

## FIXED INCOMES.\*†

141. We have referred previously to the urgency of the situation confronting the Dominion and have stated that, in our view, the financial position is so serious that every section of the community must make some sacrifice. So far we have considered salaries and wages in relation to the Public Service and pensions, and have recommended reductions in both cases, in the belief that private and local-body employees will suffer similar reductions. Our great difficulty has been to devise some means whereby equality of sacrifice may be obtained.

142. We feel that the recommendations made are in effect necessary readjustments of money incomes, but that such readjustment cannot begin and end at just the classes of income we have mentioned. The Dominion as a whole cannot hope to adhere to the existing level of money incomes irrespective of the value of money, and some general basis of adjustment applicable to all classes of income alike must be found.

143. In our examination of the public expenditure we are confronted first of all with the heavy burden of interest on the public debt. We cannot suggest any basis of adjustment in so far as the overseas portion of the debt is concerned. We do, however, think that those whose incomes are derived from investments in Government internal loans must, of necessity, share in the general sacrifice. In any case, the burden of having to pay the same rate of interest, though the value of money is greater, presses just as hardly on the national Budget as it does on trade and industry, and we believe that some adjustment of the interest burden of the State in so far as it relates to the internal debt must be found.

144. In considering the question of interest we have had to recognize that, while the return to those who lend money must be sufficient to induce them to save and lend, it should not be greater than the debtors are able to bear.

145. We realize that in very many cases the incomes of those affected directly and indirectly by the reductions recommended in the cases of salaries and pensions are subject to fixed charges in the form of interest and rent, and feel that, while money incomes, such as salaries and pensions, are subjected to a reduction, so also should the incomes of the creditors of wage-earners and pensioners be subject to a similar reduction. If this object cannot be achieved, there must, of necessity, be much dissatisfaction with a policy penalizing one or two special classes of the community. If such dissatisfaction is to be avoided, then the sacrifice must be exacted from all.

146. Dealing first with the position in regard to the internal public debt of the Dominion, we submit hereunder a statement showing the amount of loans raised by the Government from internal sources and the rate of interest payable thereon.

Rates of Interest.				Public.	Departmental.	Total.
Per Cent.				£	£	£
3	..	..	..	4,810	..	4,810
3½	..	..	..	4,041	2,593,600	2,597,641
3¾	..	..	..	..	917,500	917,500
4	..	..	..	400,039	34,969,321	35,369,360
4½	..	..	..	30,370,127	6,907,404	37,277,531
5	..	..	..	1,173,600	1,288,030	2,461,630
5¼	..	..	..	2,388,260	1,510,190	3,898,450
5½	..	..	..	5,897,430	3,785,600	9,683,030
5¾	..	..	..	21,476,565	1,298,850	22,775,415
6	..	..	..	29,011	..	29,011
				61,743,883	53,270,495	115,014,378

The annual interest charge on the debt as above is £5,303,356.

147. A considerable sum has been raised in New Zealand by the issue of loans the interest from which is free from income-tax. The interest payable on securities free of income-tax is £1,423,999; and on other securities £3,879,357; making up the total interest charge of £5,303,356.

148. There are two methods whereby assistance towards the budgetary position may be obtained in regard to interest on the internal public debt. These are—(1) by a revenue stamp duty on coupons and interest warrants, and (2) by a voluntary conversion loan.

149. There are advantages and disadvantages in respect of each, and these may be briefly summarized as follow:—

150. (1) *Revenue Stamp Duty on Coupons and Interest Warrants.*—The advantages are—

- (a) That the duty could be put into operation immediately;
- (b) That there would be no costs involved;
- (c) That the duty could be purely of an emergency character and could be lifted wholly or in part as prosperity returns.

151. A general fall in the interest-level is vital to the revival of trade and industry in the Dominion, and the disadvantage of such a charge, particularly on a permanent basis, is that it would fail to bring about this result.

152. The position of national finance is, however, so acute that we suggest the advisability of a charge in the nature of a special emergency stamp duty on the interest on all internal loans bearing interest at 4½ per cent. or over.

\* Subject to addendum by Mr. A. Macintosh.

† Subject to reservation by Mr. Begg and Mr. Griffin.