

the last twenty years the rate of interest in England on Colonial Government securities has fallen from 6 to 4 per cent., but there has been a far greater fall in the rate of interest payable in New Zealand for loans on mortgage. Within the last two years only there has been a fall all round in the rate of such interest of about 2 per cent., and that fall is continuing. Doubtless it may not be felt so much by borrowers of small amounts; and were the Government to do anything they should confine their operations to small loans. But even then they are not likely to be able safely to much improve on what private competition will be able to do, and their entry into the field would drive away private competition to an extent that might ultimately prove more injurious to borrowers than would be repaid by any temporary advantages they gained. The stand the Government now take is, that at present the colony's credit would suffer by their entering into the business, and that they are hopeful private enterprise will give such relief to the small farmers as will render Government interference unnecessary. They recognize, however, that the subject should be watched, and further consideration given to it.

ESTIMATED EXPENDITURE 1886-87.

The estimated expenditure during the present financial year amounts to £4,070,208, which is £49,155 in excess of the Estimates and votes, and £89,030 in excess of the expenditure of last year. The increase is fully accounted for by three items—viz., on Education £20,978 is estimated to be required more than last year, on Subsidies to Local Bodies £39,368, and on Working Railways £67,225. The first of these increases is representative of the yearly growing educational demands. The second has been already explained. The third is consequent upon the larger mileage being worked. The purchased district railways now appear in the Estimates on both sides. The increase in expenditure is compensated by the larger revenue expected. The net profit on railways is estimated at £38,471 in excess of last year. When the increases which I have explained on the three items are deducted, the balance of the Estimates shows a less total anticipated expenditure during the year than the actual one of last year of £38,540. I wish emphatically to state that the Government have reviewed the Estimates carefully and reduced the expenditure wherever they considered it could be done with advantage to the public service. I do not mean to say that a less expenditure could not be adopted. There are dozens of branches of the public service—in the way of post offices, mail contracts, schools, telegraph offices, Resident Magistrates' Courts, offices for registration of various kinds, the Volunteer defence (which is an insurance against disasters in case of war), and other items—which the public have grown used to, and the supply of which greatly encourages settlement far from the large towns. The people will have these conveniences, and very properly too; and if Parliament were to excise them extra expenditure would be the consequence, for they would be demanded back again, and in the meanwhile there would be heavy payments for compensation. There have been the usual additions to salaries under £120; the proposed increases of salaries above that amount are very few. Each case of the kind has been most carefully considered by the Government, and they are prepared with the necessary explanations. I entreat honourable members not to do old and tried officers the injustice of coming to a decision before hearing the reasons for each of the few increases submitted. I confidently ask all the gentlemen who within the last few years have held office to look into the additions, and say if they consider them undeserved. As I have stated, there are very few real increases. Some of the seeming ones are consequent on the removal of officers from one part of the country to another, and others are merely due to the promotion of officers to fill the place of those retiring from the service. In these instances we invariably endeavour to refrain from bringing in new officers. We save part of the money, give other officers promotion, and end with the appointment of a cadet. Thus, although the operation is slow, the officers rise and the expenditure is kept down. No Government could be more anxious to reduce expenditure when they see it can safely and properly be done. Whenever there is an opportunity of amalgamating offices we are glad to seize it; and no effort