

I only mentioned it because in assessing it for income-tax we have found it so difficult to get a true distinction between the local earnings and the Australian branches. We may be able to assess on their capital without regard to any attempt to segregate the assets?—That I think is very largely because, as somebody more or less connected with banking described it, “A bank is an institution which publishes a fraudulent balance-sheet at the end of each year.”

The general principle underlying this is that the banks and insurance companies are in a peculiar position, but if it is that there are other agencies in New Zealand using what we will call social credit, would the same principle apply to them all round?—Where any institution directly affects the actual amount of monetary tokens or purchasing-power at the disposal of the community, most certainly. The answer is “Yes.”

You would not in any way compensate all those people who lose half their value in the operation of this scheme; I mean the shares of the banks in New Zealand are held very widely by hundreds of people?—Yes; I gave you, I think, two or three answers to the bank question, and I think could give you two or three more, as a matter of fact, quite easily; but the question really does go deeper than that, and that is, that at the moment we are discussing the question of altering or dealing with the monetary tokens which are involved in the existing financial system. Now, it is perfectly true, and I accept it at once, that this is only dealing with half a question. The other half, and probably the more important half, is the question of price, and the question of price of shares which you are discussing comes in there, too. But to deal with the question of price traverses the orthodox financial system, and anything I say about that would simply be met by possibly a flat denial on the part of others, so that I think it comes into the proceedings at a later stage.

How are those native-born New-Zealanders selected for the purpose of giving them the right to those new shares?—On the basis of passport, over the age of twenty-one.

But I am assuming that there are hundreds of thousands of native-born New-Zealanders; it would be a long while before every man had his share, would it not?—That is so. You have involved in that proposal the opportunity to exercise a certain discretion. You may have an issue of preference shares in some undertaking, and a man says, “Oh, no, I do not think so well of that,” and he does not apply for them, and will apply for the next issue, and so forth.

But assuming 20,000 people applied and there were only 10,000 shares to be issued?—I should reduce the value of the shares and issue more shares.

To whatever number of applicants there were?—If there were originally £10 shares, I should probably make them £1, so as to have sufficient shares to distribute.

*Mr. Massey.*] Following upon the Hon. Mr. Downie Stewart’s question, in your opinion do the banks and insurance companies of New Zealand have a monopoly of credit in New Zealand?—The complete answer to that, I think, would require a knowledge of the exact relationship between the banks not trading solely in New Zealand and the other banks and Treasury of New Zealand. That knowledge I do not wholly possess, and anything that I should say in reply to that would have to be conditioned by want of knowledge as to the actual facts.

Under your proposals you say that you would value the assets and reserves of the banks and of the insurance companies: how would they be valued?—They would be valued where there are parallel assets at the value which is set against parallel assets, by which I mean, where you have 100 shares in A stock, those would be valued at the price which would be obtained for somebody else’s 100 shares in A stock, assuming that large blocks of property are not thrown on the market at the same time.

Then, under your proposals, you would hand to the public 50 per cent. of the value of the assets?—No. Evidently this is a matter which is not clear to you. You would hand to the public purchasing-power equal to, in this case, 50 per cent. of the unmonetized value of those assets. It is not handing over those assets to the public; it is increasing the amount of money which the public have at their disposal by the amount of an undisclosed reserve which is under that condition only represented by a price value and not by purchasing-power.

When it comes to the question of valuation, in view of the fact that we are an exporting country and actually are compelled to accept the price-level of the world for what we export, do you not consider the price-level should have a direct bearing on valuation?—Obviously.

I just want to follow that up, and ask what the immediate effect would be, if your proposals were adopted, on the wage-earner of the country and the producer of the country?—Taking these particular proposals as they stand, it would have a tendency to raise the price-level, and so far as the wage-earner is concerned it would have a tendency to increase employment, and also it would put him in a more favourable position to buy what is available. In so far as the rise in the price-level was reflected in consumable goods (which in the first place it would probably not be), it would make it clear that proposals in regard to dealing with prices were also necessary.

Under your proposals do you actually distribute the reserves created by the mutual insurance companies?—No, sir; I am sorry that it seems so difficult to make this point clear to you. If you say that the power of creating money to correspond with existing price-levels resides in the owners of those reserves, then what you say is correct; but you are making an extremely momentous statement if you make that statement. What I am saying is that I would put at the disposal of the public the purchasing-power represented by the difference between those two price values, which is something quite different.

May I repeat another question: What would be the immediate effect if your proposals were put into operation on the dairy-farmer, if you take into consideration the fact that approximately 80 per cent. of the dairy-produce in New Zealand is sold in the markets of the world?—The effect would be immediate on the producer in so far as the producer is overdrawn. It would decrease his overdraft and would therefore release to him additional money which is partly required for the purpose of reducing the overdraft on many occasions, and further would mean that he would be charged less