

against it; and, if the result had been that the loan was not written for by the market, it would certainly have failed.

Whether, as Loan Agents, we were right or wrong in taking so serious a view of the danger, we, at any rate, were so persuaded of it that (as we have said) any reference to the conversion of the short-dated bonds was deliberately avoided. The consequence of this is obvious. Not having made the announcement then in the character of Loan Agents, it is evident we cannot make it now in the character of Stock Agents. It was not made then, because it would have prevented the market from subscribing; and it should not be made now, because the market has given subscriptions, which it would certainly have withheld if the announcement had been made before. Nor does this only apply to the present moment. The same danger will arise when the second and third millions come to be asked for, so that the dilemma is not one that can be escaped by being put off. Whenever the next demand is made, the Loan Agents (whoever they may be) will inevitably have to do just the same thing as we have had to do now. They will not be able to make any conversion of the short-dated debentures into stock without the fullest publicity, yet (when it comes to the point) they will be obliged to abandon all idea of making the announcement of it, exactly as we have had to abandon it ourselves.

This being the case, we hardly think it necessary to refer to your limit of 102; but obviously, if we are not altogether mistaken in what we have said, the market for inscribed stock must fall, on any announcement whatever of a conversion of the short-dated debentures, to a point that would make the exchange of bonds for stock, on such terms, an unfavourable operation for all the custodians of the funds, whether in England or New Zealand.

Of course, the whole aspect of the question would be changed in a moment if the custodians of the funds could make up their minds to keep their investments in the short-dated debentures for such a period, at any rate, as would allow of the absorption of the Three-Million Loan by the public. There is no question of good faith to the public, because the public has had full notice of the total amount of the public debt including Treasury bills in circulation; and, whenever there is no longer a danger of subscriptions by the market itself being refused to your second and third millions, the custodians might convert the short-dated debentures, and stand, as to sales of stock, in the same position as any other holder of part of the public debt. Or the aspect would be equally changed by any substantial rise in price, which should make the market itself bare of inscribed stock; but this, we are bound to add, we see no prospect whatever of in the face of the conversions and inscriptions already announced by the Cape and by Victoria, as well as New South Wales.

The Government will have expected us to speak with perfect frankness, in return for the wide discretion they have given us; and, all the more, because of this discretion, have we felt it specially incumbent on us to be plain. We do not, however, think it is our province to write to the custodians of the funds direct, because the question we are dealing with is so momentous to the Government, that they alone can make such communication to the custodians as the public interests require. It only remains to say that, after what we have here submitted to you, we shall wait until the subject in all its bearings has been again considered by the Cabinet.

We have, &c.,

F. D. BELL,

P. G. JULYAN,

The Hon. the Colonial Treasurer,
Wellington.

Stock Agents under the Stock Acts, 1877 and 1881.

No. 24.

The Hon. the COLONIAL TREASURER to the AGENT-GENERAL.

SIR,—

The Treasury, Wellington, 16th June, 1883.

The question of converting into inscribed stock the short-dated debentures for £1,832,000, created the 31st December last under the Treasury Bills Acts of 1879 and 1880, and thereby constituting them a part of the permanent debt of the colony, has again been under the careful consideration of the Government.

The currency of these debentures was advisedly limited upon the advice of the then Loan Agents, Sir P. G. Julyan and Sir Julius Vogel, to the short term of three years, with the avowed intention of converting them into inscribed stock before their due date. The finance of the colony since 1879, so far as making permanent provision for the deficiency of that period, has been based on the assumption that these debentures would be inscribed at an early date after their creation.

You are aware that, with the exception of £400,000, the debentures in question are held as securities of the Government Insurance Department, the Post Office Savings Bank, the Public Trust Office, and the sinking funds of the public debt; and I need not point out to you how desirable it is that some of these bonds should be exchanged for a form of security more readily convertible into cash.

Of the total amount, £832,000 represents a debt which has accumulated from year to year since 1866 by the issue of Treasury bills, which continued to be renewed from time to time as they matured. The remaining million represents the deficit of the period ending the 31st March, 1880, which, owing to the then bad state of our credit, could only be met out of the balance of the Public Works Fund, this fund being recouped from time to time as was found necessary from the so-called trust funds requiring investment. No other course than the one followed was or has been open to the Government, as you are aware.

As I understand from you that the objections which the Stock Agents take to the conversion of the debentures into inscribed stock are not of a temporary character, but will hold good so long as the colony continues to resort to the London market for further loans for public works, and as it is very undesirable, for reasons with which you are no doubt well acquainted, that so large a