

present intention is that the amount obtained by this procedure will be repaid as instalments of principal are received in respect of these mortgages. This arrangement takes the place of the proposal contained in the preliminary Financial Statement to find £2,200,000 by additional taxation. By thus utilizing a considerable proportion of our remaining reserves, having regard to actual and probable deficits, the Government has conserved what remains of the taxable capacity of the people and avoided imposing further heavy burdens upon the community at a time when it is finding great difficulty in holding its own against the weight of the depression. It is hoped that this respite from further taxation will be an encouragement to trade and industry, and thus hasten the process of recovery.

To sum up this review of the revenue prospects for this financial year, the estimates, in total, amount to £21,630,000, which is £1,090,000 less than the receipts for last year. As, however, last year's receipts fell short of a balanced Budget to the extent of £2,140,000, the problem resolves itself into a question of reducing the total of last year's expenditure by £3,230,000. The actual reduction in items required to balance the Budget is round about £4,250,000, for, as pointed out in the preliminary Statement, in the ordinary course a substantial amount of additional expenditure has to be provided for. Budget programme.

A reference to the summary of last year's expenditure, given earlier in this Statement, will show that about 40 per cent. consists of debt services, and that a large proportion of the remainder is of a rigid nature. Thus the scope even for drastic reductions is not nearly as large as might be supposed when considering merely the total of expenditure. This fact was recognized by the 1932 Economists' Committee, which considered that a further reduction of £2,250,000 was about as much as could be expected without unduly impairing existing social services or breaking down the organization of the Public Service.

Further, while recognizing on the one hand that the finances of the State must not be allowed to get out of hand—for that would only accentuate the difficulties of the Dominion generally—on the other hand the Government was concerned not to add to those already formidable difficulties in the effort to balance the Budget. In other words, the Government is not losing sight of the fact that Budget stability is a corollary to economic recovery.

Accordingly, after a careful consideration of all aspects of the problem, it was considered advisable not to attempt to restore Budget equilibrium this financial year, but to confine our efforts to reducing the deficit to not more than £2,000,000. This is considered to be a manageable amount, which will not disturb the financial stability of the country. At the same time, it should not be overlooked that this programme means incurring further floating debt which has to be liquidated sooner or later. Thus the programme adopted is an extraordinary one, designed to provide a breathing-space. It cannot be continued for long, for to pile up debt of this nature is only building up a further serious obstacle to economic restoration.

### ECONOMY MEASURES.

Towards the close of last financial year, as soon as it became evident that the country was faced with further heavy contractions in the revenue, a National Expenditure Commission was set up to review the expenditure in detail and make recommendations to the Government for effecting forthwith all possible reductions. The interim report of the Commission was presented during the special session called principally to give effect to some of its most important recommendations. The final report has just recently been presented to this House, and the thanks of the country are due to the members of the Commission for the painstaking manner in which they carried out the onerous duty placed upon them. Since the report has been received the Government has been busily engaged in considering the recommendations. A great many of these have been adopted and are reflected in the Budget estimates. In fact, much has been done in a relatively short time to effect reductions, but making extensive economies in services takes a long time. In many of the cases already approved the full saving will not be obtained until next financial year. Some of the recommendations, notably those relating to hospital reorganization, involve far-reaching changes and call for very careful consideration before any action can be taken. Even if adopted, the full benefit would not be obtained for some years. That in itself, is of course, no Economy measures.