expenditure thereon, especially seeing that our population is so slowly increasing, for it should be borne in mind that the increased ratio of population is much below that of the increased ordinary expenditure. For every million borrowed and expended on non-revenue-producing works and objects, an annual charge of about 10d. a head is entailed upon every European man, woman, and child in the colony.

Coming to the demands upon the consolidated revenue, the several services of the colony have necessarily increased, and the strictest economy is necessary; for if ever the time arrives when increased taxation is required to meet the ordinary expenditure, so surely will reductions in salaries eventuate. To avoid the contingency, and the injustice which arose in the past, it is well for those having responsibility to do their utmost to keep down expenditure.

In the Budget last year I stated that thereafter the aid to Public Works Fund from the surplus in the Consolidated Fund would have to be partially, if not wholly, abandoned. The Public Works requirements of this year are, however, so large that I am compelled to use £500,000 of the surplus, and that amount will be transferred accordingly.

I regret again to have to state that, from various causes well known to members, the money-market in London continues to be unfavourable to floating loans, and we have had recourse to raising £500,000 locally on short-dated debentures bearing 4 per cent. interest. Full particulars of the floating of this local loan will be given.

Recently a paragraph appeared in the Press something to this effect: "The needs of the Treasury were so urgent that £100,000 was borrowed from a leading life-assurance society at 4 per cent., with a condition that the interest would be paid at head office in Sydney." The facts are that the prospectus of the £500,000 local loan raised in April last provided for interest being made payable in New Zealand, Australia, and London. Some time after this loan had been closed the society in question asked the Government if it would accept an investment of £100,000; and, seeing that at the time we were selling debentures openly over the counter on terms as to interest similar to those above referred to, we naturally obliged the society and accepted their money. Other institutions and private individuals have also been glad to avail themselves of this further opportunity to invest their money in short-currency security carrying a fair rate of interest.

The war in South Africa still continues, and the large Imperial loans and other demands upon the London money-market lead me to the conclusion that it will be some little time ere any loan could with advantage be floated in the Mother-country. It becomes necessary, therefore, that a large proportion of the amount required and authorised should be raised locally; and, this being the case, there should be a careful public-works expenditure until a favourable opportunity for raising the money in London arrives.

In accordance with the provisions of the Public Revenues Act, statements have already been published in the *New Zealand Gazette* showing the receipts and expenditure in the Consolidated Revenue and Public Works and other Accounts. As upon former occasions, tables will be attached to my Budget giving a variety of information concerning the transactions of the last financial year. Having given a general summary of the situation, which, viewed in the light of the elasticity of our resources, is, if anything, on the side of caution, I will now proceed to give the details of the receipts and expenditure of last year.

FINANCES OF 1900–1901.

Revenue.

The actual revenue for the past financial year reached £5,852,705, to which has to be added £52,800 derived from the proceeds of sale of debentures for Sinking Fund accretions, and a small sum of £1,411 recovered in connection with expenditure of the previous year. These amounts reach the large total of £5,906,916, or not very far short of six millions of money, and represent the largest volume of receipts into the colonial Exchequer since its foundation.