has been added on account of the liability for deposits inscribed under the New Zealand Consols Act of last session; and the investment of this money produces a profit over the amount of interest payable. Debentures amounting to £1,180 were issued to satisfy old soldiers' claims, and £117,800 for the annual accretions of sinking funds, as provided by "The Consolidated Stock Act, 1884." The Government, having acquired the Kaihu Valley Railway, has become responsible for the debentures, amounting to £47,000, which had been issued by the company. For the purposes of the conversion or redemption of existing bonds our Loan Agents issued further stock, amounting to £787,258. The total issue of bonds and of inscribed stock was £1,522,363. On the other side there were redeemed or converted debentures amounting in all to £961,814, leaving, as I have before stated, an increase to the gross public debt of £560,549. Of the debentures redeemed, the largest parcel belonged to those of "The Consolidated Stock Act, 1884," amounting to £264,414, paid off upon an equivalent amount of sinking funds being set free of the loans of 1856 and 1863, and of the Consols of 1867. From the same source £15,200 of debentures belonging to "The Lyttelton and Christchurch Railway Loan Ordinance, 1860," were paid at maturity on the 1st July, 1894. Out of the proceeds of sale of inscribed stock, £200,000 Cheviot Estate purchase debentures, £50,000 bonds of the loan of 1856 (due on the 1st July, 1894), and £33,300 drawn bonds of the Consols of 1867, were paid off. Conversions were effected during the year in respect of the following debentures: namely, £78,700 loan of 1863; £297,100 Consols of 1867; £1,000 Auckland loan of 1863; £9,100 Otago Loan Ordinance of 1862; £1,000 Canterbury Loan Ordinance of 1862; and £12,000 District Railways Purchasing Loan of 1885.

The net public debt on 31st March, 1894, was £38,874,491, while on the 31st March last it became £39,635,032; showing an increase of £760,541. This is accounted for by the increase to the gross debt of £560,549, by £334,295 of released Sinking Fund appropriated according to law, less the natural accretions amounting to £134,303.

To make our position in this matter perfectly plain, and so that all may at a glance understand it, I subjoin a table showing the particulars of the increase of the public debt since the 31st March, 1891. This increase amounts to £1,556,614, but of this sum no less than £1,335,591 earns a rate of interest considerably in excess of the rate which the Treasury has to pay. £1,177,566 is earning 5 per cent., and we are paying an average rate of £4 8s. 2d. for the use of the money; and £158,025 is earning 4 per cent., while the deposits only carry 3½ per cent. interest; £47,000 for the Kaihu Valley Railway earns £2 9s. 6d. per cent. The £964,900, raised to meet the payments by which the the sinking fund annually accumulates, represents in reality a saving in taxation which would otherwise have required to be provided. The £27,226 of debentures issued as grants to naval and military settlers would, without doubt, have required to be provided by land-grants, but by the issue of the debentures even at 4½ per cent. interest we have avoided parting with land which is yielding us at least 5 per cent. per annum. The final sum of £624,273, being an increase arising out of our conversions, is the result of the ordinary operations under the Act of 1884, and speaks for itself. It is an item the outcome of transactions which have very materially reduced our interest-charges, and to which it is unnecessary for me to allude in this place. With these few remarks, and with the assistance the table will afford to honourable members, I feel sure that the accusations of "borrowing"—using such a term in its ordinary sense — must fall to the ground. Apart from the strictly remunerative character of these financial operations, it must be conceded that the primary object—the advancement and settlement of our colony—has been their sole object, and we should not be blamed for our endeavours to secure this result. In fact I have no hesitation in asserting that were a policy of inaction adopted in this country it would result in widespread damage, not merely to any one class, but to all.