

Is the policy in this country not the same as that in Great Britain?—I should not say so. If costs were reduced to a certain amount they only reduce a proportion of the total transactions. If they went down two points they might reduce the general price-level only one point.

Under dual control: Do you think the banks say it is a matter for the Government to act, and the Government says it is a matter for the banks to act, and because of that there is no action at all, and things are left to drift?—No. That there is any failure to agree—that there is a tendency on the part of the banks to push on to the Government their responsibility, and *vice versa*—is not correct. It has not been the case in New Zealand.

In referring to Neville Chamberlain's statement, he says, "The control of monetary policy is largely in the hands of central banks, and practical steps to give effect to the requisite monetary policy have to be taken by them"?—Steps are taken by them, and I agree with what you say. But, as has been referred to earlier, the State is sovereign and the central banks, I should say, would carry out the policy which would not traverse the interests of the State. In England, for instance, I do not know of any case where the Bank of England's policy is in direct opposition to the Government. They manage to work in co-operation. The banks have their own duties. The State, I should say, should not act as its own banker. That is my view of the matter. It is found in practice, generally, that banking services as such are efficiently carried out by private enterprise without political interference.

When you say "political interference" you do not mean parliamentary interference?—I mean the use of the banks as instruments of party government.

Do you not think the boot is on the other foot—that the banks possibly use influence on the Government or the politics of the country?—To the extent that it is the duty of the banks as advisors to advise the Government, I do not think that the influence of the banks on the Government would be subversive.

You think the interests of the banks and the rest of the community are mutual?—I think that is so.

We will take the case of a man paying 7 per cent. interest on an overdraft. The shareholders are going to get the benefit of it. Do you mean to say that the interests of the person who is paying the 7 per cent. and the person who is going to get it are mutual?—That is a different matter. In the community shareholders as a body have the same interests as members of the community as a body. But those of each individual member of a community may be at variance with those of anybody else.

If we are running New Zealand as a mutual concern on the basis of what you say under one definite control, would it be possible to make a profit?—I should say it would be necessary for the services performed to be paid for.

They cannot make a profit?—In the last resort I would say there is no profit. Profit is paid out by way of remuneration for some form of service.

If you are running any concern and at the end of the year you find out that after paying all of the charges you have a surplus, that is a profit?—Yes.

That means that that is a tax on the rest of the community who are that much poorer?—I would not say that is necessarily so. Suppose a company is run moderately well and has provided good service for the community, but makes no profit whatever. You say that company has not taxed the community at all. Another large company might produce the same service and give good value for the money and yet at the end of the year have something left over. I would say, "Well done, good and faithful servant."

That is good evidence. I mean to say there cannot be a profit without a loss. I heard you say there could not be a credit without a debit. There must be something to offset it?—No. In the matter of profit, then the human and psychological aspects come into it.

I am not talking about that. I am talking of the actual physical things people are getting. If you and I went on to the racecourse and you invested a pound on a winner and I invested it on a loser, you can only win at my expense?—Oh yes, in a case like that.

While I make a gain, somebody has got to lose?—Yes.

Well, if we commercialize things and put them into a profit and loss account, is that not just the same as on the racecourse?—Not quite the same. If I went down the road and bought a pound of butter for a shilling and brought it along here and you wanted it, and I sold it to you for 1s. 1d., I would be making a penny profit.

I should say that I would be losing it?—You are paying the penny for having the pound of butter delivered and not having to go for it. You are getting the service.

If it cost you a penny to deliver the pound of butter and I pay you a penny for it you would not make a penny profit on it?—Oh yes, I would. I would sell it at a profit for the results of my labour.

If you charged me 2d. on it and there was only a penny cost of your delivering it, you would be making a penny profit?—But you would not be making a loss because it would be worth while you you paying me the extra 2d.

If I pay you 2d. for what has cost you a penny, I must be making a loss?—You would not, because you would be receiving value.

If it was value for value, then who is going to make the profit? If we are going to have an equivalent of values, a *quid pro quo*, and it is going to be mutual, who is going to make the profit?—If the service is worth while for the person who purchases the service, I should say he does not make a loss. Take this simple case. If a person borrows money from a bank and the bank makes a profit thereby, but the person borrows the money and he makes a profit on that, the bank makes a profit out of him. Of course, I know that these things can be passed on and passed on, but you can see that if the service rendered is worth while for the person and the person can make a profit out of the service, you can hardly say that he is involved in loss. He would be making a smaller profit than if the bank gave him the service more cheaply, but the bank gives him service at a price which makes that service worth while.