

And it is demonetized, otherwise frozen?—No. I would not call an asset that is not expressed in the balance-sheet as frozen.

If you have bank premises that cost £400,000 and you gradually depreciate them until there is nothing there at all, is that not a frozen asset?—No. Because by writing them down you create a fund for replacement.

Do you create a fund? What happens when you depreciate?—When you write down the value? Yes?—I consider that creates a fund or builds up a fund from which it can be replaced.

Your physical assets remain the same, but your money assets are depreciated by the extent of the depreciation obviously.—Certainly. The asset does not appear as money.

*Mr. Ashwin.*] Possibly it would be written out of your profit and loss account, and you would pay that much less in dividend?—That is what is done. The profits for the year are allocated towards creating a fund. As far as the country is concerned it would not make any difference if the banks built up a fund on the other side of the balance-sheet. That is my opinion.

*Captain Rushworth.*] You say the banks have plenty of money available and they want to get it out. Why is it that everybody seems to be experiencing the banks insisting upon a reduction of the overdrafts?—I do not know that that is the case, but I know that the banks are anxious to extend credit to sound businesses.

Are they not reducing overdrafts?—Overdrafts are certainly coming down, but the banks wish them to expand. But if in individual cases the bank ask for a reduction it means that the security is such that the advance is not safe.

Is that not the general practice at the present time?—No. I do not think so. Only in cases where the security is not adequate.

Is that not general?—I do not think so.

Have not securities been falling in every section of the community?—Yes. But the banks make an allowance for that in granting the advance.

*Mr. Ashwin.*] It is a fact, of course, that the present fall in advances is really due to the excess of exports over imports. In other words, there is not a volume of imports?—Yes. To a certain extent, the cause which creates an excess of exports over imports is the same one that causes the fall in advances.

*Mr. Langstone.*] Has that not been countermanded by the issue of Treasury bills against that? I do not know what you mean by countermanded, but it has been offset.

*Captain Rushworth.*] The question was raised as to how the banks pay for gold—that is by notes, generally speaking, or the equivalent?—Yes. They receive the gold and they accept an obligation to the extent of the value of that gold. By buying the gold, however, they have not increased their assets or their net position.

I was just asking how they pay for the gold?—They might pay for it by notes or they might pay for it by allowing a credit balance, which is the same thing.

Yes. We will not argue about that. The possessors of gold have no option in the matter have they?—You mean to say if they bring them to the bank?

No. The possessors of gold have no option in the matter in that they are not allowed to export it themselves?—There is no prohibition on the export of bullion.

I am talking about ordinary gold?—Yes. They can export that and they do.

If they want to sell it?—Yes. They can sell it overseas. The banks sell it on their behalf and give them what they get for it.

And they pay for it by means of these notes. Now, you mentioned that those notes are a debt owed by the banks, but do they owe it?—The banks owe it to the holders of the notes.

And how do they redeem it?—At the present time they are not called upon by law to redeem it in any way.

How do they redeem it now, to-day?—They do not redeem the notes to-day, because the notes cannot be presented for redemption under the Act.

You mean you have a debt that you cannot liquidate. You are bankrupt then?—No. We are not bankrupt. The banks could liquidate them.

How?—By gradually repaying some of the deposits and then calling up some of the advances.

But if I have a pound-note and I call upon you to redeem it how can you redeem it?—The notes are inconvertible. That is the principle at the present time. A note is inconvertible, but if the country as a whole, for some unknown reason, desired physical redemption of the notes, considering that, after all, they can only get from the banks what they can get without going to the banks for it, that means physical property, they can buy physical things with the notes, and the banks cannot give them anything more, and the only way the banks can give that to the depositors is to liquidate.

But that does not get away from the point that you said that the notes are a debt owed by the banks?—Yes. They are a debt owed by the banks.

To the holders of the notes?—Yes.

Well, what does the debt consist of?—A debt is an obligation to pay, which they are not called to redeem in physical assets, any more than the holders of advances, people who are indebted to the bank.

Can they redeem those notes in any other way than by issuing other notes?—I have told you that they can physically redeem them by calling up advances and handing over the proceeds.

You have already agreed that it need not be necessary to call in a single advance to meet all the calls upon them?—But the banks do not do that in that case. All they have done is to purchase Government securities and to give the Government a deposit.

Yes. There is a difference between a deposit and a note. We are not talking of deposits at the moment. We are talking of notes, and your claim that a note is a debt due by the bank is a matter