

The only possible foundation that could give rise to what appeared in certain papers was a statement made by me warning a deputation of members and other gentlemen against pressing for an excessive public-works expenditure, thereby entailing borrowing and squandering. Incidentally I stated that the revenue returns, as furnished by the departments, did not warrant the suggested expenditure, and that this caused me some anxiety.

Again, in respect to the increase of the graduated land-tax, I stated in the House some weeks ago that if the Government was to keep the pledge given last year in granting the reduction of $\frac{1}{4}$ d. in the pound on the mortgage-tax, the graduated tax on land would require to be increased so as to yield an amount equal to that conceded by way of reduced mortgage-tax; and, after carefully reviewing the position, I now find that the views expressed have been verified, for a reduction in revenue to the extent of £25,000 could not prudently be granted unless otherwise recouped.

The announcement that revenue cannot be given away without a necessary recoupment will very naturally and properly lead to the conclusion that revenue and expenditure are fairly evenly balanced. This conclusion is correct; but it is owing to the inclusion of nearly £120,000 of abnormal and non-recurring expenditure this year, and to the increase in the Education and Technical Education Votes, which are in excess of those of last year by no less than £67,000; also, to an increase in the vote for the Colonial Secretary's Department, which exceeds the vote of last year by £69,300, caused by extraordinary services. The vote for Defence, including the capitation payable to our Volunteers, is also largely increased owing to the number of Volunteer corps being more than doubled. Even with these exceptional demands upon our resources there will be sufficient to meet every requirement, and at the risk of disappointing the pessimistic alarmists I am able to announce that there will be no deficit, but a reasonable surplus.

It is well, however, that I should, in respect to the expenditure, urge the absolute necessity for prudence and economy, for, although the revenue is buoyant and increasing, yet, owing to reductions in the Customs tariff, the concession of penny postage, remissions in railway charges, and other concessions, there is this year, as compared with last year, a decrease of only £9,500; correspondingly there should be a jealously guarded expenditure, for a restricted population can only bear a limited and reasonable impost of taxation.

Luckily for this colony all our eggs are not in one basket, and the curtailed spending-power owing to the low price of wool is counterbalanced to some extent by the prices ranging for other of our staple products.

With a surplus of over half a million last year, and the continued favourable revenue coming in this year, there seemed every prospect that the desire of Ministers to grant concession of taxation and reduced rates on products carried on our railways would be consummated; but in the face of the necessarily increased expenditure this year the more prudent course is to defer any further reduction in revenue to a more favourable opportunity, and the national expenditure should be cut down to the lowest limit consistent with efficiency after providing for the necessary requirements.

The eager and pressing desire for the rapid construction of public works and conveniences has forced borrowing up to a limit beyond which it would not be safe to go. There need be no curtailment of expenditure in respect to obtaining lands for settlement or for roading back blocks and Crown land, which so materially assists in furthering the settlement of the people on the land, or in respect to advancing moneys to settlers, or in pushing on the North Island Main Trunk and other important railways, and in otherwise developing, within reasonable limits, the resources of our colony, for this means increasing the output of products and exports, and tends to promote an increased population, which the colony badly needs.

In respect to the expenditure on several classes of public works, district railways, and especially buildings and works which are more a matter of convenience than of necessity, prudence demands that there should be a reduction in the