

that the transactions of the year ended by leaving a deficit of £131,824, notwithstanding the fact I have just mentioned that we began it with a surplus of £116,844. I showed that the deficit of £131,824 would have been £50,000 less had the land-tax for the half-year been collected within the year. But I did not mention, as perhaps I ought, that the bills taken on account of the sale of the old Supreme Court site and the reclaimed land, in Wellington, and amounting to £82,524 8s. 4d. were included in last year's revenue account; of this amount £33,114 15s. 8d. has been paid, and £49,409 12s. 8d. remains still outstanding. I found these bills credited to revenue in the Treasury accounts, and did not, therefore, disturb the arrangement, although I am clearly of opinion that they should not have been credited as if the amount had been received in cash. Of course, but for this mode of treating these transactions, last year's deficit would have been £214,348, instead of £131,824.

This, then, was my starting-point for the current year—a deficit of £131,824, to which I added the estimated expenditure for the year 1879–80 amounting to £3,974,034, taken from the estimates left in the Treasury by the late Government, and obtained £4,105,858 as the year's estimated expenditure. From this amount I deducted the estimated revenue derivable from our present sources of income, amounting to £3,193,900, and arrived at a total estimated deficit of £911,958, to be provided for in some way this year.

ESTIMATED EXPENDITURE AND INCOME OF THE YEAR 1879–80 REVISED.

Sir, since I last addressed you upon this subject, the Government have gone carefully through the estimates of expenditure, as left by our predecessors. These were necessarily imperfect, no provision having been made for several necessary services; and the Estimates as now presented show an increase of £39,044, the total amount being £4,013,078, instead of £3,974,034. The total of these Estimates is larger by £6,117 than the actual expenditure of the previous year; but it must be remembered that they include provision for interest on the new loan and deficiency bills to the extent of £118,000, as well as the expenses attending the second meeting of Parliament within the year. We hope, moreover, by careful administration to be able, after further experience, to effect considerable reductions, but upon this point it is impossible to do more than promise that we will use our best endeavours to confine the expenditure within the narrowest limits consistent with efficiency in the public service. We shall also, during the recess, carefully examine into the present organization of the Civil Service, and see how far, by the combination of necessary offices and the abolition of unnecessary ones, the expenditure can be further reduced next year. Competent and well-paid officers are absolutely essential to good government, while a large staff of under-paid Civil Servants is not only costly, but is in its very nature fatal to efficient administration.

The estimate of revenue has also been carefully reconsidered, but, with the advantage of four months' actual collections to guide me I am unable, I regret to say, to increase the amount estimated. It is possible that the Land Fund may be under estimated, but I do not see any reason to expect an appreciable increase in land sales until a fall takes place in the price of money, and this cannot be hoped for until a good harvest has been successfully housed.

The problem, therefore, for solution is: How is this large estimated deficit, amounting, after correction, to £951,002, to be provided for this year, and what action must be taken to equalize our income and expenditure in future—for, although it is somewhat unusual, I am compelled by our peculiar circumstances to look beyond the present year, and in some measure to take counsel for the next. But before we can answer these questions satisfactorily we must examine the nature of the deficit, and ascertain whether it is of a temporary or permanent character, because our mode of dealing with it will greatly depend upon the result of that examination.

Now, to enable the Committee to come to a decision upon this important point, it will be necessary to examine and compare the receipts of the Consolidated Fund for some time past. I propose to do so for the last three years, and under three heads: Taxation, Services rendered, and Land Fund. There was raised by Taxation in the financial year 1876–77, £1,319,643; in the year