

I am suggesting that you are giving the 20 per cent. security, then his business will go through your hands—you would get his business?—It is conceivable that that would be so, but it would rather weaken the link with the client. I hate the idea of forcing a man to give you his business. We have been reasonable where there have been good reasons for a man selling elsewhere. Business relationships should be based on goodwill, and you have a man's confidence where you are acting as his banker as well as his merchant.

Take the client's position: You borrow at 5½ per cent. and you can afford to lend at 6 per cent. The security for £1,000 is handed over by the stock firm to the Government, and that man gets his money at 6 per cent. You are making nothing out of the 1 per cent.; therefore you are offering your money for trading purposes. If your client is getting his money at 6 per cent. and you as a firm guarantee 20 per cent. to the Board of that security, and for that 20 per cent. you keep him as a client, would that induce firms to take it up?—I could not say; possibly they would.

There are quite a number of accounts in many concerns to-day where the advances are in excess of the chattels securities.

*Right Hon. Mr. Coates.*] I suppose you have studied the system under which we propose to raise the money—the bond issue?—Yes, I have done that.

But you state it would not mean extra money for the farmer?—No, I do not think it would provide extra money; it would provide easier money. I believe all the money that is wanted for legitimate requirements to-day on sound propositions can be obtained. I think every legitimate trader and every farmer can get all the money he needs against his sound securities.

What is your source of supply to your clients at present: from what source do you get your money for lending out to the farmers?—Our balance-sheets show that we get a fair lot from the banks. We have a very large amount at present—nearly, a quarter of a million—lying to the credit of clients' current accounts.

It is either bank money or clients' money?—Yes, that is the source.

Would the bond issue absorb that same money?—It is very difficult to say; I do not know whether it would.

I think you have admitted that the source of money which you rely on for the carrying-on of your business and for advancing to farmers is restricted practically to banks—that is, other than your own trading accounts, which may be with your different clients?—Yes.

Now, if the bonds prove an attractive investment, will not that have the effect of bringing new capital for disposal to farmers and every one else—capital which at the moment is not available to the farmers?—I think, sir, I said there is sufficient capital available to the farmer. His trouble is that he has to pay too high for it.

Exactly. You have stated that local-body debentures are more attractive. In order to compete with local-body debentures it is decided to create another medium by which money can be attracted for the purpose of assisting the primary producers. What will be the effect if you bring a new source of supply of money to the assistance of the primary producers?—I think there is sufficient for his enterprise now.

If there is sufficient, is it in the right channels to suit your clients?—You mean, if he could get the money from elsewhere by short-circuiting the concerns that are now finding money, then it would be an advantage to him. He might get his money cheaper.

We are creating another avenue of investment, and I am asking you whether that would not have the effect of placing money at the disposal of the primary producers?—If you place more money under those conditions, you would probably place it under unsound conditions. It would be easy money, and would probably create a bigger evil than the one you are trying to cope with. You mean you would provide a new avenue of cheap money?

*Right Hon. Mr. Coates:* Yes.

*Mr. Machin:* That is rather an interesting economic question—the diversion from the local-body loans to the farming community. But we know there is an enormous amount of money awaiting investment to-day: money which formerly went into landed securities but which is to-day floating about in temporary investments and looking for a permanent investment—trustee funds, and so on.

Now, the point is this: if you offer a security which will attract those funds, will that not have the effect of rendering available more money for the interests we have been speaking of?—I do not think it will have the effect of providing more money; it might have the effect of increasing competition for money. I think the question is closely related to the balance of our Dominion's trading and the recent action of the banks. I am not sure that it would have that effect. If it had the effect of making it more difficult for local bodies to acquire money and thus reduce the local rates which are part of the present overhead charges, as the interest on that money is falling on the shoulders of the ratepayer, I think that would have a good effect. I believe the local-body rates per head in New Zealand in 1913 were about £1 5s., while to-day they are about three times that amount. The action of the banks has been mentioned, and the question, "Should they restrict credit to certain concerns, or should they charge everybody more for their money?" is an important one; and personally I believe that nothing impressed the people of this Dominion with the necessity for economy so much as the recent increase of the bank rate did.

Examination of Mr. J. H. O'DONNELL (No. 4) continued.

*The Chairman.*] Will you now continue your evidence, Mr. O'Donnell. Have you a statement?—Yes, sir, I have prepared a statement with regard to current account advances under the Discharged Soldiers Settlement Act. Under section 6 of the Discharged Soldiers Settlement Act, 1915, and section 2 of the Amendment Act, 1917, the Minister of Lands is authorized, on the recommendation of the Land Board, to grant advances for the improvement, development, and stocking of farms. From 1915 to the passage of the Amendment Act of 1917 these loans were restricted to soldiers who were