

It would be possible by adopting similar means to monetize a great variety of frozen assets, would it not?—The Government would be able to obtain credit, but of course not to an unlimited extent.

Surely the Government could do the same thing—and they did do the same thing—in regard to a great number of frozen assets—unmonetized assets?—I should like to know what you mean by “frozen assets.” If that farmer had a farm against which he could get an advance it would not be a frozen asset. It would be an asset. I would not call it a liquid asset, but money could be obtained against it. What I define as a frozen asset is something which cannot be realized on at the time for its value at that time.

What asset would you describe it as?—As a farm I would say it is an asset of landed property.

It would be in the same category as any other asset upon which money could be raised or created?—Taking my definition of “create”—that is, making something out of nothing—I would not admit that money could be created against it.

Take the Macmillan definition?—The Macmillan definition to mean that the money was not issued against nothing, but against something?

In the case in point the money was created, was it not?—The money would not be made out of nothing at all.

When the banks received those bonds as collateral security did they not hand over anything in exchange for them?—They would hand over the claim on them by way of entitling the person to draw a cheque on them.

They handed over money?—That is a difficulty again. If they handed over a cheque they did not hand over money, but the title to the money.

They paid for those bonds by means of money in some form or other. Why dodge the question?—I wanted to be sure that I am not asked to say anything about money as excluding cheques. That is why I said a considered reply would be best. If I were writing it down I would say that when money is used cheques are excluded, but when currency is used cheques are included.

You understood my question—that that £10,000 was additional money to what had been in existence before?—It was evidence of the title to that money, but in the act of spending it, it was in the form of currency.

That is beside the point. £10,000 more money came into existence as the result of that transaction?—If you are using money in the broad sense to include the issue of a cheque.

I am talking of the subsequent operations. The cheque was subsequent to the creation of the money?—Not necessarily. You mean that if a bank grants a person an overdraft the money is created for it?

Is that not so?—No. If you went to the bank to arrange for an overdraft of £100 all the bank says is, “If you exercise a claim on us to the extent of £100 we will admit that claim.”

We are not talking about that, but of a case where the Government has deposited £10,000 with the bank for this Mr. A. One of two things happen, either the bank pays or does not pay for those bonds?—It all depends on whether the bank purchased them. They would hold them as security against a claim for £10,000. When that claim is exercised it is a claim on the bank by the person making it.

It is a claim on the bank for £10,000 of money?—Yes, in the broad sense.

And that money had no previous existence, or comes into existence that way. That is all beside the point. The real point is that in this instance an asset that was termed frozen was lying there and was being monetized in the interests of the Dominion?—I do not admit that to monetize all assets would be in the interests of the Dominion.

I am not suggesting that either. I am suggesting that in this particular case this asset was monetized in the interests of the Dominion?—I do not admit that that particular farm had any instrument or security over it. I consider the farm was unencumbered.

I agree there was no instrument over it. That is quite correct. Yet there was a connection between the volume of the money and the farm, because the value of the farm measured the volume of the money?—The farm is used as an indication of the economic standing of the person and the idea at the time was that persons who were comparatively well-to-do would take more by way of war bonds than those who had nothing.

So that if a bank had reserves—that is, assets in the same shape and form as this particular farm—it would be quite legitimate to monetize that asset in the interests of the nation without confiscating anything from the banks or their shareholders?—You mean it would be quite sound for the Government to say, “How much are those reserves? Therefore, will the bank purchase from us bonds to that amount?” That is, if the Government said “those reserves of yours are worth £10,000,” that would mean that the Government would be exerting its credit with the bank to the extent of that £10,000 in the same way as they do now when the banks discount Treasury bills for them. The same operation would be quite legitimate if made applicable to the banks. The point I wish to make clear is that—as was done during the war—it would be possible to monetize the banks’ reserves without confiscating anything from the banks or their shareholders.

You have seen Major Douglas’s proposals?—Yes.

You know that what he suggested was the monetizing of the banks’ reserves without confiscating anything from the banks. That was quite clearly demonstrated during the course of his examination?—No. I consider that it would be a confiscation. The banks have given their reply to that. The banks would be forcibly placed in the position of having assets taken from them to such an extent that they would not have the capacity to earn the profits they were entitled to.

You are forgetting the case of Mr. A., of the Waikato, whose farm was monetized?—In that case would the Government propose to give the bank bonds to the extent that they have reduced the overdraft?