

of loans maturing during the year, not more than £750,000 will be available for reinvestment. From this amount, however, will have to be deducted the amount of interest and principal postponed by order of the Courts under the Mortgagors and Tenants Relief Amendment Act, 1932. Payments in arrears also have a definite bearing on the available resources. To enable the State Advances Board to give further concessions in deserving cases, it is proposed to introduce legislation to permit the Board to rearrange loans to mortgagors and capitalize arrears of interest. The Board will also be empowered in certain cases to allow the $\frac{1}{2}$ -per-cent. rebate on prompt payment of current instalments, even though arrears are still outstanding in respect of previous instalments. These further concessions will also tend to reduce the surplus funds available for reinvestment, and, as it is necessary in many cases to provide additional loans to protect existing securities, the Board is conserving its limited resources for this purpose. I think it desirable that the country should know this in order that misapprehension may not arise in respect to fresh applications for loans.

General.

I have made no reference to one question which occupies a large part of the Economists' Report—viz., the exchange problem and the price-level. So far my immediate practical problem has been to make sure of getting funds to meet our London obligations, and all general considerations of advantages and disadvantages of a free exchange or a high exchange had to be subordinated to the more urgent one.

Whatever New Zealand may decide to do when it is clear that the need for the Exchange Pool no longer exists, it is fortunate that the Ottawa Conference will enable the whole problem of the price-level to be approached from an Empire standpoint. All attempts to raise the price-level by international action have so far been unsuccessful, but concerted action on an Empire scale to raise the sterling level of prices of primary products may be possible, and is the only thing that can relieve the burden of the external debt. At the present level of prices New Zealand can either pay her London obligations or buy British manufactures, but she cannot do both, or rather the latter must be severely restricted. It is satisfactory to note that the Canadian Government proposes to make the question a prominent feature on the agenda paper at the Ottawa Conference.

In the meantime, to deal with our internal problems, the Government proposes to submit legislation:—

- (a) To reduce wages and salaries in the Public Service and to make equivalent reductions in interest and rent.
- (b) To effect certain economies in expenditure.
- (c) To raise additional revenue by direct and indirect taxation.
- (d) To enable the State Advances Department to grant further concessions and adjustments.
- (e) To provide for the life of this and future parliaments to run for four years instead of three.

So far as balancing the Budget is concerned, the proposals covered by this statement will, if the preliminary estimates of revenue prove to be correct, leave a deficit of £2,000,000. This position will be reviewed in the ordinary session, when it is hoped that the situation will be clearer and the prospects can be more accurately gauged. Further, by that time the Government will have had time to consider the final report of the National Expenditure Commission.

Apart from these considerations, it is recognized that ultimate Budget stability must rest on general economic recovery, and care must be taken not to hinder that recovery by imposing too heavy taxation in an effort to balance the Budget. At the same time, the budgetary position must not be allowed to get out of hand, as such a result would constitute a menace to the whole economic fabric.

If it cannot be avoided without too drastic measures, we can, I think, legitimately off-set any reasonable shortage against the reserves which still remain. The book value of these reserves invested in Discharged Soldier Settlement mortgages is £10,850,000. While this amount will inevitably have to be reduced on account of investment losses, the effective value will be more than ample to cover the deficit for last financial year and the £2,000,000 shortage for this financial year, should it remain at that figure.

Finally, the aim of the Government is to reach Budget equilibrium by 1934.

WM. DOWNIE STEWART,
Minister of Finance.

7th April, 1932.