

The balance in the Consolidated Fund at the 31st March, 1912, was £807,276, and I propose to deal with this as follows :—

Transfer to the Public Works Fund ....	£ 750,000
Balance to remain in the Consolidated Fund on account of the excess of liabilities on 31st March, 1912, over the liabilities on 31st March 1911, amounting to £57,367 ....	57,276
	<hr/> £807,276

The year's finance, so far as the Consolidated Fund is concerned, may now be summarized as follows :—

Balance after transfer of £750,000 to Public Works Fund ....	£ 57,276
Estimated revenue ....	10,948,404
	<hr/> £11,005,680
Estimated expenditure ....	£10,863,068
	<hr/> £142,612
Balance available for supplementary estimates	

#### LOAN FOR PUBLIC WORKS.

The liabilities of the Public Works Fund at the 31st March last as reported to the Treasury were £1,135,812; and these liabilities had increased to £1,649,349 on the 30th June, ten days before my taking office. The balances and loan authorizations to meet these liabilities were at the 31st March £1,132,580, and at the 30th June £777,088. It should be understood that the liabilities referred to include items like the Midland Railway tunnel, for which only part of the payment is a liability of the year.

It is obvious that with available funds of £1,132,580, without taking into consideration the provision for aid to water-power and irrigation, and with a transfer of £750,000 from Consolidated Fund, at the present rate of public-works expenditure, there would not be sufficient to meet expenditure to the 31st March next. It is essential, moreover, that funds should be provided for a considerable portion of the next financial year. It will be necessary therefore to ask Parliament to authorize a loan of £1,750,000.

The Aid to Water-power Act, 1910, authorizes £500,000 for the purposes of the Act, and by the Appropriation Act, 1911, £100,000 was made available for irrigation. These authorities will suffice to meet the proposed expenditure for some time to come.

It is my plain duty to warn honourable members and the people of New Zealand that the continued borrowing of large sums of money to provide for the expenditure of the year and for six months only of the succeeding year—which has been the practice in the past—is not a safe method of finance. There are four courses open: to raise more money by taxation, or to decrease expenditure out of the Consolidated Fund in order to have more ordinary revenue available for public works, or to increase the amount of borrowed money, or lastly to bring within reasonable limits the expenditure of borrowed money. In these times, when loans cost us so much to raise, it is, in my opinion, urgently necessary that we should curtail our borrowing. This requires some sacrifice on the part of the people of this country, but surely the exercise of the necessary self-restraint and the reliance upon our resources will assist to make our national character strong and self-reliant. It is the earnest desire of the Government to foster the spirit of self-reliance and to encourage a healthy, strong, and vigorous career for all our people. Home life should be encouraged and exalted, and made the foundation of our nationality. More should be done to build up settlement in the country districts, to open up lands, and to attract not only the farmer but also the worker to settle down under the more healthy conditions of country surroundings. Relying on such principles, and rendering that proper assistance which ought to be rendered to the less fortunate to use the opportunities which the State should give for their education and sound upbringing, the Government rests assured that our country will progress and our people be happy and content.