

maintain confidence in the bank's stability, even if no dividend be paid for a time on its existing capital. The directors hoped to have been able themselves to have issued the required amount of preference capital, but this has been found impracticable.

I have therefore to propose to the Government that the colonial guarantee be given to an issue of two millions in preference shares, bearing not exceeding 4 per cent. interest, the period to be ten years; such issue to be then replaced by a fresh issue of ordinary shares or otherwise, and the State relieved of its guarantee. No dividend to be in the meantime paid on the present capital till the Estates Company assets be disposed of, and the business of the bank declared by an auditor of the Government's appointing to be clean and sound.

In seeking the interposition of the State, I have no idea of the bank shareholders being relieved of one penny of the loss which may fall upon them at the expense of the taxpayer. As cover to safeguard the State from loss, there is the bank's paid-up capital, £900,000; reserve liability, £1,500,000: total, £2,400,000. And as the bank's assets have twice in recent years been subjected to severe scrutiny and writing down, such as no other bank in these colonies has undergone, it is not to be questioned that £2,400,000 affords an ample margin. Of the proposed two millions, one to be at the disposal of the bank in its ordinary business, the other million to be held in reserve, and invested only in such manner as the Colonial Treasurer may approve.

I have verbally suggested to you precautions which the Government might take to secure itself and to guard against a recurrence of the state of things which calls for such exceptional treatment; but it is for the Government to impose conditions. I need not, therefore, dwell on that aspect of the matter herein. I will only ask permission to add that, apart from preventing so terrible a misfortune to the colony, such arrangements as I have suggested (including State supervision and public audit) would have the effect of placing and maintaining the banking business of the colony fundamentally on a sound footing. The want of a great bank, the true position of which was known to the Government by independent audit of its own appointee, and through which the financial assistance of the State could in time of monetary crisis be extended to the community without hesitation, was severely and even disastrously felt recently in Australia. The great nations of the Old World have each their national banks in more or less intimate relations to the State. It is felt that these banks have, in case of need, the State behind them; and on their stability the immense fabric of banking, currency, and credit rests.

In entering upon such relations, the Government of New Zealand would only be following the highest examples.

I have, &c.,

The Hon. the Premier.

JOHN MURRAY.

The following day a conference was held, all the Ministers and Mr. Murray being present. The position of the bank and the Estates Company was discussed. Detailed information was given in respect to the position of the bank in New Zealand. With respect to the Estates Company, however, no detailed information seems to have been given, although asked for, beyond Mr. Murray's statement that "there was a big hole to fill." Mr. Murray stated that, in respect to the Bank of New Zealand, he was satisfied that if the Government guaranteed an issue of £2,000,000 share capital it would be ample to meet every emergency. He was asked to obtain, as early as possible, a balance-sheet showing the position of the Bank of New Zealand in the colonies, Fiji, and London. In respect to the position of the bank in London, he stated there would be a difficulty in obtaining details by cable and no details were obtained. After carefully considering the matter, the Government decided to ask Parliament to guarantee the £2,000,000. The Bank of New Zealand Share Guarantee Bill was accordingly prepared.

On the 29th June Mr. Murray wrote to the Premier as follows:—

SIR,—

Bank of New Zealand, Wellington, 29th June, 1894.

I have the honour to hand you a copy of the balance-sheet of the Bank of New Zealand.

Since that balance-sheet was issued the position has become impaired, and, indeed, seriously compromised, by causes set out in my letter to you of the 25th instant; but this does not imply that any heavy losses in the bank's business have been made. To the best of my knowledge and belief no such losses have been made. The difficulty arises rather out of the circumstances stated in my letter.

As a banker of forty-five years' standing—thirty years of which have been spent in New Zealand—and having occupied a prominent position during much of that time, and being in no way personally interested (some shares in the bank standing in my name do not directly or indirectly belong to me), I wish to be permitted to give my honourable assurance,—(1) That the occasion is one of the gravest public urgency; (2) that by the measure I have proposed I am absolutely convinced that the State will not lose one penny, but will, on the contrary, avert great loss to itself as well as to the community; (3) that by this measure the banking affairs of the colony will be placed on a greatly-improved footing for the future; and (4) that if the Government finally determine to go on with the measure it should be put through to-day.

I have, &c.,

The Hon. the Premier.

JOHN MURRAY.

During the day the Premier conferred with the leader of the Opposition (Captain Russell), the Hon. Sir R. Stout, and the Hon. Mr. Mitchelson; and the Colonial Treasurer conferred with the Hon. Mr. McLean, the Hon. Sir R. Stout, and Mr. Bell. The Bill was introduced as an urgent measure, passed the House of Representatives, and was sent to the Legislative Council. The Council appointed a Select Committee to investigate and report. The Committee took the evidence of the Premier, the Colonial Treasurer, and Mr. John Murray. No information in respect to the Estates Company was obtained further than that previously given to the Government by Mr. Murray. The Committee, however, recommended that the Bill should be allowed to proceed, and it was passed on the 30th June. This Act provided that the colony should guarantee the issue of £2,000,000 shares of the Bank of New Zealand for ten years; that the head office should