

subsidies, and services which have been undertaken under more prosperous conditions. Many of these services are desirable and beneficial, but if our troubles are not to be accentuated by the finances of the State getting out of hand, our actions must be governed by what we can afford.

The task of cutting down expenditure is onerous and disagreeable, and I would appeal to honourable members and the people generally not to add to the difficulties by opposing each and every economy that is proposed.

REMEDIAL MEASURES.

The problem then arises how is this prospective deficit to be coped with. Before discussing the proposals contained in the Economists' Report for reducing the amount to what they call a manageable deficit of between two and three millions, it will facilitate a comprehension of the position if I state the suggested remedies in broad outline as follows:—

| | | | |
|-----------------------|----|-----------|------------------------|
| | | | £ |
| Estimated deficit | .. | .. | 8,300,000 |
| To be reduced by— | | £ | |
| (1) Savings | .. | 4,100,000 | |
| (2) Taxation to yield | .. | 2,200,000 | |
| | | <hr/> | 6,300,000 |
| Remaining deficit | .. | .. | <hr/> <hr/> £2,000,000 |

The details of the proposed taxation will be laid before the House at a later date. In the meantime I may say that the Government proposes to submit to Parliament certain increases in both direct and indirect taxation. The savings proposed arise from the adoption in part of the economies recommended by the report of the National Expenditure Commission. Some economies recommended by that Commission were already in force, some were not agreed to by the Government, and some will not operate during this financial year even if agreed to. A statement will be made later as to which recommendations have been adopted and the reason for the non-adoption of others.

The Commission, of course, has not completed its work, and further recommendations will be contained in its final report. I may say, however, that the £4,100,000 referred to is broadly made up as follows:—

| | | |
|--|----|------------|
| | | £ |
| Reduction in salaries, wages, and pensions | .. | 1,100,000 |
| Abolition of subsidy on Unemployment Funds | .. | 1,450,000 |
| Assistance from Highways Funds | .. | 500,000 |
| Subsidies to local bodies to remain a charge on Highways Account | .. | 125,000 |
| Reductions in other items | .. | 325,000 |
| "Hoover" moratorium (if extended) | .. | 600,000 |
| | | <hr/> |
| | | £4,100,000 |

Reduction in Fixed Charges.—Both the Economic Committee and the Royal Commission recommended a reduction in fixed charges for interest and rent as well as wages. Although these proposals only partially affect the Budget, I propose to deal with them at this point both as they affect the general position and the Budget.

In paragraph 97 of the Economists' Report it is stated "a reduction of 20 per cent. in fixed money claims would make a substantial contribution towards bridging the gap between costs and prices"; they further indicate that both rent and interest should be reduced on this basis. They also indicate a further reduction in wages of 10 per cent. as being necessary. The Royal Commission on National Expenditure, in paragraph 134 of their report, recommended a general reduction of 10 per cent. in salaries and wages of public servants. They also recommended a reduction of either 15 per cent. or 20 per cent. in the rate of all classes of interest, both private and public.