And since the public always understands particular causes better than general causes, the depression will be attributed to the industrial disputes which accompany it, to the Dawes Scheme, to China, to the inevitable consequences of the Great War, to tariffs, to high taxation, to anything in the world except the general monetary policy which has set the whole thing going. You do not agree with that ?—That is his opinion.

You do not agree with it ?—Not in its entirety.

In any part of it ?—I consider that any changes in the monetary system or monetary policy arose out of other causes.

He does not refer to any change. He says anything will be put up, except the general monetary policy, which has set the whole thing going, whether it is a change or not. You do not agree with it. That is the point I wish to make ?—I do not ally myself to the statement in its entirety. I do not mean to say that is an incorrect statement, because he has made no statement. He has said that anything else will be put up. But then he is going one step further back and implying, without saying, that it is monetary. But behind that monetary there are other causes which come into it.

In fact, you do what he suggests. You put up some other cause other than the monetary policy ?—Yes. For instance, the war debts would have a very large effect on it.

You apparently come within his definition of one of those who will say those things ?—I do not accept the comment. I would not say it was precisely accurate, because I have only mentioned the monetary. I think that what the economist Robertson said probably expresses my views: "No tinkering with counters will take us very far towards the discovery of an industrial system which shall supply both adequate incentives to those who venture and plan and peace of mind to those who sweat and endure."

Mr. McKenna has been referred to. I think you referred to him, the Right Hon. Reginald McKenna, Chairman of the Midland Bank. I am very interested in his speech that he delivered to the shareholders of the Midland Bank on the 24th September: "The average citizen will not like to be told that the banks do create and destroy money, and by these means direct the policy of Government and thereby hold in the hollow of their hands the destiny of the nation." You do not accept that ?—No. Because he was using "create" in a sense in which I do not understand it. If he meant that the banks create money out of nothing he was simply wrong. But I do not think he meant that.

There are implications here far more serious. I put it to you that they are clearly far more serious than the mere making and destruction of money. He goes on to say, "and by this means direct the policy of the Government and thereby hold in the hollow of their hands the destiny of the nations." Pretty strong, you know. Do you agree with them ?—I consider that that does not apply in New Zealand, and I interpret what he says as that a wise Government will accept wise financial advice.

Financial advice in the interests of the shareholders ?—In the interests of the country. For instance, if a Government said, "Shall we do what Germany did ?" the banker would say, "No; and if I can help it you will not get unlimited money with no provision at all for cancellation of the money and the debts against it."

I want to mention Keynes again, because he says that monetary policy is capable of determining our price-level and our destiny is in our own hands in regard to this question of price-level. Do you agree or do you think that monetary policy can determine price-levels ?—Monetary policy, as influenced by Governments, has determined price-levels to the extent that in Germany, as a result of monetary policy—unwise monetary policy, that is as distinct from the policy of such banks as the Bank of New Zealand—the German mark became less in value than the original mark by a million times a million, and the present reich mark represents a thousand times a million marks.

That was a very substantial increase in the general price-level in Germany ?—Yes.

How was that brought about, that increase in the price-level ?—By the constant issue of money without corresponding increase in goods.

So we come to my definition of inflation, increase in the price-level ?—Not necessarily. The price-level increased because the inflation was there.

The increase took place in the price-level you say because of the terrific increase in the volume of money that the German Government put into circulation without a corresponding increase in the volume of goods. Those are your words, or to that effect, I think ?—Yes. Without supplying the increase in goods, the Government simply issued the money to pay its own debts.

If there had been a corresponding increase in the volume of goods, the price-level would not have gone up I suppose ?—That depends upon the effective demand for the goods, because if the goods had been created—for instance, if there were pounds of butter to that extent—you can see that the price-level would not go up or it would not have been set where it was, because there would be a glut of goods.

And if the price-level can be raised by monetary policy I presume it can be lowered by monetary policy too, by the reverse process ?—Yes.

Is there any other way in which the price-level can be raised other than by monetary policy ?—Yes. The price-level can be raised by alterations in the supply of certain limited goods. For instance, the failure of wheat harvests in one country may increase the price of wheat, but that would not be a result of monetary policy.

If the money were reduced correspondingly, would that have any effect ?—Not necessarily, because for some commodities the price does not bear an exact ratio to the amount of money.

Monetary policy will cause an increase in the price-level, as you stated in Germany it did ?—It can. Unwise monetary policy can cause an unwise increase.