

was possible, and that they have succeeded honourable members will see by the table to which I have already referred, which, as I have just said, shows a total reduction of £291,410. Explanation of reduction,

But some honourable members may say, How is it, if such large reductions have been made in the expenditure of 1889–90 as compared with that of 1886–87, that the total expenditure for last year was £4,243,761, while the total expenditure for the year 1886–87 was £4,280,444, a difference of only £36,683 in favour of last year? The increase of interest and sinking fund from £1,642,876 paid in 1886–87 to £1,897,603 paid in 1889–90 is the main reason; but the comparison is not quite fair, as the amount paid in 1886–87 would have been £1,676,320 instead of £1,642,876, had not £33,444 been thrown forward into the next year by conversion operations. The increased amount for interest and sinking fund is £254,727, full particulars of which, and of the £33,444 thrown forward, constituting a portion of it, will be found in Table No. 31. In respect of this increase, however, the present Government are only directly responsible for £40,000, being the interest on the loan of £1,000,000 authorised by this Parliament in 1888. The balance of the increased charge arises from the issue of the whole of the loan for the North Island Main Trunk Railway; from further debentures issued for the increase of the sinking funds—of which there are now outstanding £939,084; from further debentures issued to provide loans to local bodies; and from debentures for the amount of deficit, outstanding on the 31st March, 1888, which was funded, and sundry other small amounts. For these increases the Government are only so far responsible that we continued and have carried on cautiously the policy approved by more than one Parliament.

But another question arises here, the answer to which seems to puzzle many people: it is, why so large an increase in taxation was required if such large reductions in expenditure were being made. The increase in taxation, notwithstanding the large reductions in our public expenditure, was rendered necessary, in the first place, because the recurrent revenue of 1886–87 (that is, the ordinary revenue, excluding certain items which would not recur) was insufficient to cover the expenditure of that year by £405,219, leaving out of the computation the interest, £33,444, thrown forward, to which I have referred. These figures can be verified by any one who will take the trouble to look into the published accounts, and the Financial Statement of the late Treasurer. The non-recurrent items in the revenue of 1886–87 were, first the aid received from loan, £113,912; then the released sinking funds, £104,767; the difference—viz., £17,475—between £37,859, the surplus in the Ordinary Revenue Account, with which the year 1886–87 began, and £20,384, the deficit in the Land Fund Account; and certain recoveries in the Land Fund, £22,509; and to these had to be added the deficiencies with which the year 1886–87 ended—£92,293 in the Ordinary Revenue Account, and £54,263 in the Land Fund Account. These sums amount to £405,219; and, excising the transactions of the years 1887–88 and 1888–89, that is the amount which in 1889–90 we should have found deficient had the revenue and expenditure of 1886–87 as above revised been continued without alteration in 1889–90: that is to say, the expenditure of the year, exclusive of the deficit at the beginning, would have exceeded the revenue by £405,219. Next we have to take into account £254,727, the increased amount for interest and sinking fund paid in 1889–90 over that paid in 1886–87, which I have already explained. Further, we paid off £50,000 of the deficit of £128,605 at the 31st March, 1888, unprovided for. So that the total amount which would have had to be made up in last year was £709,946; but allowing for the growth of certain branches of the revenue, which is now found to have been about £137,000, the amount required to balance the account was £572,946. And the necessary equilibrium has been established in the first place, as I have shown, by reduction of expenditure to the extent of £291,410, while, had the House approved of some other proposals the Government made, the reduction would have been increased by £45,000 more; and, secondly, by additional taxation, estimated to yield £300,000, but actually yielding a little less, or about £260,000; and, thirdly, by the ordinary growth of certain branches of revenue. By these means—that is, by economy, and additional taxation to about an equal Explanation why notwithstanding retrenchment additional taxation was rendered necessary.