

the quantity of commodities in it are influenced by them. Take the case of a private individual. Is there any necessary relation between the quantity of money he retains and the quantity of commodities he purchases? The quantity of money he has is just the quantity of debt—of services due to him—which he has not yet parted with for something else.”

In point of fact, as far as the resources are concerned, the banks in New Zealand have at all times had ample funds to finance any industry that could show it could earn a profit?—Yes, that is the case, and at the present time they are very willing to do so.

So there is no difficulty from a monetary point of view in industry being pushed forward if it can earn a profit?—Not the slightest difficulty.

I would like to know whether you agree with the view expressed by Cole in an article recently in the *New Statesman*. He says, “Despite the assertions of the monetary reformers, there is under capitalism no persistent shortage of purchasing-power in relation either to the volume of goods on the market or to the productive power of society.” Would you agree with that?—I should say that is a sound and correct statement.

When it is said that Major Douglas put forward no plan, are you aware of the fact that book after book has been written to criticize the plans he has put forward?—Yes.

Here in this book of Cole’s; it says, “As we should expect, Major Douglas’s remedy for the economic situation involves some kind of compensation for the ‘deficiency’ of purchasing-power which he is at such pains to demonstrate. But the methods by which he proposes to achieve this object are both peculiar and complicated. He rejects two well-known methods of increasing purchasing-power—namely, an increase in bank credits and a direct increase in consumers’ incomes—the first because it involves an increase in costs and so leaves the ratio between costs and consumers’ purchasing-power unchanged, the second because it will lead to a rise in prices. As an alternative, which suffers from neither of these defects, he puts forward the following plan: On a certain day the Government shall decree that prices are to be reduced in a certain proportion.” Now his plans have been put forward repeatedly as a remedy?—As suggested remedies.

So that—I am willing to be corrected by Captain Rushworth—I do not follow the statement that he has not put forward any plan—the whole point of the analysis of the existing defects as he sees them is in order to put forward a remedy?—That is as I understand it.

*Captain Rushworth*: Can it not be a variety of remedies?

*Hon. Mr. Downie Stewart*: He puts forward some out of that variety.

*Captain Rushworth*: As illustrations.

*Mr. Fussell*: He has obviously advocated them as a cure; at least I should think so.

*Mr. Langstone*: He put forward a plan for Scotland.

*Hon. Mr. Downie Stewart*.] Yes. Reference is made to a book by Sir Basil Blackett. I have not the book, but I would like to ask either yourself or Captain Rushworth: Does he not expressly state in the preface that no institution and no person other than himself is in any way committed by the views here expressed? So that probably it is not within your knowledge, but, in point of fact, dissent from his views was expressed by his colleagues; at least objection was taken to him publishing them?—I have not heard of that, but I realized that in mentioning him to Captain Rushworth I should use caution.

There is one feature in the statement put in by the banks I would like to ask a question about. You were asked whether any specific improvements in the New Zealand monetary policy could be suggested by the banks as desirable from the viewpoint of restoring and maintaining general prosperity. I know the answer that you made. Do you not think there is any need to regulate and control the institutions that are doing banking business in New Zealand in effect without being subject to the safeguards that the trading banks are subjected to?—Speaking on a sound basis as a banker, I should say that safeguards are always necessary and should always exist where banking business is done.

It is within your knowledge that there are large numbers of firms in New Zealand taking deposits and allowing clients to operate by cheque?—That is the case.

Did the banks consider the question of whether there is any danger to New Zealand’s economic life by that unrestricted operation by outside organization?—Bankers have considered it in their own minds. My own view is that safeguards should exist which would ensure that people who deposit money, whether with these outside concerns or with the banks, should have their interests properly protected.

You have not dealt with that in your answer to the question?—No, the question was in regard to the New Zealand monetary system as a monetary policy, not as to the organization.

I thought it was perhaps a matter of public interest?—There is another thing I would like to say and that is that the banks have indicated elsewhere that they consider a change in the direction of cheaper credit would be an advantage and a desirability affecting the monetary policy.

If the banks’ reserves were monetized in the way suggested by Major Douglas, what would be the effect in your view?—If, as we understand it, and Captain Rushworth has indicated, that probably what was expressed is not what Major Douglas has in his mind—and I wish to be fair—but taking it that the suggestion is that the amount of those reserves be applied partly in reducing overdrafts, cutting out the amount of overdrafts, and partly in reducing interest—it is a reduction of dividends that reduces interest—it would reduce the banks’ resources.

Then in whatever way it was applied, would the fact not remain that they would not be available to you in times of storm?—That is quite the case. It goes back to the old saying, “We cannot eat our cake and have it.”

Would you care to express any opinion on the broad question of public policy as to the advantages of our present banking system as against socialistic banking or direct political control of banks?—It