

upon these funds by cheques in favour of the persons to whom it is indebted. These cheques are honoured by the banks mostly with their own notes, very little coin ever changing hands. These bank notes are circulated freely in the community, because the credit of the particular bank is good, and for no other reason, as it is well known there are few, if any, banks that could redeem their liabilities in gold if ever called upon. We thus see it is *Credit* that keeps bank notes in circulation (as witness our Government guarantee to the Bank of New Zealand, still current).

Now the credit of the best of Banks rests upon its subscribed capital and its Reserve Fund, conjoined with the liability of its shareholders (all other assets are simply Trust Funds belonging to depositors), therefore ultimately on the financial stability of its shareholders, who are, however, comparatively few and weak, if compared with the number and stability of a whole community forming a State. It therefore follows that State Credit is as much better than any bank, as public stability is superior to that of an individual. If this is admitted, it stands to reason that public works, executed and paid for by State credit notes, would be quite as effective as with the borrowed credit of bank notes or foreign loans. There would also be some additional advantages, as all money used would belong to the community, and consequently free from any annual tax for its use to outsiders, thus relieving the colony of any future confiscation of its exports to enrich individuals of other countries; while every mile of railway made, or bridge built, or road constructed, would be a public benefit and convenience to settlers without being an extra charge to the people to pay for, as any interest paid to the State would relieve other taxation.

The whole question of the more rapid progress of the colony is constantly asserted to be one of money, so if the money is forthcoming on adequate security, practically free of interest to the community, the more there is in circulation up to its full limit,

the more prosperous the colony will be, for no colonist has yet witnessed a time when too much money was in circulation, or even complained that money was a drug in the market, except perhaps some unfortunate money-lender who was disappointed by not finding satisfactory securities at high interest for his money. But the evils of a deficient or contracted currency is witnessed every seven to eleven years in industrial depression and business panics.

In the early days of the colony the want of sufficient money for business purposes was very much felt, as it retarded industry in every direction; and that credit is the basis of all money currency was proven by facts in connection with the early history of the Nelson Province. As in common with all the early settlements there was very little coin to trade with. This fact induced the principal firm of merchants there to issue its own Credit Notes of promises to pay on each one pound in gold or drafts on an Australian Bank, twelve months after date, or to accept them at any time on presentation as payment for goods purchased at their stores. These notes relieved the depression almost like magic, and were the mainstay of the local trade until the middle of the fifties, when the impetus of the Melbourne gold-diggings revolutionized the trade of this colony. Yet the local "Shin-plasters," as they were called, did wonders, for more progress was made in Nelson in a given time, proportionately to its population, than at any subsequent period of its history. If this good was done by a private firm of merchants, why should not even better results accompany a similar action of the State?

And the best of the matter will be that the country will not be poorer for the larger expenditure but the richer, for it will gain those facilities and conveniences which all recognise as indispensable, if civilization and prosperity are to accompany our growth, free from those periodical catastrophes caused by contraction of the currency by private monetary institutions, which now control the sinews of the war. No country can ever