

£20,000 per annum interest. We were paying an additional £10,000 for sinking fund; but the Lords of the Treasury, who control the matter, as the loan is guaranteed by the Imperial Government, have released us from continuing to pay the sinking fund. The fact, however, remains, that we are paying interest at the rate of 86·9 per cent. on the nett indebtedness; and next year there will be no indebtedness, but we shall be continuing to pay interest on the outstanding amounts until the several instalments are paid off in 1888, 1889, and 1894. There will then, it is true, be a large balance due to us from an excess of the sinking fund. But surely we ought not to burden the people unnecessarily in the present, to lay up excesses in the future. The mistaken policy of such a course is apparent. The heavier the burdens the less the productive power of the community. An unnecessary tax, therefore, carries with it a loss beyond its own measure. To put it in a simple form, and one which I entreat honourable members to keep before their minds, supposing we are paying £10,000 out of taxation this year unnecessarily, but will recover it back in five years with compound interest at English rates, will the colonists lose anything by the operation? Most certainly they will. They will lose whatever may be the amount of the contraction of their productive capabilities.

To resume. The next loan I come to is that of 1860. In this case, there remains a nett indebtedness of £14,094, with an annual charge of £7,448, equal to 52·8 per cent. I now come to a large loan, that of 1863. There remains in this case a nett indebtedness of £938,949, with an annual charge of £96,792, equal to 10·3 per cent. The New Zealand Consolidated Loan is yet larger. On a nett indebtedness of £5,807,607 there is an annual charge of £436,986, equal to 7·52 per cent. I need not describe other loans of smaller amounts; honourable members will find them in the table which will be laid before them. Suffice it that an aggregate yearly payment of £19,859 on five loans represents respectively per centages per annum of 13·7, 27·4, 17·8, 8·2, and 10·9. Obviously these cases call for treatment, and there are others also demanding attention, with the view of very considerably reducing our yearly charges.

The chief disorganizing factor, however, is the sinking fund. It is over seventeen years since I asked of the then Treasurer, Sir William Fitzherbert, to dispense with sinking funds on our loans. Sir William Fitzherbert was far too acute a financier not to recognize their evil; but he had to yield to circumstances with the 1867 loan, as I had afterwards to a smaller extent with the 1870 loan. We both recognized the misfortune, but were unable to get out of the deep groove into which New Zealand finance had fallen. There are members in this House who are equally aware of the objection to sinking funds, notably the member for Auckland West, Mr. Dargaville, and the member for Gladstone, Mr. Sutter, who recently addressed me a letter, in which he said very truly that sinking funds were condemned on every side as exploded fallacies. The member for Auckland East, Sir George Grey, I am told, during the time he was Colonial Treasurer, directed his attention to the same subject, and indeed had a Bill prepared, the nature of which I cannot describe, as I have not seen it. Again, last week the honourable member for Te Aro asked some questions, the inference from which was that he realized the relief which was to be obtained both from the accruing and accrued sinking fund. The honourable member for Waitemata, by similar questions, evidenced the same acuteness. Lastly, the honourable member for Egmont, during the three or four days he was recently in office, seemed inclined to follow in a somewhat similar direction, judging by the telegram he sent to the Agent-General, which I read to the House on Friday, on which day I saw it for the first time. It is not, however, unfair to suppose that in one shape or another he obtained an inkling of my views.

I have not talked over this subject for many years with Sir William Fitzherbert, but I am quite certain he will bear me out in saying that, even when we were forced to adopt a sinking fund we well knew that the time would come when it would be so oppressive that relief in some shape would have to be sought from it. During the present century, I do not think there have been many, if any, able financiers who have refused to recognize the great dictum of Professor Hamilton, that the only true sinking fund of a country's national debt is the excess of revenue over expenditure.