Yes, we already have it that the deposits are the results of loans ?—To some extent.

We are only getting a stage further back. In the olden days a bank did not put money into circulation as a loan. In other words, do you know of any case where the banks have given money away ?—No, except of course by way of donations.

So it is only done as a loan ?—By meeting a claim on the bank.

But the claim originates in a loan ?—No. I will say a great deal of the claims originate in loans.

Those that do not originate in loans, how do they originate ?—A person may have metallic money, such as gold and so forth, and he may deposit that with his banker.

Metal, such as gold. Do you mean minted or otherwise ?—Minted.

Not otherwise ?—I am not referring to otherwise.

I am referring to the time when bullion could be used. We are talking of to-day here in New Zealand. May I put it this way: Is there any money in circulation in New Zealand that did not originate from the banks as a loan ?—I consider so.

Tell me cases ?—Looking on the circulation of notes as a fund, there has been in circulation in New Zealand a continuous supply of notes. Part of that proportion of note-issue was issued against gold. Gold may have been paid into the bank prior to the war. Gold and notes have constantly been in circulation since.

You mean the banks purchased the gold with the notes ?—In the sense that money deposited with a bank becomes the bank's money, notes may have been issued against gold.

You are referring to the bullion gold that was purchased by the banks, as described by Mr. Falconer Larkworthy. He was the one to start it. Is that what you are referring to ?—When a bank either gives notes or credit in exchange for bullion it gives the person who sold the bullion a claim on the bank.

For what ?—To the extent of the value of that bullion at that time, except of course that we would have to explain the usual way by which it is done. Bullion is shipped home to England and the banks would pay a proportion out at the time it was lodged and the balance later, depending on the market price realized.

So that you put that forward as an issue of money by the banks, and I think it is quite legitimate. That money is issued by the banks in the purchase of gold bullion which is not in the shape of a loan ?—Money may be, but not necessarily.

I think that is quite correct. I should have included that in my exceptions, but it did not occur to me. So that the banks by the purchase of bullion ——?—Give other people claims on the banks.

That is not the point, I know that ; but the banks—by the purchase of bullion, by the payment of wages and salaries, and so forth, and by the payment for furniture—put money into permanent circulation ?—I would not say permanent circulation.

Is it not ?—No, not necessarily.

We exclude taxation for the moment. So far as the banks are concerned they have no further lien on that money ?—How do you mean they have no further lien on that money ? The holders of the money have a lien on the bank.

They have a lien on the general community, surely ?—The holders of the money have a claim on the bank.

Money has been defined as that which passes from hand to hand through the community, but the money that is handed to the individual for the bullion is a claim upon the rest of the community, surely ?—It is a claim upon the bank.

But what can a bank give me if I sell bullion to the bank and obtain pound-notes in exchange and I go along to the bank with a pound-note, what can the bank give me for the pound-note ?—Under the present law the bank can give you either a credit on its books, or sterling in London, or it can give you notes.

What is sterling in London, another note ?—Yes, we will put it that way.

So that my claim against the bank if I hold a note is for another note, is that right ?—Your claim against the bank is for purchasing-power.

But surely my claim against the bank is for another note, nothing more ?—It is for what the note represents.

When I accept a note I do so because I want my teeth seen to or some bread, food, clothing, and shelter; can the banks supply that ?—Yes, the claim you have against the bank can give you food, clothing, and shelter.

It is the community that render services, not the bank ?

Mr. Fussell: No, the bank renders the service enabling the people to turn the service and the property into a form in which it passes from hand to hand.

Captain Rushworth.] So if this good sound bank were not in existence we would all die ?—Not necessarily.

Excluding the money that is issued by the banks in the purchase of bullion and in the purchase of furniture, payment of wages, salary, and suchlike the great bulk of the money issued goes into circulation as a loan ?—I should prefer to say a large proportion.

A very large proportion ?—I prefer to say a large proportion. It is a matter of going into books in dealing with such a large organization, and speaking for several banks we cannot say too much verbally ; it means looking up records.

Can you suggest any other exceptions ? I will make a note of these : the payment for bullion, the payment for furniture, payments in the case of salaries and wages for staff, payments for rates, taxes, and payments for buildings I presume—are there any other exceptions you can think of where banks put money into circulation other than by loan—for instance, they pay dividends ? Dividends too ?—I think that is right.