

The duty of the Government is, in fact, to reconcile as best it may the widespread demand for reduced Government expenditure with the equally insistent cry for extended social services, increased pensions, and further grants and subsidies of every description. Exactly the same dilemma can be observed facing the Governments in England, Australia, and elsewhere.

Balanced budgets

I regret to see in certain quarters the statement repeated that we are not paying our way. Such a statement has no foundation in fact. If there were any truth in it, our financial critics in London would be the first to draw attention to it, as they display a most intimate knowledge of our public finance.

A well known writer on Public Finance says: "The difference between a balanced Budget with a surplus and an unbalanced Budget with a deficit means in the long-run the difference between national solvency and national bankruptcy. 'Balance your Budget' is a maxim which bankers, financiers, and practical economists ever since the war have been trying to impress upon the impecunious but extravagant Governments of Europe." The International Financial Conference held in Brussels in 1920 laid it down that balanced Budgets are the *sine qua non* of recovery from war difficulties.

I claim that New Zealand answers to this test; and, indeed, her enviable reputation for balancing her Budget has much to do with our high credit abroad.

Loan expenditure and public debt.

Secondly, as to the public debt, I am of opinion that our loan expenditure would be rightly regarded as unduly heavy were it not for the fact that we are at the same time making substantial repayments each year of our war debt. It is also to be observed that, if part of this loan expenditure is unproductive, we have made large transfers of revenue to capital expenditure.

While in times like the present I agree that we should be content with a bare balancing of accounts, I am strongly of opinion that when and so long as trade and conditions are normal we should, as a matter of sound finance, aim at providing each year a certain amount of revenue for capital purposes to cover the cost of works that, while necessary, are only very indirectly productive. In fact, if we are to maintain the policy of development while reducing loan expenditure, such provision must increase as the years go by.

In visualizing the problem of national expenditure it should also be kept in mind that over £107,000,000 of the public debt is owned in New Zealand and the debt charge goes back to the taxpayer in the form of interest.

Survey of position.

Taking a general survey of the position, it seems to me that when the present heavy programme of capital expenditure is completed in the next few years the then Minister of Finance should find himself in the happy position of being able to more rapidly reduce our war debt and also taxation, provide more funds for land settlement, and view with a less reluctant eye reasonable demands for improved social services.

1928-1929.**ESTIMATE OF REVENUE.****Estimates of revenue.**

In estimating the revenue of the current year's operations, as will be gathered from my foregoing remarks, I cannot place any great reliance on increasing buoyancy of revenue before the year closes.

I estimate the revenue receipts under the respective headings as follows :—

	£
Customs	8,261,000
Beer duty	600,000
Stamp and death duties	3,500,000
Land-tax	1,150,000
Income-tax	3,400,000
Interest on public moneys	747,000
Interest on capital liability—	
Railways	2,255,000
Postal and Telegraph	425,000
Interest on Public Debt Redemption Fund	992,250
Motor-vehicles—Duties, licenses, &c.	1,147,000
Other receipts	1,391,000
	£23,868,250