

this House of his success in that direction; but he warns me that much practical relief is not likely to follow his exertions. The Committee will therefore see that, unless we can abandon some of our land-purchase bargains—for I fear none of the other engagements can be got rid of—the new loan is anticipated to the extent of about £3,300,000, without including the sum of £154,791 payable to Canterbury and Otago on account of impounded land revenue, or making any provision for the redemption of the guaranteed debentures, and also without taking into account the cost of raising the loan. When we remember that the Public Works scheme of 1878 was to take five years to complete, that the expenditure from loan was only to be at the rate of some £900,000 a year, and that by a special provision of “The Loan Act, 1879,” no money raised under it was to be spent without appropriation of Parliament, we shall, I fear, have to come to the conclusion that Parliament has not been treated with frankness in this matter, and that its authority has been disregarded. The Government, Sir, have reason to believe that not more than £3,000,000 of the £5,000,000 loan can be floated this year, that it will be twelve months before we can place the other £2,000,000, and that we cannot go upon the London market for two years afterwards. These facts will render the exercise of the utmost prudence necessary in the expenditure of the balance of the loan yet available for appropriation by Parliament. This question will be fully treated of by my honorable colleague the Minister of Public Works, when he makes his Public Works Statement. I need only say here that I hope honorable members on both sides of the House will insist upon all expenditure being confined to necessary and profitable works, and that the expenditure of the balance of the loan shall be extended over a period of not less than three years. Sir, as I have many times pointed out, our only safety lies in limiting our expenditure from loan and upon public works to a reasonable annual sum till our whole railway system is completed; and, certainly, in my judgment, £1,600,000 a year is not a reasonable sum; it is, in fact, about double what we ought to spend, or indeed possibly can spend considering our revenue, population, and liabilities.

#### PROPOSALS FOR EQUALIZING EXPENDITURE AND INCOME IN FUTURE.

And this, Sir, brings me to that part of my Statement for which honorable members are no doubt looking with some impatience. I hope, however, I have succeeded so far in fixing in their minds what our real financial position is, as upon that hangs all that I am now about to propose.

The first point for decision is: Are the receipts from land sales to be retained in the Consolidated Fund, and spent as ordinary revenue? Sir, the Government think that from the falling off in the land sales there is a very important lesson to be learnt, and that is, that the system of finance which we have been pursuing since the Land Fund was generalized in 1877—namely, that of relying upon the receipts from land sales as one of the chief items of our consolidated revenue—is thoroughly unsound in principle, and should, Sir, be abandoned at the earliest possible date, that date being not later than the end of March next. The receipts from land sales should, in the opinion of the Government, be chargeable with the expenses of the administration and survey of the land, and the balance scrupulously applied to Public Works, local and general, and to Immigration.

By this means it is clear that a real and not an imaginary fund would be created to aid in carrying on our public works, local and general; and we should get rid of that vicious habit into which we have fallen of late, of treating as revenue that which is really capital, and spending it upon the ordinary services of the State. It will be generally admitted, when the large amount of our public debt is remembered, and the absolute necessity of continuing to borrow moderately until the public works are complete is taken into account, that it is our duty not only to place our Consolidated Fund upon a sound footing, but also to show the London capitalist unmistakably that we are not availing ourselves of the expenditure of borrowed money to sell our public lands, and at the same time applying the proceeds to the maintenance of services properly chargeable on annual income. I submit, Sir, that we have no more effective means of showing the soundness of our financial position, and of the resources of the colony, than by resolutely setting aside the