Transfers for public works and debt-reduction.

In regard to transfers to the Public Works Fund, the grand total of which to date amounts to £14,300,000, the fact is that if the surpluses of good years had not been applied to this purpose the annual interest burden to be carried by the taxpayer in bad as well as good years would have been about £700,000 heavier than it is at present. Similarly, if further surplus revenues had not been applied to debt-reduction, this burden would have been further increased by about £250,000, making nearly £1,000,000 in all. Even so it must not be forgotten that direct taxation has been materially reduced since 1920, the total annual value of reductions and remissions being estimated at £3,400,000.

War charges.

As fully demonstrated in the last Budget, war-debt charges and war pensions now absorb approximately 30 per cent. of the total receipts from taxation, which is more than the whole of the current receipts from both land-tax and income-tax. When this fact is fully appreciated it will be clear to all that any further substantial reductions in taxation are out of the question until good progress has been made in reducing this dead-weight portion of the debt. It is for this reason that the Government is devoting all available resources to this purpose. The policy of using surpluses for debt-reduction is approved by eminent financial authorities, and is adopted by the British Government, whose taxpayers have a much heavier burden to carry than the people of this Dominion.

Last year's surplus.

Finally, it has already been explained that last year's surplus was much greater than was anticipated and largely fortuitous, and to reduce taxation on that account would be tantamount to budgeting for a deficit. It is axiomatic in public finance that each year's transactions must stand alone, and a surplus in one year has no bearing on the results of the next, unless such surplus comes from a permanent increase in revenue. There is no doubt that our high credit in London, of which our last loan is solid proof, is in a large measure due to our constantly recurring surpluses and the appropriation of such moneys to debt-reduction and capital expenditure, the effect of which, as shown above, relieves the general taxpayer probably much more than reductions in rates of taxation.

## ECONOMY IN PUBLIC EXPENDITURE.

Economy in public expenditure.

The policy of economy was strictly pursued throughout the year, and all departmental expenditure was kept under close control, with the result that the actual expenditure under annual votes was £437,667 less than the appropriations.

The major portion of expenditure consists of payments under permanent appropriations, governed almost solely by the authorizing Acts of Parliament.

The Government recently set up another committee of departmental officers, who have gone through the estimates for the current year, item by item, and reduced them to a bare minimum consistent with the maintenance of the present services. The committee, after reviewing expenditure over back years, adopted as a guiding principle an average of the expenditure for the last three years and endeavoured to reduce the estimates for this year to that basis.

Summary of expenditure, 1926–27.

Details of last year's expenditure have been published in the annual accounts, and will be found in the tables attached to this Statement; but honourable members will perhaps obtain a better perspective of the position if the expenditure is summarized in a more concise form. The following shows in round figures the main services on account of which a net expenditure of £24,356,000 was incurred during 1926–27:—

| | £ | Percentage. |
|---|---|---|
| War pensions and debt charges | 5,418,000 | 22·2 |
| Ordinary debt charges | 5,593,000 | 23·0 |
| Post and Telegraph working-expenses | 2,343,000 | 9·6 |
| Pensions and superannuation funds | 1,603,000 | 6·6 |
| Education | 3,095,000 | 12·7 |
| Health and hospitals | 1,137,000 | 4·7 |
| Defence | 1,020,000 | 4·2 |
| Law and order | 597,000 | 2·4 |
| Railways—Subsidy on branch lines, &c. | 429,000 | 1·8 |
| All other purposes | 3,121,000 | 12·8 |
| | £24,356,000 | 100·0 |