£9,850,000 to be found from the Consolidated Fund, an increase of £2,355,000 over the expenditure on present social services estimated to amount to £7,495,000 at the close of the financial year in 1938–39.

117. In effect, the total cost of the scheme is divided more or less equally between the Consolidated Fund and contributions plus levy. This division preserves in some measure the principle originally adopted in 1930 in respect of the relief of unemployment whereby the amount raised by the special unemployment tax was subsidized out of the Consolidated Fund. In the later years, however, it was found that the Consolidated Fund was unable to make a contribution towards the relief of unemployment, and the whole of the expenditure for that purpose has been met by the unemployment tax, which consequently was gradually increased to 1s. in the pound and then reduced to 8d.

118. The principle of social security insurance is one that is well established throughout the world, and practically every scheme in Europe and America has as its basis the payment of a premium by way of contribution from the beneficiary. This principle was readily accepted by the citizens of this Dominion in respect of unemployment, and contributions have been paid by vast numbers of citizens who, while covered against the risk, were most unlikely to be placed in the position of claiming benefits. A perusal of the schemes in operation in most of the countries overseas indicates that a flat contribution, with no variation according to the amount of wages or other income, is the course most generally adopted. This has the effect of throwing a greater proportionate burden on the low-income group, and, owing to the necessity for keeping the amount of contribution within the means of that group, the total funds so raised are necessarily restricted. The inevitable result is to keep the benefits made available down to extremely low amounts in many cases, and certainly well below the amounts which the citizens of this country regard as the minimum requirements of persons who would qualify for such benefits. In many countries the expedient has been adopted of levying a contribution on the employer, who, in effect, is required to subsidize payments by his employees. While there is no doubt that industry should bear its share in providing for those who are unable to fend for themselves, the Committee considers that the proposed method of levying the contribution assessed on a percentage of the income of every individual, augmented by a State subsidy which is found by general taxation, is a much more efficient and a much fairer way of raising the necessary funds.

119. In addition, the method proposed ensures to the community a direct voice in the future development of social security. As public opinion requires further provision to be made for those who suffer from the contingencies of life, so it will balance the provision to be made against the necessary charge on the national income with a sense of responsibility and control that would not be present were the cost to be met from the Consolidated Fund. The Committee is therefore satisfied that the method of finance proposed by the Government is a sound one.

NATIONAL PRODUCTION.

120. A certain amount of evidence was tendered to the Committee, the effect of which was an endeavour to create the impression that the cost of the scheme would be beyond the resources of the Dominion.

121. It was obviously overlooked by many of the witnesses that the effect of the scheme is simply to provide a more equitable distribution of the national income. No part whatever of the expenditure under the scheme will cease to be available for consumption of foods available in the Dominion's markets. On the contrary, the Committee feels certain that the effect of such redistribution will be a definite stimulus to production in the Dominion, particularly for those goods which the Dominion itself produces, and should tend to cause the expansion of the primary and secondary production of the Dominion. On the question of the total amount required now and up to the next forty years, a great deal of speculation was indulged in, almost the whole of which was based on an assumption that production would remain more or less static at the present figures. One point stressed by witnesses was that the Dominion is emerging from the undeveloped stage and that it could not reasonably be expected that progress would be as rapid in the future as it has been in the past. We were interested, however, to observe that in the United Kingdom from the year 1890, at which time England could certainly not be called undeveloped, whether as a primary producer or industrially, the national revenue from taxation increased from approximately £80,000,000 to over £800,000,000 in 1937–38. Her own exports during that period grew from £247,000,000 to £441,000,000 and her imports from £435,000,000 to £848,000,000. The national income grew between 1907 and 1935 from £2,038,000,000 to £4,926,000,000. Such an increase could only have been made possible by a relative increase in the production of the country, coupled with the fact that any increase in the rate of taxation was accompanied by redistribution of the national income, which represented no loss whatever to the community.

122. We are confident on the evidence of past years that it is within the capacity of the Dominion to extend production sufficiently to carry out the scheme, and we believe that it may well be found that it has made a large contribution towards a more rapid development of the country. The Committee therefore recommends that the Government's proposals for the financing of the scheme should be adopted.