

loans issued prior to 1870. Therein sinking funds are described as “exploded fallacies,” and the Colonial Treasurer stated, *inter alia*, that “there is no reason whatever why the colonists who are exerting themselves to lay broad and deep the foundations of great public works, which will be a splendid and magnificent heritage to those who come after them, should attempt to pay off piecemeal portions of the public debt whilst they are borrowing more. Twenty-five years hence, compared with the value of these works, the public debt will be a bagatelle. I propose we should not be idiotic enough to tax the people to pay off a little fragment of our debt; no other colony does it.”

It was recognized, however, that the obligations under the existing sinking funds must be met. To relieve the taxpayers of the annual charge for sinking fund, the provisions of the New Zealand Consolidated Stock Act, 1877, were extended by the New Zealand Consolidated Stock Act, 1884. This latter Act provided for conversion into 5-per-cent. short-dated debentures as an intermediate step to conversion into inscribed stock. In this way the permanent release of the sinking fund was hastened. Immediate relief to the taxpayer was obtained by taking power to issue each year short-dated debentures to the amount of the annual increase in the sinking funds and crediting the proceeds from the sale of such debentures to the Consolidated Fund. That is to say, the Consolidated Fund received as revenue a sum equal to the amount paid out for sinking fund plus the interest earned by the accumulated sinking funds, while the debentures issued for this purpose were to be redeemed out of the corresponding additions to the sinking funds as and when the same were released through conversions of old loans into inscribed stock. Conversions into short-dated debentures under the 1884 Act were made at par.

The major portions of the conversions were effected between 1885 and 1890, but issues for increases in sinking fund were made annually up till 1906. Altogether debentures to a total of £3,612,484 were issued for the latter purpose, of which £2,136,820 was redeemed, leaving £1,475,664 to be added to the permanent debt of the country.

On the conversion of the loans concerned, the sinking fund accumulated prior to 1884 was credited to the Public Works Fund, a net total of £506,820 being received by that fund from released sinking fund.

The system of purchase and cancellation through the annual drawing sinking fund of the 1867 consolidation loan was effective so long as it was allowed to operate, but the accumulated sinking fund of other loans was diverted as indicated above, and the provision for the ultimate redemption of the old loans entirely nullified.

The operations under the Consolidated Stock Act, 1884, may be summarized as follows:—

CONSOLIDATED STOCK ACT, 1884.

	£		£
Issued for conversions ..	6,390,500	Converted into inscribed stock ..	7,121,464
For increases in sinking fund ..	3,612,484	Redeemed .. ..	2,136,820
		Still outstanding (1926) ..	744,700
	<u>£10,002,984</u>		<u>£10,002,984</u>

The amount outstanding represents conversions of Government loans to local bodies, £509,500; aid to public works and land settlement loans, 1896–99, £165,000; and issue for increases in sinking fund, £70,200.

Conversions of short-dated debentures into consolidated stock represent the following original loans:—

Original Loans.	Amount converted.	Consolidated Stock issued.		
		4 per-Cent., 1929.	3-per-Cent., 1945.	3½-per-Cent., 1940.
	£	£	£	£
New Zealand Loan, 1863 ..	43,600	47,960	..	..
Consolidated Loan, 1867 ..	4,214,100	4,509,087	..	..
Nelson Loan Act, 1874 ..	18,000	..	18,000	..
Defence and other Purposes, 1870 ..	50,000	..	50,000	..
Wellington Loan Act, 1866 ..	13,500	..	13,500	..
General Purposes Loan, 1873 ..	164,500	..	164,500	..
Colonial Inscribed Stock, 1882 ..	250,000	..	250,000	..
Government Loans to Local Bodies, 1886	912,300	..	912,300	..
Public Revenues Act, 1886 ..	50,000	..	50,000	..
For increases in sinking fund ..	1,405,464	..	964,340	441,908
	<u>7,121,464</u>	<u>4,557,047</u>	<u>2,422,640</u>	<u>441,908</u>