

ment was in financial difficulties, and two loans raised by the Taranaki Province, totalling £70,750, were diverted and taken over by the General Government. A further source of revenue, stamp duties, was also instituted at this time, while the colonizing and public-works scheme of 1863 was definitely wound up. All told, the Maori War appears to have cost the country about £2,750,000, and in nine years ending in 1867 the permanent charges had risen from £20,265 to £305,365.

Apart from the relatively heavy borrowing by the General Government, a total of about £2,000,000 had by this time been borrowed by the provinces, and the placing of so many small loans for different terms and bearing different rates of interest (up to as high as 10 per cent. per annum) on the London market had a disastrous effect on the credit of the colony, and gave rise to serious loss and embarrassment.

To meet these difficulties the Consolidated Loan Act was passed in 1867, under which it was proposed to convert the whole debt of the colony, both colonial and provincial, into 5-per-cent. stock. Power was taken to extend the borrowing authority under the Act by taking over provincial loans authorized but not issued, and provincial issues were to cease. Redemption of the consolidated loan was to be provided for out of a 1-per-cent. sinking fund, applied through annual drawings of bonds for cancellation. Interest and sinking fund on the provincial loans converted were to be recouped from the provinces affected. The major portion of the conversions was effected in 1867 to 1869, but operations were carried on up to 1877, after which all conversions were effected under the New Zealand Consolidated Stock Act passed in that year. Conversions of 6-per-cent. loans were made for the most part at prices ranging from 109 to 113½. This increased the capital debt, but had the effect of reducing the annual charges. Consolidated stock to the value of £1,114,000 was issued at 97 per cent. under the Public Debts Act, 1867, some £260,000 being allocated to telegraph extension and other public works, and the balance applied to taking up provincial loans authorized but not issued. Interest and sinking fund on the several provincial loans were to be recouped out of the land revenues of the provinces concerned.

To sum up, the final position in regard to 1867 consolidated stock was found to be as follows :—

CONSOLIDATED LOAN, 1867.

	£		£
Total issued	7,360,100	Redeemed	1,974,558
		Converted into inscribed stock	
		under the 1877 Act	5,372,542*
		Renewed and still outstanding (1926)	13,000
	<u>£7,360,100</u>		<u>£7,360,100</u>

The redemptions under the annual drawings in no way affected the amount of the annual charges, and up to 1887 had not even been deducted from the amount shown as outstanding in the published debt table. This last seems rather curious, but was apparently due to the fact that the annual charges were based on the total issues. For the same reason, too, there was no occasion to allocate the redemptions, and this does not appear to have been done. As it is desirable that provincial liabilities should be eliminated from the debt as far as possible, all redemptions have been allocated to this heading. The resultant allocation of this portion of the 1877 inscribed stock is as follows :—

Original Act.	Amount converted. £	Inscribed Stock issued. £
New Zealand Loan, 1860	56,900	60,849
New Zealand Loan, 1863	1,480,600	1,583,356
Immigration and Public Works, 1870	2,100,000	2,245,744
Defence and Other Purposes, 1870	600,000	641,641
Provincial liabilities	1,135,042	1,213,816
	<u>£5,372,542</u>	<u>£5,745,406</u>

On the 30th April, 1870, the total debt of the colony amounted to £7,556,216, of which £4,347,866 was colonial and £3,208,350 provincial. The ultimate redemption of the whole of this debt was provided for by sinking funds, some on a 2-per-cent. and the remainder on a 1-per-cent. basis.

In 1870 the public-works policy and an era of extended borrowing was inaugurated. On the plea that the interest on the war loans was a heavy burden on the country, it was decided to charge defence expenditure against loan-moneys, and the Defence and other Purposes Loan Act, 1870, authorized the raising of £1,000,000 to be spent partly on defence spread over a number of years, and the balance to be applied in settlement of certain provincial debts to the General Government.

When the public-works policy was initiated an expenditure of some £10,000,000 was anticipated to be spread over about ten years; but no sooner was the scheme fairly started than pressure, which apparently it was impossible to resist, was brought to bear on the Government from all sides to hurry on the works. Including £600,000 of the Defence and other Purposes Loan, a total of £8,700,000 of loan capital was borrowed on the London market between April, 1871, and March, 1875, at an annual

* A total of £4,214,100 of this amount was first converted into short-dated debentures under the Consolidated Stock Act of 1884, and then into inscribed stock under the 1877 Act.