

For a moment it seemed likely there would be serious mischief; and, as it was necessary to give some kind of answer without delay, I sent the enclosed letter to the *Times*, which seems to have served its purpose, for, since then, I have not seen any hostile comment on the operation. With that exception, indeed, the comments of the Press have been favourable; and the inscribed 4s, which had been put down 1 per cent. on the appearance of the hostile letter, recovered themselves immediately after mine, and are back again to-day at 101-102.

The conversion, if it is successful in the case of the 5-30s (of course it will succeed in the case of the short-dated debentures), will benefit the holders of the 4 per cents., and tend to strengthen the price of inscribed stock, so that it will be of service when we come to issue the second million of the loan. It is a novel and very acceptable feature that colonial stocks are now dealt with in the consol market, which raises their status by association with the two highest English securities, Imperial consols and London Metropolitan stocks; and the largely increased market which the present conversion must create will make our inscribed stock an even more marketable security than it is now.

I annex copies of the cablegrams relating to the conversion, which have passed between us since those which were appended to my letter of the 3rd September.

The Hon. the Colonial Treasurer, Wellington.

I have, &c.,
F. D. BELL

Enclosure in No. 28.

[Extract from *The Times*, Saturday, 22nd September, 1883.]

THE following refers to the prospectus issued yesterday by the Bank of England for the conversion of a portion of the public debt of New Zealand:—

SIR,—By the enclosed prospectus I find that the New Zealand Government proposes to give £1,832,000 new 4-per-cent. stock, to replace debentures issued under the New Zealand Treasury Bills Act, &c.

I have inquired, but cannot find any one who is a London holder of these securities. Virtually, therefore, this conversion is an unblushing attempt to float £1,832,000 more 4-per-cent. stock on the London market.

Perhaps you can elicit from the Crown Agents an answer as to who are the holders of these Treasury bills.

Yours truly,

A HOLDER OF FOUR-PER-CENT. STOCK.

[Extract from *The Times*, Monday, 24th September, 1883.]

THE following is in answer to the letter of "A Holder of Four-per-cent. Stock," which appeared in yesterday's Money Article:—

22nd September.

SIR,—I am very glad of an opportunity to give the explanation you invite of the conversion of debentures issued by the New Zealand Government under the Treasury Bills Acts of 1879-80.

It is well known to the market that the finances of the colony were in a position of serious danger in 1879. The railways, on which so many millions had been spent, were at that time paying only a little over 2 per cent. A sudden falling-off in the revenue had taken place, by the cessation of the large purchases of Crown land which had been going on for several years. The effect of those sales had been to pass a large extent of the best land, to which the railways had given special value, into the hands of capitalists. Nothing would have been easier than for the Government to get in money by parting with its land; sales of the pastoral country would have been eagerly welcomed by every squatter, and large sums would have come into the Treasury that way, as was the case in New South Wales. But this was deliberately rejected by the New Zealand Parliament, in favour of a policy of which the objects were to cease letting the Government depend on land sales for revenue, to reserve agricultural land as far as possible for actual occupation and settlement, and to prevent the alienation of the pastoral estate. This policy, however, could only be carried out by doing two things: first, by considerably increasing the floating debt in the shape of Treasury bills, redeemable by debentures having a short currency; and, secondly, by the imposition of large additional taxation. The position was fully explained at the time in the financial statements of the Treasurer presented to the New Zealand Legislature, and a distinct intimation then given that the floating debt would be converted as soon as practicable into inscribed stock and be added to the permanent debt of the colony. The tables of the debt published every year have always included this floating debt in the total amount of our liabilities; and I expressly referred to the Treasury bills in circulation, in the statement which I published last January, when the loan of a million was placed upon the market; this statement being circulated as widely as the announcement of the loan itself.

The short-currency debentures issued in redemption of the Treasury bills are chiefly held as investments of certain funds belonging to the colony, having the character of public trusts, such as the sinking funds of several of our loans, Post Office Savings Bank, Government Insurance, and so forth; and the total amount now held by the custodians of those funds exceeds a million. There is no intention whatever of flooding the market with the stock into which the debentures will be converted; on the contrary, I am able to give the assurance that not more than half a million of the stock will come upon the market at all, until after the third million of the loan announced last January has been raised in 1885.

The holders of our 4 per cents. will, I feel sure, see, upon reflection, that is much better for them that this floating debt should be converted, as is now proposed, than that the New Zealand