effect of separating the current expenditure from that charged on loans would be that a part of the annual current charges for services of the same kind would appear in two places in the account. For this reason I have adopted the simpler form of stating the whole expenditure in one account, leaving it to the reader to contrast such heads of expenditure as he may deem "extraordinary" with the net amount of the debt incurred in each year, and what he may consider to be "ordinary" with the current receipts.

The financial history of New Zealand might be divided into four chapters, each dealing with a separate epoch. The first extends from 1840 to 1847 inclusive, during which time New Zealand was one undivided colony. The second from 1848 to 1852, during which, under Lord Grey's Constitution Act of 1846, the colony was divided into two provinces, New Ulster and New Munster, each having its separate finance and separate accounts. The third commences with the Constitution Act of 1852, under which New Zealand again became one colony with a general Treasury chest, but during which it was divided into provinces, each having its own internal financial organization. The fourth epoch extends from the abolition of the provinces in 1876 to the present time.

It has not been thought desirable to deal with the transactions of the provinces in these tables. They only appear as the recipients of so much of the ordinary and land revenues as were handed over to them by the General Government. During the provincial period, however, certain classes of revenue and expenditure disappear from these tables. The provinces raised an independent revenue both by taxation and loan, and by them were administered some of the most important departments of government: those, for example, of immigration, public works, education, and police. The provincial loans, which were considerable, were incorporated into the general debt upon the abolition of the provinces.

The following tables have been prepared from printed and published statements. All transfers from one account to another, which constitute a perplexing element in public accounts, and are unavoidable where different kinds of expenditure are charged on different sources of revenue, have been eliminated.

The first table shows the expenditure in New Zealand by the Government of New South Wales, of which colony it formed a part, and which maintained an agency at the Bay of Islands. The figures are given in a return of the expenditure of New South Wales from 1825 to 1838, prepared by the Audit Office of that colony in 1840.

The public accounts of New Zealand commence in 1840. They were originally published quarterly in the *Gazette*, and consisted of a simple statement of the receipts and expenditure for each quarter, but did not include the balances in hand at the beginning and end of the period. No balanced account of the colony is to be found until after the Constitution Act came into force. Nor did these statements comprise accounts of the colony as a whole. In the earlier years they give the transactions at Auckland and Russell (the Bay of Islands) separately; then of New Plymouth, to which were subsequently added those of Wellington, Wanganui, and Nelson; and, at a later date, of Otago and Canterbury, as those settlements were successively formed.

The labour of reducing all these statements, scattered throughout the *Gazettes*, into a general account for the whole colony for each year, has been considerable, often enhanced by misprints in the figures; and in some cases a quarterly account of one or other of the settlements seems to have escaped publication. A return was, however, made to the Legislative Council in 1847 of the revenue and expenditure of the colony for each of the years from 1840 to 1845 inclusive, and I have adopted this as the account for those years. It was not until the year 1857 that accounts were published providing the materials out of which a complete balance-sheet could be constructed in the form presented in these pages.

Up to the end of 1852 the accounts are made up to the end of December. After the Constitution Act came into force the quarterly accounts of receipts and expenditure were abandoned, and an account was presented by the Treasury for the nine months ended on the 30th September, 1853, and for the nine months ended on the 30th June, 1854, the day on which it was then settled that the financial year should end in future. This arrangement continued in force until 1879–80, when the end of the financial year was altered to the 31st March.

The first debt of the colony was incurred under Governor Fitzroy. The abolition of all Customs duties had put an end to the ordinary revenue, and the waiver of the Crown's pre-emptive right over Native lands had practically abolished the Land Fund. The Government was nearly penniless, and its immediate wants were supplied by the issue of debentures from