The estimated expenditure of £24,763,781, as shown in the main Budget, will be increased by £100,000 for fertilizers and £75,000 for subsidies to Hospital Boards, and, on the other hand, reduced by £400,000 on account of economies, so that the Budget position for the year is now estimated to be as follows:—

	£
Revenue	24,666,000
Expenditure	24,540,000
Leaving	126,000

to provide for supplementary estimates and contingencies.

LOAN EXPENDITURE.

Nearly half the net expenditure of the Consolidated Fund consists of debt charges, and any further loan expenditure is a direct factor in the budgetary position. The fall in the national income and in the taxable capacity of the people has automatically increased the relative burden of the existing debt charges. The sooner we can cease borrowing abroad the better, and this remark applies equally to the loan expenditure of local authorities as well as to Government expenditure.

For this financial year no additional capital is being provided for State Advances, but repayments from existing advances are available for fresh advances, For public works the additional loan capital to be provided has been limited to approximately £4,750,000, which means that a curtailment of over 40 per cent. has been made in the raising of fresh capital. If State Advances is included, the curtailment is over 50 per cent. compared with the amount borrowed last financial year.

CONCLUSION.

In conclusion, the main difficulty in framing a policy consists in knowing whether the present price-level is to be regarded as temporary or permanent. If prices are likely to rise, then temporary measures to bridge a short but difficult period will meet the case, but if the present price-level is to remain, then more drastic measures will certainly be necessary. Most of the economists who gave evidence before the Special Parliamentary Economic Committee considered it reasonable to suppose that there will be some recovery in prices, but that we are not likely again to reach the high prices of our more prosperous times.

Various schemes have been put forward for stabilizing the local price-level on the basis of export prices. But there are serious objections to all these schemes. Moreover, experience in other countries seems to show that an increase in the volume of money often fails to affect the price-level in the way desired. In America, the Reserve Banks made vigorous efforts to sustain prices, but the only effect was a violent financial speculation in securities, and the prices of goods remained the same or continued to fall. In France, when the note-issue was nearly doubled, prices fell about 20 per cent. But although the attempts so far made by Central Banks to stabilize prices are very disappointing, it is reasonable to hope that the difficulties will be more successfully overcome when definite international action is agreed on by the Central Banks.

In the meantime, so far as our public finances are concerned, it appears to me that the best way to cope with our problems while conditions are changing so rapidly would be by a financial dictatorship. As that is not politically possible, the next best course is to make provision to meet the position as we find it now, and review it again before the end of the financial year, so that if necessary and if practicable further steps may be taken to check any further drift and maintain stability in our public finances. We must never cease to remember that we are trustees for the future as well as for the present.

By Authority: W. A. G. Skinner, Government Printer, Wellington.—1931.