

that requires further consideration?—It is a debt due by the bank and you mentioned the case of whether they could repay the depositors in notes if the Government authorized them to do so. I say, “Yes. But those notes are still a debt of the bank. They have not repaid their debts.”

The depositors do not come into the question. The possessors of the notes, whether they deposit or otherwise, have a claim on the bank?—Yes. They have a claim on the bank.

What can they claim?—They can claim evidence of purchasing-power.

They cannot claim anything more than they have got?—The idea of currency is not to go to the bank and get from it something that a bank does not supply, but which the bank will enable you to supply.

I think the difference between us is this, that you are dealing in shadows and I am considering realities?—I think the reverse is the case.

It is quite obvious that the notes are representative of things that the community can supply—goods and services. The goods and services are realities, but what the bank supplies is only the shadow of those realities?—It is not. It is the evidence of those realities.

Yes. Evidence, that is all. You do not supply the commodities themselves, so that you cannot redeem them in commodities?—That is not the case. If the bank’s business was washed up, they would collect the debts due to them and they would pay the debts due by them, but that would not be in the interests of the country, and the Government, realizing that that is not in the interests of the country, have made notes legal tender.

And in making them legal tender they have removed any suggestion of debt by the bank to the community?—No. They have not.

Because the bank cannot, by the very nature of things, render anything to the community in exchange for the notes that they have issued?—You will remember that when notes are made legal tender they are made legal tender for a limited time, so as to remove any idea of debt.

For a limited time. But that time has been extended time and time again?—Yes. For the benefit of the country.

Or for the banks. It is immaterial?—I can say that it is to the benefit of the banks as banking institutions. The banks are part of the country, but I read that an English banker said that so low is the profit that the banks make on such business, that it would pay them to call up all their advances and repay all their deposits, and then to take their net assets left over and invest them in Government securities. They would make more money. So they are performing a valuable service, and the idea of having the notes legal tender I submit to you, that if you were Minister of Finance you would not suggest that the legal-tender quality be taken away from those notes.

That opens up a vista. If I were Minister of Finance I would have a fiduciary inquiry into the money system to start with. But money that is issued by the banks; you have laid great stress on the fact that that is out on loan and must be repaid. Originally, when all money was metallic, before the introduction of paper money, the money was coined at the mint and was put into permanent circulation, not as a loan. Is that right?—That does not get away from the idea of loans. Loans were probably as frequent then as they are now.

Possibly, but money generally was started in circulation not as a loan?—No. It is quite possible that the money did not enter circulation as a loan, but, of course, it was hoarded and kept out of circulation.

Yes. But the essential point is that in those days money started not as a loan and to-day it does start as a loan?—Yes. That is a fair enough comment. I am saying that the evidences of purchasing-power now start by way of a loan. But I would like to say the reason for that is that the evidences of purchasing-power at the present time are evidences of purchasing-power that exists. The purchasing-power exists and it is turned into evidences of that purchasing-power, and that is a wonderful service to humanity that that has been able to happen. If it were not, I should say most of us would never have been alive at all.

That is perfectly true, but at the same time it seems evident that those evidences of purchasing-power have got into the wrong box somehow. That is what we are trying to get at?—We will have to agree to differ there.

Naturally. I am representing the submerged tenth. You are representing the people on the box seat?—In other words, I am representing the majority.

That is a matter of opinion too?—You said you represented the submerged tenth. I submit that nine-tenths is more than one-tenth. So I represent the majority.

Not necessarily.

*Mr. Langstone.*] Nine-tenths have not got money in the bank?—I agree with you there.

*Captain Rushworth.*] Perhaps you can explain this—just a little local thing, but it illustrates the point: I was in Canterbury some time ago and they had at that time a great glut of potatoes, but no timber and no coal. I went across to Westland and as soon as I got over the ranges there were stacks of timber and a plentitude of coal, but no potatoes, and I made inquiries. I said, “Why do you not exchange your coal and timber here for the glut of potatoes they have in Canterbury?” Although there was a train running each way each day it could not be done, because there was no money. That was the explanation given. The potato-growers could not accept timber and coal, because they had to pay mortgage interests and county rates and things of that sort in money. Similarly with the coal and timber people. They had to have money to pay their debts?—I do not think that is a proper explanation. If they wanted the potatoes they could have accepted potatoes in exchange for the timber.

That is the point. The people who owned the timber and coal did not want the potatoes and *vice versa*?—Well, that is all right. If they do not want them you cannot make them exchange them.