

10. Before detailing the results of our investigation and setting out our recommendations for economies, we mention the proposals outlined by the Minister of Finance in his statement submitted during last session of Parliament. His forecast was as follows:—

Estimated deficit	£	8,300,000
To be reduced by—		
(1) Savings as under:—		
Reductions 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
		4,100,000
(2) Taxation to yield		2,200,000
		6,300,000
Remaining deficit		£2,000,000

11. The proposal to impose taxation to yield £2,200,000 was abandoned, and this amount is to be obtained by the hypothecation of Discharged Soldiers' Settlement securities. The money invested in these securities was provided from the accumulated surpluses of former years, and the utilization of these funds for the purpose of meeting the extraordinary conditions now prevailing may be warranted, particularly as the remaining taxable capacity is limited and additional burdens would add considerably to the difficulties already being met by industry.

12. It is a fact, however, that, notwithstanding economy measures and the utilization of reserves, the prospective deficit for 1932–33 is still a formidable one, and, looking still further ahead, it is unlikely that the position will be wholly rectified in the following year.

13. It will be noted from the above statement that the sum of £600,000 estimated to be saved as a result of the “Hoover” moratorium is a conditional saving, and, if no relief is forthcoming on this account, the deficit will be increased correspondingly.

14. It may be thought that some of our recommendations are unduly drastic, but bearing in mind the necessity of reaching Budget equilibrium, we are convinced that the economies are essential. The demands on the public Exchequer bear no relation to general revenue—in fact, the tendency is for the demands to increase as the revenue decreases, and particularly is this so in the matter of unemployment, where the position is becoming steadily worse.

15. The extent to which expenditure on social services has grown is evidenced from the following table, showing charges on taxation in 1913–14 and 1930–31 respectively:—

CHARGES ON TAXATION.

	Net Expenditure.		Allocation of Taxation Receipts per Head of Mean Population.	
	1913–14.	1930–31.	1913–14 (adjusted to a Comparable Basis).	1930–31.
	£	£	£ s. d.	£ s. d.
War pensions and debt charges	5,052,564	..	3 7 6
Other debt charges	1,402,222	4,146,187	1 17 3	2 15 4
Social services (health and hospitals, pensions, and education)	2,123,815	6,415,416	2 16 6	4 5 8
Defence (land, sea, and air)	538,373	814,192	0 14 5	0 10 10
Justice, law and order	400,030	509,393	0 10 7	0 6 10
Agriculture	171,833	392,773	0 4 6	0 5 3
Roads and highways	186,916	1,875,609	0 5 0	1 5 1
Other charges (general and administrative)	882,060	1,144,177	1 3 6	0 13 9
Surplus for year	403,797	..	0 10 9	..
	6,109,046*	20,350,311*	8 2 6	13 10 3

* Includes £11,567 in 1913–14 and £111,220 in 1930–31 expenditure other than from taxation. These amounts have been excluded in calculations per head of population.