

extent of the proposed exchequer bills, instead of their balances being wholly paid over in imported gold, while their dividends will be proportionately increased not only by the interest, but by the saving in transport, &c., while the colony would reap an incalculable benefit by £315,000 being expended in permanent agricultural improvements instead of lying unproductive in the banks, which does not seem an excessive concession to that interest, compared with £400,000, which, if I remember rightly, was set apart by a former session of Assembly for the encouragement of gold-mining. I propose that a sum, in £1,000 bills, to be called "Colonial Exchange Exchequer Bills," be allocated to each bank in proportion to say £30 per cent. of their notes in circulation, which at 30th June last, taking these bills at £315,000, rather exceeds 30 per cent. That these bills bear interest at 2·63d. per cent. per day, equal to £4 per annum, payable by Government half-yearly, when new bills would be issued, in the same manner as is done by the Scotch banks, to the extent of £300,000, bearing interest at 1½d. per cent. per day. That any bank holding more than its quota of bills shall be bound to sell to a bank holding less, the purchaser paying in gold or by draft on London, say at 20 days' sight. That a central point, say Wellington, be fixed for a weekly general exchange for the whole colony, and the exchange bills be retained at the banks there, to effect which increased postal conveniences obviate any difficulty. That the total amount in lieu of these bills be handed over by the banks at as early a date as possible, and then distributed to applicants by authority of a Drainage Commissioner under the Act, the same to bear interest at 8 per cent. per annum, by which principal and interest is liquidated under ten years; but, as the country is likely to require money for similar improvements for a much longer period, and for a much larger sum, the repayment of balance of interest would still be available to re-lend, and the arrangement with the banks might not need alteration for many years to come. A further (it is to be hoped problematical) advantage would be, in the event of the descent of a privateer on any of our chief cities, there would be so much less gold left for plunder.

I might further add that, viewing the disproportionate amount of gold coin, viz., £1,717,568, and bullion, £152,837, to the amount of notes in circulation, viz., £995,314, it would not have been too much to have proposed £500,000 exchange exchequer bills, as the security to the banks would be first guaranteed by Government as the whole colony, and then by every landowner individually who availed himself of the Act; and, to concentrate the financial management, all bank-notes issued in the colony should be made payable (that is dated) in Wellington (should that city be chosen as the centre where the balances of exchange are settled), and the chief amount of gold held there.

Even were these proposals slightly detrimental to the profits of the banks, the public benefit would be so great that they would have no more reason to complain than any foreign (outside) insurance company starting in the colony, which, if I remember, has to first invest £20,000 in Government securities; but the position of the banks is very different, as the interest at 4 per cent. on the £315,000, amounting to £12,600 payable each year, may be expected to stand nearly thus at the end of say about ten years: by extending the working one year or so more there would be sufficient surplus to cover Commissioners' salaries:—

GOVERNMENT.							
Dr.	£	s.	d.	Cr.	£	s.	d.
To Gold received from Banks ...	315,000	0	0	By Exchange Exchequer Bills repaid ...	315,000	0	0
Received in interest and compound interest from parties availing themselves of the scheme ...	315,000	0	0	Advances under the Act, not including Commissioners' salaries ...	315,000	0	0
	£630,000	0	0		£630,000	0	0

BANKS.							
Dr.	£	s.	d.	Cr.	£	s.	d.
To Exchange Exchequer Bills repaid ...	315,000	0	0	By Gold from Banks ...	315,000	0	0
Total return on transaction to profit ...	226,723	0	0	Say 10 years at 4 per cent. ...	126,000	0	0
				Compound interest, at, say, 8 per cent. on yearly progressive payments of £12,600 interest re-lent out ...	100,723	0	0
	£541,723	0	0		£541,723	0	0

BANK RETURNS (See Gazette, June 30, 1878).

Name of Bank.	Notes.	Gold.	Bullion.	Proposed Exchange Exchqr. Bills.
	£	£	£	£
Bank of New Zealand ...	512,236	701,850	84,467	155,000
Union Bank of Australia ...	138,494	351,386	9,004	45,000
Bank of New South Wales ...	91,637	298,652	21,186	30,000
Bank of Australasia ...	53,209	88,143	1,600	20,000
National Bank of New Zealand ...	111,830	181,178	21,818	35,000
Colonial Bank of New Zealand ...	87,905	96,355	14,760	30,000
	995,313	1,717,564	152,835	315,000

I have, &c.,
THOMAS MURRAY.