

give you anything for it, that really means very little, because in the last resort, if you said to the banks, "Now just show that you can meet all your obligations and give tangible assets for what you owe," the banks would say, "All right. Then we will go into liquidation and show you we can do it." And they would call in £100 advance and give it to a depositor, call in another £100 and give it to another depositor, call in the whole lot and square the whole thing up, and say, "We do not owe anything to anybody but the shareholders. Here you are, shareholders, take the premises." But trade would be stopped. So it can be done, but there is no need to do it. All the time it is a debit and a credit, and by issuing notes it issues debts. The notes in circulation do not belong to the banks at all. They belong to the people, and the people are effective creditors of the banks.

I quite realize that if I do something for somebody and they give me an IOU and I could use that, there is an equivalent of services, there is an equivalent of value, but if we can go to some concern and get notes and the only cost has been the printing of those notes, there is not the same value.

*Mr. Ashwin.*] But is not the point this: That if a man expects to get value for money, when he has got it he must give value to get the money?—Yes, that is so.

And the bank only comes in between those two?—Yes. The bank is the middleman.

The bank is the middleman in that transaction, and expects to get value from one man and give it to another?—Yes. I thought I had made that point before.

*Mr. Langstone.*] There is more than that in it. But they are able to acquire real tangible assets?—But only against a debt. They do not improve their position. The position is this, that I have got the right to create to a certain extent. I could go along to my tailor and say I wanted a £10 suit. You could say I have not given him anything and I have got the suit, but I have got to pay him some time.

But if we all came along and said, "We are allowed to issue notes," we could issue ten notes and pay the tailor. There is a vast difference between the making of the suit and the issue of ten notes?—No. My credit would be £10 and my debt would be the notes in circulation against me, £10, and my position would be just the same.

If anybody comes to the bank and they want to redeem a note, all the bank says is, "I will give you another for it"?—I have already explained that if you did not want them to do it that way they could wash everything up, but nobody would be benefited by doing that. You have mentioned a few times about this costless issue. The real point is not the cost that it takes to print the note, although there is all the overhead expense. It is the debt the bank incurs when it passes that note across the counter. That is the main thing.

What debt does it incur?—It owes the note-holder the amount.

Yes. But the note-holder can only go back to the bank and get another note?—The job of the bank is not to enable the people to treat the bank as a great emporium where they can get everything. The bank enables them to go where they can get the things.

If the bank has got a lot of notes unissued it has only cost them the printing, but directly it goes out into the public it assumes a new character altogether. When it comes back into the bank and it is not in circulation, but has to remain there, it would be just as it was formerly?—No.

Why? It is not in circulation?—But once it has been out, when it comes back it does not cancel out the indebtedness of the bank. It transfers it. You come to the bank and you get a £10 note. That note immediately becomes currency and then you pay it back into the bank. The banks do not say, "We are worth £10 more." They credit your account. They say, "We are still owing Mr. Langstone £10."

Yes. But that is transferred in the community into goods and services to that extent. When it comes back into the bank the bank does not give us any services for it. They do the book-keeping between the individual and the bank?—And all the profit they make is just a return for the services that they perform. I would like to get at what fault you are finding with the present banking system, because any banking system at all, whether done by the State or elsewhere, would have to have a system whereby there would be debts on one side and credits on the other.

I am not finding fault, but I do find fault with the banks trying to cover up that there is any such thing as practically costless issue of credit, and that the banks have got to give value, a *quid pro quo* for all the credit they issue. I think that is where I differ?—I think that you might change your view if you talked the matter over. It is very hard to talk it over here, but if you studied and went into it more carefully, because, after all, the banks do not get any more value than they give. When a person pays a cheque into a bank the bank owes him that amount, but what value has that person given the bank? He has made the bank his debtor for £10,000, say, by paying that cheque in, and in a gold standard country the bank owes him £10,000 worth of gold. But what service has he given to the bank? He has only given them a piece of paper.

Where did he get the paper from?—He writes it out himself.

*Mr. Clinkard.*] Could you compare the note to a promissory note?—Yes. A note is a promissory note. And this point about it not being money while it is in the till of the issuing bank, that would be just the same as if you wrote out a cheque. You could write out a cheque for £1,000 and put it in your pocket. It is not an asset and not a liability, but once it got out of your hands it would be an asset of the person that had it and a liability of yours.

But when that cheque comes back to me, if I issued a cheque and had nothing to back it up with, but it circulated and went round half-a-dozen people, it would do the business of half-a-dozen people and come back to me. There would be no fraud in it. I would just destroy it?—No. Because you could not get it back without giving £1,000 for it.

But it originated from me?—Yes, I know; but you incurred a debt by operating with it.

But I am saying that I issued a cheque and I had no money or credit to back it up with, but it passed amongst the people and did the business of the people and came back to me again. I would