

than the debt charges, and there will consequently be no increase in the relative burden on the taxpayers. Guided by these principles the Government will have no hesitation in borrowing the additional capital necessary for land-settlement, for State advances, and for the completion of the trunk railway-lines.

STATE ADVANCES.

This is another matter to which the Government gave immediate attention on assuming office. The previous Administration had restricted the funds available for advances, with the result that settlers and workers had to wait for months and even years for an advance. When the Government took office I found that there were several thousands of applications on hand, involving an amount exceeding £4,000,000. Obviously the first thing to do was to deal with these arrears of applications, and I immediately arranged to place additional capital at the disposal of the State Advances Board, and gave instructions that everything possible was to be done to get properties valued and generally expedite matters. As a result I am pleased to be able to inform honourable members that the accumulation of applications has now been overtaken, and, beyond the time required to attend to the valuation of properties and arrange the necessary formalities, there is now no delay in dealing with applications. Thus settlers desiring loans to assist them in their farming operations, or workers desirous of building homes for themselves, are no longer handicapped by having to wait for long indefinite periods for loans. In addition to assisting the individual applicants, the expediting of the State Advances has undoubtedly stimulated the timber trade, provided work for carpenters, plumbers, and various other tradesmen, and generally assisted materially towards overcoming our unemployment problem.

Since 10th December, when the Government assumed office, up to 29th July loans were authorized by the State Advances Board as follows:—

	£
To 2,006 settlers	2,420,790
To 2,749 workers	2,384,995
<u>4,755</u>	<u>£4,805,785</u>

Loans paid over during the same period amounted to £3,319,300.

As I indicated when dealing with the public debt, all the additional capital required for State advances was obtained locally. I had no difficulty in obtaining all the money required; and, while it may be a matter of indifference to the individual applicant where the money for his loan comes from, the fact that the Dominion out of its own savings is able to find the money to finance our settlers and workers is of considerable economic importance.

In addition to the proceeds from local sales of public debt securities, additional capital for advances to settlers has been obtained locally from the sale of long-term Rural bonds, securities which are finding increasing favour with the investing public. Since this branch of the State Advances Office was started in April, 1927, approximately £1,900,000 worth of bonds has been taken up. These bonds, bearing interest at 5 per cent., to mature in 1947, are at present being sold at £94 10s. per cent., giving a return to investors with redemption of the discount over the period of the loan of approximately 5½ per cent.

Having satisfactorily disposed of the more urgent matter of clearing up the arrears of applications, the next step is to concentrate on the question of interest rates. This, of course, is a matter that will be gradual, the governing factors being the rate at which fresh capital can be raised, and the cost of refinancing the existing loans when they fall due. It must also be borne in mind that loans borrowed in recent years have been at relatively high rates, which, of course, have to be paid until the loans in question mature. It is well known, however, by all who have any knowledge of finance that though the nominal rate of interest on our last two London loans was 4½ per cent. the discount price would not permit of lending out on that basis right away. The break in the old rate of 5 per cent. in May, 1928, indicated that according to circumstances governing world finance rates would