I will deal first with the question of interest, which is by far the most difficult and intricate. The problem divides itself into two branches—namely, interest on private mortgages, deposits, &c., and interest payable on the public debt held in New Zealand. In my view, different considerations apply to these two classes of obligation.

As to private interest, I have on a previous occasion expressed the view that a flat cut all round would be unnecessary in some cases and insufficient in others. It would make no discrimination between those who had invested wisely and those who had invested unwisely. My view was and is that voluntary private adjustments, aided where necessary by the provisions of the Mortgagors Relief Act, would provide more equitable results for the great variety of cases that exist than any flat-rate reduction could do. However, the Royal Commission on National Expenditure states in paragraph 163 that in their opinion this process is too slow in operation and may not result in an equal all-round adjustment, and some or all of the Commissioners advocate a reduction by legislation of 15 per cent. or 20 per cent. (paragraph 316). The Economists' Report, Part 10, also appears to hold that the reduction should be by legislation. The same view has been urged by many outside representative bodies. Although I am still of opinion that a fixed reduction by legislation is not the best course, I have subordinated my personal view to that of my colleagues, and what appears to be the general view. Accordingly, the Government legislation will provide for a general reduction of interest and rent, but it will be qualified by provisions enabling the mortgagee or lessor to apply to the Court if he can show hardship, and for the mortgagor or lessee to apply to the Court if he can show that the relief is inadequate. The legislation will also allow for concessions already made and for various other special considerations. It must be remembered also that in last year's legislation I imposed special extra income-taxation on receivers of investment-income from interest and rent. The objection raised to that was that while it made this class contribute to the general financial needs of the Dominion it made no concession to the mortgagor or tenant. As, however, it is now proposed to make a heavy reduction in interest and rent, this special taxation will require to be reviewed.

Interest on the Public Debt.—I now turn to the interest on the public debt. The Royal Commission on National Expenditure recommended that assistance might be obtained towards the budgetary position by—(1) Revenue from stamp duty on coupons and interest warrants, and (2) a voluntary conversion loan. They pointed out that the advantages of the revenue stamp duty were—(1) That the duty could be put into operation immediately, (2) that there would be no costs involved, and (3) that the duty could be purely of an emergency character and could be lifted wholly or in part as prosperity returns. As against that, if the charge were made on a permanent basis, it would tend to prevent a general fall in the interest level, which is vital to the revival of trade and industry in the Dominion. They therefore recommended a special emergency stamp duty on the interest on all internal loans bearing interest at $4\frac{1}{2}$ per cent. or over. They did not suggest the rate of stamp duty which should be imposed, as they considered the question of taxation was outside the order of reference.

With regard to a conversion loan they pointed out the disadvantages to be—(1) Considerable cost would be involved in the process of conversion, (2) immediate relief to the Consolidated Fund would not be possible, and (3) it would penalize investors for the whole duration of the loans. In effect they recommended a combination of stamp duty and conversion. They admitted, however, that nothing would be more fatal to our credit than an unsuccessful conversion scheme, and that the prospects of its success should be carefully gauged before it was undertaken. They suggest that the general reduction in interest under a conversion scheme should be 15 per cent., or 3s. in the pound.

Another section of the Commission recommended a conversion reduction of 20 per cent., but so that on loans the interest on which is taxable they should not fall below 4 per cent. and on the tax-free loans a reduction to £3 12s.

The Economic Committee recommended (see paragraphs 108 to 111)—(1) A special stamp duty on interest on the internal debt, or (2) a special income-tax such