

You think it is a fair thing to dip into the reserves and profits of these banks and in a sense confiscate them?—I do not think it is a question of confiscation at all. There is a Spanish proverb which says, "He who robs a robber earns a hundred years' remission," and I regard these undisclosed assets and many other assets as being quite unjustifiable.

Do you favour or object to the institution of the Reserve Bank?—You would like my frank opinion?

Yes?—I regard the prime objective of the institution of the Reserve Bank in New Zealand or anywhere else as being one move in a project to take the control of finance from out of the hands of the Government of the country in which it is carried on and to link it up with international financial systems.

Do I understand that these proposals are applicable to New Zealand only, or would you apply them to England?—No; I should apply much more far-reaching proposals to England.

Have you put a proposal such as this before the authorities in England?—Not in that form.

Or any other countries? Have you tried them anywhere else?—Do you mind if I suggest that that would be dealing with questions outside the present meeting.

You have very clear views on the monetary system, could you briefly expound them?—You want a general sort of idea?

Yes?—The idea which underlies the whole of my contentions is that a correct monetary system should be a reflection of facts, of physical facts—that is to say, that wealth does not consist in monetary tokens, and cannot under any conditions exist in monetary tokens. A monetary system can powerfully and does powerfully affect either the production of wealth or the distribution of wealth, and impedes it, because of the assumption that the production of wealth is conditioned by the accounting of it, so that if you have a condition of affairs such as you have at the present time you can have the condition which we consider does exist, for which we have any amount of evidence in various ways, that you may have a world which is actually very wealthy from a physical point of view, but you may have people who are so possessed by an erroneous idea of things that they will say the world is very poor and that only economies are possible; it is the only policy which can be pursued. From our viewpoint that is an obvious contradiction, and we should say that it does not point to the fact that the world is poor, but points to the fact that the accounting system does not reflect the facts. The first objective of anything in view is to make the accounting system reflect the facts. When it does reflect the facts we then say it is quite a legitimate object, or subject, for the exercise of sovereign policy as now normally exercised through the Government of the country as to what disposal shall be made of the ascertained wealth or the rate of production, which is a more accurate description of what goes on, but while you have a condition of affairs in which you have an accounting system which suggests poverty and stringency, while you have a physical system which contradicts that statement, you cannot get any further.

*Hon. Mr. Downie Stewart.*] I am interested in the philosophy behind this proposal, and I gather from what you said just now that you think the scheme justified because you are, as you say, robbing the robbers?—Perhaps I should prefer to say that circumstances have put these organizations into a position in which, whether they have a conscious desire or not, they are in fact in the position of being the unjustifiable recipients of wealth.

Have you not accepted in your own writing the fundamental principles of British and New Zealand systems of society—namely, that you do not dispossess a man of his property without compensation?—I am not proposing to dispossess any man.

Well, assuming that a small tradesman, a working-man, or a widow bought a few shares at the present market prices based on the present dividend in the Bank of New Zealand. You are cutting their capital down by half, are you not, by cutting down the present dividend of, say, 15 per cent. to 6 per cent.?—As things are going on at present there is no possibility whatever of the present banking system continuing for any considerable length of time, even three, four, or five years, without a complete catastrophe—complete breakdown of the existing system—and in that case I am not taking away anything from that man; I am preserving half of his capital from ruin.

That is on the assumption that your view as to the future of the banks is correct?—The whole thing is based on my assumption of what really would happen to the banking system.

Then, in effect, that means confiscation whether you approve of the present system or not?—No, it does not from my point of view. It will be quite possible for him to receive only 6 per cent. instead of 15 per cent., and if the price-level were to fall by a proportionate amount he would be just as rich as he was before.

Take it from another angle. Are you aware that the banks in New Zealand on either their subscribed capital or paid-up capital do not pay more than 6 or 7 per cent. now and their dividends are made up from the income from their reserves?—If they do not pay more than 6 per cent. or 7 per cent. on the average now, the shareholders are not hit and they cannot have any objection to disclosing their reserves.

Then no benefit accrues to the overdraft owners, or the people who are holding the overdraft. If, in point of fact, the dividend on shareholders' capital is not more than the amount, how are you going to limit it?—If there are no undisclosed reserves—

You are not touching the dividends earned on the reserves at all?—I am going to distribute the reserves, the undisclosed reserves.

The limitation of the dividend is 6 per cent. If it is at that rate now on capital (excluding reserves) the scheme falls to the ground before it starts?—No, I cannot permit that. The undisclosed reserves of the banks are appropriated to the reduction of the overdraft and in the main to producers—that is to say, farmers—to a very large extent.

But I am dealing with the dividend now. You limit the dividend to 6 per cent. Then you do not touch that part of the dividend which the shareholders received from the reserves at all as a