interest at 4 per cent. or less. The reduction suggested would, therefore, affect only £8,135,000 of the debt so held. The loss in interest on this amount would be reflected in reduced Post Office profits (subject, however, to any saving which might be effected by a reduction in the rate of interest paid to depositors), and, as Post Office profits are paid into the Consolidated Fund, the reduction would, in effect, be a charge on that fund.

311. We consider that any losses of interest on public debt held by the Public Trust Office, the Government Life Insurance Office, and the State Fire Insurance Office should be absorbed by the respective Departments.

312. The amount of the debt held by Treasury accounts is relatively small, and need not be separately considered.

313. We estimate the net saving to the Consolidated Fund at £308,507, made up as follows:—

	£	£
Gross saving as set out above		730,089
Less losses—		
State Advances Office	224,658	
Lands and Survey Department	31,372	
Public Debt Redemption Fund	50,000	
National Provident Fund	18,128	
Teachers' Superannuation Fund	9,393	
Government Railways Superannuation Fund	10,529	
Public Service Superannuation Fund	22,502	
Post Office	55,000	
		421,582
Net saving		£308,507

314. Against the above annual saving of £308,507 has to be set the cost of conversion, which would admittedly be considerable, but which should be reduced to a minimum by an appeal to bankers, brokers, and the bondholders themselves. There would also, we think, be some loss, difficult to estimate, in income-tax.

315. It may be open to doubt whether it is strictly within our order of reference to make recommendations regarding reductions in rates of interest not affecting Government expenditure, but our previous recommendations have so great a bearing on this question that we feel we should be failing in our duty were we to omit all reference to the matter. We have in earlier sections of the report been compelled by the urgency of the situation confronting us to recommend reductions in salaries and wages, and we believe that similar reductions will be suffered by private and local-body employees. In many cases the incomes of those affected directly and indirectly by the reductions recommended in the case of salaries, wages, and pensions are subject to fixed charges in the form of interest and rent. Every member of the community must be prepared to accept a share of the burden, and we deem it our duty to suggest that the reductions in salaries, wages, and pensions should be accompanied by reductions in interest and rent charges.

316. Equality of sacrifice must be aimed at as far as possible, and for this reason, if for no other, consideration might be given, concurrently with the consideration of a conversion scheme, to the possibility of effecting by legislation a reduction of, say, 20 per cent. in the rate of interest on mortgages, debentures, deposits, dividends from preference shares, and other classes of securities, including local-body loans domiciled in New Zealand (unless a conversion scheme is arranged in the case of the latter). Provision would require to be made not only for cases of hardship, but also for suitable minimum rates and for making allowances for reductions which have, on account of the existing depression, been effected since, say, the 1st January, 1931. We are aware that adjustments as between mortgagees and mortgagors are being made daily, but feel that a general reduction such as is contemplated cannot safely be left to natural economic forces to bring about. Such a policy would be too slow in operation, and would not result in an equitable all-round adjustment.

317. Finally, we stress our opinion that a reduction in the effective net rate of interest received by investors in Government and local-body securities, whether such reduction be effected by special taxation or otherwise, would be inequitable if unaccompanied by a similar reduction in the case of other investors.

318. We make these suggestions with a due appreciation of the seriousness of further interference with contracts and of the fact that any such interference is invariably followed by a train of anomalies. Changes in the value of money during the past fifteen years have undermined the basis of contracts. The result of these changes is that strict enforcement of the terms of contracts now involves, in many cases, far greater injustice than would be involved in moderate adjustments.

James Begg.
J. L. Griffin.