becomes absorbed in war purposes it becomes increasingly necessary for war loans thereafter to be financed from current savings. In other words, support to war loans is essentially part of the people's war effort. A portion of the amount required still comes from the financial institutions in the form of current accumulations of the people's savings in life-insurance premiums, mortgage repayments, &c., but the private individual must carry directly a much greater portion of the responsibility for filling a war loan. And it is not only surplus income that is required, but that each individual will go without those luxuries and things which are not absolutely necessary, and divert the savings so made to the war effort. The range of investments is wide enough to enable every wage-earner to participate—inscribed stock for the larger amounts and National Savings Bonds and Accounts for those who have not the accumulated funds immediately available.

While the war loan will be open only for a limited time, national savings are a continuing method of aiding our war effort, and it is that regular, day-by-day, week-by-week habit of saving we must develop if we are to carry our full share in the great enterprise in which we are engaged.

Public debt operations, 1942–43.

As I have already indicated, the whole of the State activities are now geared to the prosecution of the war, and borrowings last year were therefore almost entirely for war purposes. A sum of £3,465,000 was raised for national development purposes, mainly for housing and hydro-electric supply, and to cover exchange on remittances to repay portion of the 1939–45 London loan, while the balance of gross borrowings amounting to £80,000,000 were for war purposes.

Public debt operations last year resulted in a gross increase in the debt of £83,465,000, which sum was obtained from the following sources:—

	£
Public loans in New Zealand (including advance subscriptions)	28,901,000
National savings investments	3,972,000
Voluntary interest-free loans	31,000
Memorandum of Security Agreement with United Kingdom Government	15,437,000
Departmental issues and Reserve Bank	35,124,000
	£83,465,000

Against this gross increase must be offset repayments during the year of £5,038,000. The year thus closed with a net increase of £78,427,000, of which £73,908,000 took place in the Dominion and the balance of £4,519,000 in the United Kingdom. Apart from the Memoranduum of Security Agreement, debt domiciled in London was reduced by £2,918,000 during the year.

Concerning the Memorandum of Security Agreement the amount of this debt on 31st March, 1942, was £2,818,000, while transactions during 1942–43 were borrowings, £15,437,000 ; repayments, £8,000,000 ; leaving the amount outstanding on 31st March last at £10,255,000. The repayment of £8,000,000 in London was financed from borrowing in New Zealand, and thus had the effect of transferring the domicile of the debt to New Zealand. Since the close of the financial year a further sum of £2,255,000 has been repaid, leaving £8,000,000 unpaid for goods supplied under the agreement prior to 31st March last.

The foregoing headings of gross borrowings are largely self-explanatory, with the possible exception of the item "departmental issues and Reserve Bank." Departmental issues cover the surplus funds of the Post Office Savings-bank and other State institutions, and owing to the substantial increase, compared with last year's Budget estimate, of expenditure in New Zealand for both the Army and the Air Force it was necessary to finance the deficit by drawing on the Reserve Bank by means of Treasury bills to the extent of a net amount of £13,960,000.

Since the present Government became responsible for the public finances, apart from war debt, the debt domiciled in London has been reduced by £10,692,000 and Australian debt by £730,000. Even including the war debt the net decrease over the period is £1,167,000.

National development programme, 1943–44.

Coming now to the question of borrowing for the current financial year, for needs other than those of war, the Government, in conformity with their wartime policy will continue to restrict such loans to the absolute minimum. Nevertheless, there