

Such scrutiny, however, could not have been carried out without at least one reference to the colony, and this would have necessarily occupied much time, while the existence of such an unascertained claim must have greatly prejudiced the financial arrangements of the colony.

The colony is oppressed by a heavy debt, to a great extent caused by the same circumstances which had led to the Imperial expenditure in the colony. The magnitude of that debt has raised the taxation of the colony to more than £6 5s. per head on the entire population, Native and European, while the war has prevented that steady progress of settlement and industry which should have, during the same period, enriched the colony, and increased its resources.

The colony, moreover, has taken upon itself the entire duties of future internal self-defence, thus relieving the Imperial Government from the former responsibility, and the Imperial Treasury from the expenses incident to the maintenance of a large military force in New Zealand.

It appeared to me that, under these circumstances, the Imperial Government might properly consent, simultaneously with the removal of the troops, the installation of a new Governor, and the establishment of a complete system of self-reliance, to close these accounts by a mutual release, waiving the claim which they consider might be established against the colony.

In this view Her Majesty's Government concur; I have accordingly communicated with Mr. Fitzherbert, who has assented thereto, and I enclose a copy of the letter in which the decision was conveyed to Mr. Fitzherbert, and a copy of his reply adopting the arrangement, thus finally disposing of these long-pending matters.

I have, &c.,

BUCKINGHAM AND CHANDOS.

Sub-enclosure 4.

MEMORANDUM FOR HIS EXCELLENCY THE GOVERNOR.

THE despatch, No. 34, of the 1st of April last, from Her Majesty's Principal Secretary of State for the Colonies, communicates the settlement of the accounts between the Imperial and New Zealand Governments, arising out of the late war, on the basis of a reciprocal abandonment both of claims and counter-claims.

As a final conclusion of a prolonged and irritating controversy on matters of accounts between the Imperial Government and a portion of the Empire, this settlement must, on political grounds, be regarded with satisfaction; and in the peculiar circumstances of New Zealand, the decisive settlement, even at a pecuniary loss to it, of these long outstanding claims was much to be desired. But in acquiescing, for these reasons, in the arrangement above referred to, the New Zealand Government submit that it must be recognised that the colony has thereby made a considerable sacrifice; and it is a matter of regret that the promised scrutiny has not been made into the colonial counter-claims, which are believed to be founded on justice, and which show a credit to the colony of £147,235, after deducting from the Imperial claims preferred by Mr. Commissary-General Jones certain charges, such, amongst others, as the capitulation charge, which His Grace the Duke of Buckingham does not consider justifiable. It is confidently felt that the result of that scrutiny would not only on broad constitutional grounds of policy, but even if more narrowly tested as a mere question of financial account, have placed a considerable sum to the credit of the colony.

But there are claims other than pecuniary which this colony has on the British Empire, not those arising out of natural relationship, but claims which the colony has eminently earned by its action during the late war; and it is gratifying to perceive that His Grace appreciates the national patriotism and unselfish character of that action, inasmuch as the colony, under the pressure of war and of a heavy debt, to a great extent caused by the same circumstances which had led to the Imperial expenditure in the colony, undertook the entire duty of future internal self-defence, thus relieving the Imperial Government from the former responsibility, and the Imperial Treasury from the expenses incident to the maintenance of a large military force in New Zealand.

To these claims, His Grace might have added that the colony also took upon itself the cost and responsibility of the fulfilment of these solemn obligations which the Crown of Great Britain had contracted in respect of the Maori race, when the promise was made that, in consideration of the cession of sovereignty of these islands, "Her Majesty the Queen of England extends to the natives of New Zealand her royal protection, and imparts to them all the rights and privileges of British subjects." And, in undertaking these obligations, the colony has not been content with mere idle professions; but, notwithstanding the continued pressure of the heavy war expenditure, has expended, and is expending, very large sums for promoting the civilization and education of the Native race, amounting (as shown by the annexed statement) to not less than £296,035 18s. 10d. during the last seven years.

Wellington, 4th July, 1868.

E. W. STAFFORD.

Annexed are: 1. (Sub-enclosure No. 1.) A statement of the expenditure of the Government of New Zealand on purely Native purposes during the last seven years; (Sub-enclosure No. 2.) A statement showing the expenditure of New Zealand during the financial year 1867-68, for Native purposes, colonial defence, and the interest of the war debt.

SUB-ENCLOSURE 1.—PAPERS relating to NEW ZEALAND: EXPENDITURE ON NATIVE PURPOSES.

	1860-61.	£	s.	d.	£	s.	d.
Civil List, including amounts unexpended in former years	..	7,909	3	4			
Native schools	..	6,254	15	7			
Appropriations	..	2,934	19	10			
	1861-62.				17,098	18	9
Civil List, including amounts unexpended in former years	..	10,259	7	1			
Native schools	..	5,461	16	6			
Appropriations	..	9,001	16	9			
	1862-63.				24,723	0	4
Civil List, including amounts unexpended in former years	..	7,903	4	6			
Native schools	..	8,447	15	8			
Appropriations	..	40,670	12	11			
	1863-64.				57,021	13	1
Civil List, including amounts unexpended in former years	..	7,327	19	1			
Native schools	..	4,525	13	9			
Appropriations	..	41,105	10	4			
	1864-65.				52,959	3	2
Civil List	..	7,000	0	0			
Native schools	..	2,508	5	0			
Appropriations	..	51,044	2	0			
	1865-66.				60,552	7	0
Civil List	..	7,000	0	0			
Native schools	..	912	7	11			
Appropriations	..	41,635	11	1			
	1866-67.				49,547	19	0
Civil List	..	228	9	10			
Native schools	..	438	2	8			
Appropriations	..	33,465	15	0			
					34,132	7	6
					£296,035	8	10

Treasury, 6th July, 1868.

J. WOODWARD, Assistant Treasurer.