

Apart from such questions, however, I consider it is time steps were taken to repeal the War Regulations still governing banking and currency in the Dominion, and place this vital factor in our economic life upon a permanent and secure basis.

As it appeared that a return to the pre-war basis was not altogether practicable, or even desirable, the Government took the opportunity of the visit of Sir Otto Niemeyer, of the Bank of England, to this end of the world to seek his advice on the matter. This gentleman, who is a banker of international repute, was able to visit New Zealand and investigate our problems on the spot. Following his return to London, he has forwarded to me a report and certain definite recommendations, which I propose to lay on the table for the information and consideration of honourable members and the people generally. The main recommendations are summarized in the report as follows—

Niemeyer report.

- (1) That permanent legislation should be passed making the New Zealand note inconvertible in New Zealand but convertible into sterling at rates fixed within certain limits ;
- (2) That an independent Reserve Bank should be set up charged with responsibility for the stability of New Zealand currency, invested with the privilege of note-issue, and charged with holding the Government account and the banking reserves of New Zealand ;
- (3) That the note-issue should be unified and concentrated in the Reserve Bank, the note-issuing powers of existing banks being abrogated ;
- (4) That the trading banks should be required to transfer to the Reserve Bank the gold they now hold in New Zealand in exchange either for Reserve Bank notes, with which they can pay off their own notes, or for credit at the Reserve Bank ;
- (5) That the trading banks should be required to keep with the Reserve Bank minimum reserves of 7 per cent. of their demand liabilities in New Zealand and 3 per cent. of their time liabilities in New Zealand ;
- (6) That thereafter the existing prohibition on the export of gold coin from New Zealand should be withdrawn.

Summary of recommendations.

It is believed these recommendations will provide the basis for the amendments required to our legislation to secure for this Dominion a sound and well organized banking system in keeping with modern developments throughout the rest of the world. At the same time, as some far-reaching changes are involved, and the matter is a very important one, it is felt that it should not be rushed.

PROSPECTIVE BUDGETARY POSITION.

The various matters to which I have just referred deal for the most part with the broader aspects of the economic crisis with which we are now faced, and also with the Government's plan of campaign for stimulating national economy for the purpose of reducing working-costs and the cost of living ; in short, for hastening the restoration of economic equilibrium without which, of course, we cannot get the wheels of trade and industry running smoothly again. I now want to place before honourable members, as concisely as possible, the position of the public finances, which is a more direct responsibility of the Government.

Prospective budgetary position.

The economic situation will undoubtedly mean a large shrinkage in practically all State revenues during the current financial year. The results during the closing months of last financial year and also the experience of this financial year up to date are ample evidence of that.

Shrinkage in State revenues.

Although imports for last financial year showed a decline of 20 per cent. compared with the previous year, the total for this year is likely to be several million less than for last year. The Customs revenue will be lowered proportionately to an even greater extent as, in times like the present, the falling-off in imports is always heaviest in luxury lines where, generally speaking, the rates of duty are highest. Forecasting this, our largest item of revenue, is always a difficult matter, and the difficulties are greatly accentuated under present conditions ; but, having regard to all the circumstances, it is considered that on the present tariff the

Customs duties.