

Present long-term mortgages bearing high rates of interest without a condition allowing repayment in a lump sum will present a difficulty that may have to be specially provided for.

As it is clear that mortgages can be satisfactorily dealt with only individually on their merits, an essential requirement is an efficient field force to inspect and report upon properties and afterwards keep in touch with mortgagors. Operating on a large scale, it will be practicable for the corporation to maintain such a force and keep it fully employed.

To save a costly duplication of machinery in this respect for reviewing the position of present State mortgages, and to obviate duplication and overlapping in other directions, the new organization, under suitable financial arrangements with the Government, will take over the present investments of the State Advances Office, the Lands Department, and the Rural Intermediate Credit Board.

The whole proposal is too big to be dealt with this session, as a considerable amount of preliminary work will be necessary in elaborating it in detail before legislation can be drafted. I may add that it is not intended that the corporation should take over all mortgages, but its operations will be large enough to influence the market, and other mortgagees will doubtless follow its lead in the matter of rates of interest.

It is realized that rearranging and stabilizing mortgage finances generally is a task of national importance, but until it is done the financial rehabilitation of this Dominion cannot be considered complete. With this corporation established to do the work, however, farmers and other mortgagors can rely upon expert assistance free from any suspicion of undue profit-taking.

Innumerable arrangements with second and subsequent mortgagees will be involved in the effort to rearrange finances within the limit of the productive capacity of the farm, but if cheaper rates are obtained for a first mortgage as large as a present-day productive value warrants, second mortgagees stand to gain from the arrangement, and, generally, should be willing to meet the corporation in a reasonable spirit.

On the 1st August the Reserve Bank commenced operations and assumed control of our banking structure and of the exchanges. Apart from the change-over in the note-issue, the public will notice little or no alteration in their banking and exchange transactions, but actually some fundamental and far-reaching changes have been effected by the establishment of the Reserve Bank. We now have a co-ordinated banking system and deliberate and disinterested control of the credit structure. The general benefits that will accrue to the community in the long-run cannot fail to be substantial. In the immediate future the Bank will undoubtedly prove a powerful factor in furthering the Government's policy of aiding economic recovery by stabilizing interest-rates at a lower level.

Reserve Bank.

Although the two things are not directly connected, I may mention here that, concurrently with the setting-up of a national control of our credit structure, we are engaged in a change-over to our own silver coinage, a further indication of our monetary independence.

Silver coinage.

The general movement in interest-rates is still downward, and this movement, by progressively lightening the burden of debt, is a powerful incentive to recovery. As honourable members are aware, the trading banks made a further reduction in their deposit rates, ranging from $\frac{1}{2}$ to $\frac{1}{4}$ per cent., operative from 5th July, while the maximum rates of interest that could be paid for deposits by building and investment societies and trading companies were lowered proportionately as from the 1st August. From the same date the interest-rate on Post Office Savings-bank deposits above £500 was reduced to $2\frac{1}{2}$ per cent.

Interest-rate tendencies.

The Government's efforts in bringing about these reductions in deposit rates are, of course, intended to facilitate a further reduction in lending rates, and particularly overdraft rates. The immediate position is governed by the rates payable on existing deposit contracts. However, the Government expects a further substantial reduction in the bank overdraft rate for best accounts in November next. I may add that the Rural Intermediate Credit Board and also the Lands Department, in so far as current accounts advances are concerned, have recently announced a reduction in interest-rates to 5 per cent.