

on whatever you borrow against that. So that they facilitate it for the customer as far as possible, though technically, of course, it is better to finance in other ways, but the banks always meet the customers.

That has been done, though, a good many years ago. They have declined the advance against fixed deposit?—Of course, I do not know of any such case, and I can only speak from what my experience has been. It seems hardly possible to me that they would do so.

Mr. Harle : I know of no experience in my twenty-nine years where such a thing has happened in my institution.

Mr. Murdoch.] What bank do you represent?—The Union.

Mr. Fussell : I do not know what other reasons there might be.

Mr. Murdoch.] I deal with the Union and I have not had such an experience; but a brother of mine was saving up to buy a farm and he had a fixed deposit in the bank and before the deposit matured he tried to get an advance to pay a deposit on his farm and they would not grant it?—But in the banks' regulations there are specific provisions made whereby that can be done. It is down in black and white. He might have tried to break the deposit.

He offered to sacrifice the interest that was due?—I do not know about that. I have known cases where deposits have been broken. For instance, if you had a fixed deposit and you were going away unexpectedly and wanted the money the bank would break the deposit for you.

Mr. Clinkard.] I have known that to be done by the Colonial Bank in Australia, but they charge you in that case?—If he had a two years' deposit at 2 per cent., say, and he broke it after three months he would be paid a different percentage on the three months' rate.

Mr. Holland.] But they do break it?—Yes. As a matter of grace, but not as a matter of right. They can do whichever you like. They would advance against it. You have got the security. They will advance against another bank's fixed deposit, which is a gilt-edged security, so if they advance against another bank's they advance against their own also.

Do you think it would be wise policy that when times are very prosperous and there is a tendency for reckless speculation for the banks to increase their rate on accommodation?—That is a politic matter. It would be rather hard for me to say anything about it, because why should people who are trading soundly have to pay a higher rate because some people want to speculate. I think the best way is for the banks to look into the business and if the business is good business for advancing they make the advance, but if it is not good business or suitable for banking, they just decline it.

When butterfat was 2s. 6d. a pound there was a big tendency to buy land at extraordinary prices, and if the rate had been increased it would have acted as a deterrent?—Only to a small extent, I think, because they were all the time banking on a rise. They would think that whatever they paid in interest they would be able to pass on to the next man. "The market is going up and I will make a profit whatever happens." So it would be very hard to stop the speculator by adding another 1 per cent. or $\frac{1}{2}$ per cent.

Captain Rushworth.] When you were here before you elected to answer certain questions in writing. Did you produce those?—They will be handed in with the transcript of the evidence, and will be available very shortly.

They are not available to-day?—No.

So that we cannot ask you any questions on them?—I should not think so.

Under the law as it exists to-day, the banks, in collaboration with the Government, can issue any amount of money. Is that right?—They can do so. If they were subjected to force, which I do not think they would be, they might have to issue it unsoundly, but given the security of the State they can transfer the value received.

That is not the question. The question is, in collaboration with the Government, is there any limit to the amount of money they can issue?—No. Because the Government could enable them to issue what the Government demanded.

So that, if there were a run on the banks, so long as the Government issued public securities, the banks could issue any calls upon them for cash?—Subject to the legislation being amended, of course, if necessary.

What legislation?—Legislation about note-issues.

What legislation?—The legislation that note-issues must not exceed the gold and public securities.

But we can eliminate those, can we not?—You mean by handing over the securities against the notes.

Yes?—Yes. They could do that. I would have to think over it to see whether it would cause dislocations later on, but if the Government required it and the banks co-operate they could issue notes against the Government securities to any extent.

Dr. Sutch.] There would still have to be one-third of gold?—Not under the suspended legislation.

Captain Rushworth.] That is my whole point?—I would like you to know that in saying they could do it I did not mean to imply that they could do it soundly.

We are taking an exceptional point, the point of a run on all of the six associated banks. It is an impossible situation, of course?—Yes. If it were done the Government could provide means whereby the banks could issue notes to the full extent of the demands made on them.

In other words, to the full extent of the deposits, so that it would be possible for the banks to meet the whole of their depositors without calling in one single advance?—Yes. They could do so with the Government's collaboration.

Yes. That is the point. The question of depreciating bank premises was mentioned. By depreciating the value of bank premises are you not creating a frozen asset?—No. I do not think so. In what way would you say it would be frozen?

Well, it is an asset is it not?—Yes.