

are concerned, for instance, a large proportion of the development has been completed and they are capable of carrying a much greater traffic than at the present moment. The community as a whole has to bear the interest and sinking-fund charges on the expenditure so undertaken. If the population were to increase by, say, 50 per cent., the per-head cost of such expenditure would be reduced by $33\frac{1}{3}$ per cent. This is particularly true in relation to such directly unproductive expenditure as war loans. An increase in the population would reduce the burden per head of these loans in direct proportion to the increase in the population.

Some idea of the implications of this change in the population structure and size can be seen from the following analysis of the actual cost of old-age benefits to the people of New Zealand as a whole. It has been shown earlier that the population of New Zealand is definitely ageing, so that the population of this country is now approaching in age-structure the age-constitution of the older types of countries with western civilization. Unless this fact is kept in mind, completely erroneous conclusions may be drawn from the increase in the cost of such social services as old-age benefits. To say that the cost per head of the total population of New Zealand of old-age benefits has risen from 5s. 2d. in 1901 to £6 11s. 10d. in 1946 does not of itself reveal the whole story, since over the period the population has been definitely ageing, and to-day there is a very much larger proportion of old people than in 1901. In 1901, 6.76 per cent. of the population were over sixty years of age ⁽¹⁾. The proportion of people over sixty years of age to-day is approximately double what it was in 1901, the figure as at the 31st December, 1944, being 13.57 per cent. In 1901, 12,405 people received old-age pensions of an annual value of £17 1s. 9d., representing a total annual value of £211,965. The average value of old-age pensions as at 31st March, 1946, was £105 6s. per annum. Assuming now that the average value of pensions had been at the same level in 1901 as was the case on the 31st March, 1946—namely £105 6s. per annum—the cost of these 12,405 pensions would have been £1,306,247, a figure which is approximately six times as high as the actual cost at 31st March, 1901. This illustrates the effect of the much more generous basis on which pensions are granted to-day than was the case in 1901. Now, if the age-constitution of the population had remained constant at the 1901 figure, then the number of persons over sixty years of age would have been 106,500 as at the 31st December, 1944, instead of 213,650 as it actually was. Hence, instead of 110,060 old-age beneficiaries in 1946, there would have been only 55,030, and therefore instead of £11,589,318 expenditure on old-age benefits the expenditure would have been £5,794,659. Thus the increase to-day in the proportion of persons within the age-grouping of sixty years or over, as compared with the proportion in 1901, has alone had the effect of adding approximately £5,794,659 to the annual cost of old-age pensions in 1946 as compared with the age-distribution position forty-five years previously.

Even in a much shorter period the ageing condition of New Zealand's population has had a very marked effect. In 1936 the proportion of persons sixty years of age and over was 10.43 per cent., as compared with 13.57 per cent. in 1944. If the age-distribution of the population had remained constant from 1936 to date, the number of persons over sixty years of age to-day would have been only 164,320 instead of 213,650, this representing an increase of 49,330 persons over the age of sixty. As at the 31st March, 1946, there were 110,060 old-age pensioners. If the age-distribution had remained constant at the 1936 figure, there would have been only 84,660 old-age beneficiaries. The total cost of old age benefits in 1946 was actually £11,589,318. If, on the above reasoning, the age-distribution had remained constant at the 1936 figure, and assuming the rate of benefit was the same right through the period, then the cost of old-age benefits in 1946 would have been only £8,914,698. Thus, taking a relatively short-range term from 1936 to the present time, the effect of the increase in proportion of the population falling in the age-group of sixty years of age and over has been to increase the cost to the community of £2,674,620.

(1) Pensions were not payable until sixty-five in 1901.