

dividend?—Yes, I do, most certainly. They have now in England a provision which is part of the company law that you only distribute as dividends earned profits. If they are distributing dividends which are from concealed reserve they are breaking the law.

The object of the limitation of the dividend to 6 per cent. is to prevent the banks from paying 12½ per cent. or 15 per cent., or whatever they are paying at present?—May I rephrase what you are saying for the purpose of answering? That the profits of banks are partly distributed in the form of actual money dividends, and they are partly put to disclosed and undisclosed reserves which are not represented by any money at all. They are represented by either correct or incorrect price values which are not represented in any way by money. You can monetize those price values at any time you like, particularly through the mechanism of the banks.

I am sorry to say I am speaking specifically on the proposal to limit the dividend to 6 per cent., but, in point of fact, you are not limiting that part of the dividend that makes up the present dividend which the public consider excessive. You are limiting that dividend to what should be paid out in respect of the subscribed capital. If, in point of fact, only half the dividend is paid from that source so far as the limitation of the dividend is concerned, you have not touched the main point. If only half of it is paid the other half comes from the reserves, and those reserves are the essential features of the banks' system?—Well, in other words, you say that the amount earned by the charges made for overdrafts represents only half of the banks' dividend approximately, and the rest is monetization by the methods of the banking system, of the price values held by them as reserves.

It arises as an ordinary investment. The banks, in order to be secure, claim that they must have reserves about equal to the capital?—Then, what you are saying really means that in order to pay half the dividend of the bank the bank creates money to the extent of half the dividend on the basis of its disclosed or undisclosed reserves and pays that away as a dividend.

That is your way of putting it; the popular way of putting it is that a bank earns half its dividends from the ordinary business and half from the reserves?—Yes; but I am really wanting to establish a question of fact.

Well, mine is a plain statement of fact?—Half the dividend of the banks is the creation of new money on the basis of disclosed and undisclosed reserves.

Well, that opens up the whole question of your theory as to banking, does it not? I do not want to do that at this stage. You say it does not make any difference whether it is on the subscribed capital or the paid-up capital?—No, but I think the question is very much wider than that. I am prepared to give you either you like.

You are aware, of course, that a great number of men trade on an overdraft for their own convenience, because they can make better use of the money—wealthy men—they would share in this reduction the same as any one else?—I have no objection. This is not in any sense a class question. In my opinion everybody is almost equally hit by the present banking system, except the banker.

Assuming the case put by one member of the Committee that that amount that you are going to transfer to the Suspense Account is £1,000,000. Would it surprise you if you were told that it would not make a difference or more than 1 per cent. reduction in the overdraft altogether?—That statement does not at the moment convey any very clear impression to my mind.

It is a question of fact; it depends on what the overdrafts in New Zealand are and what the reserves are?—I defer to your superior knowledge of the actual situation. I should think it is extremely difficult for any person to say what the undisclosed reserves of the banks are.

Take this further question. You are appropriating the difference between their book values and the market values as marketed under ordinary business conditions. What if the banks write up their assets to the market value, then there is nothing to appropriate?—In that case they will have to show a dividend of several hundred per cent. which will immediately be appropriated. The writing-up of your reserves will increase your profits.

No, why should it?—They will put something to their assets in a given year which was not in the assets the year before.

You have no objection to writing up their values to what you call their market value?—Not if one appropriates the difference between 6 per cent. and the value of what it ought to be.

It is not the dividend you are appropriating, it is the capital?—Yes, but any increase of capital which is obtained from trading should be shown in the balance-sheet as between the 31st December, 1933, and the 30th December, 1934, as profit.

Do you mean to say that if your premises in Lambton Quay, instead of appearing in the balance-sheet as, say, £1,000, as they may have been written down to, appeared at £20,000 that they increased their earning-capacity?—Not at all, but if you show that in the balance-sheet you would have a net profit of £19,000 in that year.

No?—Then I am afraid I do not understand the meaning of a balance-sheet.

You say that this is a method of securing for the general public the property of the banks?—No. May I make a more clear distinction on that point. I do not want to take the property of the banks or any one else, so far as the administration is concerned. What I do want is to provide the public with the purchasing-power which will enable them to use the production of those undertakings, and in taking away the purchasing-power from the banks I am not taking away their property.

No, but in explaining your scheme you suggested that this is part of a scheme for securing the property belonging to the public to the general public. When you were making your verbal statement I wrote down these words, "This is the property of the general public"?—The property of the public, which is the only property it has, is in consumable goods, together with the right, in my opinion, to so direct the general assets of the community that they shall be supplied with the consumable goods that they require and which can be produced. That is not the same thing as taking away from the administrators of the capital assets of the country their powers of administration. What I am con-