

The expenditure of public moneys in the development of the country and in public utilities produces vastly increased wealth and earnings in return. A very small percentage of this returns to the Treasury in the shape of taxes on the capital expended; the balance, by far the greater proportion, goes into the pockets of the people. This shows the solid basis of the progress and prosperity of the country. The steady and rapid increase of public and private wealth in New Zealand during recent years is indeed remarkable, and must be considered when dealing with the increase of the public debt.

The population has not increased at nearly the same rate as the increase in wealth and income; so that, while the amount of taxation per head has increased, the wealth and incomes have increased at a very much greater rate proportionately. There has been no increase in the rates of taxation, direct or indirect, during the period 1891 to 1909. On the contrary, there have been enormous concessions in nearly every branch of the public revenue.

There are 890,352 persons in New Zealand who pay no direct taxation whatever, and included there are 297,809 wage-earners who pay no direct taxation.

The increases in the rate of graduated tax have been more than compensated for by the loss of revenue owing to the promoting of closer settlement. The increase in the graduated-tax revenue is accounted for entirely by the increase in values of land, which has been created to a great extent by the expenditure of public money.

There are enormous undeveloped resources in New Zealand which an influx of capital in the shape of public expenditure would bring rapidly into use, thereby producing public and private wealth and incomes greatly in excess of the capital expended. In my opinion, it is not well that the resources of the Dominion should remain undeveloped, and progress be retarded, that, by bringing them into immediate use, they produce quick return on capital in the shape both of public revenue and of public and private wealth.

OUR LOAN TRANSACTIONS

During the session of 1908 Parliament authorised the raising of £1,250,000 for public works and £1,000,000 for the purchase of the Wellington-Manawatu Railway. Although the money-market has been in an easy position during the past financial year, the stock-market has not been by any means favourable to public issues of loans. This fact is borne out by the result of some issues of colonial loans during that period. I therefore decided not to go on the public market, and the result has justified that decision. The course I adopted has enabled me to obtain all the moneys I required in London on much more favourable terms than if they had been raised by public issue of stock, or debentures. Of the £1,250,000 Public Works Loan, £1,000,000 was issued on debentures at $3\frac{1}{2}$ per cent. interest, at $99\frac{7}{8}$ free of brokerage, purchaser to have the option of converting all or any into $3\frac{1}{2}$ -per-cent. inscribed stock; of this amount £500,000 was converted into $3\frac{1}{2}$ stock at £102, and the balance was replaced by issue of $3\frac{1}{2}$ stock due 1940. £100,000 was issued at 4 per cent., at $\frac{1}{2}$ per cent. premium, due 13th November, 1913; £100,000 was issued at $3\frac{3}{4}$ at par, due 1st April, 1912. Both these amounts will later on be converted into $3\frac{1}{2}$ -per-cent. stock. The balance, £50,000, was issued at $3\frac{1}{2}$ per cent. at par, due 1st April, 1916. These financial operations must, I think, be considered satisfactory even by the most fastidious critic.

As to the Wellington-Manawatu Railway Purchase Loan, £500,000 was issued in debentures at $3\frac{1}{2}$ per cent. at $99\frac{7}{8}$ net, no brokerage, purchaser to have right of converting all or any into $3\frac{1}{2}$ -per-cent. inscribed stock. Of this parcel £270,000 was converted at £102, and the balance, £230,000, replaced by issue of $3\frac{1}{2}$ per cent. inscribed stock, due 1940. £500,000 was issued at 4 per cent., at $\frac{1}{2}$ per cent. premium, to mature 1st March, 1916.

In addition to the above, £982,300 has been obtained in London for Advances to Settlers and Workers. Advances at low rates of interest as required, being obtained in the first instance and subsequently repaid by the issue of debentures.