rate. If I am his buyer, I land in New Zealand with a letter of credit indicating that I am to purchase that amount of wool at any price I like to give for it per pound. There has been no goods or money sent to New Zealand, then who provides the money for the price that has been paid for the increase in the price of wool in New Zealand ?—That is really outside the scheme I have put to you this morning ; I could give you a snap answer ; if you want a serious answer I will need notice. The orthodox answer is that his firm establishes a credit in New Zealand which exchanges with the credit in London.

It is admitted by bankers themselves or by anybody who studies the banking question that bankers do create money and that they destroy money, and it is the destruction of the money that is the cause of a great many of our difficulties to-day ?—I thi k that particular way of putting the matter, while very important, has been overrated. The fundamental factor—I am asking for the indulgence of the Chairman for going outside my brief—is the fact that the actual creation of the money takes place at a point, as you might say, which is not that of the creation of the goods, and the creation of the money is regarded exactly as a creation of wealth is regarded on the opposite side of the ledger, and therefore when a bank issues this money and lends it, it claims that thereby wealth is created. It is quite true that the actual purchasing-power subsequently is destroyed, but the fact is that it creates a thing which at any rate in the eyes of the public is equivalent to actual wealth, and it is creating that at a point which is not the same as the point where the actual wealth it claims to represent is created, so that you have what is in effect a double-entry system which should in that conception be only a single entry. For instance, as I have very often given as a very simple illustration, if I own a railway company and some one entirely unconnected with me sets up a ticket office and sells tickets which will be accepted as good tickets for the seats on my railway, then quite obviously for all practical purposes, for the purpose of controlling the transportation on that railway, and for every other purpose, it is the ticket office which has got control of the railway. That is exactly the position of the monetary system in regard to general business ; an actual service which is a physical system of actually turning something into something else. The ticket or monetary system is something else again, and it is plainly the rightful property of the people who produce the services which can be obtained by tickets, and that is, I think, proved beyond discussion from the fact that the creators of money make their claim to repayment on the ground that you can get real value with their tickets.

In other words, they are getting money wealth, but no values are produced ?—Certainly, if we did not agree that that was the scheme under which we were to pay.

Mr. Schramm.] How would the wage-earner, under the scheme suggested, get the preference or debenture shares ?—He gets those on their being allotted to him on his application, and paid for out of the fund which is created by Suspense Account No. 1 derived from the hidden reserves.

And if there were no funds credited to this Suspense Account, he would not get the shares ?—I think you might safely leave that question until you discovered what the reserves were.

But if there were no reserves ?—You would get no shares.

If there were reserves, you would have a provision whereby all those wage-earners would get preference shares ?—Or debentures, yes. Perhaps it would clarify in your minds what I have in mind if I explained further.

What I am really interested in is : If a scheme can operate for any banking company in the world whereby the wage-earner can go along and out of the Suspense Account be allotted shares for which he has not paid ?—He has paid, but not in money.

You mean the Suspense Account has paid ?—The Suspense Account has paid for the shares in money, but he has or his predecessors have paid by creating the values to which these shares refer to.

I suppose your scheme would apply to all banks functioning ? Would you outline the scheme governing the issue of the shares ; what sort of a legal effect would it have, governing the issue of these preference shares to workers whereby they themselves would be paid the value ?—I do not see anything in that question which is not provided for in this scheme.

The present banking system is governed by the present banking laws ; you would have to alter them so as to allow them to get these preference shares ?—You would simple carry out the proposals which are laid down in that scheme.

You would have to alter the present banking law, which makes no provision whereby preference shares can be allotted to workers and payment made out of a Suspense Account ?—You have to create a Suspense Account in the same way as you have to limit dividends to 6 per cent. That is provided for in the scheme ; there is nothing in that which traverses the existing financial system as a system.

I do not see how you can do it, seeing these banks are governed by regulations. You would have to come to Parliament and have a special law passed altering the provisions governing these various banks before you can issue those shares to workers ?—You would quite obviously have to apply some supreme authority to the banks which would insist that these provisions be carried out. I am not suggesting that you immediately put that into operation, but presumably you want to get something done.

You would have a tremendous rumpus with the banking authorities if you put the scheme into operation ?—I am suggesting that this is a way to have that rumpus.

To give the workers the shares out of the Suspense Account ?—Yes.

There are 75,000 unemployed in New Zealand. Can you tell the Committee in what way those 75,000 unemployed would reap any material immediate benefit from your present scheme ?—Yes, they would reap this benefit from this present scheme : That a large number of business concerns which are now on the verge of bankruptcy as a direct result of having overdrafts and having to pay large sums of interest on these overdrafts would be prevented from going into bankruptcy and would be