

I cannot give you the exact figures, but probably you might remember that on the 19th January in the year in which the exchange was pegged (1933) at 125 the cables showed that New Zealand butter was 2s. per hundredweight higher on the London market than the Australian butter. The Australian butter was then pegged at 125 and New Zealand butter was still 2s. a hundredweight higher. The day on which our exchange was lifted to the Australian level there was a similar position. I think if you studied the figures right through you will find that New Zealand butter is still 2s. per hundredweight higher than the Australian. If those are the facts, does that give the proof that the lifting of the exchange-rate in London had no effect on the sales?—It is very strong evidence in that direction.

And you have stated on two or three occasions this morning that in your opinion the export price-level has a decided effect on the New Zealand community?—Quite. It is the influence I think that makes booms and slumps.

That is exactly what I want. You have already explained this morning your opinion of the position of the London trade balance. Would you mind repeating your statement and show how they have operated over a period of years?—What particular point is it you want?

1929?—I cannot tell you at any time how much money the banks have in London, but I can tell you for any complete year or between any two quarters the changes that have occurred in the amounts held overseas on New Zealand account. Taking March quarters, between 1929 and 1930 the bank funds held overseas on New Zealand account declined by £8,300,000. For 1930–31 a further fall of £3,200,000 occurred making the decline in London funds £11,500,000 between 1929 and 1931. In March, 1931, the funds overseas would be considerably greater than they were in December, 1931. The exchange control scheme was started in December, 1931. I should say in December, 1931, the amount of funds held in London was at least £12,000,000 less than it was in December, 1929.

And if the British exporter received payment for the goods that he sold in New Zealand what effect would that have on the fund?—You are inferring that some payments were held up at that time.

Yes?—If further payments had been held up that would have reduced London funds still further.

And in your opinion if the exchange-rate is still pegged at 125 it will soon do away with the London trade balance if it is maintained at that rate?—If the community here know that it is going to be maintained, then I think imports will recover rapidly and the amount of money held in London will get down to something like normal levels.

We might get a boom in imports in the near future?—There is the possibility.

Did you deal with the position a few years ago when the New Zealand Government pegged the rate of exchange at 110?—The banks did that, did they not?

Oh, the banks pegged the exchange-rate at 110. Have you analysed that position?—No. But as far as I can see from figures, in the beginning of 1931 the rate went up to 110. By the beginning of 1932 there had been a considerable fall in London funds.

Can you give us any idea of the correct value at the time or the correct rate of exchange at the time? Should it have been higher than 110?—That depends entirely on what you base the rate of exchange on. If on the availability of London funds, which had been the practice all along up till that time, then I think it could have been maintained for the time being at 110 in the beginning of 1931. It was maintained throughout 1931 and 1932 at 110.

Funds had time to accumulate then?—Yes. They accumulated less when the fear of the high exchange came along and people were keeping money out of New Zealand.

But before the thing was mooted there was a tendency for funds to accumulate at 110?—Yes there was. Imports had fallen very low.

Was the 110 rate an artificial rate?—I have the impression that the 110 rate was imposed in the first place largely owing to Australian shortage of money in London and not New Zealand shortage of money, and that it was more or less artificial. As far as maintaining the balance of payments in London went, New Zealand could have carried on at par, but there was an acute shortage of Australian money and the New Zealand money was used for Australian purposes.

What about the economic effects?—The economic effects on New Zealand would have been that we would have had a very much worse slump than we have had.

In your opinion, then, the Government was quite justified in lifting the rate?—In my opinion, yes.

Would the Government be quite justified in lifting the rate from 125 to 135 to-day?—I think if the rate were to be raised to 135 there would be a tremendous amount of complaint throughout the country, particularly from importers.

Never mind about the importers for the moment. What effect would it have on New Zealand as a whole?—If we could isolate New Zealand from the rest of the world and consider only the effects inside New Zealand, it would give another £10 on every £125 to New Zealand exporters, and some of them need it pretty badly at the present time. But we cannot isolate New Zealand. When we did this last time Denmark did it too, and a little later the Argentine did it. At the present time there is a tremendous lot to be said for maintaining stability of exchange throughout the world as nearly as we can, and we cannot ignore the rest of the world. The fluctuation in exchanges throughout the world which we might well start, might mean more drastic restrictions against our exports to other countries, which might do us more harm than the rise in the exchange would do us good.

But by bringing the rate of exchange from 125 to 130 or 135 it might give the New Zealand Government a profit on exchange balances?—On the exchange balances which they hold overseas? If they were to lift the exchange to 135 and later to sell at 135 all the money they bought at 125, the profit would be there.

Is the New Zealand pound the same as the English pound?—No. The New Zealand pound is worth 16s. in English money.