

If you had a boot-factory, and you sold your boots, you would have either less boots in stock and more money in your account, or if you did not sell your boots, more boots and less money, but the bank is in a totally different position; if they purchase, then there is more money, and if they sell, there is less money?—Other things being equal, that is so.

They create and destroy money by that process?—They have the power to do that.

If it is in their power to do it, and that is the only source that money comes from, then, not in New Zealand only, because New Zealand is only a replica of the world, is it possible that the Bank of England have decided on a policy of deflation, therefore they have called in overdrafts, that demanded a huge amount of selling, and provided less money to buy those things, therefore there is a fall?—That is certainly not the case in the Bank of England or in any country connected with England by fixed exchange at the present time. It was the case prior to England's going off the gold standard in 1931.

You heard what Mr. Neville Chamberlain, the Chancellor of the Exchequer, said at the World Conference?—I heard him, but I do not know what you are particularly referring to.

He referred to the fact that going back on the gold standard had been a most deflationary policy; it brought about a tremendous amount of hardship and suffering, and he went on to say that prior to the war England would assist its customers by lending, but after the war, that position had not obtained, and therefore they had a period of chasing prices downwards, trying to establish equilibrium. It would have been all right if prices had remained stable, but as they took money out of circulation, prices began to fall just as rapidly, and therefore they had this vicious spiral in an endeavour to obtain equilibrium?—I think, and many people now think, that England made a mistake in going back to the gold standard in 1925.

He goes further and says that it is a monetary factor of raising prices, and he said it rests with the banks. He said that definitely in the statement he made at the World Conference. You had a meeting there, as well, trying to deal with the monetary factors?—We had two Committees.

And that was his statement definitely that it rested with the banks. Was he right or wrong?—In the long-run he is right. In the short-run, there are other things that take charge at times.

I do not know whether there is much difference between the short-distance run and the long-distance run. With regard to the lack of confidence, I suppose that must be something; I do not suppose there is any lack of desire among the great bulk of the people of New Zealand to buy things?—There is no lack of desire to consume things.

No; there is a lack of money?—Over New Zealand as a whole, no.

I was referring mainly to the working-people?—Amongst many of the working-people, yes.

The banks in their operations never touch the great bulk of the people; they are practically confined to business relations, people with assets and securities dealing with goods and the distribution of goods. The person who is working for wages or a salary has very little to do with banking?—I think on average most people on, say, more than £300 a year have a bank account. Or they did until the bank charges were raised.

How many banking accounts are there in New Zealand?—I could not say offhand.

I remember asking that question in Parliament at the time the charge for account-keeping was raised. I thought in the Post Office there were about eight hundred thousand accounts, and there should be something similar in the other banks, but according to Sir Henry Buckleton there are less than two hundred thousand in New Zealand, and some people have three or four accounts?—That is a good proportion. There are only about 550,000 breadwinners in New Zealand.

Taking the women, too? Many women have banking accounts. There must be seven hundred or eight hundred thousand adult people in New Zealand?—Two hundred thousand banking accounts is a very large proportion.

It is not as great as the proportion that have not got accounts?—That is so.

The point is that the system of banks as we understand it to-day cannot possibly reach that class of people that we are very desirous should be reached?—It is reaching them indirectly, because it is financing the industries in which they are employed, and the trade through which they buy their goods.

Do you not think that the only way in which they could be reached—it is not a question for the bank at all, other than that they are the instrument through which the thing may be done; the initiative really needs to be taken by the Government. The Government have legislative power which a bank has not, and a Government can pursue a policy which would be totally incompetent for a bank to do, by way of a policy of public works, or giving national superannuation, or increasing old-age pensions. The bank could not do that?—It is not the bank's functions.

But the Government could?—Yes; if it could get the money.

This is the point we want to come to; Do you think there is a void somewhere between the authority of sovereignty and the lesser authority that the banks have? Do you not think there should be some continuity of control between the Government itself as an issuing factor of the money necessary to stabilize prices and to give incomes to the people so that they can become effective consumers of the goods in the country?—I do not think you can run any economic system on a basis of giving any one anything for nothing. What you give to any one in the form of money must be return for some value, otherwise you are producing money without producing goods, and prices rise. You take from one set of people what you give to the other set.

Do the banks not get anything for nothing?—They render certain services to the community.

If people make a profit over and above paying for those services, we assume the ordinary services rendered to be the counterpart of that profit they have made?—The value that they receive for the services they render is determined like everything else by conditions of supply and demand.

That has all been paid for. That is not represented in profit; the profit is over and above that?—The people are willing to pay for the services the banks give.

It is not a question of willingness to pay; it is a question of what you have to pay. You were dealing with the bank balance-sheet, and say it showed the relationship between advances and deposits,