

Thus it is clear that the deficit cannot be made good by administrative economy, and, as a matter of fact, the only alternative left is either to reduce the services rendered by the State (and by services I mean not only work done by the Departments, but financial assistance given, which is the larger item), or to obtain more revenue. That is the position in a nutshell.

Increase of State
services.

The services rendered by the State have been greatly increased over the last decade, and, generally speaking, it would appear that we have reached a stage when it is advisable, as far as possible, to stabilize the position for a year or two, to enable the increasing population and wealth of the Dominion to lighten the relative burden on the taxpayer.

Effect of trade
position.

Another important point that should not be overlooked is that the whole trade position of the Dominion is largely governed by the world prices for our staple exports, over which prices we have no control. For this reason our public finances should not be cut too fine when times are good. To reduce taxation in a prosperous period is easy, but the benefit so derived does not in any way compensate for having to increase it again when times are bad. Further, it is highly desirable that a certain amount of the money for public works should be provided from revenue, and the surpluses from the exceptional revenue of good years should be utilized for this purpose.

Taxation.

All will agree on the desirability of keeping rates of taxation as low as possible, but I am not at all sure that the reductions granted in recent years were not greater than were warranted in view of the progressive increases in expenditure on account of extended services. Anyway, the revenue from taxation last year proved insufficient to provide for the existing services, and the year closed with a deficit of £577,000. That is the position which the Government is called upon to deal with. Having once received all the existing services from the State, the people generally do not want to lose them, so, as it is essential that the national accounts for the current year should be balanced, it appears that the Government has no option now but to adjust the taxation to obtain more revenue. The increased rates of taxation will, I hope, only be temporary, as I am sure that when the Government has had time to deal with the seat of the trouble the resulting increase in prosperity will be permanently reflected in increased receipts and reductions in the rates of taxation on a stable basis will be possible. In the meantime immediate action is necessary to rectify the position. I will deal with the Government's proposals in this connection shortly.

SUMMARY OF YEAR'S OPERATIONS.

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The transactions for the year resulted in a deficit, viz. :—

<i>Revenue.</i>						£	£
Taxation	..	..	..	..	..	17,836,234	
Other receipts	..	..	..	..	..	5,763,442	
Revenue for year	..	..	..	..	..		23,599,676
<i>Expenditure.</i>							
Permanent appropriations	..	..	..	..	..	19,083,085	
Less credits in reduction	..	..	..	..	..	2,838,488	
							16,244,597
Annual appropriations	..	..	..	..	..	9,115,347	
Less credits in aid	..	..	..	..	..	1,183,016	
							7,932,331
Net expenditure chargeable to year's revenue							24,176,928
Deficit	..	..	..	..	..		£577,252