

lending companies set a high rate in order to pay their shareholders a dividend, and the smaller concerns who pay no income-tax get the high rate too, and pocket the dividends.

What do you call a high rate?—They must put up the rates to give their shareholders 5 per cent.

What do you call a high rate for lending companies?—It is possible that if we had lower taxation the Borough Councils would be able to borrow money lower than 6 or 6½ per cent.: that is about the rate to-day.

As affecting the farming community and borrowers generally, do you consider 6½ per cent. a high rate of interest?—It is high in comparison with what we had a little while ago.

But since that the war has had to be paid for?—Yes; but a lot of these small lenders are not paying any taxation. Take the man with £2,000: the big lending companies set a high lending rate, and the man with £2,000 will get an equally high rate without paying any tax. A lot of people are collecting a high rate, but not paying anything.

Do you mean private lenders?—Yes.

That is assuming that their income does not exceed £6 a week?—You have only to look through the Year-book to see that what I say is true.

Take the lending companies: I see here there is Dalgety's paying 15 per cent.—that is a fair dividend?—That is no comparison, because Dalgety's do only a small portion of their business in this country.

Take the Equitable Building Society?—They have their headquarters in Australia.

No; it is a local company. There is also the Wellington Permanent Metropolitan Company paying 8 per cent., and a little concern called the Manawatu Permanent paying 8 per cent. Then there is the National Mortgage, whose business is almost entirely in New Zealand, paying 11¼ per cent. That is a trading and lending company. The Wellington Investment Company paid 6 per cent. They have to borrow all their money. Wellington Trust and Loan Company paid 6½ per cent.; the Masterton Investment Company 7 per cent. I only put these cases before you to see whether you still adhere to your contention that the income-tax is crushing industry and creating artificially high rates of interest?—Yes, I do, in spite of that. If the industries went down by half you would still be able to read a list of companies doing well. Not long ago I saw a list of people who were in the cotton trade in England, some of whom were making 20 per cent.

Those figures do not affect your view at all?—No, not at all; because I know that even if New Zealand industries went back you would still be able to pick up a Stock Exchange list and read of companies making big profits.

But if you could tabulate the industrial and lending companies throughout New Zealand I think you would find the great majority of them are paying dividends after paying income-tax?—Yes, they can, if they can pass it on—if you are in competition with other people who are able to pass it on.

Do you mean to say that a company in competition with others can add to its costs so much per ton and yet pay dividends after paying income-tax?—Yes, they can, if what they are selling is an absolutely necessary commodity, something that the public must have.

I know the conditions of the flax-milling industry: you are up against the world's market, but you are not speaking of the flax industry?—No; I used that to illustrate my point.

I am only quoting these figures to show you that the industries generally in New Zealand are able to carry on and pay the tax and yet pay reasonable dividends; that is the view I have formed so far?—Yet in Victoria they are on a very much better wicket in regard to their industries than we are here.

In what respect?—Taking the increase in the number of employees, they have increased very much faster than our employees have increased.

I have not raised that point, but in 1916 the factory employees in New Zealand numbered 52,221, and the wages-bill was £6,654,514, giving an average wage of £127. In Victoria for the same year the number of employees was 113,834; the wages-bill was £11,036,345, an average wage per head of only £97. So that the average wage per head in Victoria in 1916 was £30 less than in New Zealand. Take 1921, in New Zealand the employees had increased to 68,206; the wages-bill has about doubled that of 1916, giving an average of £183 per head. In Victoria the employees had increased to 140,703 from 113,834; the wages-bill was approximately £21,000,000, giving an average wage of only £152 per head, or £31 less than in New Zealand?—That includes male and female employees. There are a great many more women than men employed in the factories in Melbourne.

You would think that wages there should be higher, but from the figures I have been able to get hold of the converse seems to be the case?—The cost of living is lower in Victoria.

If we had a lower rate of taxation you would be able to pay higher wages to your employees?—No; we would expand our businesses further. There is a certain rate of wages which you must pay. If we start losing money we cannot reduce our rate of wages. That risk is ours.

But you see that with the lower rate of taxation in Victoria they are paying wages a long way below what our factories are paying?—When I was in Victoria fifteen months ago I was struck with the expansion of business and industries that was to be seen on all hands.

Apparently it has been at the expense of the employees?—It might be that the difference in the average wage rate is accounted for by the larger number of female employees there.

I pointed out to you that in Victoria where taxation is less than it is here the factories have increased at the expense of the employees?—As I say, it is probably because of the larger number of female employees. The woollen industry has increased very considerably, and they pay better dividends than you have read out for the New Zealand concerns.

Probably they can pay higher dividends if they pay less to their employees. There is one paragraph in your written statement which is somewhat obscure to me. You say, "Further than that,