an

Recovery

Program

IRELAND

COUNTRY STUDY

Economic Cooperation Administration
February 1949 • Washington, D. C.

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This document is based on the best information regarding Ireland currently available to the Economic Cooperation Administration, and the views expressed herein are the considered judgment of the Administration. Both the text and the figures for 1949–50 are still preliminary in character; participating countries will therefore understand that this report cannot be used to support any request, either to the Organization for European Economic Cooperation or to the Economic Cooperation Administration, for aid in any particular amount for any country or for any particular purchase or payment.

Paul G Hoffman

FEBRUARY 14, 1949. *Administrator.*

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PART I

Summary and Conclusions

The two major reasons for Ireland's dependence on ECA assistance result directly from the war. First, Ireland at this time cannot convert to dollars any part of the sterling it receives from Britain for its exports and other earnings without adding to the United Kingdom's need for dollar aid. Second, Ireland needs a large volume of dollar imports to restore wartime capital depletion particularly with respect to livestock and poultry numbers. The restoration of the fertility of its soil and the rehabilitation of Irish agriculture generally is vital to recovery since Ireland is primarily an agricultural nation, and because its exports of animal products supply Europe with badly needed high protein food.

During the war Ireland's imports from all sources were seriously curtailed: Some of the most important imports from the standpoint of Ireland's productivity—bread grains, coarse grains, fertilizers, and machinery—were among the most severely cut. Reduction of bread grain imports forced diversion of Ireland's most fertile land to direct production of human food, to which it is very poorly adapted, and thereby reduced the home-grown supply of animal feed and pasturage. The loss of coarse grain supplies further reduced available feed. Lack of fertilizer accentuated an already serious problem of soil deficiency. Reduced farm machinery imports hampered farm production still more while the drop in imports of other machinery was damaging to industrial production. As a result of these influences Irish animal population fell to a record low, and production and exports of all-important animal products declined sharply. Only sustained imports of these commodities at an adequate level will permit the revival and further expansion of production and exports. These imports cannot be obtained without considerable dollar expenditure, particularly during this period of postwar readjustment and recovery.

Ireland's pattern of production and trade has always involved a dollar deficit. Before the war this deficit was covered by conversion of sterling into dollars. As a result of the war the dollar resources of the United Kingdom have been very much reduced and in consequence Ireland cannot meet its dollar deficit by converting sterling without increasing the United Kingdom's dollar needs correspondingly. In order to allow Ireland's dollar needs to be separately determined, Ireland is not obtaining dollars from the United Kingdom during the ERP period. This means, on the one hand, that no ECA dollars supplied to the United Kingdom will be used to meet Ireland's dollar needs and, on the other, that Ireland must look to ECA for all of its dollar expenditures not covered by the limited Irish dollar earnings.

The Government of Ireland has prepared realistic and ambitious plans for the recovery and development of the country over the next 4 years. The essential elements of the program are as follows:

(1) The improvement and intensification of agricultural production;

(2) The expansion of Ireland's relatively undeveloped industry;

(3) A carefully planned program of national capital development including extensive reforestation, land drainage and reclamation, expansion of domestic fuel and power-production facilities, and electrification. Gross investment including private capital expenditure is expected to total 20 percent of national income;

(4) Measures to improve the balance of payments position, particularly with respect to the dollar area.

Agriculture will continue to play the major role in the national economy. Agricultural exports, supplemented by "invisible" earnings, are relied upon to finance the goods and services the country must import. The program envisages expansion of agricultural output by 22 percent over 1947 and 11 percent over 1929–30—a high prewar year. Agricultural exports in 1949 are expected to be 100 percent over 1947 and 25 percent over prewar by volume.

In the long run it should be possible for Ireland to reduce its dollar deficit substantially in relation to prewar. Nondollar sources of Ireland's imports may be expected to recover and new ones to develop; some reductions of imports which involve dollar outlays can be made by feasible adjustments in the pattern of Irish production; and dollar exports and tourist earnings should be capable of considerable expansion. But it appears unlikely that Ireland could completely eliminate the dollar deficit without drastic and uneconomic reorientation of the agricultural production pattern which would very much reduce its ability to generate exports of much-needed protein foods to Europe, particularly the United Kingdom.

ECA aid is essential to the carrying out of this Irish program in two ways. First, ECA dollars are essential to buy the imports required to achieve the desired production and export levels. Second, the local currency received by the Government from imports in exchange for the dollars will be an important source of funds for the Government's development program until repayment is necessary.

With the aid of substantial dollar imports, Ireland's internal economy has made good progress since the war; both agricultural and industrial output are rising and the monetary and financial situation is sound. Real per capita national income, though still relatively low, has probably recovered since the war to slightly higher than its 1938 level.

Steady progress has been made toward restoring agricultural production and exports, although considerable investment in livestock, fertilizer, and farm equipment and buildings will be required over the next few years to achieve the long-term goals. Actual increases above prewar in output and exports of poultry and eggs already have been realized. Prewar levels are still to be reached in the production and exports of the larger animals with longer production cycles, particularly beef cattle. Much remains to be done also in rebuilding soil fertility even to the prewar level.

Industrial production, though relatively undeveloped, has resumed its prewar expansion with the assistance of various Government programs.

Ireland's balance of current international payments deteriorated rapidly in the early postwar years, but during the past year improved markedly both over-all and on dollar account. When essential imports became available after the war, efforts to rebuild inventories, to restore consumption to the prewar level, to satisfy deferred demand, and to increase imports of feed and fertilizers caused import volume in 1947 and early 1948 to rise considerably above prewar. Because many imports could not yet be obtained from Ireland's European sources, an unusually large deficit with the dollar area was incurred. The dollar deficit was met in the normal manner by conversion of sterling.

As a result of the dwindling dollar reserves of the United Kingdom, it became necessary in late 1947 for Ireland to reduce sharply purchases from the dollar area. Over-all import volume remained high through mid 1948, but then fell sharply and was running at about 100 to 110 percent of 1938 from July through October 1948.

The anticipated expansion of production of animal products is expected to make possible reduction of the over-all deficit in the balance of current payments to insignificant proportions by 1953. It is estimated that the 1947 deficit of about 120 million dollars will be reduced to about 50 million dollars in 1948–49. A slight increase is expected in 1949–50 but recovery of beef production following 1950 should result in further improvement.

To reduce the dollar deficit the Irish Government has shown a willingness to encourage shifting sources of supply to nondollar areas whenever possible. A certain degree of success is being achieved along these lines. Nevertheless, a considerable volume of essential imports—wheat, coarse grains, tobacco, refined oil products, and certain machinery not obtainable elsewhere—will of necessity continue to come from the Western Hemisphere, and require dollar financing.

Ireland's exports to the United States and Canada have always been small, and there seems to be little hope of important increases in the immediate future. Although considerable attention is being devoted to possible methods of expanding these exports, even a large proportional increase would amount to little in absolute terms. The country's main dollar earnings arise from emigrant remittances and tourist expenditures. No large increase can be expected from the former, although the latter may rise eventually as a result of a Government-sponsored promotion campaign.

The totals of the first two annual ERP programs are summarized in the following table:

TABLE 1

[In millions of dollars]

	1948–49	1949–50
Ireland's request for gross dollar aid	111.0	75.0
OEEC recommendation of gross dollar aid	79.0	(1)
ECA estimate of gross dollar aid	78.3	64.0

1 National Program for 1949–50 not yet reviewed by the OEEC.

Ireland's current dollar deficit in 1947 amounted to over 120 million dollars. Shifting of imports to nondollar sources and lowering of import volume permitted reduction of the dollar deficit by one-third in 1948–49.

The original Irish request for aid in 1948–49 of 111 million dollars was reduced as a result of screening by OEEC to 79 million dollars, a recommendation accepted by ECA with only a slight modification. Ireland already has been allotted its full 78.3 million dollars for 1948–49 entirely in the form of loans under the 1 billion-dollar ECA loan program. In addition to this, Ireland received a 10-million-dollar loan in the second quarter of 1948.

The 1949–50 program contemplates total export, import and consumption levels almost unchanged from 1948–49. A small increase in the over-all current deficit is predicted for 1949–50, mainly because of an expected fall in net tourist receipts due to a reduction of nondollar tourism. However, Ireland estimates its dollar deficit will fall from 79 million dollars in 1948–49 to 75.4 million dollars in 1949–50, as a result of a reduction of 3 million dollars in dollar imports and increased receipts from dollar tourism.

Ireland has, therefore, estimated its aid requirements at 75.4 million dollars for 1949–50. Review of the program leads ECA to estimate that Ireland can realize small increases in dollar earnings from exports and that in view of world availabilities, import programs of other countries, and Ireland's own needs, a further shift of dollar imports can be made to nondollar sources. ECA estimates, therefore, that dollar aid to Ireland in 1949–50 of about 64 million dollars is reasonable. This reduction will require difficult consumption adjustments, but is not expected to retard recovery of agricultural production seriously.

Ireland is making important strides in the current year with essential dollar needs met by ECA. Continued progress is assured and will result in higher exports of animal products to the other participating countries, representing an important contribution to European recovery.

PART II

Chapter I. The Effect of the War and the Present Situation

A. NATIONAL INCOME

In 1938 national income per capita was at the low level of 52 pounds, or about $250 at the 1938 exchange rate.[1] (See table 2.)

TABLE 2.—*National income, consumption, and investment*[1]

	National income	Personal consumption		Gross domestic investment	
	Current prices (in millions of pounds)	Current prices (in millions of pounds)	1938 prices (1938 equals 100)	Current prices (in millions of pounds)	1938 prices (1938 equals 100)
1938	154.4	159.2	100.0	21.3	100 0
1939	164.1	173.0	103.1	21.7	84.3
1940	179.1	185 5	96.9	17.7	60.1
1941	195 1	190.8	90 2	13.3	41.2
1942	216 0	200.5	86 1	11 1	31.7
1943	241.3	218.0	86.2	14.9	39.9
1944	252 0	222.8	85.7	16.7	44.0

[1] Ireland, Minister of Finance "National Income and Expenditure, 1938–1944," Dublin, 1946.

National income statistics for Ireland are available only through 1944. They indicate clearly that national income fell during the war in real terms, but are of no help in appraising subsequent developments. It is necessary to rely upon partial indexes of agricultural and industrial output for an indication of what has transpired in the last few years. These indexes are dealt with below at greater length. Briefly, it appears likely that national income regained prewar levels in 1946 and 1947, and has probably risen somewhat since then. Population has not changed significantly over the decade. In 1938, net agricultural and industrial output, as covered by the subsequent figures, accounted for a little over half of the national income.

B. AGRICULTURAL OUTPUT

Agriculture is Ireland's most important industry. Agricultural income directly accounted for one-quarter of the national income in 1938 and over one-third in 1943. Over half the population lives on

[1] £ 1 equalled $4.89 in 1938.

farms and nearly half of the working population is engaged in agriculture. Of course, a large part of Ireland's economic activity which is not directly agricultural depends heavily upon the farms for its raw materials. An indication of the importance of agriculture to Ireland as a unit in the international market is that in 1938 "live animals" and "food, drink, and tobacco" exports accounted for over nine-tenths of total exports.[2] "Live animals" alone accounted for almost exactly one-half.

During the war the over-all volume of agricultural production fell to a low more than 10 percent below the 1938 level. Net output fell somewhat less because of smaller purchases of feed and fertilizers. (See table 3.)

TABLE 3.—*Volume of agricultural output*

[Index of value in 1929-30 prices]

	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945	1946	1945[1]	1946[1]	1947[1]
Gross output:												
Livestock and livestock products	100.0	102.6	90.6	91.3	84.2	78.3	79.9	85.1	86.0	87.1	87.0	84.2
Crop and turf	100.0	106.9	120.5	135.8	125.7	138.7	138.1	142.6	131.4	139.5	129.8	115.8
Total	100.0	103.4	96.3	99.8	92.1	89.8	91.0	96.1	94.6	99.9	97.4	91.9
Net output[2]	100.0									112.2	106.4	98.9

[1] Index of value in 1938-39 prices.
[2] Net output excludes expenditure on seed, feed, fertilizers, etc.

Source: Various issues, Ireland, Department of Industry and Commerce, "Statistical Abstract," and "Irish Trade Journal and Statistical Bulletin."

Actually the statistics somewhat overstate real net output during the war because inadequate allowance is made for the capital depletion of soil, buildings, equipment, and herds. The net output index is particularly deceptive in this regard.

After the end of the war, continued nonavailability of feed grains and fertilizers, together with deterioration of soil fertility and unfavorable weather, resulted in another decline in aggregate output. Even net output fell slightly below the prewar level.

While no final output figures for 1948 are available, it is known that results will be considerably better than in 1947. Weather conditions were ideal and crops are reported to have been very good in most cases. Animal production also has recovered somewhat.

Although total production did not change over a range of more than approximately 10 percent during the past decade, very significant shifts in the composition of farm production have taken place. The impossibility of securing imported food and feed during the war forced Irish farmers to cut down on animal production, particularly poultry and pig products. The food situation was so acute that the

[2] Tobacco exports are negligible.

government was obliged to make it legally obligatory for the farmers to grow crops, particularly wheat, instead of using their land for pasturage.

The result was that production of animal products fell by over 20 percent between 1938–39 and 1943–44, recovered only slightly through 1946, and then dropped again in 1947. Output of crops and peat, on the other hand, rose sharply, reaching a level 43 percent over 1938–39 in 1945. Since the end of the war, output of crops and peat has fallen back toward prewar levels.

Agricultural deterioration is difficult to measure precisely. Because of bad weather the low crop yields in 1947 overstate the damage done to soil fertility. Similarly, the larger acreage devoted to tillage crops during the war and early postwar years makes present yields not strictly comparable with prewar years.

There can be no doubt, however, that fertilization of farm land suffered severely during the war. A large proportion of Ireland's fertilizer supplies must be imported and during the war imports of fertilizers averaged only 10 percent of the prewar level. Expenditures by farmers for fertilizers fell to 42 percent of the prewar level in 1942–43 and even in 1947 were only 65 percent over the 1938–39 level in monetary terms. When account is taken of the rise in prices the picture is more serious.

Even before the war need for fertilizers was very high in Ireland. Application of fertilizers per acre was below the average for the European countries. It was estimated in 1944 that to correct the gross deficiencies of Irish soil would require an initial application of about 10 million tons of lime and 2½ million tons of superphosphate, plus annual applications far above present levels.[3] In short, the war served to accentuate an already severe problem of soil deficiency; far more than restoration of prewar rates of fertilizer application is required to overcome gross deficiencies.

While lime is available domestically, phosphates must be imported.

The loss in herds and flocks during the war is more objectively measurable.

TABLE 4.—*Livestock numbers, 1 June*

[In thousands]

Year	Cattle		Sheep	Pigs	Poultry
	Total	1 year			
1938	4,056	1,024	3,197	959	19,630
1943	4,136	937	2,560	434	17,097
1945	4,211	945	2,851	426	18,314
1946	4,146	932	2,423	479	18,276
1947	3,950	851	2,091	457	17,304
1948	3,938	851	2,033	453	20,384

Source: Ireland, "Statistical Abstract" and "Irish Trade Journal."

[3] Ireland, Committee on Post Emergency Agricultural Policy, "Reports," Dublin, 1945, p. 174.

The pig population, most heavily dependent upon imported feeds, fell sharply in 1943 to less than 45 percent of the prewar level. Numbers began to build up quickly after the war, but in 1947 the poor grain crop and dearth of grain imports caused a relapse. Grain for feed has only recently become available in adequate quantity, and it is now felt that pig production will improve rapidly unless an unexpected interruption of coarse grain supplies recurs. Over-all cattle population held up very well during the war, but that was largely a result of holding cattle to older ages. Production of new cattle, as indicated by young calf numbers, fell gradually. This fall continued through 1947 and only ceased in 1948. Rebuilding of production will be a slow process. The sheep population also fell substantially through 1947 to a level 36 percent below 1938. Now that return of land to pasturage has become possible, sheep population should increase again. Poultry population dropped about 13 percent between 1938 and 1943, recovered considerably in 1945, and then fell in 1947 almost to the 1945 level. In 1948 it has risen sharply in response to renewed feed availabilities and the present price incentives. In terms of 1938 prices the total 1948 animal and poultry population was still approximately 7 percent below that of a decade before.

In short, farm production and capital suffered severely because of nonavailability of normal imports during the war. This disruption was not significantly ameliorated during the first two postwar years, and animal population was impaired further, partly because of very poor weather in 1947. During 1948, weather was good and imported feed and materials were once more available. The favorable price ratios now obtaining give promise of further rapid progress in animal production, though building up cattle output will take a long time because of the long growth cycle.

C. INDUSTRIAL OUTPUT

Industrial development was very rudimentary in Ireland before the war, but was progressing quite rapidly. Between 1926 and 1938, industrial employment rose by about 63 percent. Even in 1938 only slightly over one-fifth of the occupied persons in Ireland were in industrial employment, including building and transportation. The net output of industry so defined accounted for about 30 percent of the national income. But the net output of transportable goods amounted to only 16 percent of the national income.

Irish industry is heavily concentrated upon the processing of agricultural products, manufactures from imported materials for the Irish market, and performing non-transportable services, construction, etc. The degree to which this is true is indicated by the fact that in 1938 over nine-tenths of Ireland's exports of manufactured products were

TABLE 5.—*Industrial production*

Period	All goods and services [1]		Transportable goods						Building and construction volume of production (1938 equals 100)
	Net output (in millions of pounds)	Index of volume (1938 equals 100)	Net output (in millions of pounds)	Indexes of volume, 1938 equals 100					
				Total	Producers' equipment	Consumers' durables	Current consumption goods		
1938	35.5	100	24.7	100	100	100	100	100
1939	----------	----------	27.1	105.0	105.8	101.8	105.5	----------
1940	----------	----------	28.2	104.5	91.9	78.3	109.2	----------
1941	----------	----------	29.9	97.0	69.2	60.5	105.6	----------
1942	----------	----------	29.4	79.3	54.5	45.0	86.1	----------
1943	41.1	74.5	31.5	80.8	56.3	45.6	86.9	33.3
1944	42.0	77.3	32.2	85.4	58.0	46.6	92.0	33.3
1945	47.7	88.6	36.4	98.3	67.9	52.2	106.2	41.6
1946	55.4	103.8	41.1	111.8	98.9	85.1	114.0	61.7
1947	----------	----------	----------	115.7	[2] (11.7%)	[2] (6.8%)	[2] (79.4%)	----------
1948:								
1st quarter	----------	----------	----------	124.2	----------	----------	----------	----------
2d quarter	----------	----------	----------	137.8	----------	----------	----------	----------

[1] Including "Building and construction," "Laundry, dyeing, and cleaning," "Utilities," "Transport," and Government.

[2] Proportion of total net output of transportable goods in 1946; Mining and quarrying accounted for 2.1%.

Sources Ireland, "Census of Industrial Production, 1938–1944," and "Irish Trade Journal."

manufactured food and drink—mostly of animal origin. Other manufactured exports amounted to only about one-fortieth of total exports.

The relatively small importance of manufacturing is indicated by the fact that construction and transportation are the biggest industries; textile and clothing manufacture and food and beverage production are the most important manufactures.

Ireland has very limited industrial resources. There are no important coal or iron ore deposits and mineral deposits are generally extremely limited. This largely accounts for the pattern of Irish industrial development to date. There are some fairly substantial hydroelectric power potentialities and virtually inexhaustible peat deposits which are being developed. To date it has not been possible to derive cheap industrial power on a large scale from peat, but the outlook is hopeful.

The inability of Irish producers to get necessary imports of fuel and materials during the war resulted in a serious drop in output. Output of all industrial products fell by over one-quarter and employment in industry dropped 15 percent between 1938 and 1943.

This decline was not evenly distributed; some industries using domestic materials and serving a home market cut off from normal foreign sources of supply made spectacular advances. The output of the leather and hide industry doubled. Others, relying more heavily on imported materials, were very drastically cut back. Construction volume declined by two-thirds, timber dropped one-half, and assembly and repair of vehicles plummeted by more than seven-eighths.

In terms of types of goods, production of goods for current consump-

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tion held up fairly well, falling less than 15 percent. But output of producers' equipment fell over 45 percent and consumers' durable goods production dropped 55 percent.

Recovery since the war has been rapid, and output and employment are now substantially above prewar. In 1946, output of all industries was about 4 percent above the 1938 level. Many important industries were still lagging, however. Some, such as bacon curing and milk processing were held back by the slow recovery of the branches of agriculture upon which they depended; others, of which the most important is construction, were still hampered by shortages of essential imports. The volume of building and construction was still nearly 40 percent below the prewar levels.

In 1946, production of producers' equipment recovered to nearly the 1938 level and current consumption goods output exceeded that rate by 14 percent. Consumers' durable goods output was still nearly 15 percent lower than in 1938, however.

Employment in industry also increased rapidly after the war ended. By 1946, it reached a level 2 percent above the 1938 figure.

In 1947, progress continued, though less complete statistics are available. A sample survey of producers of transportable goods indicates that output rose to a level nearly 16 percent above 1938. This increase of about 4 percent over the previous year was achieved despite the damaging effects of the poor agricultural year upon several industries which rely on domestic agriculture for their materials. It is likely that the over-all increase was even larger; licenses for construction—an important component of the balance—were issued for work of 34 percent more value in 1947 than 1946, and even allowing for a price increase of 10 to 15 percent, an increase in volume in the neighborhood of 20 percent is indicated. Employment in certain industries producing transportable goods rose by about 6 percent between the 2 years.

During the first half of 1948, progress continued or even accelerated. The index of the volume of output of transportable goods for the first two quarters of 1948 was up 21 percent over the same period in 1947. Employment in the industries covered by the biannual survey had increased by about 6.5 percent in March 1948, over the previous year.

D. INVESTMENT

Gross physical capital formation in Ireland in 1938 was about 24 million pounds, about 16 percent of national income, though these figures have a relatively large margin of error. (See table 2.) Estimates of net investment at home are even more uncertain as to absolute level. Yet it was certainly not large.

Whatever the magnitudes involved, there is no question that the level of domestic investment was severely reduced during the war, resulting in considerable net capital depletion. In 1942, gross physical capital formation fell to about 11.1 million pounds, or 8½ percent of the goods available for home use. In terms of volume this represented a drop of nearly 70 percent. This figure increased slightly through 1944, but not significantly. (See table 2.) Since 1944, no aggregate statistics are available and it is necessary to look to various partial series for an indication of what has happened.

A very high rate of inventory rebuilding has occurred since the war. It appears that the volume of inventories rose by about 65 percent between the last quarter of 1946 and the middle of 1948.[4]

The most important component of gross investment in capital goods in Ireland is building and construction. In 1938, this item amounted to over 40 percent of total gross investment. In 1943, "building and construction" fell to one-third of the 1938 volume and was still at the same level in 1944. The volume of construction in 1946 only increased to about 62 percent of the 1938 level.[5] In 1947, it has been very roughly estimated that building and construction volume increased by a further 20 percent, which would have raised it to a level still about one-quarter below 1938. (See table 5.)

Since virtually all of Ireland's machinery is imported, the import statistics give a good indication of the level of investment in equipment. Certain categories of machinery imports have increased substantially. Tractor imports in 1947 were over 8 times the prewar level. The total number of tractors on Irish farms rose from 2,067 in 1939, to 9,781 in April 1948. Imports of trucks were up threefold and imports of automobiles were nearly 48 percent over the 1936–38 average. Less success was achieved in securing other types of machinery and heavy manufactures. The volume of imports of "machinery and electrical goods" in 1946 was still 25 percent below 1938 levels and in 1947 was less than 10 percent higher than the 1938 level. Imports of "iron and steel manufactures" in 1947 were still only a little over 80 percent of the 1938 level.

Though not included in investment statistics, fertilizer applied to the land represents an extremely important form of investment in Ireland. Ireland depends upon imports for all her phosphoric fertilizers and for a large proportion of nitrogenous fertilizers and other fertilizers except lime. Use of fertilizers has always been low in Ireland and imports in 1944 through 1945 averaged only 10 percent of prewar levels. By 1947, imports were still less than three-quarters of the prewar level. Only in 1948 has the volume of fertilizer imports regained prewar levels.

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[4] Estimated from change in bank "loans and advances at home," and wholesale price index.

[5] "Ireland, Trade Journal and Statistical Bulletin," 1948, p. 120.

The decline and continued low level of flocks and herds was discussed in section B above.

In general it appears that over-all levels of investment in 1946 and particularly 1947 were probably rather higher than during prewar years. But much of this investment took the form of inventory rebuilding, and the cumulative deficiencies in many areas—including building construction—were not even touched and in others were not significantly overcome. In the all-important categories of soil fertility and livestock numbers prewar levels have not yet been regained.

E. CONSUMPTION

The best evidence indicates that over-all consumption levels in Ireland have risen somewhat since before the war. The national output probably recovered prewar levels in 1946 or 1947 and has undoubtedly risen somewhat higher since then. At the same time, a net addition to disposable resources was made by the excess of current international payments. Investment expenditures were probably higher in the second period than in the earlier one. The increase of inventories, for instance, was unquestionably very substantial.

Consumption levels probably remained below prewar in 1946 and 1947. The best estimate is that the aggregate volume of consumption regained prewar levels in 1948 and will be slightly higher in 1948–49. Since 1946–47 it appears that the level of goods available has continued to increase. Agricultural output fell in 1947 but in 1948 probably recovered to a level somewhat above that of 1946. Industrial output has continued to increase, though the precise level achieved is not readily calculable. The import surplus rose substantially in 1947 and was not appreciably lower in 1948, though it fell considerably on a month-to-month basis during the second half of the year.

A long-standing problem is the distribution of food in Ireland. As the country is largely agricultural, food for at least the agricultural portion of the population is a first draft on production. Even during the war food consumption never fell below prewar levels by more than 6 percent. It has been estimated that average per capita consumption in terms of calories per day was somewhat over 3,000 calories before the war and was still over 3,000 in 1946–47. This is virtually the same as the indicated levels for some other countries whose per capita national income is considerably higher—Denmark and Sweden. But such over-all comparisons are not reliable between countries with divergent distribution of the population by occupation. Farm population normally consumes, or at least "uses up," relatively large amounts of food. It is estimated that the urban population of Ireland consumed only about 2,900 calories per capita in 1946–47, almost exactly the United Kingdom average, and a careful nutrition survey in the same period showed an average of only 2,640 calories in the city of Dublin.

It should be noted that in a country with relatively mild rationing controls where consumption is limited chiefly by money income it is inevitable that some people will consume considerably more than others. Ireland has been able to avoid inflation and keep money incomes fairly closely in line with available output; the rationing system has consequently not had to be as broad in coverage or severe as those of many countries. For this reason, the food consumption level doubtless masks a wider spread than obtains in the United Kingdom, for instance, and tends to overstate the level of nutrition of the average Irish worker on a comparative basis.

TABLE 6.—*Estimated per capital food consumption*

[Kilograms per year]

Commodity	Prewar	1947–48	1948–49
Grains as flour	126	133	133
Fats and oils, including butter (fat content)	16	17	18
Sugar, refined	38	33	32
Potatoes	197	212	217
Dry legumes	1	1	2
Vegetables, fresh [1]	57	57	65
Fruits, fresh [1]	30	35	31
Meat (carcass weight)	50	50	53
Fish (landed weight)	5	6	7
Eggs	14	13	12
Cheese	neg	1	1
Whole milk [2]	132	143	143
[Calories per day]			
Total food	3,075	3,035	3,150

[1] Includes processed converted to fresh.
[2] Excludes cheese and butter.

Another qualification of these figures results from the large tourist trade. Tourists eat well in Ireland, which is an important reason why they go there. Their consumption probably does not significantly affect the over-all caloric intake level, but it probably means that the indicated per capita meat and egg consumption of the Irish people is overstated. Per capita meat consumption is probably about at prewar levels despite the apparent increase in table 6. Not only do tourists eat a lot of these commodities, but they carry away large amounts with them when they leave. Purchases by tourists also inflate the apparent clothing consumption in Ireland.

It should be emphasized that the quality of food consumed by the average Irish worker, even on farms, is low. The traditional picture of the Irishman living upon potatoes or bread and tea is perhaps overdrawn, but not too misleading.

Rationing of foodstuffs is currently (December 1948) as follows:

Commodity:	*Ration level per person per week*
Butter	6 oz
Sugar	12 oz.
Tea	2 oz.
Bread	6 lbs.
or	or
Flour	4½ lbs.
Margarine	2 oz.

Tea has been rationed since April 1941, the quantity varying between one-half ounce, when supplies were at their lowest, and the present 2 ounces. Butter was originally rationed in September 1942 at 12 ounces per week and reached a low point of 2 ounces in the winter, 1946–47; from August 21, 1948, to October 31, 1948, the ration was 4 ounces, becoming 6 ounces on the latter date. Sugar was originally rationed at 12 ounces in August 1942, and since then has fluctuated between 8 and 12 ounces per person per week. Margarine production was suspended in 1942–44 and was very spasmodic in 1945; since 1946 it has been rationed at 2 to 4 ounces, depending on the size of the butter ration (an attempt was made to maintain an over-all fats ration of 6 ounces per head per week). Flour and bread remained unrationed through the war years, but when the supply position deteriorated in early 1947 they were rationed at the level noted above, and have remained unchanged since then except for temporary extra rations to harvesters. The ration is considered adequate for those enjoying a varied diet; for the poor in both city and country, however, the bread and flour ration imposes a hardship. The butter ration is generally supplemented during the summer by unrestricted supplies of farmers' butter. Alternative fats, such as lard, are unrationed but very scarce.

War engendered consumer scarcities have naturally been concentrated in nonfood items—fuel, clothing, gasoline, consumer durables, and housing—which are highly dependent on imports. At the lowest point of the war, clothing supplies had been almost cut in half, consumption of fuel and light was reduced 40 percent, and supplies of other consumers' goods were less than one-half their prewar level. Rationing covered clothing and other textiles, soap, coal, petroleum products, and electricity, as well as food.

The year 1948 saw an improvement in many consumer items. Following the United Kingdom's agreement to resume coal shipments, rationing of soft coal was ended. Clothes rationing was abolished in January 1948 and production of footwear is now adequate. But with the world-wide tightness in petroleum supplies, allowances of light, diesel, and gas fuel oil were cut 50 percent in March.

In 1948–49 there will be a moderate rise in petroleum supplies for consumers. General industrial production, which goes largely to consumers, is substantially above 1938 output. Commodities which have to be imported are scarcer. In the case of cotton textiles, nearly all imported, supplies will be approximately 30 percent below their prewar volume. Coal consumption, too, will not reach prewar figures. Housing and consumer durables continue seriously inadequate. Soap and other fats and oils are still very scarce.

It should be emphasized that apart from food for the agricultural part of the population, levels of consumption in Ireland have been and remain low, whatever slight rises or falls may have occurred. Consumption of various specific sorts will best convey an impression of the actual standard of living. One indication is provided by the fact that less than 45 percent of the Irish population is served by electricity. In 1946 there were less than 20 telephones, 60 radio sets and 3 automobiles in Ireland for each 1,000 population. There are fewer dwellings per capita in Ireland than in the United States, Belgium, Great Britain, Denmark, France, the Netherlands, or Sweden.

Reflections of the low standard of living in social and health statistics are striking. In 1941 over 28 percent of the women and 37 percent of the men in Ireland between the ages of 40 and 50 were unmarried, even excluding widows and widowers. In general, the marriage rate in Ireland is lower than for any country for which statistics are available. The infant mortality rate in Ireland is 150 percent of that in Great Britain and about 200 percent of that in the United States, Holland, and Sweden. In 1939, tuberculosis deaths in Ireland were 112 per 100,000 population. In the United Kingdom the comparable figure was only 63. In 1944 the rates were 130 and 59 respectively. This high rate is a direct result of malnutrition, inadequate clothing, and poor housing. The remedying of these conditions has been a major object of policy of successive Irish governments.

F. INTERNAL FINANCES

Ireland is extremely fortunate in that freedom from the necessity of devoting a large proportion of the national income to unproductive purposes during the war, and the conservative financial policies of her government have spared her the fiscal and financial disturbances which in other countries have bedeviled recovery efforts, forced the resort to drastic direct controls, and impeded recovery. Success in this regard is evidenced by the stability of prices during the past year and the substantial improvement in the trade balance which occurred during the last half of 1948 with no intensification of direct controls.

There have been no direct surveys of the distribution or intended disposition of liquid asset holdings in Ireland. The trend of prices and trade, however, seems to indicate that the degree of suppressed inflation remaining in the system is relatively slight. Domestic bank loans and advances, which rose sharply after the war, now appear to have leveled off on a plane not far out of line with the increase in prices since prewar times.

Although there was a small current budget deficit during the war years, the Government's financial operations have been a minor factor in the wartime and postwar increase in monetary spending in Ireland, and they continue to be so. There was no net expenditure from funds excluded from the current budget during the wartime period.

During the 6 months from April to September 1948, Government current expenditure exceeded current revenue by 1.4 million pounds. This compares with a surplus of about 1.2 million pounds for the same period in 1947. A seasonal concentration of food subsidy payments occurred in the first part of 1948, however. The level of expenditures for the 6 months rose from about 28.7 to 32.9 million pounds between 1947 and 1948.

Certain exchequer issues for capital expenditure, mostly at least nominally in the form of loans, are not included in the regular budget account. They are normally carried in the Exchequer accounts as "other issues" and are usually financed by borrowing. To the extent that they are not repaid, they are written off gradually in the current budget account. Issues of this type amounted to 4.1 million pounds for the 6 months in 1948 as compared with 2.6 million pounds for the same period in 1947. Bank holdings of government obligations have been and remain small and stable.

In 1938 total Government expenditure on current goods and services amounted to 16½ percent of the national income. A further 4⅓ percent in Government capital expenditure was made. From the available evidence, it does not appear that this use of the national resources has increased significantly. The central Government's budget this year is almost exactly twice the prewar level. This would seem to indicate a slight reduction in this use of the national income, if anything, in view of the increase in price levels.

Banks have contributed somewhat to the level of postwar spending. Between 1938 and 1946 there was virtually no increase in domestic loans, but between 1946 and 1948 domestic loans and acceptances rose by about 43.5 million pounds, while domestic deposits increased by only 14 million pounds. As was noted above, however, the increase in domestic loans has really been very moderate in relation to price and income increases and in any case has now leveled off.

The major source of the postwar increase in spending which brought about the balance of payments deficit in 1947–48 was unquestionably the accumulation of liquid wealth resulting from inability to replenish inventories and to consume in the desired proportion to current income during the war. For the most part, the banks were merely neutral vehicles for this spending. The recent improvement in the trade balance, achieved without extensive direct controls, seems to indicate that liquid holdings are now settling down to stable levels. (See sec. I.)

The public investment program this year does not appear to involve a threat to stability. There is no indication that private investment will either. Indeed, the bank loans figures cited indicate the contrary. However, private investment is substantially unregulated, and there is very little information available bearing on private investment levels and trends. The Government has outlined what sounds like a rather ambitious program for development investment in the 4-year program, but it is not believed that it will require annual expenditures involving danger of inflation. It seems reasonable to suppose that a level of investment somewhat larger than before the war could be undertaken without danger with the additional resources which the expected deficit in international transactions will provide. The OEEC study of Ireland's second annual program concludes that the internal financial situation is not likely to give rise to any difficulty.

Bank credit, as has been noted above, has not expanded in recent months. Accommodation is available, however, for nonspeculative purposes at reasonable rates. The rate for bank loans runs at about 3 to 5 percent, depending upon the nature of the loan. A routine commercial loan would carry 4 or 5 percent interest.

Currency and banking control in Ireland is exercised through a Central Bank of which the directors are appointed by the Government for fixed terms. Compulsory powers over the lending activities of the commercial banks are not extensive. In practice, however, there is general understanding that the Central Bank and the Government work in close cooperation, and it does not appear likely that the commercial banks could afford to violate any firm request by the Government. In any case, no such situation exists or threatens.

To supplement private capital sources two Government credit companies exist, one for agricultural and the other for industrial borrowers. Each has loans outstanding of almost 1 million pounds and each paid a dividend on its operations last year.

G. PRICES AND WAGES

Price levels in Ireland have risen sharply, as they have in virtually every other country. In Ireland, however, the increase has been almost entirely a reaction to external price increases and market conditions. The wartime current surplus in the balance of payments produced a large increase in holdings of liquid assets and prices rose rapidly. The increase in domestic incomes and expenditures was not caused by large Government deficits or credit expansion. These phenomena, to the extent that they developed at all, lagged far behind the increase in prices.

Import prices by 1942 were over twice as high as they had been in 1938. (See sec. H.) Internal prices, on the other hand, have not risen nearly as high. The cost of living in 1942 was only 45 percent over 1938. It continued to rise gradually until 1944 when it was 71 percent above 1938, then fell slightly through 1946. In 1947 the index rose again to a level 84 percent above 1938. It has not changed substantially in the past year. Prices of the major components—food, clothing, and fuel and light—have not deviated significantly from the general average. These figures are somewhat influenced by food subsidies by which the cost of food was kept from rising higher.

TABLE 7.—*Prices*

	Cost of living index (August 1938 =100)	Wholesale index (October 1938 =100)	Agricultural index (1938=100)	Import index (1938 =100)	Export index (1938 =100)	Weekly wage rate, industry sample (September 1938 =100)	Cattle 2-3 years' stores (1938 =100)	Pigs 4 months or over (shillings per head)	Eggs (shillings per 120)
1938	100	100.0	100	100	100	100	100	51.25	10.7
1939	100	105.4	106	100	111	102	109	55.5	10.3
1940	119	131.8	128	142	143	-----	131	60.0	15.5
1941	132	148.0	139	175	171	-----	127	60.75	20.1
1942	145	170.2	160	211	191	-----	151	70.5	22.1
1943	164	189.4	183	214	206	-----	173	85.0	23.6
1944	171	198.2	187	219	212	-----	166	115.0	24.4
1945	169	197.5	190	222	210	127	162	122.5	25.5
1946	166	197.5	196	216	221	134	175	123.5	25.75
1947	179	219.9	225	256	234	158	195	128.75	20.1
1948:									
January		233.0	247	256	243	-----	217	132.25	35.2
February	183	233.5	248	262	285	-----	223	136.5	[1] 32.4
March		231.9	258	259	294	165	239	164.0	[1] 31.3
April		234.2	268	269	282	-----	251	165.0	[1] 31.6
May	184	231.7	258	279	306	-----	250	167.75	[1] 32.0
June		233.4	261	266	264	-----	253	157.25	[1] 32.1
July		232.2	255	265	-----	-----	-----	-----	-----
August	183	231.2	253	271	-----	-----	-----	-----	-----
September		230.4	250	263	-----	171	-----	-----	-----
October		232.1	254	-----	-----	-----	-----	-----	-----
November	183	-----	-----	-----	-----	-----	-----	-----	-----
December		-----	-----	-----	-----	-----	-----	-----	-----

[1] Seasonally low.

Sources: Ireland, "Statistical Abstract" and "Irish Trade Journal."

Wholesale prices increased considerably more than the cost of living, but still appreciably less than import and export prices. It was not until December 1946 that the index reached a level double that in 1938. They continued to rise until early 1948 but have now fallen to about the same level as a year ago. Allowing for the shift in exchange rate, the increase has been considerably less than the rise since 1938 in the United States. The increase through the summer of 1948 was about 5 percent higher than in the United Kingdom, but is less affected by controls and Government trading.

Some of the different commodity groups show markedly different patterns. The striking deviations are wood and timber manufactures which in mid-1948 reached a high of 263 percent of 1938 while rubber and rubber manufacture at the same time were only about 36 percent over the 1938 price level.

These price rises have not been disproportionate to increases in world market prices. There is really no competitive source for Britain's imports of live cattle—Ireland's most important single export. A rough idea of the competitive level for other important products may be gathered from the fact that in the summer of 1948 prices for typical beef cattle in Ireland were less than two-thirds of the Chicago level and Irish pork prices were about one-half the New York averages.

The prices received by Irish farmers for their products have changed in a generally favorable ratio to other prices. The over-all index of agricultural prices rose in 1947 to 125 percent over the 1938–39 figure and for 1948 probably averaged between 250 and 260 percent of prewar. For certain important products ratios are even more favorable. The price of store pigs during the second quarter of 1948 was over three times the 1938 price. The price of imported grains, on the other hand, is less than twice the 1938 level at this time.

Wage rates in Ireland, having been strictly controlled, increased very gradually during the war. In 1945 hourly industrial wage rates were still less than 20 percent over the 1938 level. Wage control was relaxed in the fall of 1946, however, and during 1947 rates increased. By March 1948 it is estimated that wage rates in certain transportable goods industries were about 65 percent above the 1938 level. Comparison of these figures with the cost of living index seems to indicate a slight deterioration of real wage rates. Money wages have continued to rise gradually during 1948 while the cost of living has remained constant, however, and earnings were more favorable during the war than is indicated by the hourly rate because of longer hours and lower unemployment.

Certain nonindustrial wage rates rose more than did industrial. Agricultural wages have approximately doubled since prewar.

Wages in Ireland tend to maintain a fairly close relationship to those in England because of the ease of emigration to England. Irish rates are normally lower, however, for it takes a differential to bring about emigration. British wage rates increased slightly more than did Irish between 1938 and 1947, and the relative position has not changed substantially.

H. IRELAND'S TERMS OF TRADE

Import prices and export prices have both risen substantially more than internal prices in Ireland since 1938. (See sec. G.)

During the war the proportion between the two was less advantageous from Ireland's standpoint, falling to 85 percent of the 1938 ratio. In 1946, however, export prices rose to slightly higher relative levels than prewar. In 1947 a reverse occurred, and the ratio fell to nearly 9 percent below that of 1938. This was largely because of the abnormally high level of import prices occasioned by the necessity of importing coal from the Western Hemisphere and similar difficulties. Prices paid by the United Kingdom for Ireland's animal product exports also lagged somewhat. During the first half of 1948 the export price index advanced substanially and the terms of trade were approximately 5 percent more favorable than they had been before the war.

TABLE 8.—*Terms of trade*

	Import price index	Export price index	Export index in relation to import index
1938	100.0	100.0	100.0
1942	211.3	190.7	85.5
1943	214.0	206.4	96.4
1946	215.7	221.0	102.5
1947	255.6	233.7	91.4
1948 (6 months)	265.0	279.2	105.4

Source: Ireland, Statistical Abstract and Irish Trade Journal.

This means that Ireland is now in a position to help finance her imports with exports on at least as favorable a basis as in 1938. It appears likely that this situation will improve, if anything, over the next few years, for the import price index is largely affected by the price of grains and the export index reflects chiefly the prices of animal products.

I. INTERNATIONAL ECONOMIC RELATIONS

Ireland traditionally finances a considerable trade deficit with invisible earnings. Both exports and invisible earnings are concentrated in the United Kingdom, and Ireland uses net sterling earnings to finance imports from other areas. During the war imports were cut off and exports stayed relatively high. In monetary value sterling assets increased substantially. In 1947 and early 1948 part of this addition was used to finance a large volume of imports. This process has now slowed down, however, and for 1948–49 the over-all current deficit will probably be less than the dollar loan provided by ECA.

1. Foreign Trade

Ireland's normal trade pattern before the war involved an over-all surplus of imports. In 1938 export proceeds paid for only about 58.5 percent of imports. Exports were almost entirely agricultural products either unprocessed or processed. About one-half of the total was accounted for by live animals. Ireland's imports were much more varied. One very large item was cereals and feeding stuffs for animals.

In 1938 cereals accounted for over 15 percent of Ireland's total imports. Ireland also imported a large volume of manufactured consumption goods and was almost entirely dependent upon imports for coal and petroleum. Large individual items in the import picture were coal, cotton textiles, machinery and electrical goods, and oil. Ireland is almost entirely dependent on imports for many kinds of fertilizers which are very important to farm productivity. Imported maize is an

TABLE 9.—*Trade volume*

[1938=100]

	Imports	Exports		Imports	Exports
1938	100 0	100 0	1948:		
1943	29 5	54 9	March	157	66
1946	80 5	72 0	April	140	57
1947	123 7	68 5	May	147	55
1948:			June	122	60
January	143	64	July	104	71
February	112	54	August	101	79
			September	110	77

Source. Ireland, Statistical Abstract and Irish Trade Journal.

TABLE 10.—*Imports*

[In millions of pounds, c. i. f.]

Commodity	Official import statistics			
	1938	1943	1947	1948 (9 months only)
Bread grains	3.1	[1] 2.2	7.7	8.2
Coarse grains and other feed	2.0	.3	3.5	6.6
Other food	4.0	3.0	14.2	10.5
Tobacco	.9	1.3	2 4	.9
Coal and coke	3 3	2.7	9.2	5.5
Iron and steel and manufactures	2 3	.7	4.9	4.9
Machinery and electrical goods	3 1	.8	8.8	9.3
Vehicles and parts	1.8	.2	10.5	8 9
Timber and manufactures	1 4	.2	4.5	2.6
Textiles	4.1	3.0	20.0	11 5
Petroleum products	1 4	1.1	3.8	4 1
Other oil seeds, oils, fats, soap, etc	.6	.8	2.7	1 9
Fertilizers	.5	[2] .6	1.0	1.2
Chemicals, drugs, dyes, and colors	1.1	1.4	3.2	2.3
All other imports	10.9	7.8	34.4	25 6
Total	41 4	26.1	130.8	104.0
Index of volume	100	29 5	123.7	126 2

[1] Including 250,000 pounds of rice.
[2] In 1942 and 1943 fertilizer imports were under 100,000 pounds.

Source: Ireland, Trade and Shipping Statistics (annual), Statistical Abstract, and Trade Statistics (monthly).

essential raw material for the basic export industry—the production of animal products. In 1939, 400,000 tons of maize were imported. Imported food, particularly bread grain, permitted specialization of Irish agriculture along its most efficient lines.

In terms of direction of trade, the great bulk of Ireland's exports goes to the United Kingdom, specifically, 92.6 percent in 1938. Ireland's imports, on the other hand, come from more varied sources, although the United Kingdom does provide a very large proportion—in 1938 about one-half. Ireland always had a very large trade deficit with the United States and dollar area in general. In 1938 imports from the United States and Canada amounted to about 31 million dollars, while exports to those countries came to less than 1 million dollars. (See table 12.)

TABLE 11.—*Domestic exports*

[In millions of pounds]

Commodity[1]	Year			
	1938	1943	1947	1948 (9 months only)
Live animals	11 9	13 6	22 1	15 0
Cattle	9 6	12.7	15 7	9 4
Horses	1.5	.5	5 1	4 7
Food, drink, and tobacco	9 9	10 4	11.0	11.4
Bacon	2 2			
Butter	2 2			
Eggs	1 2	1 9	1 8	3 6
Porter, beer, and ale	2 2	2.5	3 7	2 9
Other	2.1	3.7	5 7	4 7
Total	23 9	27 7	38 8	31.1
Index of volume (1938=100)	100	54 9	68 5	[2] 65

[1] General headings and larger components; components do not add to heading totals.
[2] Approximate.

Source: Ireland, Trade and Shipping Statistics and Trade Statistics

During the war, Ireland's foreign trade was radically disturbed by inability to procure goods and by the shortage of shipping. The volume of imports during the war amounted to only 30 percent of the 1938 figure. Receipts of many very important commodities were even more sharply curtailed. Practically no maize imports at all could be obtained from early 1942 through 1945. Imports of certain essential fertilizers were virtually shut off. From 1941 through 1945, the volume of imports of fertilizers was only about one-tenth of the 1938 level. Virtually none of the important imports was unaffected.

The production decline caused by inability to obtain essential raw materials from overseas and the diversion of production to the meeting of the minimum needs of the home population caused some fall in volume of exports as well, but the over-all level of exports fell much less than did imports. In 1943, the volume of exports had only fallen to 55 percent of the 1938 level.

The result was that the normal Irish import surplus disappeared. From 1941 through 1944, Ireland actually had a slight export surplus. The distribution of Ireland's trade remained roughly the same during the war, although the concentration of exports upon the United Kingdom was considerably intensified. In fact, from 1942 through 1944 almost 99 percent of Ireland's exports went to the United Kingdom. The source of Irish imports did not change radically during the war. Trade with continental countries—particularly Germany—was completely cut off, of course, but this trade had not been of major importance.

Since the end of the war, Ireland's imports have increased very rapidly and the normal import surplus has reappeared. In 1946, total imports amounted to 72 million pounds and in 1947 increased to 131 million. In terms of volume, imports in 1946 were over 80 percent of the 1938 level and in 1947 had increased to 24 percent above 1938. The peak rate was reached during the period between July 1947 and June 1948 when the volume of imports averaged 40 percent above 1938. Since June, they have fallen back almost to prewar levels.

Exports, on the other hand, failed to recover so fast. In 1946, they amounted to less than 39 million pounds and barely increased even in monetary terms to slightly under 40 million pounds in 1947. In terms of volume exports in 1946 amounted to 72 percent of the 1938 level and in 1947 to less than 70 percent of the prewar figure. A very significant improvement occurred during the first half of 1948 in the value figures, though volume did not start to rise again until after June.

The geographic pattern of trade was not significantly changed from prewar, although a large proportion of imports in the postwar years came from the United States. This was primarily a result of the low production and export levels achieved in Ireland's normal European sources. In 1947, about 89 percent of Ireland's exports were to the United Kingdom, almost 9 percent were to other participating countries, and slightly over 2 percent were scattered between the nonparticipating sterling area, the United States, and nonparticipating nonsterling area Eastern Hemisphere countries. On the other hand, only about 46 percent of Ireland's imports in 1947 came from the United Kingdom; 22 percent came from the United States, almost 4 percent from Canada, and over 5 percent came from other Western Hemisphere countries. About 5 percent came from nonparticipating sterling-area countries; 13 percent were from other participating countries, and over 4 percent came from nonparticipating Eastern Hemisphere countries.

The trade deficit which reappeared in 1945 amounted to 33 million pounds in 1946 and to nearly 92 million pounds in 1947. The adverse trade balance continued high during the first part of 1948, the level for July 1947 through June 1948 being about 110 million pounds. A considerable improvement has taken place during the succeeding months, and the trade deficit for the calendar year 1948 was slightly lower than in 1947.

The distribution of the deficit in 1947 was generally similar to the prewar pattern. A deficit on trade account existed with every other country. Exports to the United Kingdom accounted for about 58 percent of the imports from the United Kingdom. Exports to other participating countries covered almost 20 percent of the imports from these countries, but exports to other areas were insignificant compared to the imports from those areas and total exports covered only about 30 percent of total imports.

The reduced availability of dollars during 1948 forced a substantial contraction in dollar imports, since dollar expenditures are almost entirely for imports. In 1948, imports from Canada and the United States were, therefore, reduced sharply from the 1947 levels. During the first 9 months of 1948, imports from these countries were nearly 14 million pounds lower than during the previous year, a reduction of nearly 60 percent. Imports from the nonparticipating sterling area have increased somewhat and imports from other participating countries have fallen off. But the other major change offsetting the decline in dollar imports has been a large increase in imports from Great Britain. In 1948, imports from the United Kingdom rose to about 73 million pounds from about 54 million in 1947.

The general distribution of the types of imports and exports has been about the same since the war as it was before. During 1947, limited world availability of various essential raw materials and capital-equipment items caused a concentration upon consumption goods. In terms of volume, bread-grain imports in 1947 were down by more than 35 percent from the prewar level and imports of coarse grains were off by over 60 percent. Fats and oils imports were less by about one-third of prewar and imports of oil cake and meal were down nearly 85 percent. Coal imports were less than half the prewar average. Sawn softwood and hardwood imports were down to only about 42 percent of the prewar level and imports of fertilizers were still only about 83 percent of the 1936–38 volume.

The bulk of exports continued to be animal products, but the slow revival of Irish agriculture, the effects of the continued shortage of feed grains, and the bad weather in 1947 caused an abnormally low level of exports of certain important commodities. Total meat exports amounted to only about two-thirds the prewar volume. For certain important commodities, the fall in exports was even more severe. Exports of bacon did not appear at all and exports of eggs were not much more than half the prewar volume.

During 1948 shortages in many lines became less acute. Imports of finished steel, fertilizers, and many types of machinery regained prewar levels. Grain imports recovered sharply. Supply limitations are now serious only with respect to a few commodities such as fats and oils.

Over-all export volume is still low, but progress is already apparent in some categories. Egg exports have risen spectacularly to a volume even higher than before the war.

2. Invisible Items in Ireland's International Accounts

Invisible earnings have traditionally played a large part in Ireland's international accounts. Before the war net invisible earnings accounted for about 40 percent of total expenditures for imports. The most important sources of invisible earnings are emigrants' remittances and tourist expenditures. Ireland also receives modest net receipts from interest, dividends, etc. Invisible earnings are a particularly important part of dollar receipts, accounting for more than 95 percent of total dollar earnings in 1947.

Net earnings on investments abroad increased somewhat erratically over the war years, reaching a level about 20 percent over the 1938 figure in 1947.

Emigrants' remittances from the United Kingdom increased sharply over the war years to a peak of about 7½ million pounds in 1944. Since that time they have gradually fallen. In 1947, they amounted to about 6 million pounds. This item is particularly difficult to measure accurately and to predict on a satisfactory basis. It is believed to have increased slightly in 1948. Aside from the United Kingdom, the chief source of emigrants' remittances is the United States. During the prewar years remittances from this source had been falling steadily. After a slight drop at the beginning of the war, remittances from the United States increased significantly, and the increase appears to have continued into 1947, when they reached a level of 3½ million pounds. The level probably dropped slightly in 1948.

The tourist trade was, of course, very drastically reduced during the war, though the exact figures are extremely hypothetical. Since the war, on the other hand, it has increased to unprecedented levels. From approximately 5 million pounds in 1943, tourist receipts increased to about 28 million pounds in 1947. It is believed that in 1948 the receipts increased even further. The vast majority of tourist expenditures in Ireland are made by people from the United Kingdom. British tourism to Ireland has been inflated to unnatural levels in the postwar years. An abnormal incentive to visit Ireland has been created by the relative lack of controls on food and clothing expenditures in Ireland and by the difficulty of travel in Europe created by the stringent British exchange control and by postwar scarcities on the continent. This flood of British tourists has been very unusual in its unseasonal nature and in the volume of purchases made by the visitors of goods to carry back to England. A substantial proportion of the unknown current receipts of Ireland are probably accounted for by expenditures of this nature. These unknown items have involved a net receipt of considerable proportions since the end of the war.

Aside from the United Kingdom, the chief source of net tourist expenditures in Ireland is the United States. The United States tourist expenditures are not a large item in the over-all balance of payments but do account for over one-third of Ireland's dollar earnings. Such tourist expenditures were substantially eliminated during the war but have recovered to a considerable extent in the last few years. In 1947, they accounted for net receipts of 1.8 million pounds. It is believed that the level in 1948 was nearly 3 million pounds.

The over-all level of net invisible receipts rose considerably during the war and has risen considerably since. In 1947, net receipts from invisibles financed nearly 40 percent of total imports. This proportion was probably rather larger in 1948, though official estimates are not yet available.

3 Ireland's Balance of International Payments

During the thirties, Ireland apparently ran a moderate current deficit in its balance of international payments.[6] This was a result of the "trade war" with the United Kingdom and of the strenuous efforts which were being made to increase industrial production in Ireland. (See part K.) During World War II, this situation was radically altered. Between 1940 and 1946, Ireland had a surplus on current account of approximately 160 million pounds. This surplus was the result of inability to obtain normal imports from other countries. Inventories of imported goods declined and liquid balances were accumulated by individuals and businessmen to finance deferred purchases, to rebuild inventories, and for capital investment when goods should once again become available.

A surplus with respect to the United Kingdom has normally balanced a very large deficit with all other areas in Ireland's international accounts. As has been shown above, the great bulk of Ireland's export and invisible earnings comes from the United Kingdom and a considerably smaller proportion of expenditure for goods and services goes to the United Kingdom.

Toward the end of 1946, when goods became more available in international markets, the increase in Irish imports brought about a very sharp shift in Ireland's balance of payments. A slight surplus on current account was registered for the year as a whole, but in 1947 it disappeared and a substantial deficit was incurred, involving the liquidation of sterling assets. This deficit totaled about 30 million pounds. Because of the relatively low availability of goods from the United Kingdom and Europe in general, the deficit with the dollar area increased relatively more. In fact, the dollar deficit in 1947 slightly exceeded the over-all deficit. The surplus for the United Kingdom amounted approximately to 30 million pounds and the deficit with other participating countries was under 14 million, so that there

[6] Some authorities attribute the apparent deficit to understatement of invisible earnings in the Irish statistics.

was an over-all surplus with participating countries and their dependent overseas territories coming to a total of 17 million pounds or about 68 million dollars.

As noted above, the trade deficit remained very large through the first half of 1948 but since then has fallen substantially. Invisible earnings, on the other hand, have improved during 1948, so it appears that the over-all current balance for 1948 involved somewhat less of a deficit than in 1947.

The dollar situation, however, will perforce be considerably improved. The intensification of the sterling-area dollar shortage during

TABLE 12.—*Balance of current payments* [1]

[Millions of dollars] [2]

Period and category	Nonparticipating Countries [2]					Participating countries [3]		Total
	United States	Canada	OWH	Nonparticipating sterling area	Other nonparticipants	Sterling area	Other participants	
1938:								
Imports (including freight)	23	8	9	14	16	102	31	203
Exports (f. o. b.)	1					110	7	119
Net invisibles								+92
Total								+8
1947:								
Imports (f. o. b.)	103	20	26	26	23	222	68	493
Exports (f. o. b.)	1			1	2	142	14	160
Net invisibles (including freight)	+13		−1	+1		+201	−1	+213
Total	−94	−20	−27	−24	−21	+121	−55	−120
1948–49 (Irish revised estimates):								
Imports	73	14	29	37	17	[4] 304		474
Exports	2				8	196		207
Net invisibles (including freight)	+11	−1	−2	+1		+207		+216
Total	−60	−15	−31	−36	−9	+99		−51

[1] Figures do not necessarily add to totals because of rounding.
[2] Pounds converted to dollars at $4.89 in 1938 and $4.035 in other years.
[3] Area break-down of trade figures in 1938 is partial and merely illustrative.
[4] Break-down between sterling and nonsterling area participating countries not available for 1948–49.

Source: Ireland: Statistical Abstract, Irish Trade Journal, and programs.

the summer of 1947 made it necessary for Ireland to reduce conversion of sterling substantially. Actually, the rate at which Ireland was able to convert sterling through June 1948 was approximately the same as the rate provided for in the first annual ECA program.

In general, it appears that the current deficit, except with the dollar area, was somewhat larger in 1948 than in 1947. The balance with Great Britain and the nonparticipating sterling area was probably much less favorable, but the balance with other participating countries probably improved somewhat. A very considerable increase in payments to nondollar Western Hemisphere countries took place.

J. STERLING ASSETS

Ireland has a substantial volume of sterling assets, although its net position in this regard is somewhat obscure. Precise measurement of these sterling assets is very difficult. Before the war, gross holdings of sterling assets were estimated to be in the neighborhood of 300 million pounds. Foreign holdings of Irish assets are even more difficult to measure because they are largely held in the form of real property, equities, etc. These assets were estimated to be approximately 120 million pounds before the war.

During the war, Ireland added substantially to sterling assets. The total net surplus on current account during these years was approximately 160 million pounds. About 30 million pounds were used during 1947 to pay for the current deficit that year, but it is evident that, if the prewar estimate was accurate, present holdings must be something over 400 million pounds. Most of the Irish holdings are in liquid forms of fixed monetary value—deposits in British banks, British Government debt, and other gilt-edge securities. It is not likely, therefore, that the prewar holdings have significantly appreciated as a result of the wartime price increases. The contrary is true of foreign-owned assets in Ireland. No precise measure of the amount they have appreciated is possible. Some indexes which give an indication of what may have developed are the following:

The wholesale price index has risen 130 percent above the 1938 level. Land values have increased at least 150 percent and urban land prices have risen even more. An index of the prices of stocks and shares is currently about 50 percent above the prewar level.

Other indications of the holdings of foreign assets are given by the items in the balance of payments covering earnings on capital. In 1947 Ireland is estimated to have received 16.6 million pounds in interest, dividend earnings, and so forth, and paid out 9 million pounds. The increase in net earnings on this account between 1940 and 1947 was only about 20 percent. It cannot, however, be regarded as an accurate measure of the relative change in external assets and liabilities for several reasons: First, the different types of holdings involved may cause the relative changes in earnings to deviate from the changes in total assets; second, variations in the number of temporary residents in Ireland and their treatment for tax purposes may introduce erratic disturbances; and, third, payments depend upon profit distribution rather than actual earnings.

Whatever the magnitude of the monetary position is, there is no question but that the sterling assets held furnish a very substantial cushion to cover deficits in the balance of current payments. During the 1930's Ireland ran down its international balance by a small amount almost every year. This caused some unfavorable comment in banking circles but was considered by most authorities to be a legitimate incident to the difficulties of the trade war with England and to the efforts being carried on to build up industry. If required to contribute to a productive development program, it should not be a cause for concern if the sterling assets are liquidated to a reasonable degree in the future.

Whether such use of sterling assets is practical in the future will depend upon whether sterling can be used to purchase the goods actually needed. This is a problem partly of how many countries will accept sterling, partly of how much conversion of sterling into other currencies can be achieved and partly of the extent to which sterling sources can be developed for commodities now bought for other currencies.

K. POLITICAL SITUATION

In the Irish General Election of February 1948, the Fianna Fail Party led by Eamon de Valera, which had been in office for 16 years, failed to obtain a parliamentary majority and was succeeded by a Coalition Government of five parties. Although this Coalition includes considerable divergence of political opinion, and although it commands but five votes more than the opposition, the Government has demonstrated ability to compose internal differences and has been energetic in the application of economic and domestic policies. It has adopted a policy of retrenchment in several fields of Government expenditure; initiated a program for the rehabilitation of agriculture; extended social services; and improved Irish trade relations with Great Britain and other countries through the negotiation of trade agreements.

The democratic institutions of Ireland are among the most stable in Europe. There is no Communist Party in the country and the Irish people are firmly attached to democratic ideals. Labor is organized into unions belonging either to the Irish Trade Union Congress, affiliated with the British Trade Union Congress, or to the Congress of Irish Unions. The labor parties associated with these organizations support the Government and are represented in the Coalition Cabinet. The higher cost of living has led to some labor difficulty, but strikes have not interfered seriously with the Irish economy. The Labor Court, established in 1946 to help prevent industrial disputes, has proved useful in stabilizing the situation. It has limited mandatory powers but has achieved its most notable successes through mediation, fact finding, and recommendation.

The heavy rate of emigration, accompanied by rural depopulation and the disproportionate growth of urban areas, has been a source of concern to the Government, which has appointed a commission to study the population problem and suggest suitable remedies.

As Ireland's armed forces are comparatively small there is no great drain on the economy for defense expenditures.

Perhaps the most notable political action of the new Government has been the recent repeal of the External Relations Act of 1936 by which Ireland has been associated with the British Commonwealth. Official Irish pronouncements have maintained that this step was motivated by a desire to clarify and eventually to improve Ireland's relations with the United Kingdom.

Because of their extensive mutual trade the political relations between Ireland and the United Kingdom are of great economic importance. During the thirties a "trade war" developed. This "war" involved punitive tariffs and other trade restrictions on both sides which were unquestionably mutually damaging. Irish cattle raisers were particularly hard hit. Against this background the present cooperative trade relations are a great improvement.

In the field of foreign affairs generally the Government has declared itself as favoring increased international cooperation, especially in economic matters among the OEEC nations.

Chapter II. The Nature of Ireland's Economic Problem

As has been pointed out in part II, Ireland has been spared the more striking war-borne evils of physical destruction and run-way inflation. Its wartime deterioration was confined to serious but unspectacular economic dislocation such as depletion of soil fertility, reduction of herds and flocks, and running down of capital equipment. No drastic and sensational fiscal and monetary reforms, no rebuilding of obvious gaps created in industrial plant by bombs and shells are required in Ireland.

Ireland's main international economic problem is that of sterling convertibility. If Ireland is to continue to finance a dollar deficit with earnings from the United Kingdom it means in effect that the United Kingdom will have to pay for imports from Ireland partly in dollars.

Ireland's over-all current deficit does not appear to present a major difficulty, given continued avoidance of large budgetary deficits by the Government and of rapid monetary expansion by the banks. There appears to be little suppressed inflationary potential at large and internal financial developments do not threaten to release inflationary pressure.

Ireland will need small net additions to its own production for some years to make possible full recovery of its output and exports of animal products, but if its sterling earnings and assets could be used to pay for necessary imports there would not be much need for net financial aid. It is not the over-all current deficit, but the dollar deficit required to purchase necessary imports both for development and current operations which is at the heart of Ireland's present difficulties.

All this is not to say that Ireland is free from the universal task of raising production. In fact this necessity is acute for Ireland. The standard of living is low; production of many of the most essential animal products is still below prewar levels; and the natural population increase requires increased production if emigration, poverty, and unemployment are to be avoided. Recovery and expansion of Ireland's output of animal products is also of considerable importance to Europe as a whole. But Ireland's sterling resources and earnings might be employed to attack this job if they could be used to purchase the necessary supplies. In short, Ireland's international economic problem is primarily a specific dollar problem.

Chapter III. Ireland's Economic Program

A. THE LONG-RANGE PROGRAM

How does the Government of Ireland plan to attack the problems of increasing output and deciding upon its appropriate trade orientation? The answer is that the Irish Government does not plan to solve these problems, in the sense of issuing detailed instructions as to what Ireland's farmers and businessmen shall produce. By and large, Ireland relies on private businessmen and farmers, guided by a free market, to make the major decisions as to what, how, and how much to produce. Although emphasis will be placed upon plans of the Government in the following discussion, one must never forget that Ireland's economy is primarily one of private enterprise. The population is extremely hostile to compulsory controls beyond the bare minimum which appear to be required at any given time. The compulsory tillage and wheat growing which had to be imposed during the war were extremely unpopular and have, if anything, strengthened the antipathy for Government controls which has always existed in Ireland.

Nevertheless, the Government is conscious of the conditions which are necessary if private efforts are to be successful and intelligently directed. Moreover, there are important types of development which even in Ireland are considered to require Government enterprise. In order that the Government may play its part in realizing the conditions necessary for the greatest possible increase of Irish production, it is necessary for it to have a working conception of the probable lines which this development will take as well as of the market situation which will face Irish producers over the long run.

The pattern of development which the Irish Government anticipates entails substantially a continuation of the prewar pattern of the Irish economy. Great emphasis is placed upon the recovery and expansion of output of animal products. Over the period of the 4-year program, it is expected that farmers will raise production of animal products back to and even above 1938–39 levels. In terms of improvement from 1948–49, a total increase in volume of meat production of almost 25 percent is expected.

Expansion of industry is also anticipated, primarily for the domestic market. Ireland's level of industrial activity was growing quite rapidly before the war and this growth has continued since the war. It is expected that this development will not be interrupted. In the past, Ireland's industrial development has been fostered by protective tariffs and subsidies. The present Government contemplates no radical change in this policy but has declared that it will scrutinize such aids with great care to make sure that they are not merely providing protection for inefficiency.

The Government carries on the power generating and distributing industry directly in Ireland through a Government corporation—the Electricity Supply Board. Ireland has traditionally been heavily dependent upon imported coal and petroleum for power resources. An extensive increase in consumption of electric power is anticipated, however, and the Electricity Supply Board is pursuing a plan for the installation of large amounts of additional generating capacity. Extensive use is to be made of hydroelectric potential. The total capacity of such stations will be approximately 250 million kilowatt-hours per year. In addition, two steam stations especially designed to use Irish peat are being built. The results achieved with these plants, one of which will come into operation early in 1949, will be watched with great interest because it would be extremely encouraging if Ireland's extensive peat resources were to prove capable of economical exploitation as a source of electric power. In addition to providing additional power for industrial, farm, and domestic use these developments will permit Ireland to keep coal imports below prewar levels.

Peat has traditionally been used for domestic heating in rural areas by those unable to afford more satisfactory fuels. It was traditionally harvested by hand by the farmers and provided a low quality farm fuel. In an effort to develop the very extensive deposits which exist in Ireland into a significant national resource, a Government-owned corporation called the Peat Board has been set up to promote the mechanical harvesting and processing of peat. During the war this development had to be held in abeyance while large quantities of hand-won peat filled the gap caused by the dropping off of coal imports from England. Progress has been resumed since the war, however, and there now appears to be real hope that this machine-won peat will prove to be an important asset. The process through which this peat passes makes it a very superior commodity to the old hand-cut product.

The Government is also carrying on directly fairly large scale reforestation and land drainage programs and building up the Irish shipping industry through a Government-owned corporation. It is promoting housing, mineral development, a fishing industry, and the tourist trade by various aids and subsidies.

The resumption of the prewar pattern of Irish production implies, of course, continuation of substantially the same pattern of trade. Ireland expects to export very largely animal products almost entirely to the United Kingdom and to use the proceeds of those exports to finance imports from all areas. This implies that Ireland will still have a substantial dollar deficit even in 1952–53 and afterwards unless the commodities formerly purchased for dollars can be bought elsewhere. It means that Ireland counts on being able to convert at least a part of its sterling earnings to dollars. Needless to say, acceptance of ECA loans will add to the dollar requirements of Ireland in future years and consequently to the burden placed upon the United Kingdom.

In trying to present a realistic picture of the manner in which the Irish economy will progress the Government has made estimates of the levels of output and trade and consumption which may be expected at future times. It should be reemphasized, however, that these are predictions of private behavior which is not directly controlled by the Government. Through its fiscal and monetary operations the Government can normally make sure that the Irish people collectively do not spend beyond their incomes except for legitimate productive investment; the Government does not, however, take responsibility for the precise pattern of output and consumption which will result.

B. CRITIQUE OF IRELAND'S ECONOMIC PROGRAM

In general the reliance upon private enterprise and a relatively free market to which Ireland is devoted is wise. It is clear that present world price ratios will produce a return of the Irish pattern of production to substantially its prewar configuration. In view of the very favorable character of Irish climate and soil for the production of animal products and their very unfavorable character for other purposes it seems most likely that it will prove economic for Ireland to continue in its present role with only minor changes. The general direction of Government policy seems sound.

This conclusion is further supported by the need and willingness of the British to continue to import animal products from Ireland. A comprehensive trade treaty was negotiated this spring under which the British have accepted the general objective of raising Irish exports of beef cattle, bacon, and sheep and lambs to above prewar levels. The British Minister of Food has publicly expressed the desire that these exports should recover to the levels of the twenties, which were higher, rather than merely to the immediate prewar figures. The prices paid by Britain for fat cattle have been fixed in relation to those paid to British farmers, though they are somewhat lower. The precise price relationship is subject to continued negotiation. Prices to be paid for store cattle are still under discussion. A special agreement on egg exports provides guaranteed prices for any amount of eggs the Irish can produce.

There is one respect, however, in which it appears that an important addition to the Irish Government's economic program might profitably be explored. Ireland's most important natural resource is her soil. By and large it is good soil, but the consensus is that much of it has become seriously deficient in lime and phosphates. Experience the world over has shown that to achieve a rapid improvement in such a condition it is not normally possible to rely entirely or even substantially upon the action of individual farmers. The current expense is too large, the ultimate return too distant and too difficult to attribute accurately to the expense. Yet whatever the direction to be taken by Irish agriculture, correction of these deficiencies is bound to prove profitable. This is one area in which a really major subsidy program might well be justified. The present program is modest and does not appear likely to meet the need.

C. PROGRESS UNDER THE 1948–49 PROGRAM

Although it is too early to assay fully the effects of ECA assistance on the country's economy, it is believed that the 1948–49 program will enable Ireland to make very substantial progress toward balancing its international accounts, together with small advances in internal consumption and investment levels.

There are no aggregate statistics of the levels of production, investment, and consumption for the current program year. Such as are available have been included in part II above. It is apparent, however, that considerable recovery progress along many lines is being achieved. The Government is proceeding with considerable speed in accomplishing its own program and in assisting to provide the conditions for success of private efforts.

The development of generating capacity for electric power is being pressed especially vigorously. Originally, the Government had intended to procure much of the equipment required for these developments from the United States, but in view of the reduction in dollar expenditures made necessary by reduced dollar availability, most of this equipment is being procured from nondollar sources. This diversion has involved some delay, as deliveries are not generally as good from these sources. Nevertheless, some of the new capacity will begin to operate this year. In particular, one of the thermoelectric generating stations located on the site of a peat production development is expected to go into operation this spring. Rural electrification is also progressing, although the speed with which this program is being accomplished has been somewhat slowed down because of inability to procure supplies as fast as had been hoped.

In order to secure more favorable foreign markets for Irish producers, the Government has negotiated several important trade agreements providing for increased trade between Ireland and various other countries. The most important is the revised trade agreement with the United Kingdom under which improved prices for Irish cattle exports and wider markets for various manufactured products were achieved. This trade agreement expresses the desire of the two Governments to see exports of Irish animal products regain or exceed prewar levels. Periodic consultations as to details, including prices, are provided for. Other trade agreements have been made with the Netherlands, France, and Spain.

It is apparent that production of poultry and eggs has reacted extremely rapidly and favorably to the incentives provided by the earlier agreement with the United Kingdom. During the first 9 months of 1948, exports of chickens were more than six times as high as in the same period in 1947, and exports of eggs were up by almost two-thirds.

Pork production did not increase so rapidly because of the continued scarcity and high price of imported coarse grains. Irish farmers have been hesitant to increase their herds of swine because of their unfortunate experience in 1947 when a poor grain crop and high import prices caused considerable losses among those farmers who had increased their herds during the preceding year. Not until this year's large oats crop had been harvested and until it became apparent that substantial corn shipments from the United States would be received, did the farmers have adequate assurance of necessary feed. During the last few months, however, the production of bacon has at last begun to increase. Although total pig population in June 1948 was the same as in 1947, the number of sows increased by 8 percent and it is expected that pork output will now rise rapidly.

The projected over-all balance of payments for 1948–49 (based on revised Irish estimates) shows the continuance of a substantial deficit, though at a level much improved over 1947. A deficit of 51 million dollars is expected, as compared with 120 million dollars in 1947. This improvement is to be realized principally by increasing exports, which in value terms are expected to rise 30 percent over 1947, and will mean roughly an 18 percent increase in the volume of Ireland's exports, mainly foodstuffs. The improved position will also result in part from a lower level of imports. Ireland expects a decline in imports of about 4 percent in value terms, and 13 percent in physical volume from 1947. The volume of imports in 1948–49 should be only about 10 percent higher than in 1938.

The ECA allocation to Ireland for the 1948–49 program year is 78.3 million dollars, entirely in the form of loans, which with Ireland's dollar earnings will permit dollar imports of about 91 million. This sum will represent a considerable reduction in dollar expenditures compared with the 1947 deficit of 121 million dollars, which resulted from dollar imports of 134 million. It compares favorably, however, with the annual rate of 75 million dollars at which Ireland was receiving dollars from the United Kingdom in exchange for sterling

TABLE 13.—*Illustrative balance of payments for 1948–49*

[OEEC estimate, in millions of dollars]

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
1. Imports	73.5	18.0	91.5	382.0	473.5
2. Exports	2.0		2.0	204.5	206.5
3. Merchandise balance	−71.5	−18.0	−89.5	−177.5	−267.0
4. Invisibles (net)	+11.0	−2.0	+9.0	+207.0	+216.0
5. Current account balance	−60.5	−20.0	−80.5	+29.5	−51.0
6. Settlements					
7. Capital transactions					
(a) Non-ECA financing	+1.0		+1.0		
(b) Repayments					
(c) Other					
8. Net position	−59.5	−20.0	−79.5		
9. Estimated requirements for United States aid			79.0		

TABLE 14.—*Illustrative balance of payments for 1948–49*

[ECA estimate, in millions of dollars]

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
1. Imports	76.0	17.0	93.0	371.5	464.5
2. Exports	2.0		2.0	204.5	206.5
3. Merchandise balance	−74.0	−17.0	−91.0	−167.0	−258.0
4. Invisibles (net)	+11.0	−2.0	+9.0	+207.0	+216.0
5. Current account balance	−63.0	−19.0	−82.0	+40.0	−42.0
6. Settlements					
7. Capital transactions:					
(a) Non-ECA financing					
(b) Repayments					
(c) Other					
8. Net position	−63.0	−19.0	−82.0		
9. Estimated requirements for United States aid			78.3		
10. Uncovered deficit			3.7		

during the 9 months before ECA became effective, a time when British financial difficulties obliged Ireland to agree to limit the amount of sterling which would be converted into dollars.

While the smaller dollar allocation requires a greater dependence on imports from sterling sources, there has been a limited easing of the world supply position, especially in somewhat greater availabilities from nondollar areas. Ireland is thus able to increase the percentage of capital goods and industrial raw materials imported during the 1948–49 ECA year. Substantial imports of fertilizers, farm machinery, and coarse grains for fodder are scheduled for the rehabilitation of agriculture.

In summary, Ireland's current international accounts in 1948–49 are expected to come closer to equilibrium, both in total and in dollar transactions, than was the case in 1947. The deficits remain substantial, however; with exports still 20 percent below prewar volume and with arrears in imports of fertilizers, iron and steel, machinery, and other capital goods still to be made up, the outlook is for a continuation of moderate deficits for some time to come. It must also be stressed that the reductions in hard currency deficits are being achieved within the context of strict exchange controls. The possibility of eliminating these controls depends upon the position of the entire sterling area; there is little likelihood that they can be dropped in the near future.

D. IRELAND'S PROGRAM FOR 1949–50

1. General Economic Progress

Ireland has definitely laid its plans on the assumption that expansion of animal product output is the most essential condition for recovery of Ireland's exports and consequently of the balance and stability of its international position and domestic economy.

Under the Irish Government's program progress in 1949–50 will be concentrated upon increasing the output of animal products and livestock population. Results will, of course, continue to be more spectacular in the production of the smaller animals; sales of beef cattle will probably continue to fall through 1950 because of the low level of calf rearing through 1947. However, increased calf rearing is expected which will result in larger production and exports after 1950. Much the same will be true of sheep production. Needless to say, substantial additions to herds which pay off only after 2 or 3 years entail a very heavy investment by Irish farmers which is very incompletely reflected in investment statistics.

The progress in poultry and egg output made during the current year is expected by Ireland to continue into 1949–50, and pig production will increase substantially. The first small but significant reappearance of pigmeat in Ireland's exports is expected.

Of course it is unlikely that the unusually favorable weather conditions which prevailed this year will be repeated next year. Crops will probably not be quite as good. On the other hand industrial output will probably continue to rise, though less rapidly than it has to date since the war. On balance it seems likely that the national income will increase moderately, barring extremely unfavorable weather.

TABLE 15.—*Production, consumption, and exports of animal products*

[Official Irish estimates, in thousand metric tons]

	1947–48	1948–49	1949–50
Meat:			
Beef, mutton and offals			
Production	245	234	225
Consumption	100	95	86
Exports	145	139	139
Pigmeat:			
Production	45	48	58
Consumption	45	48	56
Exports	Nil	Nil	2
Poultry and game:			
Production	24	28	33
Consumption	15	17	18
Exports	9	11	15
Total meat:			
Production	314	310	316
Consumption	160	160	160
Exports	154	150	156
Eggs.. Exports	6	14	37

The Irish Government has not been able to prepare aggregate national income, investment, and consumption estimates for current and future years.

Substantial progress on the Government investment program in development of electric power production and distribution facilities, land drainage, housing construction, reforestation, etc., is projected. Considerable private building is predicted, both commercial and housing. Most important of all, the nation's farmers will be making a very large investment in increased herds and flocks and soil fertility.

On balance the over-all level of investment will probably increase somewhat, but there is little danger that it will involve an excessive inflationary pressure. At present the Government is making very modest borrowings and bank credit is not expanding.

Consumption levels are expected to remain virtually unchanged next year. Per capita food consumption in calories is expected to remain unchanged at about 3150 per day. It appears that liquid assets held by individuals are now reduced to fairly stable levels; in the absence of inflationary Government spending programs or credit extensions consumption may be expected to be closely related to income and output.

TABLE 16.—*Estimated per capita food consumption*

Commodity	Kilograms per year 1948–49	Kilograms per year 1949–50	Commodity	Kilograms per year 1948–49	Kilograms per year 1949–50
Grains as flour	133	132	Fish (landed weight)	7	7
Fats and oils, including butter (fat content)	18	18	Eggs	12	12
Sugar, refined	32	35	Cheese	1	1
Potatoes	217	200	Whole milk [2]	143	145
Dry legumes	2	2		Calories per day	
Vegetables, fresh [1]	65	65	Total food	3,150	3,150
Fruits, fresh [1]	31	32			
Meat (carcass weight)	53	53			

[1] Includes processed converted to fresh.

[2] Excludes cheese and butter.

Domestic savings are being promoted by a Government publicity campaign and an increase in the interest rate offered for small personal savings. It is doubtful, however, whether they will entirely cover the necessary investment program, and the resources accruing from a moderate deficit in the current balance of payments will probably continue to be necessary.

TABLE 17.—*Trade volume*

[1938=100]

Period	Imports	Exports	Period	Imports	Export
1938	100.0	100 0	1948—May	147	55
1943	29 5	54 9	June	122	60
1946	80.5	72 0	July	104	71
1947	123.7	68.5	August	101	79
1948—January	143	64	September	110	77
February	112	54	Programs: [1]		
March	157	66	1948–49	110	75
April	140	57	1949–50	110	81

[1] Approximate volume based on Irish estimate of value.

Source: 1938—September 1948, Ireland, Statistical Abstract and Irish Trade Journal.

TABLE 18.—*Illustrative balance of payments for 1949–50*

[Irish estimate in millions of dollars]

	Dollar account			Nondollar account	Grand total
	United States	Other	Total		
1. Imports	66.2	22.2	88.4	387.3	475.7
2. Exports	1 5	.1	1.6	221.7	223.3
3. Merchandise balance	−64.7	−22.1	−86 8	−165 6	−252.4
4. Invisibles (net)	+11.7	−1.3	+10.4	+185 3	+195.7
5. Current account balance	−53.0	−23.4	−76.4	+19.7	−56.7
6. Settlements					
7. Capital transactions:					
(a) Non-ECA financing	+1.0		+1.0		
(b) Repayments					
(c) Other					
8. Net position	−52 0	−23 4	−75.4		
9. Estimated requirements for United States aid			75.4		

TABLE 19.—*Illustrative balance of payments for 1949–50*

[ECA estimate—in millions of dollars]

	Dollar account			Nondollar account	Grand total
	United States	Other	Total		
1. Imports	66.6	12 2	78.8	395.9	474.7
2. Exports	2 6	.1	2.7	211.7	214.4
3. Merchandise balance	−64.0	−12.1	−76.1	−184.2	−260.3
4. Invisibles (net)	+11 7	−1 3	+10.4	+185.3	+195 7
5. Current account balance	−52.3	−13.4	−65.7	+1.1	−64.6
6. Settlements					
7. Capital transactions:					
(a) Non-ECA financing	+1.0		+1.0		
(b) Repayments					
(c) Other					
8. Net position	−51.3	−13.4	−64 7		
9. Estimated requirements for United States aid			64.0		

2. The Amount of Aid Required

The total value of the import program of the Irish Government for 1949–50 is virtually the same as that during the current year. Some slight shifts are expected resulting from the good 1948 harvest and reflecting the increased emphasis on capital goods. These include substantial increases in iron and steel and machinery and electrical goods. The over-all level of the import program seems reasonable. A small shift in source of imports from the United States and Canada to other participating countries is planned amounting to about 3 million dollars.

An increase in exports of about 8 percent or 16 million dollars is predicted by the Irish Government. This increase is almost entirely to the other participants. Moreover, it involves a very significant shift character of the exports. Estimated exports to other participants of agricultural products actually rise by 30 million dollars to a total of 175 million dollars. This increase is partially offset by a drop in other exports of 14 million dollars. This shift represents a return to more normal patterns.

The level of Irish exports of agricultural products depends primarily upon the production achieved. It is considered that adequate price incentives exist to bring about the desired expansion of output, but whether it can be realized may be open to some question. It now appears that the Irish estimate may be somewhat optimistic, particularly in view of the general tendency of the submissions of the European countries to predict more exports to than imports from each other.

The Irish program predicts a 20 million dollar decline in net invisible earnings in 1949–50 largely as a result of reduced tourist expenditures in Ireland. Predictions of these expenditures are particularly difficult. It is highly probable that British tourism to Ireland will decline during the next few years. A large part of the very high level in the last two years has resulted from the comparatively plentiful supply of meat and clothing in Ireland for those who could afford it and from the difficulties of travel on the Continent resulting from exchange control and shortages.

The over-all deficit in the current payments balance is expected to increase slightly—the decrease in invisible earnings more than offsetting the increase in exports.

In view of the substantial progress predicted in the export of agricultural products and the inevitable lag in the recovery of exports of beef cattle this small deficit is not disturbing. The increase is not large enough to be significant and may well be unduly pessimistic. If tourist receipts or "other exports" to participants are higher than expected and the rest of the program is realized, the increase might well be eliminated. In any case, Ireland has sufficient sterling assets to finance a moderate current deficit if it is required to permit a sound development program.

The main reason why Ireland required "extraordinary outside assistance" is not that the country needs net financial aid but rather that its pattern of production and trade involves a dollar deficit which is normally covered by conversion of sterling earnings. It is, therefore, almost entirely the dollar deficit which is important in appraising the level of ECA assistance required by Ireland.

Ireland's current dollar deficit in 1947 amounted to over 120 million dollars. Shifting of imports to nondollar sources and reduction of import volume permitted reduction of the dollar deficit by one-third in 1948–49.

The original Irish request for aid in 1948–49 of 111 million dollars was reduced as a result of screening by OEEC to 79 million dollars, a recommendation that has been substantially accepted by ECA. Ireland already has been allotted its full 78.3 million dollars for 1948–49 entirely in the form of loans. In addition to this, Ireland received a 10-million-dollar loan in the second quarter of 1948.

There is little hope of achieving important increases in Ireland's dollar earnings. Exports to the United States and Canada have always been small. Considerable attention is being devoted to possible methods of expanding these exports, but even if a very large proportional increase were achieved it would amount to little in absolute terms. The Irish program predicts a drop in exports to the United

TABLE 20.—*Illustrative balance of payments for 1949–50*

[In millions of dollars] [1]

Period and category	United States	Canada	Other Western Hemisphere	Other	Total
1938: [2]					
Imports (including freight)	23	8			
Exports	1	0			
1947:					
Imports	108	20	6		134
Exports	1	0	0		1
Net invisibles (including freight)	+13	0	−1		+12
Total	−94	−20	−7		−121
1948–49 (Ireland's revised program):					
Imports	73	14	4		91
Exports	2	0	0		2
Net invisibles (including freight)	+11	−1	−1		+9
Total	−60	−15	−5		−80
1949–50 (ECA estimates):					
Imports	66.6	[3] 12.2			78.8
Exports	2.6	.1			2.7
Net invisibles (including freight)	+11.7	−1.3			+10.4
Total	52.3	13.4			−65.7

[1] £1=$4.89 in 1938 and $4.035 in other years.

[2] Trade figures with United States and Canada given for 1938 for comparative purposes: invisibles by area not available.

[3] Canada and other Western Hemisphere not separately shown, 1949–50.

States in 1949–50. It is considered that every effort should be exerted to stimulate such exports and an increase of 1 million dollars, or 67 percent, over the Irish estimate has been allowed for in ECA calculations.

Ireland's main dollar earnings arise from emigrants' remittances and tourist expenditures. Before the war dollar emigrants' remittances were gradually declining because of reduced emigration to the United States as a result of our immigration restrictions. A temporary revival of these payments has occurred as a result of the levels of income achieved during and since the war in the United States, but it is likely that the prewar decline will be resumed. Certainly no increase can be expected.

A Government-sponsored promotion campaign is being carried on to increase dollar earnings from tourism. In preparing its program the Irish Government has assumed that increased earnings from this source will result. The Irish estimates of their dollar earnings, therefore, appear to be quite optimistic except for the adjustment which has been suggested for dollar exports.

The 1949–50 dollar import program proposed by the Irish Government is about 3 million dollars less than that provided for under the current program. This reduction involves shifting imports away from the dollar area even more than has been done to date.

The import program submitted by the Government of Ireland has been carefully scrutinized by ECA commodity specialists to see whether the over-all level of imports is really required and to make sure that greater quantities of commodities scheduled for dollar procurement are not available from sources where Ireland's sterling earnings and assets could be used to buy them.

In the light of the best available information and taking due account of the requirements of all other countries it is likely that a further shift of Ireland's purchases back to normal nondollar sources should be possible. Even though the dollar import program was reduced by over 30 percent between 1947 and 1948–49, it is believed that a further substantial reduction can be achieved.

Reduction of Ireland's dollar imports to this extent will involve some difficulties. The volume of imports from the United States and Canada made possible by the recommended ECA aid figure will be only about 5 percent higher than in 1938. Availability of many important types of goods from nondollar sources is and will almost certainly remain lower than it was before the war for some years to come. The reduction of dollar imports required will necessitate some adjustments in the level of consumption and delays in maintenance and development of buildings and equipment. A temporary decline in some types of production may even be involved while readjustment is made to use of components available from nondollar sources. It is not believed however, that serious retarding of the recovery of production and export of animal products need result.

In summary, the slight increase in Ireland's dollar earnings and the considerable reduction in dollar expenditures should make possible a further reduction of the current dollar deficit by about 11 million dollars. This deficit would then be 65.7 million dollars.

Being a member of the sterling area, Ireland has no important gold and dollar assets. The sole dollar resource aside from current earnings is capital receipts resulting from private transactions. These are very minor and are estimated to amount to about 1 million dollars in 1949–50, as in 1948–49. No other source of gold and dollars is available if Ireland is not to turn to the United Kingdom. This means that Ireland must obtain dollar aid in the amount of 64 million dollars in order to secure the imports required for recovery of agricultural production and exports to the European countries. It is therefore considered that an amount in the neighborhood of 64 million dollars would be appropriate for aid to Ireland in 1949–50.

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