I have read cables to that effect ?—It will be interesting to see the report.

Mr. Clinkard.] I thought Mr. Fussell would have had some knowledge on the subject. Now, in reference to the cancellation of the note: When the bank issues a £1 note it practically issues a promissory note, just as I would take a book of promissory notes, and if my credit is good these notes will be accepted and if my credit is not good they will not be accepted. That is the principle is it not ?—These two cases are quite analogous.

I take it that before I can get back these notes for cancellation I would have to give value to the extent I received ?—Yes, give value or evidence of value.

And the banks would have to do the same ?—Yes. They have to give evidence of value, and that evidence may be in the form of deposits in the banks.

In the ordinary course of business a note goes out as new and after circulating in business it comes back to the bank from some one else, and the bank is merely custodian for the time being, the note being paid out again to whoever cares to draw the money ?—That is so.

Mr. Lye has referred to acceptability. I would deal with that under the heading of confidence. Confidence behind the drawer is the thing that makes the note acceptable ?—Confidence is the fundamental backing.

For instance, if a man of reputable standing draws a promissory note it is immediately accepted, but if some one of no standing draws a promissory note it is not accepted, and is treated as a piece of waste paper. I have been bitten once or twice like that. There seems to be a confusion of thought as between money and the interchange of goods and services. Supposing we were to divide all those who had nothing to exchange on one side of the street, and those who had something to exchange on the other side of the street, would an increase in the monetary system make any difference to them ?—If money were given to those who had nothing, Yes.

It would have to be given to them either by gift—if we do not care to use the word charity—so that they could obtain the goods from those on the other side of the street who had the goods to sell ?—Yes.

And after the money was exhausted ?—They would be in the same position they were in before.

That thing would have to be repeated ?—Yes.

Our economists say that with our production, the Hottentots would be able to live like millionaires, but the Hottentots must have something to give in exchange ?—Yes.

Would you say that so many people have nothing to give in exchange rather than that they have no money ?—Money is evidence of purchasing-power. I look upon money not as purchasing-power of itself, but as evidence of purchasing-power against which that money has been issued.

And it should reach the holder through some service rendered to the community in other ways ?—Yes.

And an additional quantity would not make any difference ?—An addition in quantity given to those without would enable them to spend that at once, but experience shows that you have to repeat that process.

By there being more money in circulation would not of itself mean that those who had something to exchange would have greater purchasing-power, only that the units being more, more would have to be given—in other words, there would be a rise in prices ?—I would not say that those who did not have anything before would not be better off.

I mean if there was more money in the community ?—You mean, if the banks gave more credit it might affect the position indirectly ? It might affect trade, and more men would be absorbed in employment.

I was referring to the greater volume of money, as it is usually referred to. Such, for instance, as the issue of large numbers of notes ?—If people want them ! You mean if people use more notes ? Several things would have to be taken into consideration. The velocity of circulation could drop to half, and there would be no difference in the actual work done. If more money were in circulation and it did not have work to do, there would be an increase in prices if the money circulated as quickly as before.

And an increase in credit at a low rate of interest might inspire expectation of profit and induce people to enter into different ventures from which they were previously excluded ?—It is such a small margin that if we reduce interest-rates say 2 per cent., and if we get the marginal men in, that would only help him by 2 per cent. on the amount he borrowed. I was reading a book the other day by Paul Einzig, whose view was that a low rate of interest does not have the same effect that some people imagine, because if a venture is going to be profitable, 1 per cent. one way or the other is not going to make much difference.

Of course, the interest-rate is not such a large factor in total production as many people imagine, but it is undoubtedly a factor, particularly if it can be obtained at a reasonable rate and without the fear of a very short period of recall ?—Yes.

Mr. Munro.] Is it a fact that in general practice between the associated banks that one bank will not entertain taking over an account that already has been secured in another bank ?—I do not know of any such arrangement.

Supposing a client of a bank has accumulated security in one bank, I am led to believe that if he goes to another bank they will not take his account even if he provides further security ?—I do not think that is the case .

Are you sure ?—If I were a banker and a man came to me I would give him an account against security even if he had an account with another bank.

The person who I am asking this question for said another bank would not take his account ?—Many people do have accounts with more than one bank.

You give that a flat denial ?—To the best of my knowledge. There may be some reasons which might prevent a bank from giving an account.