

Additional borrowing during the year increased the total debt outstanding by £4,000,000 for national development and £72,755,000 for war. On the other hand, redemptions from War Expenses Account totalled £10,216,000 and £3,439,000 from Public Debt Repayment Account, and miscellaneous amounts through Loans Redemption Account and other sources. The debt operations for the year, therefore, resulted in a net increase of £63,100,000. The debt outstanding as at the 31st March, 1943, was £463,825,000, and, in view of the decision to show the whole of our accounts in New Zealand currency, an amount of exchange on the London debt totalling £39,569,000 has been added to the outstanding debt as at that date. This does not represent any increased liability, but is simply the effect of showing the debt in New Zealand currency. Ever since the exchange-rate was raised to its present level, New Zealand has in fact been required to provide in New Zealand currency each year in respect of the overseas debt, interest at the rate stipulated in the securities plus exchange on that interest. Whenever any repayments are arranged a similar position arises and it is clearer to show in the accounts the total liability including exchange.

Exchange

This also avoids the anomalous position that previously existed when, in quoting the total debt, the figure used was the sum total of two entirely different things—New Zealand pounds and pounds sterling. Under that system the liability from exchange was ignored, whereas by showing the whole debt in New Zealand currency the full liability is clearly stated. The total liability, including exchange, at the beginning of the past financial year was therefore £503,394,000, and that is the starting-point for the transactions which have taken place during the year under review. Full particulars of the debt are set out in the published accounts. The only increase in overseas debt has been in respect of the Memorandum of Security, the gross amount borrowed being £11,732,000, while repayments of London debt were £5,000,000 in respect of the Memorandum of Security and £2,314,000 in reduction of public loans. In addition, debt totalling £3,376,000 has been repatriated to New Zealand by change of domicile. The result of these transactions, including the amount borrowed from the United Kingdom Government under Memorandum of Security, is a net increase during the year of just over £1,000,000 in our overseas debt. The total debt outstanding at 31st March, 1944, was thus £566,494,000. The substantial increase which has already taken place in the public debt for war purposes is having a material bearing on our budgetary position through the increasing burden for interest and repayment charges, and I will refer to this again at a later stage, when dealing with the position for the present year.

It is interesting to note that while our expenditure, by far the largest portion of which has been for war purposes, has been on a scale hitherto undreamt of, it has been possible to meet the whole amount by taxation or loans from existing resources, and it has not been necessary to resort to credit expansion. It is gratifying to the Government that it has been possible to follow this policy throughout the whole year, with beneficial results.

Before closing this review of the Public Accounts it is helpful to summarize the receipts of the four main accounts. As already mentioned, it is necessary for accounting purposes and to comply with the various legislative provisions to show the amounts under the respective accounting headings, but to give a clearer picture, especially of the taxation aspect, it is necessary to bring these figures together in the one table:—

Summary,  
1943-44

—	Taxation.	Lend-Lease.	Loans.	Other Receipts.	Total Receipts.
	£(m.)	£(m.)	£(m.)	£(m.)	£(m.)
War Expenses ..	57·1	32·5	72·7	0·2	162·5
Consolidated Fund ..	30·4	..	..	6·8	37·2
Social Security ..	17·5	..	..	..	17·5
National Development Loans ..	..	..	4·0	..	4·0
Totals ..	105·0	32·5	76·7	7·0	221·2

The figures in the taxation column are reconciled with the respective public accounts by the transfers of £7,500,000 from the Consolidated Fund figures to War Expenses Account and £4,100,000 to the Social Security Fund. In addition, there was transferred to War Expenses Account the Consolidated Fund surplus from the previous year of £4,200,000.