

|                            |     | £      | s. | d. |
|----------------------------|-----|--------|----|----|
| Expenditure in year 1860-1 | ... | 17,800 | 14 | 0  |
| " " 1861-2                 | ... | 25,372 | 7  | 11 |
| " " 1862-3                 | ... | 53,412 | 19 | 1  |
| " " 1863-4                 | ... | 52,599 | 3  | 2  |
| " " 1864-5                 | ... | 60,291 | 6  | 9  |
| " " 1865-6                 | ... | 49,547 | 19 | 0  |
| " " 1866-7                 | ... | 30,751 | 4  | 0  |

That is to say, Native expenditure for 1865-6 was about one-fifth less than it was in 1864-5, when the expenditure of that class reached its maximum, and for the past it was one-third less than that of the preceding year; thus showing a rapidly decreasing ratio of expenditure. This reduction, I admit, may be attributed in some slight degree to the fact that certain services formerly charged under the class "Native" were transferred to other classes. At the same time an attempt, of the only kind which was practicable, has been made in the present estimates to introduce an element of limitation into the Defence estimates. It consists in charging locally a certain portion of the "Militia and Volunteer services," in the manner which will be best explained by a reference to the estimates themselves.

The result to which I have referred is also partly due to the careful manner in which the departmental estimates have been prepared, for otherwise an estimated expenditure could not have been submitted showing only so slight an increase over last year as appears in the following figures, viz. :—

*Estimated Appropriations, 1866-7.*

£738,308 0 0

*Estimated Appropriations, 1867-8.*

£744,178 7 6

Now, with a proposed expenditure of only £744,178 7s. 6d., and an estimated revenue of say £1,084,000, it would at first sight appear that there was no ground for the assumption which I just now made, namely, that there was very little margin, and it would seem that it could not be necessary to relieve the ordinary estimates of the charges for certain services and make provision for them elsewhere, and so indeed there would be ample margin, but for the necessity of making provision for the Provinces—a necessity, however, which I have already stated the Government recognizes. Here then is our great difficulty—the *bête noir* of New Zealand financiers—and if the present Government succeed in making such a settlement of this much vexed question as may be accepted by prudent and reasonable men, they believe they will have conferred a lasting benefit on the country, by removing a great cause of delay, uncertainty, and irritation. But this question cannot be dealt with satisfactorily merely as one of measure, it is one of manner also, and the one is only second in importance to the other, if, that is to say, any character of stability is to be stamped on our proposed arrangements.

The results of the past financial relations of the Colony and the Provinces can alone afford data on which to base safe proposals for the future. Now, I am not going to travel over the ground which I took in 1865, when I endeavoured to expose the defects of the system of distribution of surplus revenue, as settled by "The Surplus Revenue Act, 1858." The arguments I then used, to show that the effect of the system was to keep the public accounts in a chronic state of arrears, and cause sums to be distributed under the delusive character of surplus sums when in fact no available surplus existed, have not been controverted, and are, I believe, incontrovertible. But it is indispensable, before proceeding to propose any new arrangement, to take a retrospect of the past. With this object I have had a return (No. IV.) compiled, consisting of four tables, exhibiting the annual authorized expenditure for colonial and provincial services respectively; also, the annual amounts distributable to the Provinces compared with those distributed. I do not vouch for the entire accuracy of this return, but the errors, if errors there are, are proportional, and will not invalidate the conclusions I seek to deduce from it. The return extends from 1858 (the year in which the Surplus Revenue Act was introduced) to the end of last financial year. I propose to

draw the attention of the Committee to some of the points of interest in this return, which exhibits very clearly the past relationship of colonial and provincial expenditure.

It appears then, that during the period referred to, the expenditure, as borne on the civil list, which comprises the salaries of all the high officers of state in the Colony, has only grown from £19,000 to £27,500—an increase of less than one-half. I believe I may safely say that there is no colony where there has been such a system of economy (not to say parsimony) as in the Colony of New Zealand, so far as the provision for its Executive is concerned.

We next come to a charge which has grown in nine years from £20,265 to £305,365. This item is "Permanent Charges," which principally consist of interest and sinking funds; and has become fifteen times larger than it was in 1858. It is an ugly item; you have no control over it; it must be borne like the ills of life; and it is all the uglier, because it is a charge of an unproductive character; it is, in fact, the condign punishment of war—a war, however, it must be observed, which was not sought for by the General Government, but into which it was hustled, and its charges flung at the Colony no doubt with a wish for good luck, like the old shoe at the wedding.

We now come to the second table, which shows expenditure provincially charged. It consists of recognized local charges. An examination of the growth of this class of expenditure, will show that whereas the Auckland local charges have been the most economical, on the other hand those of Otago have been the most extravagant. It is only reasonable to conclude that the ultimate settlement of accounts will show a corresponding difference in results.

We next glance at the third and fourth tables, and remark that up to 1864-5 the Provinces were short paid, and that during the last two years, they have been greatly over-paid. This fact is noteworthy on two accounts. 1st. Because it is coincident with the increase of taxation. I refer to an estimate (No. V.), according to which I calculate that the additional revenue received during the last two-and-a-half years, in consequence of the increase of the Tariff in 1864, and the imposition of the Stamp Duties in 1866, has amounted to £580,000, and according to the return before us £626,000 has been distributed to the Provinces during the last two years. Now if there had been no such increase of the taxation, such a distribution could not have been effected. I doubt, therefore, the wisdom of those, who, within the recesses of their respective Provinces, declaim against the General Government, as the devourer of the proceeds of the taxation of the country. 2nd. Because the principal over-payment (which was that of the last year) was made by a Government which has been attacked on account of its alleged anti-provincial tendencies; a Government which it now appears, however, has, without authority of law, actually overpaid the Provinces (the proportion of 3-8ths of the gross customs revenue having been paid over to the Provinces for thirteen instead of only twelve months within the past year, a year which may henceforth be recorded in the almanac of the Colony as "The Provincial Leap Year"). The Committee may sanction this proceeding or it may not; but certainly this would be a droll conclusion to arrive at, viz., that a Government, which exceeds the law to aid the Provinces in their embarrassment, is at the same time seeking their destruction. I am reminded of a domestic complaint of ill-usage once brought before a police court, which, after cross-examination, was reduced to this, "Well then, your honor, he gave me such a look!" I need hardly inform the Committee that the court dismissed the case.

If fairly judged, these over-payments to Provinces ought to be regarded as the *reductio ad absurdum* of the present surplus revenue system.

Another striking result is, that whereas £1,597,842 was all that was distributable under the Surplus Revenue Act since its commencement to 30th June last, there has actually been distributed the sum of £1,781,531; showing an over-payment amounting to £183,689, and therefore due by the Provinces to the public revenues.