

to the newly-constituted State Advances Corporation in exchange for stock it became possible to sell £9,950,000 of this stock and to apply the proceeds in repayment of an equivalent amount of the public debt. In this way the deed of hypothecation was extinguished and other public debt to the amount of £7,250,000 was cancelled. In essence, the operations were exactly the same as though investments of any sinking fund were realized and the proceeds utilized to extinguish the debt against which the sinking fund was held.

It may be added that the reductions in the public debt thus effected were not all clear gain in that the interest saving on the debt repaid is largely offset by the loss of interest on the investments realized.

All Treasury Revenue Bills issued during the year were redeemed out of revenue by the 31st March, 1938.

**Treasury
Revenue Bills.**

No additional funds were raised abroad during the period under review, the policy of the present Government being to repay external loans as quickly as possible and to restrict borrowings to amounts required for conversion purposes. The effect of such a policy is reflected in savings in overseas interest charges. Thus for the year ended 31st March, 1936, the total cost under this heading amounted to £5,837,000, whereas for last financial year the comparable expenditure was £5,341,000, a reduction over the period of two years of no less than £496,000 per annum.

**Overseas
loans.**

Rural Advances Bonds issued under the provisions of the Rural Advances Act, 1926, were secured upon the assets of the Rural Advances Branch of the old State Advances Account and did not form part of the public debt. As part of the liquidation of the State Advances Account, Rural Advances Bonds to the amount of £4,213,050 were made part of the public debt, but this was purely a technical adjustment and in no way increased the obligations of the Consolidated Fund.

**Rural
Advances
Bonds.**

The public debt as at 31st March, 1937, as shown in last year's Financial Statement, was £287,670,200. Details of other items of debt not included in this total are shown on pages 10 and 11 of the Public Accounts, B.—1 [Pt. III], 1936–37. Therein are set out the two items previously referred to: One, the deed of hypothecation over Discharged Soldiers Settlement Account mortgages amounting to £2,700,000; the other, Rural Advances securities totalling £4,213,050. If these debts are added to the public debt as shown in last year's Financial Statement the total will amount to £294,583,250. The reconciliation of the debt as shown for the respective years is as follows:—

	£	£
Public debt as per 1937 Financial Statement ..	287,670,200	
Deed of hypothecation over Discharged Soldiers Settlement securities	2,700,000	
Rural Advances debentures and scrip certificates	4,213,050	
		294,583,250
Repayment during 1937–38	11,836,805	
Loans raised 1937–38	7,454,897	
		4,381,908
Public debt as at 31st March, 1938 ..		£290,201,342

The domicile of the public debt as at 31st March, 1938, was as follows:—

**Domicile
of debt.**

	£
London	156,857,016
Australia	882,600
New Zealand	132,461,726
	£290,201,342

PUBLIC WORKS.

Public works have, since the comparatively early days of New Zealand's history, occupied a prominent place in the national affairs, and it is not without significance that the periods of greatest relative prosperity have been those associated with a vigorous public-works policy.