But the position of the wheat-grower here is parallel to that of the wheat-grower in the United States—he is in trouble too ?—He is in trouble from the other reason, overproduction.

But is not that the position here ? Is not your position that you cannot get the prices you would like simply owing to the amount of production of wheat throughout the world ? It is the Australian competition that is worrying you ?—I do not see your point.

If there were no wheat available from Australia, available at a price less than you can sell it here——?—Supposing it went up to 10s.

Supposing we were dependent upon you for New Zealand's wheat-supply, you could ask what price you liked ; but your difficulty is that Australia can produce wheat and sell it in New Zealand at a good deal less than you can afford to grow it in North Canterbury ?—It is not actually that. It is what she does with the flour that makes all the difference.

But is not that to some extent due to the class of wheat produced there being more suitable for milling ?—No ; it is due to the higher value of the offals in Australia. They pay more for their bran and pollard then we can get. The actual condition that exists in America is the same.

Wheat is selling in London at about 15s. a quarter : what can you sell a quarter for here ?—Well, the general thing is 6s. a bushel, or 48s. a quarter. Then we have transport.

What would the transport amount to ?—It depends upon the income-tax on the shipping companies.

I should be sorry to think that your evidence is to be judged on a statement like that ?—I think it does.

JOHN BELL CONDLIFFE examined.

The Chairman.] You are Professor of Economics at Canterbury College ?—Yes.

You have made a study of taxation in New Zealand ?—Yes, in some aspects.

Perhaps you will be good enough to read to the Commission the statement which you have prepared ?—Yes.

This statement has been hurriedly put together in response to the request of His Honour that I should give evidence before the Commission. If more time had been available I should have had copies made of the diagrams which are submitted with this statement.

1. *Revenue and Expenditure.*—I understand the Commission has been set up to consider the land and income taxation of the Dominion. It is, in my opinion, impossible to form a just opinion upon any particular part of the tax system of a country without considering the tax system as a whole, and still less without reference to the public expenditure in which that country is involved. The narrow terms of reference given to the Committee are open to serious objection.

2. *Risks involved in the Reduction of Taxation.*—Diagrams A and B indicate the great extension of income-taxation during the war and post-war period in New Zealand. Naturally this taxation has become burdensome and inconvenient, particularly to joint-stock enterprises, and, as the burden has increased, latent anomalies have become irksome. Business men naturally urge the necessity of lower taxation, and I expect the Commission will recommend, as the Committee of 1922 recommended, further reductions. From the point of view of the public finances, and of the community in general, I urge that such reductions in taxation should be made only as the result of decreased governmental expenditure, and not in anticipation of such decrease. Much governmental expenditure is incapable of retrenchment, the service of the public debt, for example, calls for constantly increasing amounts of revenue, and there are many directions in which the Government is constantly being pressed to increase public expenditure. There are grave risks in reducing taxation prematurely in a time like the present of temporary economic recovery. It would need only a slight stringency induced by an unfavourable relation between exports and imports such as occurs periodically to cause serious embarrassment to the public finances if taxation had been reduced before the expenditure which is the cause of taxation had been cut down. I am prepared, if required, to submit evidence to support my view that the present economic recovery is likely to be temporary, and may quickly be followed by financial stringency.

3. *Prospective Fall in Income-tax, even without Lower Rates.*—A large part of the increased yield of income-tax during the war and post-war period was the result of other factors than the higher rates of tax. Mr. H. L. Wise, B.Com., has made a calculation for me of the extent to which the income-tax receipts were increased between the years 1913–14 and 1920–21 by the following factors : (*a*) Higher levels of prices ; (*b*) new classes of taxpayers ; (*c*) enhanced income due to war conditions ; (*d*) higher rates of tax ; (*e*) shifting of incomes to classes where higher rates of tax were applicable. The calculation gives the following result : The assessable income for 1913–14 was £14,430,779, yielding in taxation £554,271. (*a*.) The rise in the price-level, independent of other factors, would have increased income to the sum of £25,423,178, yielding at the same rates of tax £976,497. (*b*.) The incomes of taxpayers (chiefly farmers) who had not before paid income-tax are given as £9,352,777, which would have yielded £359,230. (*c*.) There remains a sum of £13,830,432 increased income due to post war conditions, yielding £531,212.

If these amounts are added together we reach the 1920–21 total of assessable incomes, £48,606,887, which would have yielded, if tax rates had been unchanged, only £1,866,939. A calculation of the increase in the rates of tax, properly weighted for the total incomes of the respective categories, both of companies and individuals gives the following increases due to—(*d*.) Higher rates, £5,081,808. (*e*.) Upward shift of incomes, £780,380. These calculations were made independently, but the combined result, £7,729,127, is within 4 per cent. of the actual total of revenue collected in 1920–21. The new taxpayers have already been relieved of liability for tax ; the passing of war conditions has already reduced assessable incomes and will do so further ; while any tendency of prices to fall will not only cause further reduction of incomes, but will make incomes liable on the average to lower rates of tax. *Irrespective of any reduction in rates, therefore, the yield of income-tax is likely to be*