

1931.

NEW ZEALAND.

SUPPLEMENTARY FINANCIAL STATEMENT, 1931.

(In Committee of Ways and Means, 6th October, 1931.)

BY THE HON. W. DOWNIE STEWART, MINISTER OF FINANCE.

MR. CHAIRMAN,—

The necessity for a supplementary Financial Statement arises from the fact that conditions have been, and are, changing so rapidly that it is impossible to peg down as reliable any estimates of revenue. Hence, if the drift in our public finance is to be checked, remedial measures must be applied whenever it is clear that further delay means further danger. No one can say what will be the economic position six months hence, particularly in view of recent happenings in Great Britain. Many people think that conditions in the Old World have now reached a stage when far-reaching measures of an international character will be taken that will lead to a substantial recovery in prices. If so, our difficulties will be automatically eased. But in the meantime I must budget on the facts as I find them.

It will be remembered by honourable members that my predecessor, in the Budget presented to the House on the 30th July, was faced with the problem of meeting an estimated prospective deficit of no less than £6,850,000. This sum, it was hoped, would be provided for by stringent economies, reductions in salaries and wages, the use of reserves, and other items, amounting to £5,056,000, leaving £1,800,000 to be provided for by additional taxation.

This additional taxation was to be gained to the extent of £730,000 by income-tax, and the balance was to be met by Customs and excise duties and stamp duties.

Although it is only about two months since the Budget was presented, it has since become fairly obvious that the shortages in revenue will be even greater than were allowed for by my predecessor, and it is now clear that the Budget will require to be further strengthened by a substantial amount.

The Customs revenue for the first six months of the financial year is already about £750,000 behind the estimate on a proportionate basis. There is very little prospect of this deficiency being made good by heavier importations during the coming months—in fact, the shortage is more likely to increase. The increased duties imposed by the Budget and calculated to yield about £900,000 are not likely to meet the position. In addition to this drop in Customs revenue, it is probable that falling land-values will affect death duties to a greater extent than was anticipated. Further, it is now estimated that the revenue from lands—interest on mortgages, rents, &c.—will show a falling-off greater than was allowed for in the Budget.

Finally, I may say the Budget estimates include £930,000 on account of interest on Railway capital, but the interim figures so far available show that this item can only be realized by the most rigid economies, and by attempts to fortify Railway revenue.

It is therefore practically impossible to form any proper estimate of what the Budget revenue will be when the financial year is finished. It is clear, however, that substantial assistance will require to be found from somewhere if there is to be any hope of checking the present drift and balancing the national accounts. The only methods available for the purpose are further economies, further taxation, and further recourse to any reserve funds which are available.

But over and above the Budget problem there is imperative need for rendering some assistance to the farmers if they are to stay on the land and if production is not to decline rapidly, and, indeed, if we are to avoid a national disaster in a general breakdown of the farming industry.