capital, and I shall not venture to indulge in guesses. There seems no reason, however, to suppose that there was any unusual flow of capital either out of or into the colony, and I have found no evidence of the rate of interest increasing. Capital in abundance has been forthcoming for genuine industries, one of the greatest of which is the preparation of land for settlement, and this has gone on with greater vigour than perhaps in any previous year. I have never thought land or other booms a sign of healthy progress; and there is no reason for rejoicing when capital runs wildly into all kinds of speculations. The reaction from such a state of affairs is inevitable, and brings ruin to great numbers of people. If the cry about capital being frightened has had the effect of deterring persons who possess credit from "hasting to be rich," it has probably done good.

Taxation proposals misunderstood by London journals.

A remarkable feature about this tender regard for the capitalist is the preference shown for the foreign over the colonial money-lender. At one time I thought the agents of the foreign loan companies had formed a syndicate to decry the credit of the colony in order to raise the rate of interest, but I subsequently came to the conclusion that the agitation in the first instance was the result of pure selfishness at the prospect of a little further taxation, maintained later on by some genuine alarm at the consequences which it was industriously stated would ensue. Some of the leading London papers—such as the *Times* and the *Economist*—had been grossly misinformed by persons writing from the colony of the facts respecting the land- and income-tax; and equally crass and misleading were the comments. I notice the *Economist* (April 23rd, 1892) has tried to undo some of the mischief it no doubt caused by its mistakes, in the following admission: "It is also understood that, in the case of recent legislation in New Zealand, the interpretation of the class-taxation clauses of the Land and Income Tax Assessment Act will be less detrimental to imported capital than the debates upon that measure, and even its wording, had led Anglo-New-Zealand capitalists to expect." It could hardly be expected that the financial specialist would make its recantation in more direct terms.

Temporary withdrawal of capital does not affect prosperity of colony.

The truth probably is that, if every one of these foreign loan companies now trading in the colony, which have been making such a noise, were to withdraw its capital as the mortgages fell in, it would make hardly any perceptible difference in the rate of interest, and none whatever to the prosperity of the colony. The "sensitiveness of capital" really means the selfishness of capital, and not always the enlightened selfishness on which Adam Smith based his "Wealth of Nations." When its withdrawal leaves a vacuum it is marvellous how soon that vacuum is filled: indeed, capital may be said to abhor a vacuum. By way of illustration, I will give the Committee an instance in point of what does occur: A large loan company that is said to be withdrawing from the colony declined to renew a 7-per-cent. mortgage,—one of considerable amount,—with the result that the mortgage was immediately taken up by a Sydney association at 6½ per cent. The lesson is that if we have got the security the capital will be forthcoming, even in spite of party cries.

Money-lending power in the colony is greater than is supposed.

The money-lending power of persons in the colony is much greater than is generally supposed; and it is not always that these lenders are able to find investments. The depositors in banks, the children who invest their small savings in the Post Office, the persons who insure their lives with the Government, the widows and orphans whose worldly property is in the Trust Office, are all lenders, receiving their interest in the colony and spending it where they receive it. Would the foreign loan companies be content, as some of our colonial lenders have to be, with 4½ per cent. on their money? The colonial capitalist himself is not so rare a species as may be implied in the talk about the exodus of capital, and is doubtless prepared to improve his position and the colony's at the same time by finding employment for his money.

The true colonist identified with the progress of New Zealand.

From what I have said on this question, I desire that it may be understood that the only safe policy for the colony is one of Self-reliance—one which fosters colonial enterprise and creates a colonising spirit; which recognises that the capitalist equally with the labourer must be identified, by residence and fulfilling all the duties of a colonist, with the progress and destiny of New Zealand.

Legislative freedom to effect reforms.

But, above all, it is essential that the Legislature should be free to effect those reforms it may resolve upon without obstruction from outside influences. The Parliament of New Zealand has already shown that it prefers the interests