

WHAT HAPPENS TO MONEY?

Does It Stay Here Or Does It Leave The Country?

One of the results of Parliamentary broadcasting has been a great increase in the number of people interested in public finance. The Budget debate in particular has made people ask how money leaves the country, if it does leave, and what happens to it if it is not true that it is sent out of the country. We have therefore asked Dr. W. B. Sutch to answer these questions in non-technical language.

THE Budget debate has raised an interesting question—how does money leave the country?

The operations of the Post Office may furnish a clue. Does the Post Office send any money from Wellington to Auckland to make payments, say, for money orders? The answer is "mainly no." Many people in Auckland remit money to Wellington, just as many in Wellington remit it to Auckland. This means that money—notes and coin—is being paid into each office and being taken out of each office, and as long as the book-keeping is kept straight, the money can keep on going in and out of the Post Office in one town for weeks on end. Yet at the same time it assists in settling a great number of transactions taking place all over New Zealand. It would not be the usual thing for coin or notes to be sent from one office to another.

Money Stays In Its Own Territory

Generally speaking, actual money does not leave a particular district unless someone posts it away in an envelope or takes it away in a pocket book.

Now—does money go out of the country? Is it any different from the Post Office procedure? If a man wants to send "money" to London, he goes to a bank and asks for a bank draft—which is a document something like a money order. He sends this away and the person in London to whom he owes the money takes the document to his bank and draws out money in English currency. But no money moves from New Zealand to England.

Similarly, customers of banks in Australia, England, the United States, Japan, Java and France and so on are sending drafts to New Zealand instructing the New Zealand banks to give New Zealand money to the New Zealander who presents the draft. However, no money is sent to New Zealand. Otherwise our banks would fill up with Australian pounds, English pounds, American dollars, Japanese yen, Javanese florins or French francs. What happens is that these foreign banks keep accounts with New Zealand banks and New Zealand banks keep accounts with them, and at the end of every week, month



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DR. W. B. SUTCH

or quarter—the period of time doesn't matter—the accounts are added up.

When Payments Do Not Balance

If they balance—well, there is no problem. Let us assume, however, that more money has been paid out in England for New Zealanders who had bills to pay there than has been paid out in New Zealand on behalf of Englishmen who had bills to pay in New Zealand. In this case the New Zealand banks would owe the English banks some money, and it would be English money.

It is of no use our banks shipping some New Zealand pound notes because the English people cannot do business with New

DR. W. B. SUTCH
Answers Some Questions

Zealand currency—no more than we can do business with Italian lire. Well, where do the New Zealand banks get English money? The usual procedure is to export butter, cheese, lamb, wool, and get it by the sale of these goods. And every year this English money, New Zealand's "sterling funds," is used up in paying for our imports and in paying the English bondholders the interest on our debt, and in making other payments to English people due to them from people in New Zealand. But no money passes from here to England.

Some Foreign Money In N.Z. Banks

But banks in New Zealand do keep a little foreign money—probably brought here by travellers, just as a Wellingtonian could pay a debt in Auckland by taking the money there in his pocket-book. Occasionally also some money gets posted from country to country. But dealing with our overseas financial transactions is mainly a matter of book-keeping—not a matter of physical transportation of money.

How then have some people "sent their money out of the country" during the last year or so? They had money on deposit in the bank. They said—"We want money in Australia or England." The bank thereupon cancelled the deposit corresponding to the New Zealand value of the overseas money asked for, and placed overseas money at their disposal. All that happened was that the overseas funds of our banks were depleted by the amount asked for. It is clear that when people "send money out of the country" it is not sent out. What happens is that the New Zealand banks lose some of their overseas money.

WHAT SHALL WE EAT?

NEVER was there so much interest in diet as there is to-day, and never perhaps was there more confusion of instruction. Schools of thought, or perhaps it should be schools of eating, range from those who declare that all food should be uncooked up to those who say eat what you like and don't worry your head about it.

Meanwhile, despite the fact that this country has the best death rate in the world, health statistics are not reassuring. There is, for instance, our faulty teeth, and the prevalence of goitre.

What then shall we do?

The National Broadcasting Service has obtained from Dr. Elizabeth Bryson, a well-known Wellington doctor, what we believe will be a valuable guide.

This is a series of eight talks called "What Shall We Eat?"

Dr. Bryson is no faddist. She is not going to advise people to live on nuts and grass. She believes in common sense, but she also believes in science. She believes that we've got a lot to learn from nature. She is not, however, one of those people who think that eating is a pure matter of science.

She holds very firmly that eating is partly a social matter, and that good temper and a quiet mind are necessary aids to digestion. "The healthy person," she says, "is the person who enjoys his food." And there is such a thing as the fun of eating.

You may gather from this that there will be entertainment as well as instruction in these talks of Dr. Bryson's. They begin at 2YA on Tuesday, September 5.