It should be mentioned that, in addition to these assets, the Government has a claim on the surplus balance of the *Nederlandsche Uitvoermaatschappij* (Netherlands Export Company). The accounts have not yet been definitely closed, but the surplus has been preliminarily estimated at about 45 million florins.

Local Government Debts.

The following table shows the debt of the Provinces and Municipalities, with the exception of:

- (a) "Kasgeldkeningen" (Ways and means advances);
 (b) (In the case of the Municipalities) advances for construction of houses.

Florins (100,000's omitted).

Year	Debt of the Provinces	Debt of the Municipalities	Total Debts of Provinces and Municipalities		Wholesale Price Index Number	Debts reduced to 1913 Price Level	Index Number
			Amount	Index Number			
1913	28.2	494.9	523.1	100.—	100.—	523.1	100.—
1918	87.5	734.3	821.8	157.1	392.1*	209.6	40.—
1919	106.6	856.6	963.2	184.1	297.4*	323.9	61.9

* Average for the year.

The following "grants in aid" have been made to Provinces and Municipalities:

- (a) To Provinces:
- i. An annual grant of 627,046 florins.
 - ii. The cost of construction and upkeep of official residences of Royal Commissioners, Sheriffs and notaries of provinces and of public buildings;
 - iii. Pensions, travelling expenses and allowances of Royal Commissioners
- (b) To Municipalities:
- i. An annual grant of 18,350,000 florins.
 - ii. Contribution to salaries of burgomasters and secretaries;
 - iii. Contributions to municipalities which are unable to meet the cost of additional housing accommodation.
 - iv. Grant from the yield of the War Profits Tax, amounting to. 110,200,000 florins.
 - v. Special contributions amounting:
 - in 1921 to 10,250,000 florins.
 - in 1922 to 13,800,000 florins.

SWEDEN.

Notes on the Budget System.

1. *The financial year* up to the end of 1922 was the calendar year, but in 1923 it was changed and is in future to be the twelve months July 1st to June 30th of the following year. A special budget has been prepared to cover the intermediate period, January 1st to June 30th, 1923.

According to the old system the budget estimates for 1921, for instance, were prepared by the Government in the autumn of 1919, submitted to Parliament in January 1920, and voted in May or June 1920, that is, more than six months before the beginning of the year concerned. After the change of the budget year, the estimates for July 1st, 1923, to June 30th, 1924, were prepared by the Government in the autumn of 1922, submitted to Parliament in January 1923, and finally voted in June, or shortly before the beginning of the financial year.

2. Apart from a purely legal distinction, the Swedish budget system does not differentiate between ordinary and extraordinary revenue and expenditure.

The revenue side of the budget is divided into two main groups: (a) Real public revenue (taxes, etc.), and (b) Revenue from capital sources (State-owned funds and proceeds of loans).

The expenditure side is also divided into two main groups: (a) Real expenditure, and (b) Expenditure for capital purposes (including amortisation, but not expenditure for construction of barracks, schools, etc., which yield no return).

The public undertakings are conducted as more or less independent concerns, possessing their own funds for working capital, but they have to deliver the yearly surplus to the Treasury. In the budget figures are given for their working expenses and receipts, but these gross figures do not appear among the budget expenditure or budget revenue; only net deficit or surplus, as the case may be, is accounted for there. The interest on invested capital is not charged directly to the undertaking concerned. New capital expenditure is specially voted and accounted for in the budget. Public undertakings have not the right to use surplus revenue for capital purposes. The following are regarded as public undertakings: postal and telegraph services, railways, waterworks and public domain. In addition to these, the State receives revenue from State-owned shares, loans to municipalities, etc., and from funds owned by the State. In all these cases only net receipts actually handed over to the Treasury are included in the budget.

Taking into account this special arrangement with regard to public undertakings, the budget comprises practically all cash receipts and expenditure by the State, only special funds, such as donations devoted to special purposes and administered by the State, being omitted from it. When real property is sold and other real property bought in its place, the transaction is not shown in the budget.

It should also be observed that proceeds of sales of stocks held by various war organisations for the supply of food-stuffs, fuel, etc., are not accounted for in the annual budget, but delivered direct to the National Debt Office for the redemption of debt incurred during the war in order to provide working capital for these organisations.

3. Sweden adopted in 1920 the system of accounting public revenue and expenditure on the basis of cash receipts and cash payments. The accounts are now closed immediately after the end of the financial year and complete returns of revenue and expenditure are published monthly.

4. The budget estimates are always made to balance. If revenue from taxes, etc., and public undertakings does not cover the expenditure, the difference is made up from various capital sources (available balances of surplus from previous years, and proceeds of loans). If supplementary votes are granted, the sources from which the expenditure is to be met must always be stated.

When the budget is closed, most of the authorisations which have not been utilised lapse, but a certain number are transferred to the next financial year. This is especially the case as regards authorisations for expenditure of capital.

The budget system is not operated by means of a general budget surplus, but deals separately with the excess or deficit on the different items of revenue and expenditure as compared with the estimates. Most of these excesses or deficits are carried to or charged against a State fund called the *Kassafond*. This fund takes no account of expenditure to be met out of loans, which is charged to the National Debt Office. The *Kassafond* will generally rise if the expenditure to be met out of revenue other than proceeds of loans is less than such revenue. The fund can thus rise although loans may have been raised to meet capital expenditure.

The fund is kept either at the Central Bank or by the National Debt Office. This Office can then make use of the fund instead of raising loans and by this means the surplus of revenue from taxation can be used to meet the expenditure which, according to the budget, was to be met by loans.

5. The financial administration has an account at the Central Bank (of issue), to which all revenue is credited and all expenditure debited.

The National Debt Office is directly responsible to the Riksdag and not to the Government. Its main function is to provide money for such expenditure as must be met by loans. It can keep money on account and if a balance is available from previous loans, it is in a position to provide money by drawing on such balances without taking up a new loan. Owing to this arrangement, there is not in Sweden any such direct connection between the public debt and the budget as there is, for example, in England. When the National Debt Office publishes the amount of the public debt it does not deduct any credit balances which it possesses. If, during a given year, such balances are used to defray expenditure, that transaction does not affect the amount of the public debt.

During the year 1920 the Office was able to meet its expenses from various balances to its credit and also to redeem a certain amount of the public debt without having recourse to loans.

The Central Bank (*Riksbanken*) is also directly responsible to the Riksdag and not to the Government.

6. The Swedish State grants certain contributions to the provinces and municipalities, especially as aid towards expenditure for educational purposes. The amount for the financial year 1922-23 was 17.5 million Kr.

The State receives no money from the municipalities, except as interest on loans in some cases.

The following review has been based on:

- (a) The reply of the Swedish Government to the questionnaire, dated March 10th, 1923.
- (b) The Closed Accounts for 1921.
- (c) The Budget voted for the financial period January 1st to June 30th, 1923.
- (d) The Budget voted for the financial year 1923-24.
- (e) The financial exposé submitted by the Finance Minister to the Riksdag in January 1923, with the Budget estimates for 1923-24.

A. Budget voted by the Riksdag for 1923-24.

Kronor (000,000's omitted).

RECEIPTS.		EXPENDITURE.	
A. Public Revenue proper ^(a) :		Expenditure proper ^(a) :	
1. Taxes	458.1	Royal household	1.8
2. Revenue from civil service fees, etc.	10.-	Ministry of Justice	13.4
3. Miscellaneous	10.4	" " Foreign Affairs	6.2
	<u>478.5</u>	" " Defence	149.9
		" " Social Welfare	77.-
		" " Communications	19.7
		" " Finance	42.5
		" " Religion and Education	122.1
		" " Agriculture	21.9
		" " Trade	11.6
		Pensions	32.6
B. Revenue from productive public funds :		Miscellaneous expenditure	1.-
1. Public undertakings (surplus)	94.3	Parliament and audit office	4.2
2. State-owned shares	12.4	Interest on public debt	83.2
3. Public loan funds (surplus)	7.2		<u>587.1</u>
4. Public fund ^(b) from excise duty on spirits (interest)	2.2		
	<u>116.1</u>		
		Expenditure for capital purposes :	
C. Part of the profits of the Bank of Issue	<u>16.-</u>	Public undertakings	52.1
		Purchase of shares	15.-
D. Revenue from accumulated balances :		Public loan funds	31.4
Real revenue balances	27.4	Repayment of funded debt	7.6
Loan balances	43.4	Repayment of temporary loans	49.2
	<u>70.8</u>	Public fund from excise duty on spirits	26.5
		Loan subsidies	6.7
E. Proceeds of loans :			<u>188.5</u>
Funded loans	93.4	Total expenditure for capital purposes	<u>188.5</u>
Temporary loans . . . . .	.8		
	<u>94.2</u>		
Total Receipts	<u>775.6</u>	Total Expenditure	<u>775.6</u>

(a) Public revenue proper comprises receipts from taxes, fees, etc., but not receipts from public undertakings, shares, etc., which are more in the nature of private revenue.

(b) Certain receipts from excise duty on spirits have been devoted to the formation of a special fund.

(c) "Expenditure proper" comprises all expenditure other than that for capital purposes.

The sums to be borrowed amount to 94.2 million Kr. against capital expenditure amounting to 188.5 million Kr. of which 56.8 million Kr., are for repayment of debt.

B. Analysis of Revenue.

	Estimates 1922		Estimates 1923-24		Difference (+ or -) between col. (b) and col. (d) Kr. (000's omitted)
	Amount: Kr. (000's omitted)	Percent- age of Total	Amount: Kr. (000's omitted)	Percent- age of Total	
(a)	(b)	(c) %	(d)	(e) %	(f)
<i>Direct taxation:</i>					
Income tax (including super-tax)	185,000	28.3	130,000	21.3	- 55,000
Capital tax	900	.1	900	.1	...
Building tax	5,500	.9	...	...	- 5,500
Other direct taxes	7,726	1.2	6,527	1.1	- 1,199
Total direct taxation	199,126	30.5	137,427	22.5	- 61,699
<i>Indirect taxation and taxes on transactions:</i>					
Import duties	118,000	18.1	117,000	19.2	- 1,000
Excise duty on:					
Tobacco	43,000	6.6	43,000	7.-	...
Beer	4,400	.7	12,000	2.-	+ 7,600
Spirits	114,000	17.5	76,700	12.6	- 37,300
Sugar	27,000	4.1	26,000	4.2	- 1,000
Coffee	1,000	.1	...	...	- 1,000
Stamp duties (including succession duties)	54,000	8.3	48,000	7.9	- 6,000
Other indirect taxes	20,882	3.2	20,402	3.3	- 480
Total indirect taxation and taxes on transactions	382,282	58.6	343,102	56.2	- 39,180
<i>Net surplus from public domain</i>	9,000	1.4	30,000	4.9	+ 21,000
<i>Net surplus from public undertakings:</i>					
Post Office	3,000	.5	10,000	1.6	+ 7,000
Telegraph Office	18,000	2.7	18,000	2.9	...
Railways . . . . .	...	...	28,000	4.6	+ 28,000
Waterworks	8,670	1.3	8,300	1.4	- 370
Total net surplus from public undertakings	29,670	4.5	64,300	10.5	+ 34,630
<i>Other Revenue</i>	32,713	5.-	35,844	5.9	+ 3,131
Total Revenue (excluding revenue from accumulated balances and loan funds)	652,791	100	610,673	100	- 42,118
Accumulated balances	185,485	...	70,773	...	- 114,712
Proceeds of loans	99,592	...	94,202	...	- 5,390
TOTAL RECEIPTS	937,868	...	775,648	...	- 162,220

NOTES.

1. No change has been made in the rates of the income tax. In 1922 the average tax-rate on all incomes subject to taxation was 6.48 % for private persons and 11.19 % for companies. The fall in the receipts is due to the depression in trade.

2. The excise duty on tobacco is levied by means of a fiscal monopoly, constituted as a limited company, the profits above a certain percentage being paid over to the State.

The excise duty on beer has been slightly increased to counterbalance a decrease in the rates on alcohol.

C. Analysis of Expenditure.

	Estimates 1922		Estimates 1923-24		Difference (+ or -) between col. (b) and col. (d) Kr. (000's omitted)
	Amount: Kr. (000's omitted)	Percent- age of Total	Amount: Kr. (000's omitted)	Percent- age of Total	
(a)	(b)	(c) %	(d)	(e) %	(f)
<i>Expenditure proper:</i>					
Defence	163,612	17.5	149,942	19.3	— 13,670
Pensions	42,423	4.5	32,589	4.2	— 9,834
Subsidies for reducing prices	1,800	.2	...	...	— 1,800
Unemployment	88,230	9.4	5,215	.7	— 83,015
Interest on public debt	75,334	8.-	83,170	10.7	+ 7,836
Deficit on certain waterworks	244	...	...	...	— 244
Ministry of Religion and Education	134,061	14.3	122,117	15.8	— 11,944
Other expenditure	230,820	24.6	194,089	25.-	— 36,731
Total expenditure proper	736,524	78.5	587,122	75.7	— 149,402
<i>Expenditure for capital purposes:</i>					
Repayment of debt	61,159	6.5	56,825	7.3	— 4,334
Allocation to a special fund maintained by the yield of the excise duty on spirits	35,100	3.7	26,500	3.4	— 8,600
Investment in public undertakings	77,395	8.3	52,101	6.7	— 25,294
Investment in shares	750	.1	15,000	1.9	+ 14,250
Loan funds	23,920	2.6	31,390	4.1	+ 7,470
Loan subsidies	3,020	.3	6,710	.9	+ 3,690
Total expenditure for capital purposes	201,344	21.5	188,526	24.3	— 12,818
TOTAL EXPENDITURE	937,868	100	775,648	100	— 162,220

NOTES.

1. It will be seen from the table that expenditure proper has decreased from 736.5 to 587.1 million Kr. and expenditure for capital purposes from 937.9 to 775.6 million Kr.

Great efforts have been made to reduce expenditure. In October 1922 the Finance Minister instituted a careful scrutiny of the whole administration in order to reduce the staff, especially the temporary staff, which had been increased to a considerable extent during the war. A special enquiry was undertaken with reference to the staff of the public undertakings.

The Finance Minister also proposed to reduce the high cost-of-living allowance granted to officials. A modified form of the scheme was adopted by Parliament and the actual reduction was less than was originally proposed.

2. In addition to the votes for relief of unemployment shown in the table, certain votes under capital expenditure on public undertakings were passed for the same purpose. These votes amounted to 5 million Kr. in 1922 and to a similar sum in 1922-23.

3. Of the high amount appropriated for repayment of debt, 54 million Kr. in 1922 and 49.2 million Kr. in 1922-23 were for the repayment of temporary loans, representing losses on commissions for the supply of fuel, food, etc., during the war.

4. The contributions to local governments and similar bodies amount to 17.5 million Kr. in the estimates for 1923-24.

D. Public Domain.

Kronor

	Estimates 1922	Estimates 1923-24
Gross receipts	35,000,000	*
Working expenses	26,000,000	*
Balance	+ 9,000,000	+ 30,000,000

* Details not available.

E. Public Undertakings.

Kronor

	Estimates 1922	Estimates 1923-24
<i>Post Office:</i>		
Gross receipts	72,700,000	*
Working expenses	69,700,000	*
Balance	+ 3,000,000	+ 10,000,000
<i>Telegraph Office:</i>		
Gross receipts	92,000,000	*
Working expenses	74,000,000	*
Balance	+ 18,000,000	+ 18,000,000
<i>Railways:</i>		
Gross receipts	260,000,000	*
Working expenses	260,000,000	*
Balance . . . . .	...	+ 28,000,000
<i>Waterworks:</i>		
Gross receipts	18,170,000	*
Working expenses	9,500,000	*
Balance	+ 8,670,000	+ 8,300,000

* Details not available.

The closed accounts for 1922 show a total surplus from public domain and public undertakings amounting to 83.6 million Kr., which is a considerably better result than was estimated. This surplus more than covered the interest on the public debt.

F. Public Debt.

(i) Table showing the public debt in 1913 and since 1918.

Kronor (000,000's omitted).

Date	Domestic debt						Foreign debt (a)		Total gross debt	
	Funded		Floating		Total		Amount	Movement (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
December 31st, 1913	58.-	...	20.1	...	78.1	...	570.2	...	648.3	...
" " 1918	631.4	+ 573.4	559.3	+ 539.2	1,190.7	+ 1,112.6	465.5	- 104.7	1,656.2	+ 1,007.9
" " 1919	754.4	+ 123.-	285.5	- 273.8	1,039.9	- 150.8	527.1	+ 61.6	1,567.-	- 89.2
" " 1920	862.9	+ 108.5	215.9	- 69.6	1,078.8	+ 38.9	417.7	- 109.4	1,496.5	- 70.5
" " 1921	1,093.4	+ 230.5	77.6	- 138.3	1,171.-	+ 92.2	340.-	- 77.7	1,511.-	+ 14.5
" " 1922	1,154.4	+ 61.-	86.5	+ 8.9	1,240.9	+ 69.9	310.6	- 29.4	1,551.5	+ 40.5

(a) The foreign debt consists solely of bonds in the hands of persons resident abroad, and the greater part of the decrease therein is due to repurchases of such bonds by Swedish residents, a small part only being due to debt repayment.

(ii) Table showing the total of the public debt in 1913 and since 1918, in actual figures and reduced to pre-war price level.

Date	Public debt		Index number of wholesale prices (a)	Public debt reduced to pre-war price level	
	Amount: Kr. (ooo,ooo's omitted).	Index number		Amount: Kr. (ooo,ooo's omitted)	Index number
		%	%		%
December 31st, 1913.	648.3	100.—	100 (b)	648.3	100.—
" " 1918.	1,656.2	255.5	339 (c)	488.6	75.4
" " 1919.	1,567.—	241.7	330 (c)	473.4	73.—
" " 1920.	1,496.5	230.8	299 (d)	500.5	77.2
" " 1921.	1,511.—	233.1	172 (d)	878.5	135.5
" " 1922.	1,551.5	239.3	155 (d)	1,000.—	154.3

(a) Professor Silverstolpe's index number.

(b) Average for 1 VII. 1913 to 30 VI. 1914.

(c) Average for the year.

(d) 15th of the month of December.

(iii) Table showing the amount of interest on the public debt for the year 1913 and since 1918, in actual figures and reduced to pre-war price level.

Financial year ended	Accounts	Interest on public debt		Index number of wholesale prices (a)	Interest on public debt reduced to pre-war price level	
		Amount: Kr. (ooo's omitted)	Index number		Amount: Kr. (ooo's omitted)	Index number
			%	%		%
December 31st, 1913	Closed Accounts	22,697	100.—	100	22,697.—	100.—
" " 1918		59,390	261.7	339	17,519.2	77.2
" " 1919		59,391	261.7	330	17,997.3	79.3
" " 1920		61,873	272.6	299	20,693.3	91.2
" " 1921		64,216	282.9	172	37,334.9	164.5
" " 1922		72,231	318.2	155	46,600.6	205.3
June 30th, 1924	Estimates	80,267	353.6	—	—	—

(a) See notes to Table (ii) above.

The item "Interest on the public debt" comprises:

(a) 300,000 kronor, annual allowance to the King, and 7,500 kronor, interest on King Charles XIII's dowry capital. These payments originate from funds, derived from their personal property, transferred by Swedish monarchs to the State for the purpose of debt repayment.

(b) Interest on certain funds held by the National Debt Office.

For the years 1918 to 1920, and part of 1921, the interest on that portion of the floating debt which represents bank credits is not included in the interest charges as shown in the table above. Such interest was paid directly by the Commissions for which the funds were borrowed and not charged to the general State budget.

The following table gives details of the Public Debt on December 31st, 1920, 1921 and 1922.

Kronor (000,000's omitted).

	December 31st, 1920	December 31st, 1921	December 31st, 1922
<i>Funded Debt:</i>			
Bonded Loans issued by the State:			
1880 3 1/2 %	45.4	41.6	37.7
1886 3 1/2 %	52.4	51.8	51.2
1887 3.6 %	83.7	83.7	83.7
1888 3 %	24.2	24.2	24.2
1890 3 1/2 %	21.5	20.8	20.-
1894 3 %	16.9	16.9	16.9
1899 3 1/2 %	29.5	29.-	28.5
1900 3 1/2 %	36.3	36.3	36.3
1904 and 1906 3 1/2 %	79.1	79.1	79.1
1907 3 1/2 %	46.8	46.8	46.8
1908 3 1/2 %	54.5	54.5	54.5
1911 4 %	72.-	72.-	72.-
1913 4 1/2 %	72.-	72.-	72.-
1914 5 %	163.1	163.1	163.1
1916 5 %	118.4	118.4	118.4
1917 5 %	68.6	68.6	68.6
1918 5 %	92.7	94.9	95.-
1918 Premium Loan	100.-	100.-	100.-
1919 6% (\$25 million)	93.3	93.3	93.3
1921 6 %	—	94.1	94.1
1921 Premium Loan	—	62.4	100.-
Total Bonded Loans	1,270.4	1,423.5	1,455.4
Loans transferred to the State:			
Municipal Loan 5% and 4.7%	.1	.04	.02
Various Railway Loans:			
4 %	4.-	3.8	3.6
4 1/2 %	2.8	2.8	2.7
5 1/2 %	.9	.9	.9
Total loans transferred	7.8	7.5	7.2
Other Funded Debt	2.4	2.4	2.4
Total Funded Debt	1,280.6	1,433.4	1,465.-
<i>Floating Debt:</i>			
Bank credit	122.2	—	—
National Debt Office Bills	54.4	53.1	45.1
Loans from the State Pension Institution	9.-	14.-	21.9
Loans from other State Institutions	30.3	10.5	19.5
Total Floating Debt	215.9	77.6	86.5
Total Public Debt	1,496.5	1,511.-	1,551.5

NOTES.

1. *Foreign Debt.* — Before the war the greater part of the Swedish debt was due to foreigners. Since 1914 only one loan has been issued in foreign markets, namely, the \$25 million loan, bearing interest at 6 %, issued in New York in 1919. A considerable proportion of the bonds originally issued abroad has, during and since the war, been repurchased by Sweden. The following table shows the development of the foreign debt since 1913 in comparison with the domestic and the total debt.

	December 31st, 1913		December 31st, 1920		December 31st, 1921		December 31st, 1922	
	Amount; Kr. (000,000's omitted)	%	Amount; Kr. (000,000's omitted)	%	Amount; Kr. (000,000's omitted)	%	Amount; Kr. (000,000's omitted)	%
Domestic Debt	78.1	12.—	1,078.8	72.1	1,171.—	77.5	1,240.9	80.—
Foreign Debt	570.2	88.—	417.7	27.9	340.—	22.5	310.6	20.—
Total Debt	648.3	100.—	1,496.5	100.—	1,511.—	100.—	1,551.5	100.—

It is understood that the figures representing the foreign debt are too high rather than too low.

2. *New borrowing.* — During the year 1922 no new loans were issued, but bonds of old loans, in the hands of the National Debt Office, were sold to the amount of 37.7 million kronor. The floating debt remained almost constant during the year. The average rate of interest paid on the floating debt was 3.9 % during 1922.

3. *Dates of maturity and amortisation.* — There are only four loans the amortisation of which is obligatory. The amount to be repaid on these loans during 1923-25 is 20 million kronor. In addition to this obligatory amortisation, 1 million kronor are voted annually for a sinking fund.

During the past year still further sums have been set aside for amortisation. The State railways and other undertakings have repaid to the National Debt Office loans granted during previous years, and not less than 50 million kronor were allocated in the budget to covering the loss on war organisations, this sum being handed over to the National Debt Office. The total amount thus received was 86.2 million kronor during 1922.

The effect of these repayments has been that the National Debt Office has been able to restrict fresh borrowing, as the funds handed over for amortisation have been utilised for new construction which would otherwise have involved new borrowing.

G. Assets of the State.

The funds borrowed by the State up to the end of 1922 amounted in all to 1,649.9 million kronor, part of which has been repaid. The following table shows the various ways in which these funds have been utilised:

	December 31st, 1922.	
	Kr.	Kr.
Public Undertakings:		
Postal service	16,071,894	
Telegraph and Telephone services	197,192,900	
Railways	798,874,269	
Hydro-electric power	265,781,311	
Total Public Undertakings		1,277,920,374
State Loan Funds		272,353,611
Purchase of State-owned shares		36,663,428
Other capital purposes		24,223,949
Current expenditure		38,778,692
Total		1,649,940,054

The following table shows the assets of the State at the end of the years 1913, 1920 and 1921:

Kronor (000,000's omitted).

	1913	1920	1921
(a) Assets booked in the State ledger (net):			
Reserve fund of the Treasury, etc.	91.1	614.1	515.9
National Debt Office Fund	40.5	102.1	— 30.7
Post Office Department	10.8	19.1	34.3
Telegraphs and Telephones	84.2	190.7	213.5
State railways	629.2	1,004.3	1,035.7
Hydro-electric power	90.5	226.8	276.9
State domains	196.3	447.3	453.3
State-owned shares	100.—	129.7	130.9
Loan funds of the State	149.9	213.7	237.8
Sundry funds	—	76.3	59.2
	1,392.5	3,024.1	2,920.8
(b) Other net assets in the State ledger:			
Assets of the State Bank	90.9	91.—	106.4
Sundry funds	18.8	30.3	30.2
Total assets	1,502.2	3,145.4	3,057.4
Deduct National Debt	648.3	1,496.5	1,511.—
Excess of assets over liabilities	853.9	1,648.9	1,546.4

There are other assets, most of which do not appear in the State ledger, as, for instance, the value of buildings, castles, libraries, etc. Their value was estimated at 400 million kronor in 1912 and at 550 million kronor in 1918.

The valuations throughout the table may be regarded as conservative.

H. Loans to Foreign Governments.

Parliament has voted 10 million kronor for relief credits and 9 million kronor for the economic reconstruction of Europe. These credits have not yet been fully exhausted.

In addition, the sum of 1,130,985 kronor has been advanced to various Governments for assistance to prisoners of war, etc.

I. Local Government Debts.

Kronor (000,000's omitted).

Year	Debts of the Provinces	Debts of the Municipalities	Total
1910	16.1	—	16.1
1913	—	622.2	622.2
1916	31.6	735.8	767.4
1917	36.3	817.7	854.—

The assets owned by the Provinces were valued in 1917 at 38.5 million kronor, and those owned by the Municipalities at 1,207.8 million kronor.

SWITZERLAND.

Notes on the Budget System.

1. The budget year covers the period January 1st to December 31st. Towards the end of the month 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 Council is empowered by a special authorisation for the intervening period.

2. The Swiss financial administration is divided into two distinct parts:

- (a) The General Administration;
- (b) The Administration of the Federal Railways.

The latter has a totally independent position; its debt is not included in the public debt, nor its capital shown on the Capital Account of the State, a deficit, if any, being provided for by loans raised independently.

The Federal Assembly votes both budgets, but the Railway Administration budget is dealt with quite apart from the other.

In 1913 Switzerland adopted a method of double accounting by which it is possible to show how the State capital has been affected by the operations during the year, whether increased or decreased. The public debt and other outstanding obligations are accounted as liabilities, while the assets consist of: (a) productive and (b) unproductive State capital. The Capital Account and the Account of the Administration together constitute the system of double accounting.

The account of the Administration shows all regular revenue and expenditure. The profit and loss account of the Capital Account is divided into two parts: (1) the "ordinary capital account," and (2) extraordinary expenditure and revenue carried to the capital account. The ordinary capital account registers the changes in the property of the State by reason of expenditure for capital purposes, purchases and sales, writing off for depreciation, amortisation of debt, etc. The second part of the profit and loss account corresponds to what is normally called the extraordinary budget. The receipts in the last-named account consist of the yield of the war taxes and some minor items. The expenditure side accounts for: (a) cost of mobilisation, (b) deficits of the food supply organisation, (c) unemployment expenditure, (d) subsidies to industries, etc. It should, however, be observed that these accounts do not show the total revenue and expenditure, as there are, besides, special funds to which revenue is assigned and from which expenditure is made. An example of this is the Unemployment fund. Its revenue consists of a portion of the yield of the war taxes, credited directly to the fund without having passed through the budget accounts. At the end of the year any surplus from the fund is shown as a claim on the State and forms a part of the public debt.

Credits granted to foreign Governments (relief credits) are not shown in the budget accounts but appear in the "accounts of various debtors." This great diversity of accountancy practice makes it very difficult to arrive at a comprehensive view of total revenue and expenditure.

The Public Undertakings are treated in various ways:

(2) The Federal Railways are worked, as described above, as an independent concern, quite apart from the general administration, but the budget makes provision for interest and amortisation of the debt of the Railway Administration.

(ii) Postal, Telegraph and Telephone Services are accounted for as independent concerns. Annual profit and loss accounts are drawn up and the gross total figures are carried to the Account of the Administration. These profit and loss accounts are charged, on the expenditure side, with interest on working capital and interest on fixed capital, and these items are accounted for as revenue on the Administration Account, which thus shows the same actual receipt twice.

(iii) Other public undertakings, such as the Powder Factory, the Small Arms Factory and the National Stud, are also accounted for as independent concerns, but in these cases only the net results of the profit and loss accounts are carried to the Administration Account. But here again, the profit and loss accounts are specially charged with interest on working and on fixed capital, which are accounted for as revenue in the Administration Account, even in the case of an ultimate deficit on the profit and loss account.

There are many other instances in which expenditure of one department is accounted for as revenue of another. The total of these double entries amounted in the gross budget of 1913 to 16.97 million frs., being 8 % of the total gross budget. Even in the net budget there are certain double entries but the percentage is very much smaller.

3. The Accounts are kept open for the Military Department until the end of February, and for the other departments until February 15th (after the end of the fiscal year), to permit the inscription of revenue and expenditure in respect of that year. The inscribed revenue and expenditure comprise not only actual receipts and disbursements within the period but also outstanding claims on revenue and warrants issued. The settlement of the arrears is shown in special Arrears Accounts. The closed accounts are generally published in May and submitted to the Federal Assembly.

4. The revenue side of the Administration Account does not contain any proceeds of loans or any revenue from sale of public property. Such transactions are shown in the Capital Account. Surplus or deficit is never carried from the budget of one year to that of the following year, but is inscribed in the Capital Account as increasing or decreasing the State capital.

5. The Swiss National Bank is the main fiscal agent of the State, but some money is also kept at other banks.

The public debt comprises the consolidated debt (bonds of more than two years' currency), the floating debt (interest-bearing certificates, loans for the Postal Administration and the Insurance Fund of officials and other Federal employees) and the so-called Special Funds (*i.e.*, that part of the assets of these funds handed over to the State as loans and which, therefore, constitutes an interest-bearing claim on the State). Bonds which have matured and coupons due but not yet paid are excluded from the public debt statements.

The balance sheet of the Capital Account of the Federation enumerates all items of State liability (public debt liabilities, arrears accounts, various creditors) and shows all assets, productive and unproductive, corresponding to those liabilities. The adverse balance shown under the heading "Expenditure to be redeemed" constitutes the accumulated deficit of the State during and since the war.

A special balance sheet is given for the Federal Railway administration.

6. The financial connection between the Federation and the Cantons is somewhat complicated.

Apart from the public undertakings (including State industries), the main sources of income for the Federation before the war were the revenue from State-owned capital, the customs duties and one-half of the tax payable by persons exempt from military service. These three sources provided for 94 % of the net expenditure in the budget of 1913. Except the military tax referred to, the Federation derived no income from direct taxation.

The Cantons and the Federation now share the income from military taxes, patent fees, the alcohol monopoly, the profit from the National Bank, the stamp duties and, to a certain extent, the yield of the "war" taxes. The share appropriated by the Cantons does not pass through the Federal Accounts.

Certain duties imposed by law upon the Cantons are conditional upon grants of *subsidies* by the Federation. In other particulars also the Federation and the Cantons collaborate by means of subsidies. The total subsidies from the Federation to the Cantons amounted to 24.2 million frs. in 1913.

The main sources of new revenue for the Federation introduced since 1913 are the stamp duties

of 1917 and 1921 and the direct war taxes, and in the yield of these the Cantons participate, as stated above. The direct war taxes are only to remain in force for a certain number of years. They have been specially assigned to redeem the cost of mobilisation and are not included in the Administration Account, the temporary character of the taxes thus being clearly indicated.

It is not possible to describe here the division of functions between the Federation and the Cantons. The chief items of expenditure by the Federation are the debt service and military expenditure.

The largest item of expenditure by the Cantons is for education, and next in importance, expenditure for building construction, roads, etc., after which rank general administration and justice, agriculture, poor law and hospitals.

The following review has been based mainly on:

- (a) The reply of the Swiss Government to the Questionnaire, dated December 20th, 1922.
- (b) Closed accounts of the Federation for 1921 and 1922.
- (c) The budget of the Federation for 1923.
- (d) The budget of the Federal Railways for 1923.
- (e) The Statistical Yearbook for Switzerland for 1922.

The data given refer to the position as in May 1923.

A. Summary of Budget Estimates.

The expenditure of the Federation is mainly accounted for in: (a) the State Administration Account, (b) the Profit and Loss Account of the Capital Account (ordinary and extraordinary), and (c) the autonomous Federal Railway Administration Account.

The State Administration Account.

Francs (000,000's omitted).

Year	Accounts	Revenue	Expenditure	Deficit
1920	} Closed Accounts	343.6	443.1	99.5
1921		380.9	508.4	127.5
1922		425.9	505.3	79.4
1923	Estimates	426.5	510.5	84.-

The Ordinary Capital Account.

Francs (000,000's omitted).

Year	Accounts	Revenue	Expenditure	Difference (+ or -)
1920	} Closed Accounts	25.7	29.6	- 3.9
1921		39.6	16.2	+ 13.4
1922		17.-	17.5	- .5

Extraordinary Revenue and Expenditure on Capital Account.

Francs (000,000's omitted).

Year	Accounts	Revenue	Expenditure	Difference (+ or -)
1920	} Closed Accounts }	96.-	80.1 (a)	+ 15.9
1921		66.1	180.- (b)	- 113.9
1922	} Estimates }	112.6	85.2	+ 27.4
1923		*	100.-	*

* Not available.

(a) Net figure.

(b) 111.8 million frs. of this expenditure represent deficit on Federal Food Supply Organisation, the greater part of which was incurred in preceding years, although not accounted for before 1921.

The final results accordingly are:

1920: total deficit (99.5 + 3.9 - 15.9) = 87.5 million frs.

1921: total deficit (127.6 - 13.4 + 113.9) = 228.1 million frs.

1922: total deficit (79.4 + 0.5 - 27.4) = 52.5 million frs.

It should be borne in mind that there are several items of receipts or expenditure which are not shown in the accounts considered above, as, for instance, loans to foreign Governments, etc. (see Note 2 on the Budget System).

For the accounts of the Federal Railways see pages 143, 144.

B. Estimates for the State Administration Account for 1923 compared with the Closed Accounts for 1922 and 1921.

Francs (000's omitted).

	Closed Accounts 1921	Closed Accounts 1922	Estimates 1923
REVENUE:			
<i>Revenue from capital</i>	29,228	24,293	18,615
<i>General Administration:</i>			
Federal Chancellery	101	107	102
Federal Tribunal	154	177	151
Insurance Tribunal	8	10	6
	263	294	259
<i>State Departments:</i>			
Political Department	2,641	203	826
Department of the Interior	1,042	1,172	1,152
Justice and Police	2,903	3,185	2,234
Army	2,187	2,089	2,016
Finance and Customs	142,764	196,710	191,248
Public Economy	2,105	4,272	3,466
Postal and Railway Services	190,827	190,061	203,373
	344,469	397,692	404,315
<i>Miscellaneous Receipts</i>	6,899	3,585	3,301
Total Revenue	380,859	425,864	426,490

B. Estimates for the State Administration Account for 1923 compared with the Closed Accounts for 1922 and 1921. (continued).

Francs (000's omitted).

	Closed Accounts 1921	Closed Accounts 1922	Estimates 1923
EXPENDITURE :			
<i>Debt Service</i>	116,272	119,225	114,624
<i>General Administration :</i>			
National Council	914	893	818
State Council	102	99	84
Federal Council	184	177	177
Federal Chancellery	1,295	1,220	1,227
Federal Tribunal	894	859	877
Insurance Tribunal	390	322	338
	3,779	3,570	3,521
<i>State Departments :</i>			
Political	6,466	6,962	6,881
Department of the Interior	27,257	31,156	26,496
Justice and Police	7,128	5,590	5,697
Army	75,314	79,138	77,850
Finance and Customs	23,402	22,445	23,170
Public Economy	32,211	37,979	37,937
Postal and Railway Services	212,507	195,592	211,679
	384,285	378,862	388,810
<i>Miscellaneous Expenditure</i>	4,095	3,614	3,585
Total Expenditure	508,431	505,272	510,540
Deficit	127,572	79,408	84,050
The figures above are those of the Ordinary current budget. If the Ordinary Capital Account, the Extraordinary expenditure (unemployment, subsidies, etc.) and the Extraordinary revenue (war taxes, etc.) are taken into account, the deficits amount to	228,100	52,500	

C. Analysis of Revenue.

The following analysis relates to the State Administration Account and the Capital (Profit and Loss) Account, and the Unemployment Fund.

	Closed Accounts 1921		Closed Accounts 1922		Estimates 1923	Difference (+ or -) between Col. (d) and Col. (f) Francs (ooo's omitted)
	Amount: Francs (ooo's omitted)	Percent- age of Total	Amount: Francs (ooo's omitted)	Percent- age of Total	Amount: Francs (ooo's omitted)	
(a)	(b)	(c) %	(d)	(e) %	(f)	(g)
<i>Direct Taxation:</i>						
War taxes (from Extraordinary Account) . . .	57,530	11.8	104,910	19.1	25,000	- 79,910
One-half of tax on persons exempted from military service	4,323	.9	4,206	.8	4,000	- 206
Total Direct Taxation	61,853	12.7	109,116	19.9	29,000	- 80,116
<i>Indirect Taxation and Taxes on Transactions:</i>						
Import duties	113,305	23.3	159,337	29.-	155,000	- 4,337
Export duties	265	.1	516	.1	200	- 316
Stamp duties	16,215	3.3	28,262	5.2	24,360	- 3,902
Total Indirect Taxation and Taxes on Transactions	129,785	26.7	188,115	34.3	179,560	- 8,555
<i>Gross Receipts from Public Undertakings:</i>						
Postal Service	117,033	24.-	121,121	22.1	122,008	+ 887
Telegraph and Telephone Services	73,737	15.2	68,902	12.5	81,323	+ 12,421
Total gross Receipts from Public Un- dertakings	190,770	39.2	190,023	34.6	203,331	+ 13,308
<i>Yield from State Capital:</i>						
In bank balances and securities	19,725	4.-	13,555	2.5	6,435	- 7,120
In the Post Office	290	.1	349	.1	400	+ 51
In the Telegraph and Telephone Offices	8,867	1.8	10,112	1.8	11,500	+ 1,388
Miscellaneous investments	346	.1	277	—	280	+ 3
Total yield from State Capital	29,228	6.-	24,293	4.4	18,615	- 5,678
<i>Miscellaneous Receipts on State Administration Account</i>						
	26,753	5.5	19,227	3.5	18,984	- 243
TOTAL RECEIPTS	438,389	90.1	530,774	96.7	449,490	- 81,284
<i>Miscellaneous Receipts on Capital Account (all receipts except yield of war taxes)</i>						
	48,207	9.9	18,140	3.3	*	...
Total Receipts of State Administration Account and Capital Account	486,596	100.-	548,914	100.-	*	...
<i>Receipts in the Unemployment Fund from yield of war taxes</i>						
	11,322	—	2,468	—	*	...

* Not available.

Note.— It should be borne in mind that several items of revenue are accounted for twice and that, consequently, the total shown does not represent the amount of actual receipts. It is estimated that the extent to which there is duplication of this kind is about 8 per cent of the total.

NOTES.

1. At the beginning of the war the only revenue from direct taxation received by the Federation was one-half of the proceeds of the tax on persons exempt from military service. In 1915 two new taxes were imposed, one called "War tax of 1915" and the other "Tax on war profits." In 1921 a second war tax, known as the "new extraordinary war tax of 1921," was introduced. The gross yield of these taxes is shown in the following table:

Francs (ooo's omitted).

Year	War Tax of 1915	Tax on War Profits	New Extraordinary War Tax of 1921
1916	67,059	} 87,924	—
1917	40,476		—
1918	12,057	178,120	—
1919	2,490	206,514	—
1920	1,196	152,467	—
1921	2,452	75,209	365
1922	225	23,768	108,824
(estimate) 1923	—	5,000	20,000

The Cantons participate in the yield of these three taxes and a part is earmarked for the Unemployment Fund.

These taxes have been introduced to redeem debt incurred during the war to meet the cost of mobilisation, but as they obviously augment the Treasury resources during the year in which they are levied, they have been included in the revenue table.

2. Direct taxes are levied for the most part by the Cantons. The general income tax, succession duties and land taxes are all cantonal taxes. In its message to the Federal Assembly of November 15th, 1922, introducing the budget for 1923, the Federal Council announced its intention to propose that a Federal succession duty should be levied in addition to the Cantonal duties. In the course of the discussion of fiscal questions, the desirability of preserving the autonomy of the Cantons is an argument upon which much stress is laid.

3. The Customs tariff was considerably increased from July 1st, 1921, onward, and at the same time a provisional duty was levied on imported tobacco. The new high tariff was originally adopted with a view to its remaining in force until June 30th, 1923, but it has since been prolonged for another year.

4. The Federal stamp duties were decreed by laws of October 4th, 1917, and June 25th, 1921. The former law imposed a duty on exchange transactions, transport documents, etc. The latter imposed a duty on coupons, 20 % of the net yield of this duty being paid to the Cantons and 80 % retained by the State.

5. In its message of November 15th, 1922, the Federal Council made the following statement:

"The more one studies fiscal questions from a comparative point of view, the more firm becomes the conviction that it is mainly from indirect taxation that large supplementary revenue can be obtained. Comparison of the yield of our various taxes, comparison of the average rate of Swiss excise duties with the rates in force in other countries, show clearly that very interesting possibilities of development in that direction are open to us. The most exacting social conceptions, public opinion, even the opinion of those least inclined to impose upon the Cantons a policy of persistent renunciation in favour of the Federation, must to-day admit this.

"If indirect taxation in other countries yields more than in our country, that is not because these other countries tax the necessities of life more heavily, but rather because we tax too lightly the consumption of luxuries. Let us quote as examples the taxes on alcohol and on tobacco. In Switzerland, where the consumption of alcohol and tobacco reaches 800 million frs., the taxation on alcohol yields 10 frs. per head, and that on tobacco 2.5 frs. per head. France and England receive more than 30 frs. per head from tobacco duties and more than 40 frs. per head from alcohol duties."

The Federal Council considers it will be possible to get 70 million frs. additional revenue from new or increased taxes on luxuries.

In the autumn of 1922, a proposal to reorganise the alcohol taxation passed the Federal Assembly, but was repealed by a referendum in May 1923.

D. Analysis of Expenditure.

The following analysis relates to the State Administration Account and the Capital Account.

	Closed Accounts 1921		Closed Accounts 1922		Estimates 1923		Difference (+ or -) between Col. (d) and Col. (f) Francs (000's omitted)
	Amount: Francs (000's omitted)	Percentage of Total	Amount: Francs (000's omitted)	Percentage of Total	Amount: Francs (000's omitted)	Percentage of Total	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Defence	75,314	10.7	79,138	13.-	77,850	12.7	- 1,288
Interest on Public Debt.	103,006	14.6	109,283	18.-	107,787	17.5	- 1,496
Public Undertakings (working expenses):							
Postal Service	135,950	19.3	125,827	20.7	129,508	21.1	+ 3,681
Telegraph and Telephone Services	75,686	10.7	68,902	11.3	81,266	13.2	+ 12,364
Total working expenses of Public Undertakings	211,636	30.-	194,729	32.-	210,774	34.3	+ 16,045
General Administration	3,779	.5	3,571	.6	3,521	.6	- 50
Department of Public Economy (Agriculture, industries, etc.)	32,211	4.6	37,979	6.3	37,037	6.-	- 942
Department of the Interior	27,257	3.9	31,156	5.1	26,496	4.3	- 4,660
Finance and Customs Department	23,402	3.3	22,445	3.7	23,169	3.8	+ 724
Political Department	6,465	.9	6,962	1.1	6,881	1.1	- 81
Department of Justice and Police	7,128	1.-	5,590	.9	5,697	.9	+ 107
Miscellaneous expenditure on State Administration Account	18,233	2.6	14,419	2.4	11,328	1.9	- 3,091
Total Administration Account	508,431	72.1	505,272	83.1	510,540	83.1	+ 5,268
Extraordinary Expenditure (Capital Account):							
Costs of Mobilisation	47,036	6.7	—	—	—	—	...
Costs of issuing loans	1,912	.3	11,416	1.9	—	—	- 11,416
Deficit on Federal Food Supply Organisation*	111,833	15.9	22	—	—	—	- 22
Subsidies for lowering prices (on milk, bread, etc.)	5,191	.7	—	—	—	—	...
National Guard (Public Safety)	3,879	.5	1,500	.2	—	—	- 1,500
Costs of maintaining civil order during general strike	4,748	.7	1,000	.2	—	—	- 1,000
Measures to counteract unemployment	5,416	.8	35,359	5.8	82,500	13.4	+ 47,141
Subsidies to the watch-making industry	—	—	5,001	.8	6,000	1.-	+ 999
Subsidies to dairy farmers	—	—	24,319	4.-	—	—	- 24,319
Subsidies to cattle-breeders	—	—	1,670	.3	3,000	.5	+ 1,330
Indemnities to hotel-keepers for maintenance of interned troops	—	—	2,420	.4	—	—	- 2,420
Subsidy to the Swiss Fiduciary Society for the Hotel Industry	—	—	2,000	.3	3,500	.6	+ 1,500
Subsidy to the Swiss Fiduciary Society for the Embroidery Industry	—	—	500	.1	5,000	.8	+ 4,500
Total Extraordinary Expenditure (Capital Account)	180,015	25.6	85,207	14.-	100,000	16.3	+ 14,793

* The greater part of this deficit was actually incurred in preceding years, though not accounted for until 1921.

D. Analysis of Expenditure (continued).

	Closed Accounts 1921		Closed Accounts 1922		Estimates 1923		Difference (+ or -) between Col. (d) and Col. (f) Francs (000's omitted)
	Amount: Francs (000's omitted)	Percentage of Total	Amount: Francs (000's omitted)	Percentage of Total	Amount: Francs (000's omitted)	Percentage of Total	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		%		%		%	
<i>Ordinary Expenditure (Capital Account):</i>							
Investments:							
Real property	2,680	.4	2,338	.4	4,000	.6	+ 1,662
Movable property	19	—	—	—	—	—	—
Diminution in Investment Account	58	—	21	—	—	—	— 21
Writing off depreciation	8,772	1.2	15,148	2.5	—	—	— 15,148
Reserve	4,650	.7	—	—	—	—	—
Total Ordinary Expenditure (Capital Account)	16,179	2.3	17,507	2.9	4,000	.6	— 13,507
TOTAL EXPENDITURE on State Administration and Capital Accounts	704,625	100	607,986	100	614,540	100	+ 6,554
Payments from the Unemployment Fund, as distinct from the State Administration Account and the Capital Account	29,456	—	38,228	—	11,000	—	— 27,228

Note. — It must be remembered that there are several cases of expenditure accounted for twice, corresponding to revenue similarly accounted for in duplicate.

NOTES.

1. The great increase observable in State expenditure since the beginning of the war is mainly due to:

- (a) The great development of subsidies to Cantons and municipalities, etc., which reached 48 million frs. in 1921.
- (b) The increase in the charges for staff (from 63.8 million frs. in 1910 to 213.8 million frs. in 1921).
- (c) The increase in the debt service, from about 4 million frs., in 1910 to about 76 million in 1921; and
- (d) The heavy extraordinary charges for unemployment, etc., outside the budget.

2. The following table shows the number of persons employed by the Federation on January 1st, 1921, 1922 and 1923:

	1921	1922	1923
Permanent Staff:			
Officials	24,544	24,497	23,804
Workmen	5,169	4,878	4,378
Total	29,713	29,375	28,182
Temporary Staff:			
Workmen	5,117	3,982	4,319
Total	34,830	33,357	32,501

The total expenditure on account of staff was as follows:

Closed Accounts 1921....	213.9	million frs.
Budget Estimates 1922....	216.5	million frs.
Budget Estimates 1923....	195.5	million frs.

The Federal Council has emphatically declared its intention of reducing the staff as much and as quickly as possible. Each department has to furnish monthly figures regarding the increase or decrease in the numbers employed in each individual service.

3. The following table shows the expenditure by the Federation for the purpose of alleviating the hardships of unemployment.

Francs (000's omitted).

	Credits voted 1919-1922	Actual Expenditure				
		1919	1920	1921	1922	Total
Unemployment Fund	—	4,327	4,829	17,436	31,318	57,910
Works and doles	—	700	10,939	9,022	4,937	25,598
Subsidies to various organisations . .	—	473	721	2,304	1,351	4,849
Administrative expenses, etc.	—	479	722	694	622	2,517
Total	—	5,979	17,211	29,456	38,228	90,874
<i>Extraordinary Account:</i>						
Mainly for works	147,500	—	—	5,467	35,308	40,775
Subsidies to watchmaking industry. .	11,000	—	—	—	5,001	5,001
Subsidies to hotel industry.	5,000	—	—	—	2,000	2,000
Subsidies to embroidery industry. . .	5,000	—	—	—	500	500
Total	168,500	—	—	5,467	42,809	48,276
Grand total	168,500	5,979	17,211	34,923	81,037	139,150

In order to arrive at the total amount spent on account of unemployment in Switzerland, the charges borne by the Cantons and municipalities should be added to those of the Federation. Such charges are at least as heavy as those borne by the Federation.

The "Unemployment Fund" was established by a decree of March 24th, 1917. The receipts consist of one-fifth of the yield of the tax on war profits, augmented by 3,000,000 frs. from the yield of the war profits tax of 1915. The total receipts from taxes reached 108,953,703 frs. on December 31st, 1922, and the expenditure up to that date had been 90,873,989 frs., leaving a surplus of 18,079,714 frs. The budget statement of November 15th, 1922, estimated the charges for 1923 on the unemployment fund at 11 million frs. The total extraordinary appropriations for unemployment amounted to 168.5 million frs., of which 48.3 million frs. had been actually paid out before the end of 1922. A further sum of 77.6 million frs. had already been disposed of, though not actually paid out. The ultimate surplus available, therefore, amounted to 42.6 million frs. on December 31st, 1922. The budget statement of November 15th, 1922, estimated the unemployment charges for 1923 in the extraordinary account at 100 million frs., including subsidies to certain industries seriously affected by unemployment.

E. Public Undertakings.

Francs (ooo's omitted).

	Closed Accounts 1921	Closed Accounts 1922	Estimates 1923
<i>Post Office (Profit and Loss Account):</i>			
Receipts	117,033	121,121	122,008
Expenses	135,950	125,827	129,508
Balance	— 18,917	— 4,706	— 7,500
The expenses include interest on working capital and rent of office buildings due to other depart- ments, amounting to	2,639	2,711	2,781
<i>Telegraph and Telephone Office (Profit and Loss Account):</i>			
Receipts	73,737	68,902	81,323
Expenses	75,686	68,902	81,266
Balance	— 1,949	...	+ 57
The expenses include interest on invested capital and rent of office buildings due to other depart- ments, amounting to	9,189	10,510	11,904

The Federal Railways.

The working account of the Federal Railways has been as follows since 1920:

Francs (ooo,ooo's omitted).

Year	Accounts	Receipts	Working expenses	Difference
1920	} Closed Accounts }	394.-	358.3	+ 35.7
1921		354.-	341.9	+ 12.1
1922		344.2	313.7	+ 30.5
1923		Estimates	352.2	274.-	+ 78.2

The following table shows the interest charges (gross and net) compared with the surplus on the working account:

Francs (000,000's omitted).

Year	Interest on debt			Deduct receipts from deposits and securities	Net interest charges	Surplus on working account	Difference
	Funded	Floating	Total				
1920	71.7	8.9	80.6	15.6	65.-	35.7	— 29.3
1921	76.3	13.7	90.-	13.2	76.8	12.1	— 64.7
1922	85.8	8.5	94.3	7.9	86.4	30.5	— 55.9
1923 (est.)	89.8	8.8	98.6	4.9	93.7	78.2	— 15.5

The profit and loss account shows the following deficits:

1920....	31.7 million frs.
1921....	72.5 million frs.
1922....	45.5 million frs.
1923....	25.- million frs.

It is to be observed that the decrease in the deficit from 1921 to 1922 is solely due to a sum of 30 million frs. credited to the Railway Administration in 1922 by the Military Department, on account of transport services in connection with mobilisation during and after the war.

The investments amounted to 217.2 million, 117 million and 100.4 million frs. in 1920, 1921 and 1922 respectively.

F. Public Debt.

(i) Table showing the Public Debt of the Federation and the Federal Railways in 1913 and since 1919.

Francs (ooo,ooo's omitted).

Date	(a) Public Debt of the Federation											
	Domestic Debt								Foreign Debt		Total Debt	
	Funded		Floating		Special Funds		Total		Amount	Movement (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
December 31st, 1913	146.3	...	...	...	15.5	...	161.8	...	...	...	161.8	...
" " 1919	1,215.1	+ 1,068.8	435.-	+ 435.-	121.8	+ 106.3	1,771.9	+ 1,610.1	166.5	+ 166.5	1,938.4	+ 1,776.6
" " 1920	1,296.9	+ 81.8	311.6	- 123.4	149.8	+ 28.-	1,758.3	- 13.6	309.-	+ 142.5	2,067.3	+ 128.9
" " 1921	1,449.2	+ 152.3	372.6	+ 61.-	117.8	- 32.-	1,939.6	+ 181.3	309.-	...	2,248.6	+ 181.3
" " 1922	1,643.9	+ 194.7	200.5	- 172.1	97.9	- 19.9	1,942.3	+ 2.7	258.6	- 50.4	2,200.9	- 47.7
Date	(b) Public Debt of the Federal Railways						(c) Total Public Debt of the Federation and the Federal Railways					
	Funded		Floating		Total		Amount	Movement (+ or -)				
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)						
December 31st, 1913	1,494.5	...	69.6	...	1,564.1	...	1,725.9	...				
" " 1919	1,742.4	+ 247.9	216.2	+ 146.6	1,958.6	+ 394.5	3,897.-	+ 2,171.1				
" " 1920	1,790.1	+ 47.7	352.1	+ 135.9	2,142.2	+ 183.6	4,209.5	+ 312.5				
" " 1921	2,009.-	+ 218.9	274.6	- 77.5	2,283.6	+ 141.4	4,532.2	+ 322.7				
" " 1922	2,153.6	+ 144.6	230.5	- 44.1	2,384.1	+ 100.5	4,585.-	+ 52.8				

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(ii) Table showing the total Public Debt of the Federation and the Federal Railways in 1913 and since 1919, in actual figures and reduced to pre-war price level.

Date	Public Debt of the Federation and the Federal Railways		Neus Zürcher Zeitung Index Number of wholesale prices	Public Debt of the Federation and of the Federal Railways reduced to pre-war price level	
	Amount: Fr. (000,000's omitted)	Index Number		Amount: Fr. (000,000's omitted)	Index Number
December 31st, 1913	1,725.9	% 100	% 100 ¹	1,725.9	% 100
„ „ 1919	3,897.-	226	2	—	—
„ „ 1920	4,209.5	244	2	—	—
„ „ 1921	4,532.2	263	176.9 ²	2,562.-	148
„ „ 1922	4,585.-	266	174.7 ³	2,624.5	152

¹ July 1914.² Not calculated.³ January 1st of succeeding year.

(iii) Table showing the charges for Interest on the Public Debt of the Federation and the Federal Railways in 1913 and since 1920, in actual figures and reduced to pre-war price level.

Financial Year	Accounts	Interest on Public Debt				Neus Zürcher Zeitung Index Number of wholesale prices	Interest on Public Debt reduced to pre-war price level	
		Federation	Federal Railways	Federation and Federal Railways			Amount: Francs (000's omitted)	Index Number
				Amount	Index Number			
Francs (000's omitted)								
1913	Closed Accounts	4,229	48,995	53,224	% 100	% 100 ¹	53,224	% 100
1920		80,722	64,994	145,716	274	2	—	—
1921		103,006	76,786	179,792	338	176.9 ²	101,635	191
1922		109,283	86,395	195,678	368	174.7 ³	112,008	210

¹ July 1914.² Not calculated.³ January 1st of succeeding year.

The following table gives particulars regarding the Public Debt of the Federation as on December 31st, 1921 and 1922.

Francs (000,000's omitted).

	December 31st, 1921	December 31st, 1922
DOMESTIC DEBT :		
<i>Funded Debt:</i>		
3 % loan of 1897	16.2	15.5
3 % " " 1903	60.5	59.3
3 1/2 % " " 1909	24.4	24.1
4 % " " 1913	31.5	31.5
2nd mobilisation loan of 1914 at 5 %	43.3	...
3rd " " 1915 at 4 1/2 %	100.-	100.-
5th " " 1916 at 4 1/2 %	100.-	100.-
6th " " 1917 at 4 1/2 %	100.-	100.-
7th " " 1917 at 4 1/2 %	100.-	100.-
8th " " 1917 at 5 %	150.-	150.-
9th " " 1918 at 5 %	96.8	96.5
5 % bonds (3 years) 1919	143.9	...
6 % " (2 years) 1920	115.5	...
6 % " (3 years) 1920	60.5	60.5
6 % " (5 years) 1920	46.5	46.5
6 % " (2 1/2 years) 1921	167.8	167.8
6 % " (4 1/2 years) 1921	92.3	92.2
5 1/2 % loan of 1922 . . . . .	...	300.-
4 % loan of 1922 . . . . .	...	200.-
Total Funded Debt.	1,449.2	1,643.9
<i>Floating Debt:</i>		
Bonds bearing interest	188.-	106.-
Non-interest-bearing bonds	117.2	... (a)
Postal Administration	44.-	60.6
Insurance Fund of officials and other Federal employees	23.4	33.9
Total Floating Debt	372.6	200.5
Passive Capital: amount due by the Federation to Special Funds	117.8	97.9
Total Domestic Debt	1,939.6	1,942.3
FOREIGN DEBT :		
5 1/2 % loan in U. S. A. of 1919	166.5	133.2
8 % loan in U. S. A. of 1920	142.5	125.4
Total Foreign Debt.	309.-	258.6
Total Public Debt of the Federation	2,248.6	2,200.9

(a) Transferred from the Public Debt accounts to the "account of various creditors" (see Note 3 (b), page 148).

The following table gives particulars of the Debt of the Federal Railways as on December 31st, 1921 and 1922.

	December 31st, 1921	December 31st, 1922
3 % Rente of 1890	69.3	69.3
3 % Loan of 1903	138.—	136.3
3 1/2 % Loan of 1899-1902	453.8	448.7
3 1/2 % Loan of 1910	78.8	78.2
4 % Rente of 1900	75.—	75.—
4 % Loan of 1912-1914	143.8	142.8
5 % Loan of 1918-1919	150.—	150.—
3 1/2 % Loan Jura-Simplon, of 1894	135.5	115.6
3 1/2 % Loan St. Gotthard, of 1895	100.2	99.4
Other Loans	664.6	838.3
Total consolidated debt	2,009.—	2,153.6
Total floating debt	274.6	230.5
Total Railway Debt	2,283.6	2,384.1
Grand total of debt: Federation and Railways	4,532.2	4,585.—

NOTES.

1. The average rate of interest paid on the debt amounts to 4.51 % for 1922, compared with 4.10 % for 1921 and 3.19 % for 1913.

At present no sums are devoted to amortisation, the appropriation in the budget on that account being counterbalanced by a charge of the same amount on the amortisation fund.

2. During 1922 a 5 1/2 % loan, amounting to 300 million frs., and a 4 % loan, amounting to 200 million frs., were raised. The greater part of the proceeds was employed to repay the 2nd mobilisation loan (43.3 million frs.), the 5 % bonds of 1919 (143.9 million frs.), the 6 % bonds of 1920 (115.5 million frs.) and also to diminish the floating debt.

3. The changes in the floating debt have been as follows:

(a) 82 million frs. have been devoted to repayment of interest-bearing bonds.

(b) The non-interest-bearing bonds have been transferred from the debt account to the "account of various creditors". This accounting operation has, of course, no real influence on the liability of the State. These bonds were issued in 1921 in connection with the withdrawal from circulation of silver five-franc pieces. According to a federal decree of February 18th, 1921, these pieces may only serve as cover for notes issued, up to an amount equal to the commercial value of the silver they contain. The difference between the nominal and the metallic value has been covered by remitting to the bank Treasury bonds bearing no interest. As these bonds only constitute a nominal liability on the part of the State, they have been excluded from the Public Debt.

(c) The Postal Administration and the Insurance Fund have been able to transfer larger sums to the State than in the preceding year.

4. The foreign debt consists of:

(a) A loan of \$30 million raised in U. S. A. in August 1919, which, converted at the rate of 5.55 frs. = \$1, amounts to 166.5 million frs. \$6 million were repaid during 1922.

(b) A loan of \$25 million raised in U.S.A. in July 1920, which, converted at the rate of 5.70 frs. = \$1, amounts to 142.5 million frs. \$3 million of this loan were repaid in 1922.

It is interesting to note that a great part of this loan has since been repurchased by Switzerland.

5. The Public Debt as shown in the foregoing statement does not comprise bonds and coupons due but not yet paid. These amounted to 7.6 million and 9.6 million frs. on December 31st, 1921 and 1922, respectively.

G. Dates of Maturity.

The following amounts fall due during 1923, 1924 and 1925:

	Francs
1923	230,530,000
1924	101,442,100
1925	143,870,000

H. Assets owned by the State.

The assets administered by the General Administration and the Railway Administration are kept distinct in the Accounts.

Assets administered by the General Administration.

Francs (000,000's omitted).

	December 31st, 1921	December 31st, 1922
<i>(a) Productive Assets:</i>		
Cash and Deposits	27.1	26.7
State participation in Food Supply organisations	4.1	3.-
Securities	128.-	122.8
Capital invested in Public Undertakings	369.1	306.3
<i>(b) Due from various debtors</i> (the greater part being productive assets)	258.7	290.3
<i>(c) Non-productive Assets:</i>		
Advances to Public Undertakings	29.4	29.2
Real Property	133.2	139.9
Movable Property	177.-	167.1
Credit Balances	24.5	59.5
Total	1,151.1	1,144.8
<i>Productive Assets</i>	698.7	673.9
<i>Unproductive Assets</i>	452.4	470.9
Total	1,151.1	1,144.8

It should, however, be noticed that the liabilities to be set off against these assets are not only those shown in the public debt statement, but also those in other passive accounts (debit balances of various kinds).

The Capital Account shows the following final figures:

Francs (000,000's omitted).

	December 31st, 1921	December 31st, 1922
Total Assets	1,151.1	1,144.8
Total Liabilities	2,542.9	2,589.1
Deficit to be redeemed	1,391.8	1,444.3

The whole deficit has been accumulated since 1914.

The following loans have been granted to Foreign Governments (included under "Various debtors" in the table on the preceding page):

Francs.

	December 31st, 1921	December 31st, 1922
Credits to Roumania	4,000,000	18,719,830
Credits to Central European States	24,911,281	24,963,018
Total	28,911,281	43,682,848

The Federal Railways.

The capital account of the Federal Railways shows the following figures:

Francs (000,000's omitted).

	December 31st, 1921	December 31st, 1922
<i>Assets:</i>		
Capital invested	1,729.1	1,906.5
Works in progress	302.6	229.-
Accessory enterprises	1.7	1.6
Claims	187.2	140.9
Total	2,220.6	2,278.-
<i>Liabilities:</i>		
Debt	2,283.6	2,384.1
Various debit balances	126.9	132.9
Total	2,410.5	2,517.-
Deficits	189.9	239.-

I. The Cantons.

The following table summarises the accounts for all the Cantons for 1918, 1919 and 1920:

Francs (000,000's omitted).

	1918	1919	1920
Revenue	354.2	397.4	460.-
Expenditure.	404.4	475.-	523.1
Balance.	- 50.2	- 77.6	- 63.1

The following table shows the main sources of tax revenue of the Cantons:

Francs (000,000's omitted).

	1918	1919	1920
<i>Cantonal Taxes:</i>			
Land tax and property tax	49.1	45.2	70.4
Income tax and tax on professions	37.6	61.7	78.9
Personal tax.	1.-	1.1	1.5
Super-taxes	2.5	4.3	10.-
Death duties	9.7	10.9	15.9
Total direct taxation	99.9	123.2	176.7
Taxes on transactions	9.3	11.4	11.9
Stamp duty	2.8	3.-	3.-
Tax on automobiles and other vehicles.	1.-	1.8	3.2
Hotel taxes	4.1	4.4	5.1
Water rates	2.3	2.8	3.1
Other Cantonal taxes	3.4	3.3	4.3
Total indirect taxation	22.9	26.7	30.6
Total Cantonal taxes	122.8	149.9	207.3
<i>Portion allotted to the Cantons from revenue collected by the Federation:</i>			
Half of the tax on persons exempted from military service	5.5	4.2	4.3
Tax on patents . . . . .	.3	.4	.5
Alcohol monopoly	7.5	7.5	7.5
Payments by the National Bank	3.6	4.9	7.6
Stamp duties	2.2	3.9	4.2
Total	19.1	20.9	24.1

The Consolidated Debt of the Cantons amounted to:

1918	975.3 million frs.
1919	1,100.1 million frs.
1920	1,233.7 million frs.

UNION OF SOUTH AFRICA.

Notes on the Budget System.

1. The financial year covers the period April 1st to March 31st. The Budget is prepared by the Administration during the autumn and the early part of the following year, presented to Parliament usually before March 31st, and voted some months after the beginning of the financial year.

2. In the Union of South Africa there are two Budgets: one the General Government Budget corresponding to the Consolidated Revenue Fund, and the other the Railways and Harbours Administration Budget, corresponding to the Railways and Harbours Fund.

The Consolidated Fund comprises the Revenue Account and the Loan Account. The former is credited with all moneys received from revenue proper, the latter with moneys derived from the raising of loans, from repayment of loans or from alienation of fixed property and such other moneys as Parliament may direct to be paid to that account. The charges upon the Revenue and Loan Accounts are provided for by annual Appropriation Acts. Unforeseen and necessary expenditure not provided for in an Appropriation Act, or expenditure in excess of an amount so provided, may, however, be made under special warrant of the Governor-General up to an amount not exceeding £ 300,000. Ordinary expenditure, including debt service, is generally charged to the Revenue Account, and capital expenditure and such extraordinary expenditure as war costs are charged to the Loan Account. The capital expenditure of the Central Government is made up of loans to the Railways and Harbours Administration, the Land and Agricultural Bank, to Provinces, schools and colleges, advances for irrigation purposes, land settlement, agriculture, etc. and expenditure on public works, telegraphs and telephones, forestry, etc.

The Budget is a gross budget, since gross expenditure and gross receipts on account of Posts, Telegraph and Telephone Services are included, these services being regarded as an ordinary branch of the Civil Service.

Gross receipts and gross expenditure are also included for Forestry.

It should be observed that the Loan Account contains all proceeds of sales, etc., and that, therefore, a substitution of one kind of capital for another is registered in the yearly budgets.

The Railways and Harbours Administration is run as an independent concern. Its budget embraces a Revenue Account and a Capital Account. The funds to meet capital expenditure are in the main provided by the Treasury, and voted on the Loan Account of the General Budget. The Railways and Harbours Administration has, however, capital receipts from which to defray capital expenditure other than those advanced by the Central Government.

The Railways and Harbours Administration is liable to pay interest on the money thus received and this interest is chargeable to the Revenue Account of the General Budget. In the case of Government departments which carry out capital works from loan funds, the interest is charged to the public debt vote and not included in the working expenses of the department in question.

The yearly budget does not comprise special funds such as Sinking Fund, Pension Fund, Guardian's Fund. These are administered by the Public Debt Commissioners, a body composed of the Minister of Finance, *ex officio*, a member of the Railway Board and one other member.

3. The *Exchequer Accounts* are kept on the basis of cash receipts and expenditure by the Exchequer. The *Closed Accounts* contain revenue actually received by the various fiscal agents during the year irrespective of whether it reached the Central Exchequer or not. From the Exchequer figure for a given financial year are deducted sums which were in transit on March 31st, but were

not received by the Exchequer until after the close of the financial year, as they belong to the foregoing year. On the other hand, sums which were in transit on March 31st, even though not received until later, are added to the Exchequer Account for the financial year terminating on that date.

If there is a surplus on the Revenue Account, this surplus is payable to the Public Debt Commissioners for redemption of debt. In 1921-22 an exception was made and, by authority of a special Act of Parliament, a part of the surplus from the preceding year was carried as revenue to the current budget. If there is a deficit on the Revenue Account, power is given under the Exchequer and Audit Act of 1911 to obtain advances by means of Treasury Bills or otherwise for the purpose of financing a temporary deficit on the Revenue Account. Such a deficit may, in fact, be met from a surplus balance on the Loan Account.

The transactions on the Revenue Account and the Loan Account are accounted for separately in the Treasury; but only one account is kept at the banks, all revenue and loan receipts being paid in for credit of the Exchequer account.

The Loan Accounts are kept on the same basis as the Revenue Account, and are adjusted when audited in order to include revenue which is received by the local fiscal agents during a given year but does not reach the Central Exchequer until after March 31st.

If the receipts on the Loan Account during a given year are greater than the expenditure, the balance is directly credited to the Loan Account of the following year, and all unexercised borrowing power lapses.

4. In official statements of the Public Debt, the balance of unexpended money is not deducted, and the connection between the development of the debt and the realisation of the budget is therefore not directly visible.

5. The main cashier of the Government is the South African Reserve Bank, which was established as a central bank in June, 1921, but other banks are still used to a great extent.

6. *The financial relations between the Union Government and the Provinces.*

The most important objects of expenditure by the Provinces are education other than higher education, *i. e.*, up to University matriculation standard; hospitals and poor relief; roads and bridges; and game and fish preservation. Originally the whole of the funds required by the Provinces were provided by grants from the Union Exchequer, but by an Act of Parliament in 1913 this was changed. The Act provides for:

- (a) a subsidy from Union funds of one-half of the ordinary annual expenditure of the Province, subject to certain limitations as regards the annual increase in such expenditure;
- (b) the transfer to the Province, without powers of legislation in regard thereto, of the revenues derived from (i) transfer duty, (ii) liquor licences, (iii) native pass fees in Transvaal labour districts;
- (c) the assignment to the Province, with power of legislation in regard thereto, of trading and professional licences (with certain exceptions), education fees, hospital fees, etc.
- (d) a special subsidy, of £ 100,000 in each case, to Natal and the Orange Free State, the funds otherwise placed at their disposal being insufficient to balance the initial expenditure of these Provinces.

It is specially provided that the expenditure of any divisional council, school board, or native council out of revenues raised locally should rank as ordinary expenditure of the province for the purpose of assessing the subsidy referred to at (a) above. This provision is necessary to put the Cape Province on terms of equality, financially, with the other Provinces, for the provincial services in the Cape are largely carried out and paid for by subsidiary local authorities, so that the charges on the Cape Provincial Revenue Fund, and consequently the subsidy payable by the Union Government in respect of these charges, are relatively less than in the other Provinces, where no such system of devolution exists. Seeing that the trading and liquor licence revenues in Natal are collected by the municipalities, provision is made for a special grant to that Province equal to the yield of such licence revenues to the municipalities in any year.

By this arrangement the normal expenditure of the Provinces is met up to approximately one-half from revenues raised by the Provinces and the balance from subsidies from the Central Government. For the financial year 1921-22 a sum of £ 4,631,848 was granted as subsidies to the Provinces and £ 42,493 to certain Municipalities.

As regards the capital expenditure of the Provinces, the Act provides that it should be met from funds provided by the Union Treasury upon loan at such rate of interest and redeemable within such period as may be fixed. The interest and redemption charges rank as ordinary expenditure of the Province for purposes of the Union subsidy. The Provinces are not permitted to borrow from any source other than the Union Treasury.

On May 31st, 1910, all debts and liabilities of the Colonies, which were then formed into the Union, were assumed by the Government of the Union. On the other hand, all Crown lands, all ports and harbours, and practically the whole railway system, became the property of the Union Government. The responsibility for the public debt of the Provinces is thus vested in the Union Government. The municipalities borrow on their own responsibility.

The following review is based mainly on:

- (a) The reply of the Government of the Union of South Africa to the Questionnaire on Public Finance, dated March 27th, 1923;
- (b) The Official Year-Book of the Union of South Africa, dated November 9th, 1921;
- (c) Finance Accounts, 1918-19 to 1921-22;
- (d) Estimates of the Revenue to be received during the year ending 31st March, 1923;
- (e) Estimates of the expenditure to be defrayed from revenue funds during the year ending 31st March, 1924;
- (f) Estimates of expenditure from Loan funds during the year ending 31st March, 1923;
- (g) South African Railways and Harbours. Statement of the estimated revenue and expenditure for the financial year ending 31st March, 1924.

A. Summary of Budget Accounts.

The prevailing budget system differentiates between (a) the Revenue Account, (b) the Loan Account and (c) the Railways and Harbours Account.

Receipts and Expenditure of the Revenue Account.

£'s (000's omitted)

Financial year	Accounts	Receipts	Expenditure	Difference (+ or -)
1913-14	Closed Accounts	15,981	14,290	+ 1,691
1920-21		29,676	30,076	- 400
1921-22		28,884	30,091	- 1,207
1922-23	Estimates	28,695	29,113	- 418
1923-24	„	27,755	28,561	- 806

Receipts and Expenditure of the Loan Account.

£'s (000's omitted)

Financial Year	Accounts	Receipts				Expenditure (b)	Difference
		Balance from preceding year	Loans	Ordinary Receipts (a)	Total		
1913-14	Closed Accounts	*	*	*	*	4,952	*
1920-21		3,905	8,338	2,103	14,346	13,093	+ 1,253
1921-22		1,253	12,706	745	14,703	11,241	+ 3,462
1922-23		3,462	7,000	1,610	12,072	8,700	+ 3,372
	Estimates						

* Not available.

(a) Including recoveries on account of advances granted by the Union, sale of Government property, etc.

(b) Including capital expenditure on Railways and Harbours.

Receipts and Expenditure on Railways and Harbours Account.

£'s (000's omitted)

Financial Year	Accounts	Receipts	Expenses (a)	Difference
1920-21	Closed Accounts	27,299	28,349	— 1,050
1921-22		23,379	24,970	— 1,591
1922-23	Estimates	23,952	24,063	— 111
1923-24		22,854	23,178	— 324

(a) Excluding capital expenditure.

Under the Exchequer and Audit Act of 1911 the Government is authorised to obtain advances by means of Treasury bills or otherwise for the purpose of financing a temporary deficit on the Revenue Account. The deficits on the Revenue Account for the years 1920-21, 1921-22 and 1922-23 have, therefore, been met from the balances on the Loan Account. The transactions on the Revenue Account and the Loan Account are accounted for separately in the Treasury, but only one account is kept at the banks, all revenue and loan receipts being paid in for credit of the Exchequer account. All receipts of the Railways and Harbours Administration, from whatever source, are paid into the Railways and Harbours Account and are available to meet the expenditure and payments for which the administration is liable. In addition to revenue proper, balances on such accounts as the renewal funds, insurance fund, etc., may thus be utilized to meet expenditure provided for under appropriations. The deficit shown above on the Railways and Harbours Fund has been met from such balances except that in the year 1921-22, owing to heavy commitments against all funds, it became necessary for the Administration to obtain a special temporary loan of £ 1,500,000 from the Central Government. This loan has been included in "Other capital expenditure" in the expenditure statement on p. 158, and the repayments will be accounted for under "Loan recoveries" in the Loan Account.

B. Budget Estimates for the financial years 1922-1923 and 1923-1924.

£'s (ooo's omitted)

REVENUE	Estimates 1922-1923	Estimates 1923-1924		
		Taxation	Othersources	Total
Customs	5,660	6,100	14	6,114
Excise	1,919	1,959	—	1,959
Posts, telegraphs and telephones	3,000	—	3,096	3,096
Mining	620	750	710	1,460
Gold-mining leases	475	—	—	—
Bewaarplaats	65	—	—	—
Sales of Crown lands	100	—	—	—
Licences	135	145	—	145
Stamp duties and fees	950	600	200	800
Income-tax—normal, super and dividend tax	6,947	5,550	—	5,550
Excess profits duty	400	100	—	100
Estate and succession duty	450	500*	—	500
Native taxes	840	820	—	820
Native pass and compound fees	35	35	—	35
Quitrents and farm taxes	160	—	160	160
Forest revenue	85	—	75	75
Rents of Government property	215	—	189	189
Interest	5,474	—	5,637	5,637
Fines and forfeitures	300	—	240	240
Departmental receipts	750	—	750	750
Recoveries of advances	55	—	25	25
Miscellaneous revenue	60	10	90	100
Total	28,695	16,569	11,186	27,755

£'s (ooo's omitted)

EXPENDITURE	Revised estimates 1922-1923	Estimates 1923-1924
The Governor-General and Parliament	142	140
The Prime Minister	34	38
Minister of Finance	15,069	15,465
Minister of Justice	4,188	4,205
Defence	916	935
Minister of the Interior	1,017	1,038
Public Health	253	255
Native Affairs	426	374
Mines and Industries	335	382
Education	451	468
Agriculture	1,050	987
Minister of Posts and Telegraphs	2,818	2,828
Public Works	793	801
Lands, deeds and surveys	223	229
Irrigation	143	134
Public Service Commission	22	32
Unemployment (Mines and Industries)	450	250
Non-recurrent expenditure (industrial disturbances)	185	—
Total	28,515	28,561

* Death duties.

C. Analysis of Revenue.

	Estimates for the financial year 1921-1922	Closed Accounts for the financial year 1921-1922		Estimates for the financial year 1922-1923.		Difference (+ or -) between col. (c) and col. (e) £'s (000's omitted)
	£'s (000's omitted)	Amount £'s (000's omitted)	Percentage of Total Revenue	Amount £'s (000's omitted)	Percentage of Total Revenue	
(a)	(b)	(c)	(d) %	(e)	(f) %	(g)
Direct Taxation:						
a. Income tax, including super-tax	5,952	6,695	27.9	6,947	27.-	- 18
b. Excess profits duty	1,300	1,824	7.3	400	1.6	+ 1,424
c. Death duty	300	276	1.1	450	1.8	+ 174
d. Native taxes	890	859	3.4	875	3.4	+ 16
Total direct taxation	8,442	9,924	39.7	8,672	33.8	- 1,252
Indirect Taxation and Taxes on Transactions:						
a. Import duties	6,315	5,293	21.2	5,660	22.-	+ 367
b. Export duties on diamonds	300	142	.6	360	1.4	+ 218
c. Excise duties on:						
1. Tobacco and cigarettes	840	654	2.6	760	3.-	+ 206
2. Beer	332	243	1.-	275	1.1	+ 23
3. Spirits	804	686	2.8	750	2.9	+ 64
4. Sugar	144	96	.4	100	.4	+ 4
5. Matches	30	28	.1	30	.1	+ 2
6. Miscellaneous articles	1	4	—	4	—	..
Total Excise duties	2,151	1,711	6.9	1,919	7.5	+ 208
d. Stamp duties	765	652	2.6	725	2.8	+ 73
e. Licences	130	136	.5	135	.5	- 1
Total indirect taxation and taxes on transactions	9,661	7,934	31.8	8,799	34.2	+ 865
Revenue from Public Domain:						
a. Mining revenue	410	318	1.3	260	1.-	- 58
b. Gold-mining leases	600	724	2.9	475	1.9	- 249
c. Bewaarplaats	90	96	.4	65	.3	- 31
d. Sales of Crown lands	180	114	.5	100	.4	- 14
e. Quitrents and farm taxes	150	159	.6	160	.6	+ 1
f. Forests	110	80	.3	85	.3	+ 5
g. Rents of Government property	230	213	.8	215	.8	+ 2
Total revenue from Public Domain	1,770	1,704	6.8	1,360	5.3	- 344
Net Revenue from Postal, Telegraph and Telephone services	142	(def.) 166	(def.) 7	137	.5	+ 303
Net deliveries from the Railways and Harbours Administration	3,193	2,743	11.-	4,550	17.7	+ 1,807
Interest on Government Loans and Cash balances	675	781	3.1	813	3.1	+ 32
Recoveries on Loan Account	1,055	745	3.-	—	—	- 745
Other revenue	1,250	1,314	5.3	1,390	5.4	+ 76
TOTAL REVENUE	26,188	24,979	100.-	25,721	100.-	+ 742
Balance surplus revenue, 1919-20		460				
(See Note 3 on the Budget System)		25,439				

NOTES.

1. A portion of the surplus Revenue for 1919-20, which in the ordinary course of events would be utilized for redemption of Debt, was paid into the Revenue Account for 1921-22 under authority of a special Act of Parliament. The amount involved was £460,426.

2. Public Domain receipts are gross receipts, as it is impossible to earmark certain parts of the expenditure of the department in charge of this domain as the amount expended in earning the revenue.

D. Analysis of Expenditure.

	Estimates for the financial year 1921-1922 £'s (000's omitted)	Closed Accounts for the financial year 1921-1922		Estimates for the financial year 1922-1923		Difference (+ or -) between col. (c) and col. (e) £'s (000's omitted)
		Amount £'s (000's omitted)	Percentage of Total Expenditure	Amount £'s (000's omitted)	Percentage of Total Expenditure	
(a)	(b)	(c)	(d) %	(e)	(f) %	(g)
<i>Defence</i>	1,631	1,552	4.1	1,135	2.8	— 417
<i>Pensions</i>	1,926	1,926	5.—	1,772	4.4	— 154
<i>Subsidies:</i>						
Purchase of flour and tobacco	95	74	.2	4	—	— 70
<i>Unemployment</i>	450	400	1.1	600	1.5	+ 200
<i>Education, Higher</i>	403	400	1.1	452	1.1	+ 52
<i>Interest on Public Debt</i>	7,251	7,255	19.1	8,059	20.—	+ 804
<i>Capital Expenditure:</i>						
(a) Railways and Harbours Administration:						
1. From advances by Central Government	4,900	4,494	11.8	4,800	11.9	+ 306
2. From other capital funds held by the Administration	260	199	.5	396	1.—	+ 197
(b) Other capital expenditure	7,157	6,445	17.—	6,165	15.2	— 280
Total capital expenditure	12,317	11,138	29.3	11,361	28.1	+ 223
<i>Other expenditure</i>	15,632	15,240	40.1	16,980	42.1	+ 1,740
TOTAL EXPENDITURE	39,705	37,985	100.—	40,363	100.—	+ 2,378

E. Public Undertakings.

£'s (000's omitted)

	Estimates passed by Parliament for the financial year 1921-1922	Closed accounts for the financial year 1921-1922	Estimates for the financial year 1922-1923
<i>Railways and Harbours Administration:</i>			
Gross receipts	25,545	23,380	23,952
Working expenses	26,502	24,970	24,063
	— 957	— 1,590	— 111
Interest delivered to the Exchequer (included in working expenses above)	4,150	4,333	4,661
Net balance	+ 3,193	+ 2,743	+ 4,550
<i>Postal, Telegraph and Telephone Services:</i>			
Gross receipts	3,202	2,894	3,000
Working expenses	3,060	3,060	2,863
Balance	+ 142	— 166	+ 137

NOTES.

i. The following contributions were granted to Provinces and Municipalities during the financial year 1921-1922:

To Provinces:	£
Cape of Good Hope	1,750,416
Natal	629,476
Transvaal	1,614,773
Orange Free State	637,183
Total	<u>4,631,848</u>

To Municipalities:	
(Special grants in compensation for loss of capital status as a consequence of union).	
Bloemfontein	19,113
Pietermaritzburg	23,380
Total	<u>42,493</u>
Total Provinces and Municipalities	<u>£ 4,674,341</u>

F. Public Debt.

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

£'s (000,000's omitted)

Date	Domestic Debt						Foreign debt		Total gross debt		Deduct Sinking Fund	Total net debt	
	Funded		Floating		Total		Amount	Movement (+ or -)	Amount	Movement (+ or -)		Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)	Amount	Movement (+ or -)							
March 31st, 1914	14.5	...	none	...	14.5	...	111.8	...	126.3	...	6.9	119.4	...
" " 1919	35.2	+ 20.7	6.1	+ 6.1	41.3	+ 26.8	125.1	+ 13.3	166.4	+ 40.1	9.2	157.2	+ 37.8
" " 1920	42.5	+ 7.3	8.-	+ 1.9	50.5	+ 9.2	123.4	- .7	173.9	+ 7.5	9.9	164.-	+ 6.8
" " 1921	43.3	+ .8	12.2	+ 4.2	55.5	+ 5.-	123.1	- .3	178.6	+ 4.7	11.1	167.5	+ 3.5
" " 1922	47.1	+ 3.8	16.-	+ 3.8	63.1	+ 7.6	128.7	+ 5.6	191.8	+ 13.2	11.6	180.2	+ 12.7

(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 (net)		Index number of wholesale prices	Public Debt reduced to pre-war price level	
	Amount £'s (000,000's omitted)	Index number		Amount £'s (000,000's omitted)	Index number
March 31st, 1914	119.4	% 100.—	% 100.— ¹	119.4	100.—
.. .. 1919	157.2	131.7	164.8 ²	95.4	79.9
.. .. 1920	164.—	137.4	223.— ³	73.5	61.6
.. .. 1921	167.5	140.3	165.5 ³	101.2	84.8
.. .. 1922	180.2	150.9	127.6 ³	141.2	118.3

¹ 1913.² Average for 1919.³ April.

(iii) Table showing amount of Debt Charges (interest payments, cost of administration and contributions* to sinking fund) in 1914 and since 1919, in actual figures and reduced to pre-war price level.

Financial year ending	Account	Debt charges		Index number of wholesale prices	Debt charges reduced to pre-war price level	
		Amount £'s (000's omitted)	Index number		Amount £'s (000's omitted)	Index number
March 31st, 1914	Closed accounts	4,912	% 100.—	% 100.— ¹	4,912.—	100.—
.. .. 1920		6,911	140.7	223.— ²	3,099.1	63.1
.. .. 1921		7,316	148.9	165.5 ²	4,420.5	90.—
.. .. 1922		7,787	158.5	127.6 ²	6,102.7	124.2
.. .. 1923	Estimates	8,572	174.5	130.4 ³	6,573.6	133.8
.. .. 1924		8,627	175.6	—	—	—

* Amounting in estimates for 1923-1924 to £400,000.

¹ 1913.² April.³ January.

Table giving details of the Public Debt as on March 31st, 1921 and 1922.

£'s (000,000's omitted)

	Mar. 31st, 1921	Mar. 31st, 1922
DOMESTIC DEBT:		
<i>Funded:</i>		
<i>Cape of Good Hope.</i>		
4 per cent stock, November 1st, 1924-44	2.-	2.5
3 1/2 " " September 1st, 1930-50	4.1	4.3
4 " " October 15th, 1916-36	1.4	1.7
4 " " December 1st, 1923 . . . . .	.2	.3
4 " " November 15th, 1918-48	1.4	1.4
4 " " June 1st, 1917-23 . . . . .	.2	.2
4 1/2 " " } Perpetual annuities . . . . .	.1	.1
5 " " } . . . . .	.4	.4
<i>Union of South Africa.</i>		
3 3/4 per cent stock, July 1st, 1933-53	3.-	3.-
4 " " July 1st, 1933-53	3.-	3.-
4 " " (tax free) November 30th, 1921-36	14.9	8.6
4 1/2 " " (tax free) March 15th, 1929-39	1.6	1.7
5 " " March 15th, 1929-39	11.-	11.-
6 " " February 1st, 1927-32	—	9.-
Total funded debt	43.3	47.2
<i>Floating:</i>		
Union Loan certificates, 5%, life of 10 years but may be withdrawn at any time	2.1	2.1
Treasury bills, various periods and at various rates, 2 1/2%-5 1/2%	10.1	13.8
Total floating debt	12.2	15.9
TOTAL DOMESTIC DEBT	55.5	63.1
FOREIGN DEBT:		
<i>Cape of Good Hope.</i>		
3 per cent stock, February 1st, 1933-43	6.1	5.6
3 1/2 " " July 1st, 1929-49	12.6	12.4
4 " " October 15th, 1916-36	8.4	8.1
4 " " December 1st, 1923	3.4	3.2
4 " " and debentures, June 1st, 1917-23	2.-	2.-
4 " " debentures, annual drawings . . . . .	.1	—
<i>Natal.</i>		
3 per cent stock, January 1st, 1929-49	6.-	6.-
3 1/2 " " August 1st, 1934-44	6.2	6.2
3 1/2 " " June 1st, 1914-39	3.6	3.6
4 " " April 1st, 1937	2.9	2.9
4 " " January 1st, 1927 . . . . .	.3	.3
4 " " debentures, November 15th, 1926 . . . . .	.1	.1
<i>Transvaal and Orange Free State.</i>		
3 per cent stock, May 1st, 1923-53	35.-	35.-
<i>Transvaal.</i>		
3 per cent stock, July 1st, 1958	5.-	5.-

NOTES (continued).

6. The following table shows the amount of debt falling due before January 1st, 1926.

	Foreign	Domestic	Total
	£	£	£
Funded	12,275,406.	546,172	12,821,578
Temporary	396,114	{ 13,834,765 (a) 2,098,837 (b) }	16,329,716
Total	12,671,520	16,479,774	29,151,294

(a) Treasury bills. (b) Union Loan Certificates, see table on p. 162.

Assets of the State.

It is not possible to furnish a statement of the total value of the assets of the State, but the following are the principal capital assets held against the Public Debt, as on March 31st, 1921 and 1922:

£'s (000's omitted)

	March 31st, 1921	March 31st, 1922
<i>Gross Public Debt</i>	178,608	191,785
<i>Assets:</i>		
Railways and harbours	99,276	103,951
Railways and harbours, special advances	—	1,500
Telegraphs and telephones	3,936	4,427
Public works and buildings	8,426	9,088
Advances for irrigation, lands and agriculture	8,327	9,571
Forestry	129	177
Loans to Provincial administrations	4,872	5,940
Local works loans	483	456
School and college loans	1,533	1,668
Repatriation loans	912	427
Land Bank capital	5,498	6,009
Capital for sundry advances	50	50
Defence: Standard Stock	—	260
Police: Standard Stock	—	140
Advances for establishing Housing Loans Fund	—	610
Flour purchased by Government and distributed on repayment	—	65
Cash balance in Loan Account	1,126	3,160
Sinking Funds	11,154	11,575
Total	£ 145,722	£ 159,074

The following tables give the Closed Accounts* of the Provinces for the financial year 1921-22 and budget estimates for the financial year 1922-23.

Province of the Cape of Good Hope.

*Estimates for the Financial Year 1921-22.**

<i>Revenue.</i>	<i>£</i>	<i>Expenditure.</i>	<i>£</i>
Transfer duty	240,000	General administration	266,077
Licences	451,000	Education	2,454,078
Fines	3,500	Hospitals and charitable institutions	285,970
Taxes (General)	371,000	Roads, bridges, etc.	393,967
Local taxation (School Boards, Native Councils, Divisional Councils)	394,000	Expenditure of local bodies	3,360,992
Other revenue	430,367	Total normal expenditure	3,754,992
	1,889,867		
Subsidy from Central Government	1,765,309	Balance (Deficit) — £99,815.	
Total Receipts	3,655,176		

Capital Expenditure

(met from advances from the Central Government).

	<i>£</i>	<i>£</i>
Buildings	163,750	
Bridges	22,000	
Other expenditure	54,250	240,000
Grand total	3,994,992	

Estimates for the Financial Year 1922-23.

<i>Revenue.</i>	<i>£</i>	<i>Expenditure.</i>	<i>£</i>
Transfer duty	170,000	General administration	215,659
Licences	591,000	Education	2,453,293
Fines	2,000	Hospitals and charitable institutions	279,007
Provincial property tax	200,000	Roads, bridges and local works	307,991
Other taxes (Totalizator, motor-car, amusement, betting, etc.)	198,000	Expenditure of local bodies	3,255,950
Fees (hospital, school, etc.)	80,500	Total normal expenditure	3,700,950
Local taxation (School Boards, Native Councils, Divisional Councils)	445,000	Balance (Deficit) — £297,840.	
Other revenue	48,000		
	1,734,500		
Subsidy from Central Government	1,577,000	<i>Capital Expenditure</i>	
Less accumulated deficit at March 31st, 1922	3,311,500	(met from advances from the Central Government).	
	108,390		
	3,203,110	Buildings (School)	£ 97,130
Special loan by Central Government towards deficit	200,000	Hospitals	7,440
Total Receipts	3,403,110	Bridges	12,430
		Agricultural Societies (improvement to buildings)	4,000
		Miscellaneous	39,000
		Grand total	3,860,950

* Closed Accounts, 1921-1922, for the Province of the Cape of Good Hope are not yet available.

Province of Natal.

Closed Accounts for the Financial Year 1921-22.

<i>Revenue.</i>		<i>Expenditure.</i>	
	£		£
Transfer duty	90,179	General administration	64,533
Licences	59,778	Education	638,724
Fees	71,687	Hospitals and charitable institutions	104,997
Fines	3,706	Roads and local works	185,558
Taxes	115,800		
Other revenue	18,170	Total normal or recurrent expen-	
		diture	993,812
	359,320	Balance (Deficit) — £5,016.	
Subsidy from Central Government			
(including additional grant of			
£100,000)	629,476		
Total Receipts	988,796		

<i>Capital Expenditure</i>	
(met from advances from Central Government).	
	£
Buildings	100,733
Bridges	145,291
Roads	26,929
	272,953
Grand total	1,266,765

Estimates for the Financial Year 1922-23.

<i>Revenue.</i>		<i>Expenditure.</i>	
	£		£
Transfer duty	80,000	General administration	72,946
Licences	69,800	Education	619,207
Fees — School, hospital, etc.	81,200	Hospitals and charitable institutions	96,478
Fines	2,000	Roads and local works	193,643
Taxes	159,000		
Other revenue	25,000	Total normal or recurrent expen-	
		diture	982,274
	417,000	Balance (Deficit) — £13,274.	
Subsidy from Central Government			
(including additional grant of			
£100,000)	584,000		
	1,001,000		
Less accumulated deficit at March			
31st, 1922	32,000		
Total Net Receipts	969,000		

<i>Capital Expenditure</i>	
(met from advances from Central Government).	
	£
Buildings	74,405
Bridges	68,965
Roads	40,550
	183,920
Grand total	1,166,194

Transvaal.

Closed Accounts for the Financial Year 1921-22.

<i>Revenue.</i>	<i>£</i>	<i>Expenditure.</i>	<i>£</i>
Transfer duty	202,865	General administration	117,079
Licences	250,750	Education	2,677,318
Native pass fees	335,555	Hospitals and charitable institutions	417,476
Other fees	71,074	Roads and local works	224,765
Fines	40,134		
Gold profits tax	267,204	Total normal or recurrent expenditure	3,436,638
Poll tax	489,954	Balance (Surplus) + £ 51,759.	
Other taxes (totalizator, house, bachelors, betting, etc.)	175,132		
Other revenue	40,956		
	<u>1,873,624</u>		
Subsidy from Central Government	1,614,773		
	<u>3,488,397</u>		
Total Receipts	<u>3,488,397</u>		
		<i>Capital Expenditure</i>	
		(met from advances from Central Government).	
			<i>£</i>
		Buildings	280,481
		Bridges	56,185
		Acquisition of land	17,595
		Roads	37,483
		Unemployment	64,639
			<u>456,383</u>
		Grand total	<u>3,893,021</u>

Estimates for the Financial Year 1922-23.

<i>Revenue.</i>	<i>£</i>	<i>Expenditure.</i>	<i>£</i>
Transfer duty	180,000	General administration	108,574
Licences	220,000	Education	2,724,663
Native pass fees	320,000	Hospitals and charitable institutions	388,156
Other fees	67,500	Roads and local works	209,205
Employers' tax	250,000		
Poll tax	430,000	Total normal or recurrent expenditure	3,430,598
Other taxes (bookmakers, totalizator, betting, etc.)	149,000	Balance (Deficit) — £ 37,698.	
Other revenue	20,500		
	<u>1,637,000</u>		
Subsidy from Central Government	1,445,300		
Accumulated surplus at March 31st, 1922	310,600		
	<u>3,392,900</u>		
Total Receipts	<u>3,392,900</u>		
		<i>Capital Expenditure</i>	
		(met from advances from Central Government).	
			<i>£</i>
		Buildings	273,090
		Bridges	30,107
		Acquisition of land	15,840
		Roads	2,500
		Unemployment	62,000
			<u>383,537</u>
		Grand total	<u>3,814,135</u>

Orange Free State.

Closed Accounts for the Financial Year 1921-22.

<i>Revenue.</i>		<i>Expenditure.</i>	
	£		£
Transfer duty	67,645	General administration	36,561
Licences	80,972	Education	910,465
Fees	16,404	Hospitals and charitable institutions	34,778
Fines	1,998	Roads and bridges	94,552
Education tax	77,376		
Other taxes (wheel, entertainment, etc.)	58,435	Total normal or recurrent expendi- ture	1,076,356
Other revenue	49,503	Balance (Deficit) — £ 58,435.	
	<u>352,333</u>		
Subsidy from Central Government (including special grant of £ 100,000)	637,183	<i>Capital Expenditure</i> (met from advances from Central Government).	
Total Receipts	<u>989,516</u>		
		Roads	£ 38,460
		Buildings	123,960
		Bridges	36,344
		Grand total	<u>1,275,120</u>

Estimates for the Financial Year 1922-23.

<i>Revenue.</i>		<i>Expenditure.</i>	
	£		£
Transfer duty	70,000	General administration	35,935
Licences	95,600	Education	820,000
Fees	7,700	Hospitals and charitable institutions	36,275
Fines	1,000	Roads and bridges	108,461
Education tax	100,000		
Other taxes (wheel, entertainment, etc.)	70,000	Total normal or recurrent expendi- ture	1,000,671
Other revenue	43,300	Estimated balance (Deficit) — £ 95,671.	
	<u>387,600</u>		
Subsidy from Central Government (including special additional grant of £ 100,000)	589,000	<i>Capital Expenditure</i> (met from advances from Central Government).	
	<u>967,600</u>		
Less accumulated deficit at March 31st, 1922	71,600	Roads	£ 75,500
Total Net Receipts	<u>905,000</u>	Buildings	71,000
		Bridges	45,000
		Grand total	<u>1,192,171</u>

UNITED KINGDOM.

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 Administration during November, December and January, and are generally submitted to Parliament during the month of February. The budget speech by the Chancellor of the Exchequer, giving the estimates of revenue and 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 authorisations or simply by anticipation of later authorisations.

2. The British budget as presented to Parliament does not comprise the entire expenditure for which the State is responsible. To arrive at this, there must be added the expenditure chargeable under special acts to Capital Account, viz., Expenditure under the Telegraph (Money) Acts, 1913 and 1920, the Post Office (London) Railway Act, 1913, and the Housing Act, 1914. For the financial year 1922-23 the total expenditure under these Acts amounted to £7,987,000 and it is estimated at £8,630,500 for 1923-24. The money to meet this capital expenditure is borrowed on the security of terminable annuities calculated to repay the loan during the lifetime 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 £66.2 million on March 31st, 1922, is, however, included in the Public Debt under the heading "Other Capital Liabilities." It should be observed, nevertheless, that this charge does not at all represent the total capital outlay of the year, as all expenditure for capital purposes other than that under the above-mentioned Acts is charged against revenue.

Apart from this special accounting of capital expenditure, the British system does not differentiate between ordinary and extraordinary revenue, although for purely statistical purposes certain items of temporary war revenue and expenditure are classified under Ordinary and Special.

The expenditure side of the budget falls into two parts: (1) Consolidated Fund charges, *i.e.*, permanent charges under general statute such as debt charges which, having been once authorised by Parliament, are not voted each year; and (2) Supply Service charges covering the bulk of the State's expenditure other than debt charges and subject to annual vote on estimates presented to Parliament. The revenue is usually divided into two groups: receipts from taxes and receipts from non-tax revenue.

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 paid into the Exchequer, and the expenditure for salaries, etc., is charged against votes. Certain services are, in fact, rendered free by the Post Office to other departments, and when calculating the net return of the Post Office as a commercial concern, the value of these services must, of course, be taken into consideration.

The revenue side of the budget contains proceeds of sales of Government property, war stocks, etc., and interest and repayment of War Loans by Dominions, Allies, etc.

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. 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.

The following review shows the net appropriations only. It should, however, be noted that there is no clear distinction between the receipts which are included in the revenue side of the budget and those appropriated in aid, although a fairly regular practice has been established.

3. The closed accounts show all cash received, and all expenditure actually effected, by the departments during the year. The Exchequer accounts, published weekly during the course and at the end of the year, show the receipts which reached the Exchequer during the period and the issues from the Exchequer to the departments. The Exchequer accounts consequently include unspent balances of the departments. But as it is customary to keep the balances in the hands of the departments down to the minimum necessary, Exchequer issues and departmental expenditure do not differ very widely under ordinary conditions.

There are a few exceptions to the rule that at the end of the year a department must surrender to the Treasury any unspent balance. It may be entitled to keep such a balance in a special deposit account, in which case the balance is regarded as technically spent and shown as expenditure in the closed accounts. This 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.

4. There are two general provisions for debt redemption. 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 a specific Parliamentary authority. In the second place the annual expenditure includes a specific provision out of revenue for debt redemption ("New Sinking Fund") as well as the sums provided to meet the service of loans raised for reproductive works (see paragraph 2 above). The provision under these last two heads in the year 1920-21 amounted to £21.3 millions, apart from the "Old Sinking Fund" of £230.6 millions. But even this total does not constitute the net redemption. 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, etc. The total of these items in 1920-21 was £1.8 million.

But even when all these transactions are accounted for, it is obvious that the Public Debt will not exactly correspond with the amount raised by creation of debt less the amount applied in redemption of debt. In the first place, the amount of stock which a given amount of cash will cancel must depend on whether the stock stands below or above par. In the second place, the full amount issued to the National Debt Commissioners in one year for redemption of debt may not be actually so applied until the next year, as the purchases of stock are not always effected immediately on the receipt of the money. In the third place, stock may be issued at a discount, or the full consideration money for the debt created in one year may not be received till after the close of that year. Moreover, conversions occasion an increase or decrease in the debt according as the value of the converted security is above or below that of the security created in its place.

5. The British Administration has an account at the Bank of England, which acts as banking agent of the Treasury.

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. In connection with the statement of the Public Debt there is generally published a list of certain 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, which are regarded as a set-off against Public Debt. 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. The British Government gives various contributions to local authorities, generally for specific purposes (grants in aid). For the year 1922-23 these grants amounted to about £80 million, of which about £50 million were for education.

The following review has been based mainly on:

- (a) The reply of the British Government to the questionnaire dated May 4th, 1923.
- (b) Finance Accounts for the Financial Year 1921-22, published in May 1922.
- (c) National Debt, Parliamentary White Paper, Cmd. 1781, published in 1923.
- (d) Financial Statement (1923-24), Copy "of Statement of Revenue and Expenditure as laid before the House (of Commons) by the Chancellor of the Exchequer when opening the Budget." Treasury Chambers, April 16th, 1923.
- (e) Estimates for the various Departments for the year ending March 31st, 1924, presented to Parliament during February and March 1923.

A. Summary of Budget Estimates. Budget Accounts.

£'s (000,000's omitted).

Year.	Accounts.	Revenue.	Expenditure.	Difference.	Sinking Fund included in Expenditure.	Real surplus available for amortisation.
1913-14	Closed accounts	198.2	197.5	+ .7	5.2	+ 5.9
1920-21		1,426.-	1,195.4	+ 230.6	21.2	+ 251.8
1921-22		1,124.9	1,079.2	+ 45.7	25.-	+ 70.7
1922-23	Exchequer Issues	914.-	812.5	+ 101.5	24.7	+ 126.2
1923-24	Estimates	818.5	816.6	+ 1.9	40.-	+ 41.9

In addition to the budget accounts, certain capital expenditure is authorised by special Acts of Parliament and is met by creation of debt. This expenditure amounted to £4,000,000 in 1913-14, £6,000,000 in 1920-21, £8,000,000 in 1921-22, £8,000,000 in 1922-23 and has been estimated at £8,600,000 for the financial year 1923-24.

Although the surplus of revenue in the budget accounts of 1921-22 and 1922-23 has been devoted to debt redemption, there has been no immediate reduction of the nominal amount of the Public Debt, as, owing to the issue of Conversion Loans in 1921 and 1922 in the form of funding operations, the nominal amount of the debt has been increased, while savings in interest have been effected.

**B. Budget Estimates for the financial year 1923-1924
compared with Closed Exchequer Accounts for the financial
year 1922-1923.**

£'s (ooo's omitted).

REVENUE		
	Closed Accounts 1922-1923.	Estimates 1923-1924.
Customs	123,043	116,900
Excise	157,275	143,850
	280,318	260,750
Motor vehicle duties	12,321	13,250
Estate, etc., duties	56,871	52,000
Stamps	22,222	20,000
Land tax and house duty and mineral rights duty	2,980	3,000
Income tax	379,045	261,000
Super-tax		
Excess profits duty		
Corporation profits tax	2,004	12,000
	18,977	20,000
Total receipts from taxes	774,738	700,000
Postal service	34,150	33,200
Telegraph service	5,500	5,250
Telephone service	13,550	14,150
	53,200	52,600
Crown lands	900	900
Interest on sundry loans, etc.	10,016	12,500
Miscellaneous:		
Ordinary receipts	24,140	12,500
Special receipts	51,018	40,000
Total receipts from non-tax revenue	139,274	118,500
Grand Total	914,012	818,500

B. Budget Estimates for the financial year 1923-1924 compared with Closed Exchequer Accounts for the financial year 1922-1923 (continued).

£'s. (000's omitted).

EXPENDITURE		
	Closed Accounts 1922-1923.*	Estimates 1923-1924.
CONSOLIDATED FUND SERVICES.		
National Debt services:		
Interest, etc.	302,237	} 350,000
Sinking Funds, etc.	21,753	
Total National Debt services	323,990	350,000
Road fund	11,772	12,650
Payments to local taxation accounts, etc.	10,471	10,348
Land settlement	1,236	1,500
Payments to Northern Ireland Exchequer.	3,323	3,000
Other Consolidated Fund services	2,704	2,972
Total Consolidated Fund services.	353,496	380,470
SUPPLY SERVICES.		
Army, including ordnance factories.	45,400	52,000
Navy	56,200	58,000
Air Force	9,400	12,011
Civil Services *	286,826	251,670
Customs and Excise and Inland Revenue Departments	11,317	11,591
Post Office Services	49,857	50,874
Total supply services	459,000	436,146
Grand Total	812,496	818,616
<i>Add:</i>		
Expenditure chargeable against capital	7,987	8,631
	820,483	827,247

* The figures for the Civil Services, 1922-1923, represent estimates.

In his budget speech on April 16th, 1923, the Chancellor of the Exchequer announced that he proposed to include in the Finance Bill a clause providing a Sinking Fund of £40,000,000 for the financial year 1923-1924, increasing to £45,000,000 in 1924-1925, and £50,000,000 as a maximum thereafter — a sum approximately equal to the yield of the death duties.

C. Analysis of Revenue.

	Estimates 1921-22	Closed Accounts 1921-1922		Estimates 1922-23	Exchequer Issues 1922-1923		Estimates 1923-1924		Difference (+ or -) between Col. (f) and Col. (h) £'s (000's omitted)
	£'s (000's omitted)	Amount: £'s (000's omitted)	Percent- age of Total Revenue	£'s (000's omitted)	Amount: £'s (000's omitted)	Percent- age of Total Revenue	Amount: £'s (000's omitted)	Percent- age of Total Revenue	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
<i>Direct Taxation:</i>									
Income tax, including super- tax	410,500	398,887	37.3	329,000	379,045	43.9	319,000	41.5	— 60,045
Excess profits duty	120,000	30,452	2.9	27,800	2,004	.2	12,000	1.6	+ 9,996
Land tax and house duty	2,500	2,590	.2	3,000	2,980	.3	3,000	.4	+ 20
Death duties	48,000	52,191	4.9	48,000	56,871	6.6	52,000	6.8	+ 4,871
Corporation tax	30,000	17,516	1.6	19,750	18,977	2.2	20,000	2.6	+ 1,023
Total direct taxation	611,000	501,636	46.9	427,550	459,877	53.2	406,000	52.9	— 53,877
<i>Indirect Taxation and Taxes on Transactions:</i>									
Import duties	126,800	130,052	12.2	112,250	123,043	14.2	116,900	15.2	— 6,143
Excise duty on:									
Tobacco		11	—						
Beer		121,845	11.4						
Cider		90	—						
Spirits		51,278	4.8						
Glucose and saccharin		813	.1						
Table waters		1,157	.1						
Matches		2,122	.2						
Entertainments		10,279	1.0						
Other articles		6,696	.6						
Total Excise duties	196,200	194,291	18.2	160,750	157,275	18.2	143,850	18.8	— 13,425
Stamp duties	21,000	19,638	1.8	18,250	22,222	2.6	20,000	2.6	— 2,222
Motor vehicle duties	9,000	11,096	1.0	10,600	12,321	1.4	13,250	1.7	+ 929
Total Indirect Taxation and Taxes on Transactions	353,000	355,977	33.2	301,850	314,861	36.4	294,000	38.3	— 20,861
<i>Net Surplus from Public Domain:</i>									
Crown lands	650	820	.1	750	900	.1	900	.1	...
<i>Net Surplus from Public Under- takings:</i>									
Post Office	(Deficit)	(Deficit)	—	803	3,343	.4	1,726	.2	— 1,617
<i>Interest on Sundry Loans</i>	12,000	13,807	1.3	14,000	10,016	1.2	12,500	1.6	+ 2,484
<i>Sale of Government Property</i>	180,000	46,000	4.3	112,000	75,158	8.7	52,500	6.9	— 22,658
<i>Miscellaneous Revenue</i>		151,140	14.2						
TOTAL REVENUE	1,156,650	1,068,480	100.0	856,953	864,155	100.0	767,626	100.0	— 96,529

NOTES.

1. The following changes in taxes and other charges were proposed in the budget for 1923-24:

(a) The standard rate of the *Income Tax* to be reduced from 5s. to 4s. 6d. in the £, at an estimated cost of £19,000,000 in the year 1923-24 and £26,000,000 in a full year; the reduction to take place as from April 6th, 1923.

(b) The rate of the *Corporation Profits Tax* to be reduced from 1s. to 6d. in the £, as respects profits arising after June 30th, 1923, and to reduce proportionately the maximum amount of duty payable in certain cases under proviso (b), section 52 (1) of the Finance Act, 1920. The reduction will involve no loss of revenue during the year 1923-24, but about £2,000,000 during 1924-25 and will ultimately involve a loss of £12,500,000.

(c) *Customs and Excise. Beer*: A rebate to be granted of £1 per bulk barrel, independent of the gravity, but the rebate not to operate to reduce the existing Customs duty on any beer below 24s. 3d. per barrel or the existing Excise duty on any beer below 24s. per barrel. By means of this rebate the retail price of beer may be reduced by 1d. per pint, the full equivalent of such a reduction being 24s. per barrel, 20 shillings of the cost of the reduction to be borne by the Exchequer and 4 shillings by the trade. The loss to the Treasury is estimated at £15,000,000 in 1923-24 and £16,600,000 in a full year.

Cider and perry: the duty to be repealed at an estimated loss of £100,000 in a full year. The excise duty on *table waters*, sweetened or fermented, to be reduced from 4d. to 2d. per gallon, at an estimated loss of £175,000 in a full year.

(d) Reductions to be made in postal rates, effective as from May 14th, 1923, and telephone charges as from July 1st, 1923. The cost of this concession is estimated at about £1,900,000 in 1923-24 and £2,400,000 in a full year.

The reductions will cost altogether £34,150,000 in the year 1923-24 and about £47,250,000 in the following year.

2. The Chancellor of the Exchequer announced in his budget speech that proposals would be put forward to counteract tax evasion. The time-limit for the making of income-tax assessments and surcharges will be extended from 3 to 6 years and a similar extension will be made for the recovery of the statutory penalties, together with an increase in the amount of certain of the smaller penalties.

3. It is not possible to show the total amount derived from sale of Government property as in certain cases the proceeds of the sale of such property are included in trading and other receipts.

D. Analysis of Expenditure.

	Estimates 1921-1922	Closed Accounts 1921-1922		Estimates 1922-1923	Exchequer Issues 1922-1923	Estimates 1923-1924		Difference (+ or -) between Col. (e) and Col. (g) £'s (000's omitted)
	£'s (000's omitted)	Amount: £'s (000's omitted)	Percent- age of Total Revenue	£'s (000's omitted)	£'s (000's omitted)	Amount: £'s (000's omitted)	Percent- age of Total Revenue	
(a)	(b)	(c)	(d) %	(e)	(f)	(g)	(h) %	(i)
<i>Defence</i>	184,733	Not available, Included in Miscellaneous Expenditure.		119,711	Details not available. Included in Miscellaneous Expenditure.	106,655	14.7	— 13,056
<i>Pensions</i>	159,178			137,113		117,763	16.2	— 19,350
<i>Reconstruction</i>	26,640	16,117	1.6	12,347		7,376	1.—	— 4,971
<i>Subsidies</i>	46,853	38,629	3.8	18,715		12,147	1.7	— 6,568
<i>Unemployment</i>	11,982	11,802	1.2	12,727		12,931	1.8	+ 204
<i>Education</i>	59,686	56,917	5.7	50,361		47,495	6.6	— 2,866
<i>Interest on Public Debt</i>	321,544	307,284	30.8	332,865	302,200	310,000	42.7	— 22,865
<i>Net deficit on Public Undertakings:</i>								
<i>Post Office</i>	7,165	9,301	1.—	(surplus)	(surplus)	(surplus)	—	—
<i>Miscellaneous Expenditure</i>	235,369	557,727*	55.9	170,273	334,239 †	111,375	15.3	— 58,898
TOTAL EXPENDITURE	1,053,150	997,777	100.—	854,112	636,439	725,742	100.—	— 128,370

* Including expenditure for defence and pensions.

† Including expenditure for defence, pensions, reconstruction, subsidies, unemployment and education.

NOTES.

1. The actual expenditure for the year 1922-23 shows considerable savings compared with estimates for the same year. Not less than £30 million were saved on interest on the Public Debt, due almost entirely to the reduced volume of Treasury bills and the cheap rates at which they have been placed. The other chief items of savings were £27 million on the fighting services, £55 million on civil rates, and £6 million on the general provision of £25 million made for supplementary estimates. The actual expenditure was more than £113 million less than was estimated in May 1922.

The Chancellor of the Exchequer emphasised that he was anxious to press to the full the possibilities of reducing expenditure, but he could not hide from himself the fact that, apart from the extinction of the remnants of the war services; savings were becoming increasingly difficult to make. Whatever savings could be made in supply services, the time would come when it would be on debt that big savings would have to be effected. Much depended on the terms on which the debt maturing during the next seven years — in all nearly half the total debt — could be reborrowed.

2. Expenditure on buildings, furniture, accommodation, stationery and printing, legal proceedings, civil superannuation (except in the case of the revenue departments) and postal services is borne on separate specific votes, and is therefore excluded from the figures of expenditure of individual departments.

Reconstruction comprises grants to ex-soldiers for training, etc., and for their settlement on the land. The *subsidies* consist of grants paid to local authorities for the erection of houses, payments to the coal-mining industry, annual loss on land settlement scheme, and, in 1921-22, payments under the Corn Production Act. The *unemployment* expenditure includes administration charges, grants and loans to local authorities undertaking relief schemes and loans to necessitous Poor Law authorities borrowing to meet the demands upon them for able-bodied relief, and also State contributions to the unemployment fund and to special schemes.

Much of the expenditure on reconstruction is, in effect, for alleviation of unemployment.

In addition to State expenditure on unemployment there are considerable contributions to be made by employers and employees under the unemployment insurance scheme, and there is further expenditure by local authorities on relief works and by Boards of Guardians on poor relief.

E. Public Undertakings.

£'s (000's omitted).

	1921-1922.		1922-1923.		Estimates 1923-1924.
	Estimates.	Closed Accounts.	Estimates.	Exchequer Issues.	
<i>Post Office:</i>					
Gross receipts	60,000	56,400	54,625	53,200	52,600
Working expenses	67,165	65,701	53,822	49,857	50,874
Balance	-7,165	-9,301	+ 803	+ 3,343	+ 1,726
<i>Add:</i>					
Allowance for services rendered to other depart- ments	*	*	*	387	*
Surplus	*	*	*	3,730	*

* Not available.

According to the British system, the Post Office is treated as a department the expenditure of which is charged to votes. Allowance should accordingly be made for services rendered to other departments without payment and for other similar items.

Finances of Local Authorities.

The following table shows the estimated amount of rates to be collected by local authorities in 1923-24:

England and Wales	£159,000,000
Scotland	£17,543,000
Total	£176,543,000

It is estimated that this total is divisible as follows:

	England and Wales	Scotland
	£	£
Poor relief	37,000,000	3,378,000
Education	32,400,000	4,440,000
Police	8,900,000	950,000
Other services	80,700,000	8,775,000
Total	159,000,000	17,543,000

The State granted contributions to local authorities amounting to approximately £80,000,000. This figure includes about £50,000,000 for grants for education; £10,000,000 for payment to local taxation accounts; about £9,500,000 contributions towards the upkeep of police forces; about £7,000,000 for health grants and other minor items. It does not include any grants under the headings of reconstruction, subsidies and unemployment shown in Table D.

F. Public Debt.

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

£'s (000,000's omitted).

Date.	Domestic Debt.						Foreign Debt †		Total Debt.		
	Funded *		Floating.		Other Capital Liabilities.	Total.		Amount.	Movement (+ or -)	Amount.	Movement (+ or -)
	Amount.	Movement (+ or -).	Amount.	Movement (+ or -).		Amount.	Movement (+ or -).				
March 31st, 1914	616.3	...	33.5	...	56.4	706.2	...	none	...	706.2	...
" " 1919	4,750.8	+ 4,134.5	1,319.3	+ 1,285.8	46.1	6,116.2	+ 5,410.-	1,364.9	+ 1,364.9	7,481.1	+ 6,774.9
" " 1920	5,286.5	+ 535.7	1,263.5	— 55.8	46.9	6,596.9	+ 480.7	1,278.7	— 86.2	7,875.6	+ 394.5
" " 1921	5,180.5	— 106.-	1,243.3	— 20.2	48.7	6,472.5	— 124.4	1,161.6	— 117.1	7,634.1	— 241.5
" " 1922	5,566.7	+ 386.2	1,020.9	— 222.4	66.2	6,653.8	+ 181.3	1,088.7	— 72.9	7,742.5	+ 108.4
" " 1923	5,807.9	+ 241.2	809.9	— 211.-	68.-	6,685.8	+ 32.-	1,155.7	+ 67.-	7,841.5	+ 99.-

* The figures for funded debt include Funding loans and Victory bonds tendered for death duties and held by the National Debt Commissioners until withdrawn or paid off. Such bonds amounted on March 31st, 1920, 1921 and 1922 to £3 million, £11 million and £22 million respectively.

† Converted at par rate of exchange.

Note. — The increase in the nominal amount of the debt between 1921 and 1923 is due to: (a) conversion loans, increasing the face value of the debt while saving interest; and (b) inclusion in the capital of the foreign debt of arrears of interest due on the debt to the United States of America. There have actually been substantial repayments of debt during the years under review.

(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 omitted.)	Index Number.		Amount £'s (000,000's omitted.)	Index Number.
March 31st, 1914	706.2	% 100.—	% 100.—*	706.2	% 100.—
" " 1919	7,481.1	1,059.3	†	—	—
" " 1920	7,875.6	1,115.2	319.—	2,468.8	349.6
" " 1921	7,634.1	1,081.—	210.8	3,621.5	512.8
" " 1922	7,742.5	1,096.4	160.—	4,839.1	685.2
" " 1923	7,841.5	1,110.4	160.3	4,891.8	692.7

* 1913.

† Not calculated.

(iii) Table showing Amount of Gross Charges¹ 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.		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's omitted.)	Index Number.		Amount £'s (000's omitted.)	Index Number.
1913-1914	Closed Accounts	18,704	% 100.—	% 100.—*	18,704	% 100.—
1919-1920		328,174	1,754.6	†	—	—
1920-1921		329,895	1,763.8	210.8	156,497	836.7
1921-1922		309,221	1,653.2	160.—	193,263	1,033.3

* 1913.

† Not calculated.

¹ The figures shown in this table include charges for interest and management of all liabilities, while the figures for interest on Public Debt on page 175 do not include the interest charges on account of "other capital liabilities."

The following table gives particulars regarding the Public Debt as on March 31st, 1922 and 1923.

(£'s (000,000's omitted).)

	Maturity.	March 31st, 1922.	March 31st, 1923.	
DOMESTIC DEBT:				
<i>Funded Debt:</i>				
Consols, etc.	Permanent	314.5	314.2	
Terminable annuities *	For life and terms of years			
		16.2	13.4	
3 1/2 % Conversion Loan	Permanent	266.1	684.-	
3 1/2 % War Loan	1925-28	62.7	62.7	
5 % War Loan	1929-47	1,886.9	2,030.5	
4 % War Loan	1929-42	65.5	64.8	
4 1/2 % War Loan *	1925-45	12.8	12.8	
4 % Funding Loan *	1960-90	403.-	400.6	
4 % Victory Bonds	Annual drawings	355.9	353.9	
		185.-	150.-	
3, 5, and 5 1/4 % Exchequer Bonds	1922-30	453.-	409.-	
5 and 5 1/2 % Treasury Bonds	1925-35	1,201.-	956.-	
4 and 5 % National War Bonds	1922-29	—	—	
National Savings Certificates	—	342.-	354.2	
Sundry debts	—	2.1	1.8	
Other capital liabilities	—	66.2	68.-	
Total Funded Debt		5,632.9	5,875.9	
<i>Floating Debt:</i>				
Treasury bills		873.6	616.-	
Ways and Means advances		147.3	193.9	
Total Floating Debt		1,020.9	809.9	
Total Domestic Debt		6,653.8	6,685.8	
FOREIGN DEBT:				
<i>U. S. A.</i>				
Government *	1923-85 } 1923-25 }	856.1	945.2 † 12.5	In currency (millions) in which payable. U. S. A. \$ 4,600.- 61.-
Silver Loan . . . . .					U. S. A. $ 74.7
5 1/2 % 10-year bonds	1929	23.9	15.4	U. S. A. \$ 143.6
5 1/2 % 3-year notes	1922	10.9	—	Arg. \$ 15.-
5 1/2 % 20-year bonds	1937	29.5	29.5	
6 % Central Argentine Rwy. Co.	1927	3.1	3.1	
<i>Canada:</i>				
Government Loan	—	25.4	14.3	Can. \$ 69.7
Strails Settlements	1928-29	7.7	7.7	—
Mauritius 6 % Loan	1922	.5	—	—
Treasury bills issued as collateral for sundry loans payable abroad	—	3.6	—	—
Loans from certain Allied Governments	—	128.-	128.-	—
Total Foreign Debt		1,088.7	1,155.7	
TOTAL GROSS PUBLIC DEBT		7,742.5	7,841.5	

* Repaid by specific, statutory Sinking Funds.

† See notes on page 180.

Note. — 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. External debt is shown at par rate of exchange.

NOTES.

1. It is important to note that the increase in the face value of the debt is purely nominal and does not indicate any increase in the burden of the debt. This face value increase is due in the first place to the conversion of 5¹/₁₆ War Bonds and Exchequer Bonds into 3¹/₂ % Conversion Loan, which operation resulted, in the first place, in a nominal increase of about £135,500,000, and, in the second place, to the inclusion in the capital of the debt of arrears due on the debt to the United States Government. If allowance is made for these factors, the effective reduction amounts to over £149,000,000, face value. Quite apart from savings due to actual repayment, the taxpayer will have saved by the conversion of bond debt during the year rather over £750,000 a year in interest and £4,500,000 in premiums, which would have been payable on the bonds had they matured instead of being converted.

2. During the four years subsequent to March 31st, 1919, the external debt has been reduced by £209,198,000. The only important external debts remaining are those to the United States and to Canada. With regard to the former, a settlement was reached in the beginning of the year 1923, in accordance with which the arrears of interest were added to the capital of the debt and the debt is to be repaid by annuities during a period of 64 years. A part of the debt in respect of Pittman silver, amounting to \$61 million, is to be repaid during 1923 and 1924.¹

The precise amount of the debt due to Canada was determined by arbitration early in 1923.

The loans from certain Allied Governments, to the amount of £128,000,000, may be regarded as available to be set off against debts owed by the same Governments to the United Kingdom. These loans consist to a great extent of gold handed over by France, Italy and Russia in connection with loans granted to them by the United Kingdom. Most of this gold has been sold long since on the American market. According to the original agreements, the British Government will deliver the stipulated amount of gold to France, Italy and Russia, as the loans secured on the gold are repaid by these countries. This liability of the British Government may thus be considered to constitute merely an accounting item.

3. The Chancellor of the Exchequer, in his budget speech, proposed to include in the Finance Bill a clause to provide for a sinking fund of £40 million for the year 1923-24, increasing to £45 million for the following year, and £50 million as a maximum thereafter — a sum approximately equal to the yield of the death duties. In certain cases the State has definite responsibilities towards the holders of securities taken up under the terms of the prospectuses of the various issues and ratified by statute. These statutory obligations are as follows for 1923-24:

	£
Sinking Fund on Victory and Funding Loan	4,428,000
Sinking Fund on Conversion Loan	13,500,000
Victory Bonds tendered for death duty	7,500,000
Debt to U. S. A. :	
Sinking fund (say)	5,000,000
Pittman silver repayments	6,500,000
Total (about)	37,000,000
Margin	3,000,000
<i>Total Sinking Fund</i>	<u>40,000,000</u>

4. The so-called "Other capital liabilities" constitute reproductive debt in distinction from the other, or dead-weight debt, as it is called. These liabilities are repaid by annuities (at present approximately £6,500,000) included in annual votes and excluded from the debt services proper. Of the total of "Other capital liabilities" on March 31st, 1922, namely £66.2 million, £29 million represented expenditure on telegraph and telephone construction.

¹ For further particulars of the debt settlement, see the review of the financial position of the United States, p. 183 to 202.

Of the dead-weight debt, the sum of £ 128 million constitutes simply an accounting item, as explained in Note 2.

The net dead-weight debt, after deduction of other capital liabilities and the £ 128 million referred to above, amounted to £ 7,548.2 million on March 31st, 1922. The following estimated assets may be set off against the dead-weight debt. The value of the assets on March 31st, 1921, are also shown for the sake of comparison.

	£'s (000,000's omitted)	
	March 31st, 1922.	March 31st, 1921.
Estimated market value of Suez Canal Shares	19.7	19.4
Advances for purchase of bullion for coinage.	1.5	1.2
Advances to the Unemployment Fund.	13.9	—
Loan to the Government of the East Africa Protectorate.	—	.1
Contribution of Colonies to capital expenditure on the Pacific cable	1.1	1.1
Nominal value of debenture stock of the Cunard Steamship Company held as security for repayment of advances under the Cunard Agreement (Money) Act, 1904. . . . .	.8	.9
Anglo-Persian Oil Company shares and debentures stock at cost.	4.2	4.3
British Dyestuffs Corporation, Ltd. — shares at cost.	1.7	1.7
French 4 % <i>Rentes</i> (Government holdings), 132,592,500 frs. at cost.	3.6	3.6
Outstanding liability of India in respect of £100,000,000 5 % War Loan.	20.2	20.7
Civil Contingencies Fund — Balance repayable to Exchequer.	—	7.3
Depreciation Fund — Balance applicable to debt reduction.	9.8	9.1
Land Settlement (Facilities) Acts 1919 and 1921 — Loans outstanding.	13.—	10.4
Victory Bonds Sinking Fund.	1.—	.9
Funding Loan Sinking Fund — Balances applicable to debt reduction . . . . .	.2	.2
National Savings Certificates — Balance in hands of National Debt Commissioners in respect of moiety of proceeds issued to them under the Finance Act 1920	21.9	3.2
Total Estimated Assets	112.6	84.1

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

The loans to Dominions and foreign Powers stood at the following figures on March 31st, 1922, and 1923:

	£'s (000,000's omitted)	
	March 31st, 1922.	March 31st, 1923.
War Loans :		
Dominions :		
Australia	91.5	90.4
New Zealand	29.6	29.5
Canada	13.8	13.8
South Africa	12.3	11.9
Other Dominions and Colonies	3.3	3.1
Total	150.5	148.7
Allies :		
Russia	655.-	688.2
France	584.-	601.6
Italy	503.-	527.9
Kingdom of the Serbs, Croats and Slovenes	25.-	26.2
Portugal, Roumania, Greece and other Allies	67.-	70.1
Total	1,834.-	1,914.-
Relief and Reconstruction Loans :		
Austria	12.1	12.8
Poland	3.9	4.2
Roumania	2.2	2.3
Kingdom of the Serbs, Croats and Slovenes	2.-	2.1
Other States	1.-	1.-
Total	21.2	22.4
Belgian Reconstruction Loan	9.-	9.-
Other Loans :		
Armenia . . . . .	.8	.8
Czechoslovakia	2.-	.9
Total	2.8	1.7
Grand Total	2,017.5	2,095.8

Note.— The amounts shown include interest accrued. In the case of Belgium, interest has been regularly paid, and in the case of Czechoslovakia there has also been a considerable repayment of the principal of the debt. The British Government has agreed to the prolongation, for a period of 20 years, of the debt owing from Austria in connection with the League of Nations' action for the restoration of Austria.

5. *Dates of Maturity.*— During the coming seven years some £1,300 million of bond debt matures and, in addition, about £2,100 million may be redeemed at the option of the Government. It should be noticed that Savings Certificates, although technically repayable on demand, are likely to be held for the most part for five or ten years.

UNITED STATES OF AMERICA.

Notes on the Budget System.

Under an act approved on June 10th, 1921 (Budget and Accounting Act, 1921), provision was made for a new national budget system and an independent audit of Government accounts. To carry out the new measures, a Bureau of the Budget was established in June 1921 within the Treasury Department under a Director of the Budget appointed by the President. The Budget estimates for the fiscal year 1922-23 were submitted to Congress in two separate documents, one prepared under the old system (the "Book of Estimates"), the other according to the new principles inaugurated by the above-mentioned act and developed by the Director of the Budget (the so-called "Alternative Budget"). The House of Representatives forthwith adopted the Alternative Budget and changed the chapters of its Appropriations Bills to conform with the new system. The estimates for the fiscal year 1923-24 were accordingly submitted in a single document prepared on the lines of the new system.

1. The financial year covers the period from July 1st to June 30th. At the beginning of each regular session of Congress, that is, on the first Monday in December of each year, the President must transmit to Congress:

(a) Estimates of the expenditures and appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year; except that the estimates for such year for the Legislative Branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15th of each year and shall be included by him in the budget without revision;

(b) His estimates of the receipts of the Government during the ensuing fiscal year, under: (1) laws existing at the time the budget is transmitted, and also (2) under the revenue proposals, if any, contained in the budget;

(c) The expenditures and receipts of the Government during the last completed fiscal year;

(d) Estimates of the expenditures and receipts of the Government during the fiscal year in progress;

(e) The amount of annual, permanent, or other appropriations, including balances of appropriations for prior fiscal years, available for expenditure during the fiscal year in progress, as at November 1st of such year;

(f) Balanced statements of: (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year, if the financial proposals contained in the budget are adopted;

(g) All essential facts regarding the bonded and other indebtedness of the Government; and

(h) Such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government.

The budget is transmitted to Congress with a covering message and a report from the Secretary of the Treasury at its meeting in the beginning of December.

On July 8th, 1922, a budget and improvement committee composed of nine prominent officials was appointed to assist in the preparation and examination of Treasury estimates for appropriations and to study existing procedure within the department with a view to improving methods of work and bringing about a more effective organisation.

2. Receipts and outgoings are accounted for in:

- i. A General Fund, to which all ordinary receipts are carried;
- ii. A Loan Fund, to which all receipts from credit operations are carried;
- iii. Various special accounts attached to the General Fund, such as the Post Office Account;
- iv. Revolving Funds.

Into the GENERAL FUND are paid, for example, proceeds of sales of Government property, interest on loans to foreign Governments, repayments of such loans, Panama Canal receipts, etc., while the charges on the General Fund are:

- (a) All ordinary expenditure including capital expenditure such as that for construction of railroads (in Alaska);
- (b) Interest on the public debt;
- (c) Investments of Trust funds, e.g., Government contributions to Government Life Insurance Fund;
- (d) Reduction in principal of the public debt, payable from ordinary receipts.

With regard to the last item, it should be noted that certain retirements of public debt are required by law to be effected. Obligatory retirements of this kind are as follows:

- i. Sinking fund, as established in various loan acts;
- ii. Purchases of Liberty bonds from foreign repayments;
- iii. Redemption of bonds and notes from estate taxes;
- iv. Redemption of securities from Federal Reserve Bank franchise tax receipts;
- v. Retirements from gifts, forfeitures and other miscellaneous receipts.

Any surplus of receipts over expenditure on the General Fund is also utilised for debt redemption.

The LOAN FUND accounts for credit operations in connection with the principal of the public debt. All operations for prolongation of floating debt and other refunding operations are thus shown on this fund.

In many cases receipts and expenditure are shown on SEPARATE ACCOUNTS and only net surplus or deficit, as the case may be, carried to the General Fund. This is the case with regard to certain public undertakings, as, for instance, the Forest Service, the Federal Reserve Board and, notably, the Post Office. In some cases, however, as, for instance, the Panama Canal, gross earnings and working expenses are fully accounted for on the General Fund.

No interest is specially charged to public undertakings.

REVOLVING FUNDS are allotted to several departments as working capital. In these cases gross expenditure is charged directly against receipts and only net expenditure is shown in the budget.

In many cases receipts are accounted for not on the revenue side, but as credits to be deducted on the expenditure side, of the budget. A surplus on the Post Office service is so accounted for. The liquidation of railroad equipment trust notes was shown in that way in the 1921-22 budget and is specially noticeable as this liquidation realised not less than \$390 million. This accounting method accordingly results in lower figures for both expenditure and revenue than the usual method, but does not, of course, affect the balance.

3. The Treasury publishes daily statements of cash receipts and expenditure of the General Fund and the Loan Fund. At the end of the year totals are published on the basis of these statements.

With regard to expenditure, accounts are also published on the basis of warrants issued authorising withdrawal of cash from the Treasury. These accounts thus include unexpended balances to the credit of disbursing officers at the end of the year but not expenditure under unexpended balances at the beginning of the year. The Treasury also publishes these accounts readjusted to the Treasury statements (*i. e.*, to cash basis).

With regard to internal revenue, the detailed accounts of the Bureau of Internal Revenue differ from those based on the Daily Treasury Statements, as the former represent collections by internal-revenue officers throughout the country, including deposits by postmasters of amounts

received from sale of internal-revenue documentary stamps, while the latter represent the deposits of these collections in the Treasury or depositaries during the fiscal year concerned, the differences being due to the fact that some of the collections in the latter part of the fiscal year cannot be deposited, or are not reported to the Treasury as deposited, until after June 30th, thus carrying them into the following fiscal year as recorded in the statements showing the condition of the Treasury.

It is considered that the great advantage of the cash system is that the attention of the Executive, of Congress and of the public will be drawn to the very important question of the relation of the money actually to be spent by the Government to the money actually to be received in any fiscal year. By this method it will also be possible to fulfil the demand of the Budget Act to produce a balanced statement of the condition of the Treasury at the end of the last completed fiscal year, an estimate of the condition of the Treasury at the end of the fiscal year in progress and an estimate of the condition at the end of the ensuing fiscal year if the financial proposals contained in the budget were adopted. The realisation of the budget and the balance of the Treasury are thus very closely connected.

4. If the sum of the estimates contained in the budget on the basis of laws existing at the time when the budget is transmitted and the estimated amount of cash in the Treasury at the close of the fiscal year in progress, available for expenditure in the ensuing year, is less than the estimated expenditure for that year, the President is under obligation to make recommendations to Congress for new taxes, loans, etc.

The General Fund and the Loan Fund Accounts are closed separately. A surplus on either of these funds at the end of a given fiscal year increases the credit balance in the Treasury, and a deficit diminishes it. A balance of surplus or deficit is not carried from one budget to another but is accounted for in the Treasury cash accounts. It must be observed that the expenditure in the budget contains an item for reduction in principal of the public debt and that therefore the surplus which is credited to the General Fund is calculated after such redemption has been effected.

5. By a law enacted in 1846, the U.S.A. adopted the so-called "Independent Treasury system", under which the Government became its own banker. It collected revenue, handled disbursements and provided for the safe keeping of its funds by means of its own Treasury and sub-treasuries without making use of banking institutions. It even issued its own notes, the United States notes ("greenbacks"), for the cover of which it held a reserve fund in bullion. During the Civil War in 1863, the national banks began to be used as depositaries and financial agents of the Government to support the sub-treasuries as keepers of public funds. Then, in 1913, the Federal Reserve Act was framed, under which the Federal Reserve Banks were established and authorised to act as depositaries and fiscal agents of the United States, under the direction of the Secretary to the Treasury. According to instructions given on August 20th, 1920, the Federal Reserve Banks were charged with the exchange, replacement and redemption of the United States paper currency, and by instructions issued on October 19th, 1920, they were further entrusted with the exchange and redemption of United States coin and the performance of other duties and functions previously performed by the sub-treasuries. Between October 25th, 1920, and February 10th, 1921, the sub-treasuries were discontinued, and their remaining functions were transferred to the Treasurer of the United States, the mints and assay offices, and the Federal Reserve Banks and branches. By these changes the independent Treasury system has come to an end; but the Treasury of the United States still keeps funds in bullion and notes and itself performs wider monetary functions than, for example, the British Treasury.

In addition to the Treasurer of the United States and the Federal Reserve Banks and branches, deposits of Government Funds were maintained with the following depositaries: special depositaries (which participate in deposits of public moneys arising from such sales of bonds, notes or certificates as, under the terms of the official offering, may be paid by credit); Federal land banks (only temporary); national bank depositaries (which are being reduced in number); foreign depositaries and insular depositaries. The depositaries of public moneys are required by Treasury regulations to pay interest on daily deposits at the rate of 2 per cent. per annum.

According to the Budget Act, the Treasury has to publish balanced statements of its position, that is, of the position of the General Fund. The assets consist of cash in Treasury offices and cash with depositaries. The liabilities are:

1. Treasurers' cheques outstanding;
2. Deposits of Government offices;

3. Reserve against deposits, that is, funds ear-marked for redemption of notes, etc. The difference constitutes the surplus in the Treasury. For each year this surplus is increased or decreased by the surplus or deficits transferred from the General Fund Account and from the Loan Fund Account.

With regard to the statement of the public debt, it is worth noting that, in order to arrive at the *net* debt, no deduction is made on account of obligations of foreign Governments or other securities held by the United States Treasury.

6. The division of functions and revenues between the Federal and the State Governments is generally determined by the Constitution, but custom also plays a great part. The war has necessitated certain important changes of the pre-war division. The Federal Government gives subventions and grants to the States for specified purposes. These amounted to a total of \$113,879 million in the fiscal year 1921-1922.

In 1922 the Bureau of the Census published a report on "financial statistics of States." This report shows the financial transactions of 30 of the 48 States for the fiscal year 1921, the assessed valuation of taxable property in those States, the taxes levied thereon during the year and their indebtedness and specified assets at the close of that year. The text of the report calls attention to the diversity of State organisation and accounting, and describes the methods of harmonisation employed by the Bureau in these particulars.

The following review is based mainly on:

1. The reply to the Questionnaire, dated January 15th, 1923.
2. The Message of the President of the United States transmitting the Budget for the service of the fiscal year ending June 30th, 1924, 67th Congress, Third Session, House Document No. 423. The Message is dated December 4th, 1922.
3. The Annual Report of the Secretary of the Treasury on the state of the finances for the fiscal year ended June 30th, 1922, Treasury Department, Document No. 2912. The Report is dated November 20th, 1922.

The figures given thus relate to the position as in December 1922.

A. Summary Table of Budget Accounts, 1920-21 to 1923-24.

Revenue and Expenditure of the General Fund.

\$ (000,000's omitted).

Year	Accounts	Ordinary receipts.	Expenditure chargeable against ordinary receipts.	Difference between (c) and (d).	Amortisation included in (d).	Expenditure less amortisation (d) - (f)	Real Surplus (e) + (f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1920-21	Actual ¹ . . .	5,642.9	5,538.-	+ 104.9	422.3	5,115.7	+ 527.2
1921-22	" . . .	4,109.1	3,795.3	+ 313.8	422.7	3,372.6	+ 736.5
1922-23	Estimates ² . . .	3,429.9	3,703.8	- 273.9	330.1	3,373.7	+ 56.2
1923-24	" . . .	3,361.8	3,180.8	+ 181.-	345.1	2,835.7	+ 526.1

¹ Cash receipts and expenditure based on Daily Treasury Statements.

² Estimates of December 4th, 1922.

The revenue and expenditure shown in the foregoing table include all receipts and outgoings except:

- (1) Gross postal receipts and expenditure charged to postal receipts (see Notes on the Budget System, 2).
- (2) Receipts by and expenditure from revolving funds (see Notes on the Budget System, 2).
- (3) Receipts and expenditure on account of the Public Debt.

The postal receipts and expenditure account have been as follows:

\$ (000,000's omitted).

Year	Account	Receipts	Expenses	Surplus (+) or Deficit (-)
1920-21	Actual . . .	463.5	593.8	- 130.3
1921-22	„ . . .	484.9	545.7	- 60.8
1922-23	Estimates . .	528.5	560.-	- 31.5
1923-24	„ . . .	585.6	584.7	+ .9

The surplus and deficit are carried to the General Fund.

The receipts and expenditure on account of the Public Debt for 1921-22 were:

\$ (000,000's omitted).

Year	Account	PUBLIC DEBT			NET RETIREMENTS			Total
		Receipts	Expenditure	Difference = net retirements	Met from:			
Amortisation included in ordinary expenditure.	Surplus				Reduction in Treasury balances.			
1921-22	Actual	6,018.-	7,030.1	1,012.1	422.4	321.-	268.7	1,012.1

This table should be compared with the General Fund table (page 186) and the Public Debt table on page 196.

**B. Budget Estimates for the fiscal years 1922-23 and 1923-24
compared with Closed Accounts for the fiscal year 1921-22.**

\$(000,000's omitted).

	Actual figures for the fiscal year 1921-1922	Estimates for the fiscal year 1922-1923	Estimates for the fiscal year 1923-1924
<i>Revenue:</i>			
1. Internal Revenue receipts:			
Income and Profits tax	2,068.1	1,500.-	1,500.-
Miscellaneous internal revenue	1,145.2	900.-	925.-
2. Customs	356.4	450.-	425.-
3. Miscellaneous receipts	539.4	579.9	511.8
Total revenue	4,109.1	3,429.9	3,361.8
<i>Expenditure:</i>			
1. Ordinary expenditure	2,347.5	2,240.3	1,849.1
2. Reduction in principal of the Public Debt	422.7	330.1	345.1
3. Investment of Trust Funds	34.1	33.4	36.6
4. Interest on Public Debt	991.-	1,100.-	950.-
Total expenditure	3,795.3	3,703.8	3,180.8
Difference between Total revenue and Total expenditure	+ 313.8	- 273.9	+ 181.-
Add:			
Reduction in principal of the Public Debt	422.7	330.1	345.1
Real surplus	736.5	56.2	526.1

The table shows that there is a real surplus in each of the years in question. If, however, the sums devoted to obligatory amortisation are included in the expenditure, according to the method employed in the budget system of the United States of America, the estimates for the fiscal year 1922-1923 show a deficit amounting to \$273.9 million. It should, however, be observed that, when transmitting the budget for the fiscal year 1923-1924, the President declared that he was hopeful that the conditions on which the estimate was based would change for the better and that the close of the fiscal year 1922-1923 would show a balanced account.

C. Analysis of Revenue.

	Estimates for the fiscal year 1921-1922	Actual cash receipts for the fiscal year 1921-1922 *		Estimates for the fiscal year 1922-1923		Estimates for the fiscal year 1923-1924		Difference (+ or -) between Col. (g) and Col. (e) \$ (000's omitted)
		Amount \$ (000's omitted)	% of Total	Amount \$ (000's omitted)	% of Total	Amount \$ (000's omitted)	% of Total	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1. Direct taxation:								
a. Individual Income tax, including super-tax	850,000	See g.	—	700,000	20.4	700,000	20.8	—
b. Excess profits tax	600,000	" "	—	125,000	3.7	none	—	- 125,000
c. Estate and inheritance taxes	150,000	139,419	3.4	145,000	4.2	150,000	4.5	+ 5,000
d. Corporation income tax	430,000	See g.	—	375,000	10.9	600,000	17.8	+ 225,000
e. Back taxes	230,000	" "	—	300,000	8.8	200,000	6.—	- 100,000
f. Corporation capital stock tax	75,000	80,612	2.—	82,000	2.4	85,000	2.5	+ 3,000
g. Actual receipts under a, b, d, & e above	—	2,068,128	50.3	—	—	—	—	—
Total direct taxation	2,335,000	2,288,159	55.7	1,727,000	50.4	1,735,000	51.6	+ 8,000
2. Indirect taxation and taxes on transactions:								
a. Import duties	275,000	356,443	8.7	450,000	13.1	425,000	12.6	- 25,000
b. Excise tax on:								
1. Tobacco	250,000	270,759	6.6	300,000	8.8	300,000	8.9	—
2. Beer, alcoholic spirits, etc.	60,000	45,609	1.1	35,000	1.—	33,000	1.—	- 2,000
3. Transportation (carriers)	135,000	169,426	4.1	none	—	none	—	—
4. Candy	16,000	13,594	.3	9,000	.2	10,000	.3	+ 1,000
5. Insurance	10,000	10,855	.3	none	—	none	—	—
6. Jewellery, etc.	20,000	19,515	.5	18,000	.5	22,000	.7	+ 4,000
7. Luxuries	11,000	8,413	.2	none	—	none	—	—
8. » Automobiles and parts	110,000	104,434	2.5	123,000	3.6	128,000	3.8	+ 5,000
9. » Admissions and dues	95,000	80,001	2.—	65,000	1.9	70,000	2.1	+ 5,000
10. » non-alcoholic beverages	41,500	33,504	.8	14,000	.4	16,000	.5	+ 2,000
11. » Telephone and Telegraph	27,000	29,272	.7	30,000	.9	30,000	.9	—
12. » All others	45,500	46,320	1.1	24,000	.7	25,000	.7	+ 1,000
Total excise duties	821,000	831,702	20.2	618,000	18.—	634,000	18.9	+ 16,000
c. Stamp taxes, including playing cards	58,500	58,800	1.4	55,000	1.6	56,000	1.7	+ 1,000
d. Adjustment of Collectors' reports to Treasury records	—	34,592	.9	—	—	—	—	—
Total indirect taxation and taxes on transactions	1,154,500	1,281,537	31.2	1,123,000	32.7	1,115,000	33.2	- 8,000
3. Public Domain:								
a. Receipts	13,690	16,335	.4	16,215	.5	16,150	.5	- 65
b. Rents of public buildings and grounds	1,001	932	—	1,719	—	1,985	—	+ 266
Total Public Domain	14,691	17,267	.4	17,934	.5	18,135	.5	+ 201
4. Panama Canal (gross revenue)	11,760	11,747	.3	13,924	.4	14,224	.4	+ 300
5. Revenue-producing enterprises	none	2,105	.1	5,240	.2	3,472	.1	- 1,768
6. Profits on coinage, bullion deposits, etc.	18,498	21,661	.5	17,000	.5	10,000	.3	- 7,000
7. Net earnings, Federal reserve banks (franchise tax)	60,000	59,974	1.5	10,000	.3	10,000	.3	—
8. Sale of Government property	147,799	116,288	2.8	95,859	2.8	35,404	1.1	- 60,455
9. Interest, premium and discount:								
a. Interest on obligations of foreign Governments	25,000	27,715	.7	224,738	6.5	222,761	6.6	- 1,977
b. Interest on other obligations	16,313	29,745	.7	13,062	.4	10,102	.3	- 2,960
Total interest, premium and discount	41,313	57,460	1.4	237,800	6.9	232,863	6.9	- 4,937
10. Repayments of investments:								
a. Principal of loans to foreign Governments	30,500	49,114	1.2	31,250	.9	31,225	.9	- 25
b. Other repayments	2,350	71,545	1.7	27,393	.8	27,950	.9	+ 557
Total repayments of investments	32,850	120,659	2.9	58,643	1.7	59,175	1.8	+ 532
11. Assessments and reimbursements	7,327	13,477	.3	4,744	.1	7,671	.2	+ 2,927
12. Trust Fund receipts	54,943	57,940	1.4	61,197	1.8	65,319	1.9	+ 4,122
13. Miscellaneous receipts	64,773	60,830	1.5	57,522	1.7	55,549	1.7	- 1,973
Total Revenue	3,943,454	4,109,104	100.—	3,429,863	100.—	3,361,812	100.—	- 68,051

* The table is based on Daily Treasury Statements.

NOTES.

i. The Secretary to the Treasury, in his report on the state of the finances dated November 20th, 1922, makes the following statement with regard to taxation and revenue:

"The Revenue Act of 1921 was approved November 23rd, 1921, and did not become effective as to its most important changes until January 1st, 1922. It repealed the old excess-profits tax as of that date and, as a substitute, imposed a 2 1/2 per cent. additional tax on the net income of corporations. It likewise repealed most of the transportation tax and some of the nuisance taxes, and made some adjustments in the income tax, including revisions of the rates and of the exemptions. These changes have been operating during the calendar year 1922, and the Treasury is able now to form some judgment as to their reaction upon the revenues and their relations to the Federal tax system as a whole. The changes are still so recent, however, that their full effect will not be apparent until the income-tax returns based on the business of the present calendar year are filed and examined, and in these circumstances the Treasury is not prepared at the present time to recommend any general revision of the internal-revenue laws. Nor will it be necessary at this time to consider any additional taxes, for the Treasury hopes to overcome any deficiencies in the revenue without recourse to new taxes.

"The Treasury has already expressed its views, in the annual report for 1921, as to the direction which further tax revision should take, and, in line with those general recommendations and in the light of its experience up to date with the Revenue Act of 1921, has some specific recommendations for revision to make at this time, particularly as to changes designed to close gaps in existing law which are causing substantial loss of revenue to the Government. These recommendations relate chiefly to the rates of surtax, and the avenues of escape now open under the law. The higher surtax rates, which still run to 50 per cent., or a combined 58 per cent. after including the normal tax, put such heavy pressure on the larger taxpayers to reduce their taxable income that these taxpayers inevitably seek every permissible means of avoiding the realisation of income subject to surtax. The result is to create an artificial situation, which is not wholesome from the point of view of business or industrial development. At the same time, it is impairing the revenues of the Government, for under existing conditions the higher surtax rates are undoubtedly operating to reduce rather than increase the revenues. This presents a problem which calls for solution, and I believe it can be solved only by relieving, on the one hand, the pressure for reducing taxable income by making further readjustments of the surtax rates, and, on the other hand, by closing, so far as possible, the existing avenues of escape. To attempt to close the gaps alone would not be enough, for the existing rates of surtax cause such heavy pressure for avoidance that new gaps would surely be found. The high rates sound productive, but the fact remains that they are becoming increasingly ineffective and are yielding less and less revenue every year. The time has come to face the facts squarely and to correct the artificial conditions which now prevail."

The Secretary to the Treasury further points out that statistics of income for recent years show that there has been a remarkable decline in the larger taxable incomes, at the very time when net incomes generally have been increasing. This appears from the following table:

TABLE SHOWING DECLINE OF TAXABLE INCOMES OVER \$300,000.

Year	Number of returns		Net income		Dividends and interest on investments	
	All classes	Incomes over \$300,000	All classes	Incomes over \$300,000	All classes	Incomes over \$300,000
1916	437,036	1,206	\$ 6,208,577,620	\$ 992,972,986	\$ 3,217,348,030	\$ 706,945,738
1917	3,472,890	1,015	13,652,383,207	731,372,153	3,785,557,955	616,119,892
1918	4,425,114	627	15,924,639,355	401,107,868	3,872,234,935	344,111,461
1919	5,332,760	679	19,859,491,448	440,011,589	3,954,553,925	314,984,884
1920	7,259,944	395	23,735,629,183	246,354,585	4,445,145,223	229,052,039

"...In this way the surtaxes are gradually defeating their own purpose, and the high rates are becoming ineffective because of the steady disappearance of the taxable incomes to which they were intended to apply. The pressure operates in different ways, but among the means frequently used to reduce the amounts of income subject to taxation are the following:

i. Deductions of losses on sales of capital assets, with the failure to realise on capital gains;

- " 2. Exchanges of property and securities so as to avoid taxable gains ;
- " 3. Tax-exempt securities ;
- " 4. Other avenues of escape, such as the division of property, the creation of trusts, and the like.

" The most outstanding avenue of escape from the surtax exists in the form of tax-exempt securities, which, under our constitutional system, may be issued without restriction by the States and their political subdivisions and agencies. The Federal Government may likewise issue securities wholly exempt from taxation, State and Federal, but, since the first Liberty Loan, has followed the policy of issuing its bonds, notes, and certificates without exemptions from Federal surtaxes, except in minor amounts and for limited periods.

" The volume of fully tax-exempt securities, according to the best estimates available, is now approaching \$11,000,000,000, and has recently been increasing at the rate of about \$1,000,000,000 a year.

" This is a situation which cannot be permitted to continue without grave danger to our economic structure as well as to our system of taxation, and the Treasury has accordingly been urging for some time the adoption of a constitutional amendment restricting further issues of tax-exempt securities as the only practicable means of correcting the evil. Even a constitutional amendment would apply only to future issues of securities, but once the amendment is adopted, outstanding issues of tax-exempt securities will gradually eliminate themselves, and, as they become scarcer, should so increase in market value as to destroy or at least impair their value for tax-exempt purposes. An analysis of outstanding issues of State and municipal bonds indicates that 50 per cent. or thereabouts will mature within the next 20 years, so that, within a measurable period after the adoption of a constitutional amendment restricting further issues of tax-exempt securities, the situation would, to a large extent, be under control."

2. The Customs revenue for the fiscal year 1922-23 is estimated at \$450 million, or \$93 1/2 million more than the receipts in the preceding year. The increase is due to the new tariff which was established by an enactment of September 21st, 1922. It is, however, anticipated that the total cost of collecting the increased revenue will necessarily be somewhat greater than in the previous year, although there may be a reduction of the relative cost of collection.

3. The revenue shown under the headings " Direct Taxation " and " Indirect Taxation and Taxes on Transactions " is gross revenue and does not take into consideration the following refunds, drawbacks, etc., which are included under expenditure:

\$ (ooo's omitted).

	Estimates for 1921-22.	Actual expenditure for 1921-22.	Estimates for 1922-23.	Estimates for 1923-24.
Internal Revenue	13,269	51,095	101,212	14,100
Customs	27,010	36,588	38,570	22,020

4. The actual and estimated receipts on account of obligations of foreign Governments are shown as follows:

\$ (ooo's omitted).

	Estimates for 1921-22.	Actual receipts for 1921-22.	Estimates for 1922-23.	Estimates for 1923-24
Interest	25,000	27,715	224,738	222,761
Repayment	30,500	49,114	31,250	31,225
Total	55,500	76,829	255,988	253,986
% of total revenue	1.4%	1.9%	7.5%	7.6%

5. The receipts from sale of Government property are derived as follows:

\$ (ooo's omitted).

	Actual receipts for 1921-22	Estimates for 1922-23.	Estimates for 1923-24.
Sale of war supplies	89,321	83,510	27,812
Miscellaneous Government property	26,967	12,349	7,592
Total	116,288	95,859	35,404

It should be noted that this item does not include all the receipts from the liquidation of war assets, as money received from the sales of Railroad Equipment Trust notes and the sale or collection of other securities acquired under the Federal Control Act or the Transportation Act, 1920, are not accounted for as revenue but appear as deductions from expenditure. Not less than \$390 million were realized in that way during the fiscal year 1921-22, in addition to the \$116 million shown in the table above for that year.

D. Analysis of Expenditure.

(a)	Actual expenditure for the fiscal year 1921-1922 *		Estimated expenditure for the fiscal year 1922-1923		Estimated expenditure for the fiscal year 1923-1924		Difference (+ or -) between Col. (f) and Col. (d) \$ (ooo's omitted)
	Amount \$ (ooo's omitted)	% of total	Amount \$ (ooo's omitted)	% of total	Amount \$ (ooo's omitted)	% of total	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
A. General Functions:							
1. Legislative	8,427	.3	8,567	.3	8,625	.3	+ 58
2. Judicial	9,252	.3	9,027	.3	9,564	.4	+ 537
3. Executive	216	—	364	—	378	—	+ 14
4. General administration:							
a. Financial administration	57,304	1.8	63,490	1.9	60,626	2.1	— 2,864
b. Government supply services	13,343	.4	10,152	.3	10,104	.4	— 48
c. Public buildings service	10,701	.3	13,366	.4	12,197	.4	— 1,169
d. Civil pensions and allowance administration	148	—	145	—	160	—	+ 15
e. Institutional and general expenses	15,337	.5	15,003	.4	2,643	.1	— 12,360
Total general administration	96,833	3.0	102,156	3.0	85,730	3.0	— 16,426
Total General Functions	114,728	3.6	120,114	3.6	104,297	3.7	— 15,817
B. Military Functions:							
1. National defence:							
Special war agencies	789,945	24.7	599,750	17.8	568,822	20.1	— 30,928
National security and defence (fund) activities	369	—	cr. 124,700	cr. 3.7	cr. 59,725	cr. 2.1	cr. — 64,975
Military pensions:	cr. 18	—	—	—	—	—	—
Retirement pay; annuities; world war allowances and life insurance claims	738,299	23.1	763,706	22.6	724,140	25.5	— 39,566
Total Military Functions	1,528,595	47.8	1,238,756	36.7	1,233,237	43.5	— 5,519
C. Civil Functions:							
1. Foreign relations and protection of American interests abroad	9,502	.3	15,120	.4	14,708	.5	— 412
2. General law enforcement	16,134	.5	19,034	.6	18,245	.7	— 789
3. Provision for control of currency and banking	6,930	.2	7,039	.2	6,752	.2	— 287
4. Administration of Indian affairs	12,193	.4	10,632	.3	11,520	.4	+ 888
5. Administration of Public Domain	16,162	.5	18,153	.5	16,689	.6	— 1,464
6. Promotion and regulation of commerce and industry	10,244	.3	11,903	.4	10,606	.4	— 1,297
7. Promotion, regulation and operation of marine transportation	113,469	3.6	63,273	1.9	53,862	1.9	— 9,411
8. Promotion and regulation of land transportation	cr. 134,351	cr. 4.2	216,560	6.4	44,652	1.6	— 171,908
9. Postal service and land telegraph and telephone communication	deficit 67,730	2.1	deficit 31,517	.9	cr. 952	—	— 32,469
10. Promotion and regulation of agricult.	26,893	.9	28,040	.8	24,088	.9	— 3,952
11. Promotion and regulation of fisheries	1,154	—	1,215	—	1,158	—	— 57
12. Promotion of labor interests	5,751	.2	6,079	.2	5,307	.2	— 772
13. Immigration and naturalisation	4,348	.1	4,153	.1	3,788	.1	— 365
14. Promotion of public health	14,941	.5	16,645	.5	15,342	.5	— 1,303
15. Promotion of public education	7,540	.2	8,762	.3	9,378	.3	+ 616
16. Science and research	11,460	.4	10,170	.3	10,151	.4	— 19
17. Public works:							
a. General supervision, design and overhead	595	—	630	—	498	—	— 132
b. Public improvements	162,498	5.1	181,422	5.4	167,042	5.9	— 14,379
c. Government plant additions	5,724	.2	5,598	.2	967	—	— 4,631
Total public works	168,817	5.3	187,650	5.6	168,507	5.9	— 19,142
18. Revenue-producing enterprises	99	—	213	—	223	—	+ 10
19. Local Government	29,542	.9	30,488	.9	29,852	1.1	— 636
20. Relief expenditure	344	—	203	—	198	—	— 5
Total Civil Functions	388,902	12.2	686,849	20.3	444,074	15.7	— 242,775

* This statement is based on warrants issued and distributed to appropriation accounts, hence the difference between these figures and those on page 186, which are based on Daily Treasury Statements, i. e., cash outgoings.

D. Analysis of Expenditure: (continued).

	Actual expenditure for the fiscal year 1921-1922		Estimated expenditure for the fiscal year 1922-1923		Estimated expenditure for the fiscal year 1923-1924		Difference (+ or -) between Col. (f) and Col. (g) \$ (ooo's omitted)
	Amount \$ (ooo's omitted)	% of total	Amount \$ (ooo's omitted)	% of total	Amount \$ (ooo's omitted)	% of total	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
D. Non-functional Expenditure:							
1. Refunds, losses, contingencies and miscellaneous	87,970	2.7	139,982	4.2	36,270	1.2	- 103,712
2. Investments:							
a. Loans to foreign Governments	718	—	—	—	—	—	—
b. Federal farm loan bonds	cr. 175	—	—	—	—	—	—
c. Loans to railroads	14,510	.5	23,600	.7	—	—	- 23,600
d. Seed grain loans	859	—	49	—	18	—	31
Total investments	15,912	.5	23,649	.7	18	—	- 23,631
3. Fixed debt charges:							
a. Interest on public debt	989,485	31.—	1,100,000	32.6	950,000	33.5	- 150,000
b. Premium on the public debt	142	—	—	—	—	—	—
Total fixed debt charges	989,627	31.—	1,100,000	32.6	950,000	33.5	- 150,000
4. Trust funds	69,794	2.2	64,363	1.9	67,850	2.4	+ 3,487
Total Non-functional Expenditure	1,163,303	36.4	1,327,994	39.4	1,054,138	37.1	- 273,856
Total Net Expenditure of the Government as a whole	3,195,528	100.—	3,373,713	100.—	2,835,746	100.—	- 537,967
Add:							
Postal service expenditure (payable from postal revenue)	484,854	—	528,494	—	584,653	—	+ 56,159
Public debt retirements payable from "ordinary" receipts	422,353	—	330,089	—	345,097	—	+ 15,008
Total Gross Expenditure of the Government as a whole	4,102,735	—	4,232,206	—	3,765,496	—	- 466,800

E. Public Undertakings.

\$ (ooo's omitted).

	Actual cash 1921-22	Estimates 1922-23	Estimates 1923-24
Post Office:			
Gross receipts	484,853.5	528,494.3	585,605.6
Working expenses	545,666.5	559,996.8	584,653.2
	- 60,813.—		
Adjustment to Treasury Statement basis	- 3,533.2	—	—
Balance	- 64,346.2	- 31,502.5	+ 952.4
Panama Canal:			
Gross receipts	11,747.1	13,942.—	14,224.—
Working expenses*	2,772.7	6,900.—	6,340.—
Balance	+ 8,974.4	+ 7,042.—	+ 7,884.—

* Excluding fortifications.

NOTES.

1. For the fiscal year 1921-22 the actual expenditure has been nearly \$600 million less than was originally estimated. It should, however, be noted that not less than \$390 million of this reduction is due to the liquidation of war assets, the proceeds of which are accounted for as a deduction from expenditure rather than as revenue (see Note 5 on page 192). The true savings thus amount to only a little more than \$200 million.

2. In his Message to Congress of December 4th, 1922, the President pointed out that approximately two milliard dollars were to be expended in the payment of pensions, payments to or on behalf of World War veterans, interest on the public debt and the reduction of the public debt required by law to be made from ordinary receipts, and that, when these items were deducted from the total expenditure, only a little over one milliard would be left for the normal operating expenses of the Government. It is accordingly only the latter expenses that are subject to administrative control, and that can be reduced. The President said in this connection: "A reduction in expenditures would undoubtedly result from a reorganization of the departments and establishments upon a more scientific basis, but we cannot look to this alone to effect such a material reduction in cost of Government operations as would justify the expression of hope for a considerable lessening of expenditures in the years to come."

3. The following statement shows actual expenditure (by warrants) under appropriations provided by Congress for federal aid to States:

	Fiscal Year 1921-1922 \$ (000's omitted).
<i>Department of the Interior:</i>	
Colleges for agricultural and mechanic arts	2,500.-
Payments to States from receipts under Oil Leasing Act	1,806.8
Aid to States — "five, three and two per cent. funds to States (lands)"	36.3
<i>Department of Agriculture:</i>	
Payments to States and Territories from the National Forest Fund	1,023.1
Payments to School Funds, Arizona and New Mexico, National Forest Fund	59.6
General expenses, States relation service — under that portion of the appropriation that provides for Agricultural Experiment Stations in connection with colleges established in the several States	3,112.9
Co-operative agricultural extension work	5,474.-
Co-operative construction, etc., of roads and trails, National Forests	950.6
Co-operative construction of rural post roads	91,653.2
Federal forest road construction, postal	1,669.6
Forest road development	524.6
Forest highways	286.-
<i>Federal Board for Vocational Education:</i>	
Co-operative vocational education in agriculture	1,375.4
" " " " trades and industries	1,385.1
" " " " Teachers, etc.	965.6
" " " " rehabilitation of persons disabled in industry	255.7
<i>Departmental Social Hygiene Board:</i>	
Aid to States in protection of military and naval forces against venereal diseases	185.1
Payments to States for prevention, etc., venereal diseases	177.9
Payments to universities, etc., for research in venereal diseases	40.3*
Payments to universities, etc., for research in educational measures in venereal diseases	65.8
<i>Treasury Department:</i>	
Public Health Service: Expenses of Division of Venereal Diseases	194.9
<i>Department of Labor:</i>	
Promoting welfare and hygiene of maternity and infancy	217.1
Total	113,879.-

* Excess of repayments, deduct.

F. Public Debt.

I. Table showing the Public Debt (domestic debt only) in 1914 and since 1919.

\$ (000,000's omitted).

Date	Interest-bearing debt				Non-interest-bearing debt.		Total debt.	
	Consolidated		Non-consolidated		Amount	Movement (+ or -)	Amount	Movement (+ or -)
	Amount	Movement (+ or -)	Amount	Movement (+ or -)				
June 30th, 1914	967.9	...	none	...	220.3	...	1,188.2	...
" " 1919	17,102.8	+ 16,134.9	8,131.7	+ 8,131.7	247.5	+ 27.2	25,482.-	+ 24,293.8
" " 1920	16,218.3	- 884.5	7,842.8	- 288.9	236.8	- 10.7	24,297.9	- 1,184.1
" " 1921	16,118.9	- 99.4	7,618.4	- 224.4	238.9	+ 2.1	23,976.2	- 321.7
" " 1922	15,965.4	- 153.5	6,745.6	- 872.8	253.1	+ 14.2	22,964.1	- 1,012.1

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.		Bureau of Labor index number of wholesale prices	Public Debt reduced to pre-war price-level	
	Amount \$ (000,000's omitted)	Index number		Amount \$ (000,000's omitted)	Index number
		%	%		%
June 30th, 1914	1,188.2	100	100*	1,188.2	100
" " 1919	25,482.-	2,145	203	12,552.7	1,056
" " 1920	24,297.9	2,045	243	9,999.1	842
" " 1921	23,976.2	2,072	142	16,884.6	1,421
" " 1922	22,964.1	1,933	150	15,309.4	1,288

III. Table showing the amount of interest on Public Debt for the fiscal year 1913-1914 and since 1919 in actual figures and reduced to pre-war price level.

Fiscal year ended:	Accounts	Interest on Public Debt		Bureau of Labor index number of wholesale prices	Interest on Public Debt reduced to pre-war price-level	
		Amount \$ (000's omitted)	Index number		Amount \$ (000's omitted)	Index number
			%	%		%
June 30th, 1914	Closed Accounts	22,864.-	100	100*	22,864.-	100
" " 1919		615,867.3	2,694	203	303,382.9	1,327
" " 1920		1,024,024.4	4,479	243	421,409.2	1,843
" " 1921		996,676.8	4,359	142	701,885.1	3,070
" " 1922		989,485.4	3,328	150	659,656.9	2,885
" " 1923	Estimates	1,000,000.-	4,374	—	—	—
" " 1924		950,000.-	4,155	—	—	—

* 1913.

The following table gives details of the Public Debt as on June 30th, 1921, and 1922, and December 30th, 1922.

\$ (000,000's omitted).

	June 30th, 1921	June 30th, 1922.	December 30th, 1922
INTEREST-BEARING DEBT:			
A. BONDS.			
<i>Pre-war Debt:</i>			
2% consols of 1930	599.7	599.7	599.7
4% loan of 1925	118.5	118.5	118.5
2% Panamas of 1916-1936	49.-	49.-	49.-
2% Panamas of 1918-1938	25.9	25.9	25.9
3% Panamas of 1961	50.-	50.-	50.-
3% conversion bonds 1946-1947	28.9	28.9	28.9
2½% postal savings bonds	11.7	11.8	11.9
Total pre-war debt	883.7	883.8	883.9
<i>First Liberty Loan:</i>			
3½% bonds of 1932-1947	1,410.1	1,410.-	1,410.-
Converted 4% bonds of 1932-1947	18.-	12.5	12.5
Converted 4¼% bonds of 1932-1947	520.7	525.8	525.8
Second converted 4¼% bonds of 1932-1947	3.5	3.5	3.5
Total First Liberty Loan	1,952.3	1,951.8	1,951.8
<i>Second Liberty Loan:</i>			
4% bonds of 1927-1942	77.9	54.4	}
Converted 4¼% bonds of 1927-1942	3,238.6	3,256.2	
Total Second Liberty Loan	3,316.5	3,310.6	3,269.1
<i>Third Liberty Loan:</i>			
4¼% bonds of 1928	3,611.5	3,473.8	3,448.3
<i>Fourth Liberty Loan:</i>			
4¼% bonds of 1933-1938	6,354.9	6,345.4	6,330.9
Total Liberty Loans	15,235.2	15,081.6	15,000.1
<i>Treasury bonds of 1947-1952</i>	—	—	763.8
Total Bonds	16,118.9	15,965.4	16,647.8
B. NOTES.			
<i>Victory Liberty Loan:</i>			
4¾% notes of 1922-1923	3,272.9	1,991.2	854.4
3¾% notes of 1922-1923	640.9	—	—
Treasury notes 1924-1926	311.2	2,246.6	3,154.1
<i>Certificates of Indebtedness:</i>			
Tax certificates of 1922-1923	1,527.5	1,345.4	1,073.5
Loan certificates	923.1	409.4	—
Pittman Act certificates	215.9	74.-	—
Special certificates	32.9	—	17.-
Total certificates	2,699.4	1,828.8	1,090.5
<i>Treasury (War) Savings Securities.</i>	694.1	679.-	729.7
Total Notes	7,618.5	6,745.6	5,828.7
Total interest-bearing Debt	23,737.4	22,711.-	22,476.5

* Details not available.

Details of the Public Debt (continued).

\$ (000,000's omitted).

	June 30th, 1921	June 30th, 1922	December 30th, 1922
<i>Matured debt on which interest has ceased, payable on presentation</i>	10.9	25.3	248.1†
<i>Debt bearing no interest, payable on presentation:</i>			
Obligations required to be re-issued when redeemed:			
United States notes	346.7	346.7	}
Less gold reserve	153.-	153.-	
Obligations that will be retired on presentation	193.7	193.7	
Old demand notes . . . . .	.05	.1	
National bank notes and Federal Reserve Bank notes assumed by the U. S. A. on deposit of lawful money for their retirement	32.2	32.-	}
Fractional currency	2.-	2.-	
Total debt bearing no interest	227.9	227.8	261.7
Total gross debt	23,976.2	22,964.1	22,986.3
<i>Add:</i>			
Matured interest obligations, etc., including discount accrued (partly estimated) on savings certificates	370.2	296.4	*
Total gross liabilities	24,346.4	23,260.5	*
<i>Deduct:</i>			
Balance held by the Treasurer of the U. S. A. as per Daily Treasury Statements, minus net excess of disbursements over receipts in June reports subsequently received	532.9	264.1	*
Net debts	23,813.5	22,996.4	*

* Details not available.

† Includes \$236.5 million, principal amount of 4³/₄% Victory notes called for redemption on December 15th, 1922.

In the following table the bonds are shown as consolidated debt and all other obligations as non-consolidated debt. The latter consequently includes notes maturing in 1926.

\$ (000,000's omitted).

	June 30th, 1921	June 30th, 1922	December 30th, 1922
Consolidated debt	16,118.9	15,965.4	16,647.8
Non-consolidated debt	7,857.3	6,998.7	6,338.5
Total gross debt	23,976.2	22,964.1	22,986.3

NOTES.

1. *Dates of Maturity and funding of the short-dated debt.*

On June 30th, 1921, there was outstanding over \$7,000 million of debt maturing within two years, which included: nearly \$4,000 million of Victory notes maturing on May 20th, 1923; almost \$2,500 million of Treasury certificates of indebtedness, all maturing within a year; and about \$650 million, maturity value of (war) savings certificates, falling due on January 1st, 1923. The Treasury programme involved first the gradual funding of a large part of the early maturing debt through successive issues of Treasury

notes, to mature between the date of maturity of the Victory Loan on May 20th, 1923, and that of the maturity of the Third Liberty Loan on September 15th, 1928. Between June 15th, 1921, and August 1st, 1922, Treasury notes to the value of \$2,743.3 million were taken up by the public. The rate of interest was gradually reduced from 5 3/4 per cent. on the first issues to 4 1/4 per cent. on the issue of August 1st, 1922.

In October 1922, the Secretary to the Treasury announced the issue of 4 1/4 per cent 25 - 30 year bonds, maturing October 15th, 1952, and redeemable at par and accrued interest, in whole or in part, at the option of the United States on and after October 15th, 1947. Subscriptions on the first issue amounted to over \$1,651 million, of which a total of \$764 million was allotted. These were the first long-time Government obligations offered by the United States since the issue of the Fourth Liberty Loan in September 1918.

As a result of these operations and of the continuous repayment of debt from revenue funds, the outstanding amounts of Victory notes and certificates of indebtedness have been substantially reduced.

Upon completion of the refunding during the fiscal year 1922-23, there will arise a new class of short-dated debt, maturing within the next five or six years and aggregating perhaps \$9,000 million. These maturities, consisting chiefly of Third Liberty Loan bonds and of Treasury notes and certificates resulting from the funding operations of the past two years, will be spread over the intervening years up to 1928, when the Third Liberty Loan matures, and will be so arranged as to give free play to the policy of orderly funding and gradual liquidation. All outstanding issues of notes and certificates maturing within this period fall due on quarterly tax payment dates and will thus absorb any surplus revenue which may be available. On June 30th, 1922, the amount of outstanding interest-bearing public debt maturing before January 1st, 1926, was \$6,173 million.

2. The debt repayments consist of :

\$ (000,000's omitted).

	Actual cash 1921-22	Estimates 1922-23	Estimates 1923-24
i. Repayment required by law to be made from ordinary receipts:			
from			
(a) Sinking Fund	276.-	283.8	298.9
(b) Foreign repayments	64.8	31.3	31.2
(c) Estate taxes	21.1	5.-	5.-
(d) Federal Reserve Bank franchise tax receipts	60.3	10.-	10.-
(e) Gifts, forfeitures, and other miscellaneous receipts . . . . .	.3	—	—
Total	422.5	330.1	345.1
2. Repayment from surplus of ordinary receipts over expenditure, payable therefrom	313.8	—	—
Total	736.3	330.1	345.1

The aggregate of bonds purchased from repayments of foreign loans during the years 1918-19 to 1921-22 amounts to a nominal value of \$219.4 million, purchased at a cost of \$211.4 million. All the bonds purchased have been cancelled and retired and the public debt reduced by a corresponding amount.

SECURITIES OWNED BY THE UNITED STATES GOVERNMENT.

These securities may be divided into the following five main classes:

\$ (000,000's omitted).

	On June 30th, 1922
1. Foreign obligations, principal amount	10,045.4
2. Capital stock of war emergency corporations, par amount, after deducting cash deposited with the Treasurer of the United States	327.5
3. Railroad securities, principal amount	456.5
4. Federal Land Bank securities	142.9
5. Miscellaneous securities	84.8
Total	11,057.1

Interest accrued and remaining unpaid is not included in the figures.

The total of the securities owned by the United States amounted on June 30th, 1921, to \$11,326.7 million. The net decrease during the fiscal year 1921-1922 thus amounted to \$269.6 million, due principally to sales — to the amount of \$263.3 million, face value — of certain railroad securities.

The obligations of foreign Governments held by the United States, divided into classes, as on November 15th, 1922, are shown in the following table:

\$ (ooo's omitted).

Country	Credits under Liberty bond Acts.	Credits on account of surplus of war materials.	Relief Credits	Obligations held by the United States Grain Corporation.	Total Principal.	Accrued interest to November 15th, 1922.	Total Principal and interest.
Armenia	—	—	8,028.4	3,931.5	11,959.9	1,677.3	13,637.2
Austria	—	—	—	24,055.7	24,055.7	2,886.7	26,942.4
Belgium	347,251.-	29,872.7 ^(b)	—	—	377,123.7	60,073.4 ^(a)	437,197.1
Cuba	7,740.5 ^(b)	—	—	—	7,740.5	(b)	7,740.5
Czechoslovakia	61,974.-	20,612.3	6,428.1	2,873.3	91,887.7	14,404.5	106,292.2
Estonia	—	12,213.4	1,785.8	—	13,999.2	2,089.6	16,088.8
Finland	—	—	8,281.9	—	8,281.9	1,012.4	9,294.3
France	2,933,405.1	407,341.1 ^(b)	—	—	3,340,746.2	503,386.-	3,844,132.2
Great Britain	4,135,818.4	—	—	—	4,135,818.4 ^(c)	611,044.2 ^(d)	4,746,862.6
Greece	15,000.-	—	—	—	15,000.-	750.-	15,750.-
Hungary	—	—	—	1,685.8	1,685.8	202.3	1,888.1
Italy	1,648,034.1	—	—	—	1,648,034.1	284,681.4	1,932,715.5
Latvia	—	2,521.9	2,610.4	—	5,132.3	643.6	5,775.9
Liberia	26.-	—	—	—	26.-	3.5	29.5
Lithuania	—	4,159.5	822.1	—	4,981.6	747.3	5,728.9
Nicaragua	—	170.6	—	—	170.6	(e)	170.6
Poland	—	59,678.6	51,671.8	24,312.5	135,662.9	17,618.8	153,281.7
Roumania	23,205.8	12,922.7	—	—	36,128.5	5,864.1	41,992.6
Russia	187,729.7	406.1	4,465.4	—	192,601.2	39,712.7	232,313.9
Kingdom of the Serbs, Croats and Slovenes	26,126.6	24,978.-	—	—	51,104.6	7,994.1	59,098.7
Total	9,386,311.2	574,876.9	84,093.9	56,858.8	10,102,140.8	1,554,791.9	11,656,932.7

(a) No interest due until maturity in the case of certain obligations aggregating \$2,284,151.40.

(b) Interest has been paid as it became due.

(c) Includes \$61 million of obligations given for Pittman silver advances and for which an agreement for payment has been made.

(d) Great Britain paid \$50 million on October 16th, 1922, and \$50 million on November 15th, 1922, on account of interest on other than Pittman silver obligations.

(e) No interest due until maturity.

NOTES.

I. *Austrian relief.* — In order that the United States Government might co-operate, in the action for the rehabilitation of Austria, with the other Governments having claims against her, the following joint resolution was passed by Congress and approved by the President on April 6th, 1922:

"Whereas the economic structure of Austria is approaching collapse and great numbers of the people of Austria are, in consequence, in imminent danger of starvation and threatened by diseases growing out of extreme privation and starvation; and

"Whereas this Government wishes to co-operate in relieving Austria from the immediate burden created by her outstanding debts: Therefore be it

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized to extend, for a period not to exceed *twenty-five years*, the time of payment of the principal and interest of the debt incurred by Austria for the purchase of flour from the United States Grain Corporation, and to release Austrian assets pledged for the payment of such loan, in whole or in part, as may in the judgment of the Secretary of the Treasury be necessary for the accomplishment of the purposes of this resolution: Provided, however, That *substantially* all the other creditor-nations, to wit, Czechoslovakia, Denmark, France, Great Britain, Greece, Holland, Italy, Norway, Rumania, Sweden, Switzerland and Yugoslavia shall take action with regard to their respective claims against Austria similar to that herein set forth. The Secretary of the Treasury shall be authorized to decide when this proviso has been *substantially* complied with."

The extension was granted for the whole of the debt in December 1922.

2. *Settlement of foreign obligations.* — The World War Foreign Debt Commission was created by the act of February 9th, 1922, entitled "An act to create a commission authorized under certain conditions to refund or convert obligations of foreign Governments held by the United States of America, and for other purposes," the text of which is as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That a World-War Foreign Debt Commission is hereby created consisting of five members, one of whom shall be the Secretary of the Treasury, who shall serve as Chairman, and four of whom shall be appointed by the President, by and with the advice and consent of the Senate.

"Section 2. That, subject to the approval of the President, the commission created by Section 1 is hereby authorized to refund or convert, and to extend the time of payment of the principal or the interest, or both, of any obligation of any foreign Government now held by the United States of America, or any obligation of any foreign Government hereafter received by the United States of America (including obligations held by the United States Grain Corporation, the War Department, the Navy Department, or the American Relief Administration), arising out of the World War, into bonds or other obligations of such foreign Government in substitution for the bonds or other obligations of such Government now or hereafter held by the United States of America, in such form and of such terms, conditions, date or dates of maturity, and rate or rates of interest, and with such security, if any, as shall be deemed for the best interests of the United States of America: Provided, That nothing contained in this act shall be construed to authorize or empower the commission to extend the time of maturity of any such bonds or other obligations due the United States of America by any foreign Government beyond June 15, 1947; or to fix the rate of interest at less than 4 $\frac{1}{4}$ per centum per annum: Provided further, That when the bond or other obligation of any such Government has been refunded or converted as herein provided the authority of the commission over such refunded or converted bond or other obligation shall cease.

"Section 3. That this act shall not be construed to authorize the exchange of bonds or other obligations of any foreign Government for those of any other foreign Government, or cancellation of any part of such indebtedness except through payment thereof.

"Section 4. That the authority granted by this act shall cease and determine at the end of three years from the date of the passage of this act.

"Section 5. That the annual report of this commission shall be included in the annual report of the Secretary of the Treasury on the state of the finances, but said commission shall immediately transmit to the Congress copies of any refunding agreements entered into, with the approval of the President, by each foreign Government upon the completion of the authority granted under this act."

On January 3rd, 1923, a special delegation from the British Government arrived in the United States to negotiate terms for the funding of the British debt to the United States. The work of the commission resulted in a proposal to be submitted to the two Governments. The British Government accepted the terms in February 1923, and the United States Congress passed the following British Debt Funding Bill, which was signed by the President on February 28th, 1923:

"Be it enacted, etc., That the first proviso of Section 2 of the act entitled 'An act to create a commission authorized under certain conditions to refund or convert obligations of foreign Governments held by the United States of America, and for other purposes', approved February 9, 1922, is amended to read as follows:

"'Provided, That the settlement of indebtedness of the United Kingdom of Great Britain and Ireland to the United States, as follows:

Principal of notes to be refunded	\$4,074,818,358.44
Interest accrued and unpaid up to December 15, 1922, at the rate of 4 1/4 %	629,836,106.99
	\$4,704,654,465.43
Deduct payments made October 16, 1922, and November 15, 1922, with interest at 4 1/4 % thereon to December 15, 1922.	100,526,379.69
	\$4,604,128,085.74
To be paid in cash	4,128,085.74
Total principal of indebtedness as of December 15, 1922, for which British Government bonds are to be issued to the United States Government at par	\$4,600,000,000.00

"The principal of the bonds shall be paid in annual installments on a fixed schedule, subject to the right of the British Government to make these payments in three-year periods. The amount of the first year's installment will be \$23,000,000, and these annual installments will increase with due regularity during the life of the bonds until, in the sixty-second year, the amount of the installment will be \$175,000,000, the aggregate installments being equal to the total principal of the debt.

"The British Government shall have the right to pay off additional amounts of the principal of the bonds on any interest date upon 90 days' previous notice.

"Interest is to be payable upon the unpaid balances at the following rates on December 15 and June 15 of each year: At the rate of 3 per cent. per annum, payable semi-annually from December 15, 1922, to December 15, 1932, thereafter at the rate of 3 1/2 per cent. per annum, payable semi-annually until final payment.

"For the first five years, one-half the interest may be deferred and added to the principal, bonds to be issued therefor similar to those of the original issue.

"Any payment of interest or principal may be made in any United States Government bonds issued since April 6, 1917, such bonds to be taken at par and accrued interest — is hereby approved and authorized, and settlements with other Governments indebted to the United States are hereby authorized to be made upon such terms as the commission, created by the act approved February 9, 1922, may believe to be just, subject to the approval of the Congress by act or joint resolution.

"Section 2. That the first section of the act entitled 'An act to create a commission authorized under certain conditions to refund or convert obligations of foreign Governments held by the United States of America, and for other purposes', approved February 9, 1922, is amended to read as follows:

"That a World War Foreign Debt Commission is hereby created consisting of eight members, one of whom shall be the Secretary of the Treasury, who shall serve as Chairman, and seven of whom shall be appointed by the President, by and with the advice and consent of the Senate. Not more than four members so appointed shall be from the same political party."

"Section 3. That the provisions of Section 2 of this act shall not affect the tenure of office of any person who is a member of the World War Foreign Debt Commission at the time this act takes effect."

In April 1923, the matter of the Finnish debt to the United States Government was arranged on practically the same lines as the British debt, the President making use of the authorization in the British Debt Funding Act.

G. Public Debt of the States.

According to a record compiled and published by the Bank of America, the debts of the separate States amounted in 1922 to an aggregate of \$1,071.5 million, or \$10.18 *per capita*. This total includes only gross *bonded* indebtedness and does not take account of temporary indebtedness or of sinking funds for paying off these debts.

The following table shows for what purposes the debt has been incurred:

Purpose of the debt.	Amount outstanding \$ (000's omitted)	Percentage
		%
Highways	367,687.1	34.3
Waterways and Harbours	213,891.4	20.-
Soldiers' bonus	130,022.-	12.1
Funding operations	118,557.5	11.-
Other improvements	101,550.6	9.5
Agricultural aid	45,156.1	4.2
Public buildings	20,254.5	1.9
Welfare institutions	19,710.8	1.9
Miscellaneous	19,331.4	1.8
Other military purposes	18,440.8	1.7
Education	16,904.3	1.6
Total	1,071,506.5	100.-

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