

cerned with is that they shall so administer this property that the general public can get the goods which they produce.

My point was that you are purporting to secure to the general public, but in point of fact you are only giving it to those people who happen to have an overdraft at that bank which is fluctuating. You are not securing it to the general public, except in a very indirect way?—In order to secure it for the general public it is necessary to take steps which go considerably beyond these. Those steps have to be based on the acceptance of propositions which do traverse the accepted propositions of the existing banking system. These proposals are specifically said not to go as far as, in my opinion, one ought to go; they are preliminary proposals.

I find it difficult to come to grips on the question because of the statements you are now making. When you referred to it before you spoke of securing the property of the general public to the public and writing off the overdraft to the general community?—Quite obviously every one of these phrases requires definition and my definition of the property of the general public might possibly not agree with the orthodox accepted statement, and I should have to establish that and the way that I should want to establish it, if I were in a position to do so, would be that it is the way which will enable you to make the most practical use of those facilities which do physically exist.

Well, there is one other point: Dealing with insurance companies, I am not clear why this scheme is limited to banks and insurance companies. Take all the firms who take deposits from the public and who deal in credit which is drawn from the banks for the use of the public—the stock and station agents, for instance—they go free do they?—Is that a local phrase?

They finance the farmers and make advances to them and generally they conduct a banking business within their own boundary?—Where do they get their money from?

From the banks mostly?—So that they are really agents for the banks?

They are an enormous feature in New Zealand's economic life?—As agents for the banks?

Well, in so far as they are dependent on the banks. They are not touched by this scheme at all?—Well, the scheme as put forward is a scheme in outline only. If it was generally considered that the people you mention ought to be brought within the range of the scheme I should have no objection.

You know the saying, "A true test of every reformer is to make him reduce his proposals to the clauses of the Bill." I am trying to see how it would appear if it were put into a Bill. Take this question of insurance companies, you suggest that they should rediscount their reserves with the Reserve Bank. What is the actual effect of that? Assuming they have their money invested in mortgages due years and years hence, would it be proper business for the Reserve Bank to take every one of these more-or-less fixed securities over a long period in order to enable this dividend to be paid?—Well, there are always two ways of approaching these things, perhaps three. The first is, "Has it been done?"; the second, "Can it be done?"; and the third, "Is it desirable that it should be done?"

*Mr. Lye.*] Should not the third one come first?—I think, "Can it be done?" should come first, perhaps "Is it desirable?" second, and "Has it been done" third. I think the answer in this case to all three is, "Yes." It can be done, obviously.

*Hon. Mr. Downie Stewart.*] It is not the usual business for a bank to do?—It has been done and is being done in the United States at the present time, which is what is referred to as liquidating frozen assets and it is desirable that it should be done in order to give more purchasing-power to the public.

Perhaps I should say that it is the major policy of the banks not to tie up their funds more than necessary, to keep them as liquid as possible, and if you load on to them all these long-term securities of the insurance companies that is a new feature of business altogether?—You see, one is always met with these difficulties in regard to this matter that the banking system at the present time seems to oscillate between the suggestion that it is an ordinary business concern with the sole object of making profits and that it is not an ordinary business concern, but is identified with the general interests of the whole community. Now, if you take the second point of view, with which fundamentally I would agree, that it cannot be considered at all as an ordinary business simply concerned with making profits, the answer to your question is that it is desirable in the general interests that it should take on that business.

Yes, but take the question of mutual insurance where the profits are distributed amongst the shareholders. Why should those profits be appropriated for the benefit of other people?—Even those concerns which are mutual and distributing their money profits do not distribute sufficient money from the fact that they have undisclosed reserves to monetize the whole of their value. This question is not a question of distributing actual physical property so much as providing sufficient purchasing-power to enable that property to function as a producing concern.

Some businesses have accretions which will not be distributed for fifty years. Their business would be shot to pieces under this scheme?—In saying that you force me to break entirely fresh grounds. The whole idea of setting up reserves or even creating debts is completely unscientific. There is absolutely nothing in the physical circumstances under which the present world is worked which can be remotely associated with the word "debt" or the word "reserve." The two ideas are completely separate. I began my remarks by saying that what we have to do in order to get out of this jam is to get the financial and accounting system to form a fairly close connection with the physical facts, and the questions that you are bringing up really traverse the whole of that idea.

Let us suggest that, going back to the banks again where they operate in other countries, there has got to be a proportion of allowance for external business; do you anticipate any difficulty in segregating the operations and assets of a bank which is operating in both Australia and New Zealand?—I do not think it is an insuperable difficulty by any means; it is not a difficulty which is out of proportion to the results obtained.