

3 per cent. Moreover, in so far as the Post Office Savings-bank is concerned, this rate applies only to amounts up to £1,000, but above that amount $2\frac{3}{4}$ per cent. is allowed up to the maximum of £2,000.

The ultimate success of the Government's interest reduction policy depends upon achieving stability at the lower level of rates. This is now assured in so far as interest on Government and local body securities is concerned. In regard to deposit rates, although these are at present held down by the restrictions imposed, the indications are that the market is settling down to operating at the lower rates. Previously, something in the nature of a scramble for deposits by all classes of institutions had a good deal to do with driving rates up to uneconomic levels. Further, interest rates are fairly rigid in New Zealand, and when driven up they tend to stay there.

I may add that the Reserve Bank when established will play a leading part in bringing about and stabilizing interest rates at lower levels. From this aspect alone the Bank will be of very definite value, both from the viewpoint of public finance and of the country generally.

Reserve Bank.

So far as mortgages are concerned, the 20 per cent. reduction in interest under the National Expenditure Adjustment Act is only a temporary expedient, being operative to 1935 only. Furthermore, the statutory reduction is applicable only in the case of mortgages in force on 1st April, 1932, although in a great many cases mortgagees have agreed to allow mortgages to run on overdue in order that mortgagors may continue to receive the benefit under the Act. This position is, however, not satisfactory in that, unless the mortgagor knows where he stands in regard to his finances for a reasonable period ahead, he has not the same incentive to go ahead and develop the property, which is the security for the loan. Thus, in their own interests as well as for the benefit of mortgagors, I would strongly urge mortgagees to arrange renewals for a definite period at the reduced interest rates. Furthermore, if rates for other forms of investments are stabilized at lower levels, there should be a corresponding permanent reduction in mortgage rates.

Mortgage rates.

The State lending departments are already giving a strong lead in this direction by granting renewals for a further term at 5 per cent. interest in all cases where the security and the personal element are satisfactory. Any new loans granted are also being made at this rate.

As in the case of all other fixed charges, the fall in prices has greatly increased the relative burden of rates, and demands for derating of rural lands, wholly or partially, are made from time to time in different quarters. As was to be expected, the subject was prominent in the discussions at the Counties' Conference recently held in Wellington. Total derating, however, is not a practicable proposition, and I do not think it would be equitable if it were possible. In fact, any measure of derating amounts to no more than a transfer of the burden from one section of the community to another. It is considered that the first effort should be in the direction of seeing what can be done to reduce the burden by lowering the cost of local government through an overhaul of the whole system in the light of present day circumstances. The reduction in interest already referred to was of material assistance in this direction, but what I have in mind at the moment is a scheme of amalgamation of local bodies to obtain increased efficiency and economy. The whole subject must be approached with reason and with practical common-sense, but I think it will be generally agreed that we have now arrived at a stage when we can with benefit to the whole country, as well as to those directly concerned in local government, carry out a complete survey of the general position of our local bodies. In this I am glad to say that the Government has the general support of the counties. The Government now has under consideration the personnel and order of reference for a Royal Commission to be set up to inquire and report on the whole question. An announcement in regard to the matter will be made shortly.

Derating of rural lands.

The Customs Tariff is another matter which has a direct bearing on the costs of production and generally on the costs of living of the whole community, but I do not desire to make any comments in regard to it while the whole position is being reviewed by a Royal Commission.

Customs Tariff Commission.

All the measures that I have so far referred to are important factors in giving sorely needed relief and laying the foundation for economic recovery, but so wide is the gap to be bridged that alone they were not sufficient to meet the situation. The desperate financial position of thousands of farmers made this very evident.