

It must be clearly understood, however, that the percentages of the expenditure do not represent the relative burden on the taxpayer, for, as already indicated, nearly one-third of the revenue consists of earnings or other receipts, which, for this purpose, can be set off against one or other of the various items mentioned above. For instance, the Post and Telegraph working-expenses are more than covered by the earnings of the Department. The actual charges on the taxpayer for 1925–26 were set out in the last Budget, and the relative position has not materially altered since then.

The expenditure on war charges and on social services (pensions, education, and health and hospitals) accounts for nearly half of the year's expenditure, while external defence and internal law and order are necessities which account for a further 6·6 per cent. of the expenditure. The Ordinary Debt charges referred to elsewhere account for a further 23 per cent. of the expenditure. The subsidy to the Railways is part of cost of development, but as an item of expenditure it is due to accountancy changes.

British authority
on reduction of
expenditure.

It may be of interest to quote the following from a British authority on reduction of expenditure and the means of effecting it: "A general reorganization to effect economy can only be gradual. If carried out by a stroke of the pen, it may have the opposite effect of imposing still heavier charges on the State. No good object is attained by sudden and expensive reorganizations; the best way of arriving at efficiency in any department of the State, as well as generally throughout the Service, must be by making progress gradually on certain clear and defined principles towards a better order of things."

In New Zealand the application of well-defined methods of reorganization and improvement is in operation, and the various services are regulated by these methods.

TREASURY BILLS.

Treasury bills.

The resources of the Ordinary Revenue Account proved sufficient to finance the year's transactions, and it was not necessary to issue any Treasury bills in anticipation of revenue.

Treasury bills in anticipation of the 1926 loan, amounting to £250,000, were sold in London at $4\frac{5}{16}$ per cent. discount at the beginning of May, 1926, and were duly redeemed out of the loan receipts.

The £1,400,000 redemption Treasury bills outstanding on the 31st March, 1926, have been paid off with funds derived from a local issue of debentures. There were thus no Treasury bills of any kind outstanding on the 31st March, 1927.

TEMPORARY INVESTMENT OF SURPLUS CASH BALANCES.

Temporary
investment of
surplus cash
balances.

The amendment of the Public Revenues Act last session enabled the cash balance of the Public Account to be kept much more closely invested than had hitherto been possible, with the result that the interest received from such investments for periods ranging from a few weeks to three months amounted to £81,282, or £53,213 in excess of that received in the previous year.

CAPITAL EXPENDITURE ON PUBLIC WORKS.

Capital expenditure
on public works.

The amount expended on capital works during the last financial year out of the Public Works Fund and other accounts concerned totalled £6,667,967, made up as follows:—

	£
Railway-construction—additions and improvements	2,369,912
Telegraphs and telephones	558,041
Hydro-electric supply	1,130,013
Main highways and roads	1,154,967
Irrigation, land and river improvement	278,015
Public buildings, including schools	892,768
Other public works	284,251
	<u>£6,667,967</u>