

Do you suggest that money can be in existence?—Money can be in existence when it does not originate from the bank.

Give me an instance?—Gold coins.

Do they not originate from the banks?—No. You would not call money held by the Bank in New Zealand, imported here for consumption, as having originated in the Bank in New Zealand. Take gold coins, they originate from the Royal Mint.

Are there any other forms of money that originate from places other than the bank?—If you want a list of the different forms of money—

No, I do not want a list. I want an illustration only, any money that originates from some source other than the banks—you gave me gold coin; I accept that, is there any other?—If you say money, you must mean bank-notes.

No. I am going on Walker's definition?—That is not necessarily any connection at all with the total mortgages.

That may be, but I ask you if money originates from any source other than the banks—you have given me gold coins—are there any others?—Money does not originate in a bank because you can always go further back. If you see that a bank is issuing money in the form of notes you can go further back.

Would you say that the money goes through the banks?—To a large extent money goes through a bank, but it is not created by a bank out of nothing.

You say it does not originate with the bank, but goes through the bank?—The originations go further back than the banks.

Let me get this right. You gave me gold coins?—We have traversed all this before.

I know, but we are still at a loose end in regard to these mortgages. I am sorry, but I am determined to get there?—I suggest that if you want the information, you want a considered reply. I suggest you put your question in writing and you will get a considered reply.

I am not satisfied with that, because I know by experience that endeavouring to get a reply by letter you can spend a whole year and still be fencing at the end of it?—Are you suggesting that if you asked the banks a direct question that they would not give you a direct answer?

Why do you not give me that answer now?—You are asking me to put on behalf of all the banks a reply to your question without looking up or making any reference.

I did not realize that, I am sorry, you cannot answer it now?—I am not prepared to answer it.

The Chairman: It is understood that you are prepared to answer that question if it is submitted in writing. I think that can be accepted. I think there was a similar arrangement in connection with a question by Dr. Sutch.

Captain Rushworth.] I accept that, Mr. Chairman. The question of income-tax has been raised; the bank pays a peculiar form of tax: $1\frac{1}{2}$ per cent. on the assets and liabilities of the bank as declared by the banks' auditor, is that right?—Yes, that is correct, based on the average assets and liabilities for four quarters of the year, subject of course to the bad debts written off—income and tax-free securities.

You have left out the provision for the superannuation funds to staff?—That is included also.

You suggest that it might be good for the banks, particularly at the present time, if they paid income-tax in the ordinary way?—I say that the banks have suggested that.

If that were done they would have to submit returns and have their books inspected by the authorities just the same as other trading authorities?—I understand that the tax authorities have the right to inspect them now.

The returns would have to disclose reserves would they not?—I am not aware of the requirements of the Tax Department on the matter, but the suggestion of the banks is on a broad basis that they pay tax on the income earned.

To arrive at the income earned it naturally follows that the reserves would have to be declared, would they not?—If income is taken to reserves they would have to pay tax.

The income would not be taken into reserves until after it became income?—Quite so.

But the reserves would have to be declared?—Do you mean the amount accruing towards the reserves?

No, when the reserves have to be declared in the income-tax returns?—If the Income-tax Department requires it; you could ask the Treasury about that.

That would be the ordinary requirement in the usual form?—I am not suggesting the banks would be on any other basis than that of an ordinary trading department. I cannot speak for the Income-tax Department.

If the Income-tax Department required it the information regarding reserves would have to be disclosed?—I should say so.

At the present time that is not necessary; there is no necessity to mention reserves in the income-tax return?—The ordinary balance-sheet of the banks indicates that provision has been made for this, that, and the other reserves, the amount is not stated, is that right?—That is correct.

Have you studied Sir Basil P. Blackett's book "Planned Money"?—Yes.

[From cover-sheet—read by Captain Rushworth]:—

"Sir Basil Blackett has had a distinguished career both as a public servant and in business. He rendered brilliant service in the Treasury during the war, and from 1917–19 was Treasury representative in the United States of America and Canada. From 1919–22 he was Controller of Finance at the Treasury and represented Great Britain on the Financial Committee of the League of Nations. For more than five years up to 1928 he was the Finance Member of the Government of India, the Indian Chancellor of the Exchequer. In that capacity he was responsible for six budgets and his work in India is widely recognized as an outstanding achievement. On his return to this country he became a director of the Bank of England."