

COLONIAL BORROWING.

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THE question may be asked : Cannot such a colony as New Zealand, with private and public wealth amounting to £277,000,000, borrow a few millions internally without disturbing its financial equilibrium ?

No doubt if the colony were to borrow a very large sum of money locally, it would result in a financial disorder that might land it in some form of chaos ; but that the borrowing of a few millions would, in any appreciable manner, affect the financial or commercial position is problematical, especially if the money were spent locally and not sent to London to pay off foreign loans.

Many people are prone to regard the matter of borrowing money in a serious light, but the very simplicity of it can be cited by the way in which business men every day borrow on their good name, without any security whatever. In the early days of Scotch commercial prosperity a system prevailed in that "canny" land which was as simple as it proved satisfactory. A local body or district wanted a bridge or a road constructed. What did the body do ? Went to the London market for the money ? No ; it issued notes of promise to pay, similar exactly to bank notes. With these the workmen were paid, and the tradesmen, glad enough to do increased trade, accepted them, although they had to wait a considerable time before they were redeemed. It is doubtful if the notes even bore interest.

Let us see in what manner a locally floated loan would affect the colony financially. It will be known that the banking houses act as the purse of the colony, that is, when money is received by anybody it is handed to the banks, and when a payment is made by anybody it is taken from the banks. The banks, so to speak, hold the colony's change. The bank deposits, free and fixed, at the present time amount to £17,700,000. Now, should the Government float a million loan locally, it would have to come out of this sum nominally only, for the money would simply be transferred from various depositors' names to that of the Government, and would still remain in the self-same position in the banks. Following the fate of the million further—for the Government would be spending the money, and would not keep it remaining on deposit—and assuming that the Government were to undertake public works, the money would be paid out from the Government's credit at the banks to contractors who would at once bank it again ; or, if paid to co-operative workmen, it would be spent with tradesmen who would in turn bank it again. Or, if the money were spent by way of advances to settlers, or in any other reproductive way, it would ultimately find the same goal back at the banks, only with the difference in the latter cases, that it would immediately begin to pay interest on itself. In the event of unproductive works being undertaken, the interest would have to be found by the Government, but as the works would be done for the general weal